

EXHIBIT

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SEP 22 2016

Kansas City Power & Light
Greater Missouri Operations
(GMO)

Missouri Public
Service Commission

Case No. ER-2016-0156

Prepared Surrebuttal Testimony of

Donald Johnstone

On behalf of

Office of Public Counsel
(OPC)

September, 2016



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

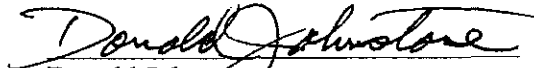
In the Matter of KCP&L Greater)
Missouri Operations Company's)
Request for Authority to Implement) Case No. ER-2016-0156
a General Rate Increase for)
Electric Service)

AFFIDAVIT OF Donald Johnstone

STATE OF MISSOURI)
)) ss
COUNTY OF COLE)

Donald Johnstone, of lawful age and being first duly sworn, deposes and states:


1. My name is Donald Johnstone. I am the owner of Competitive Energy Dynamics, L.L.C.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.


Donald Johnstone

Subscribed and sworn to me this 2nd day of September, 2016.



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


Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

Before the
Missouri Public Service Commission

**Kansas City Power & Light
Greater Missouri Operations
(GMO)**

Case No. ER-2016-0156

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Before the
Missouri Public Service Commission

Kansas City Power & Light
Greater Missouri Operations
(GMO)

Case No. ER-2016-0156

Prepared Surrebuttal Testimony of Donald Johnstone

1 Q PLEASE STATE YOUR NAME AND ADDRESS.

2 A My name is Donald Johnstone and my business address is 384 Black Hawk Drive, Lake
3 Ozark, Missouri, 65049. I am employed by Competitive Energy Dynamics, L.L.C.

4 Q ARE YOU THE SAME DONALD JOHNSTONE THAT PREVIOUSLY SUBMITTED REBUTTAL
5 TESTIMONY IN THIS PROCEEDING?

6 A Yes, I submitted rebuttal testimony on behalf of the State of Missouri's Office of Public
7 Counsel ("OPC"). My qualifications and experience are set forth in Appendix A to that
8 testimony.

9 PHASE-IN RATES

10 Q WHAT IS THE REBUTTAL TESTIMONY ON THE MATTER OF PHASE-IN RATES?

11 A GMO and the Staff of the Public Service Commission ("Staff") submitted rebuttal
12 testimony in response to the phase-in described in the earlier direct testimony of Mr.
13 Brubaker on behalf of MEGG/MIEC. Staff addresses the substance of the proposal.
14 GMO observes that necessary detail is missing and opposes the proposed phase-in.

Competitive Energy
DYNAMICS

1 However, GMO appears to leave open the possibility of an alternative phase-in at some
2 later point in time.

3 **Q WHAT ARE THE SUBSTANTIVE POINTS MADE BY STAFF IN ITS REBUTTAL?**

4 **A Staff acknowledges the issue of extraordinary customer impacts and offers testimony**
5 that may be tantamount to a phase-in proposal of its own. With respect to the
6 Brubaker Phase-In, Staff observes that some rate elements would go down and then
7 back up, thereby creating instability in the rates.

8 **Q HAS ANY PARTY COMPLETED AN ANALYSIS THAT WOULD QUANTIFY THE INDIVIDUAL**
9 **IMPACTS OF THE STAFF OR BRUBAKER PHASE-IN PROPOSALS.**

10 **A No. The impacts at this time remain unknown. Based on the discussions during the**
11 August 18th 2016 workshop, no party has a plan to quantify the individual customer
12 impacts of the phase-in proposals. The benefits and detriments compared to GMO's
13 proposed consolidated rates are unknown at this time. Also unknown at this time is
14 any impact on GMO revenues.

15 **Q DO YOU RECOMMEND A PHASE-IN PROPOSAL, EITHER ONE OF THE PROPOSALS OR**
16 **ANY ALTERNATIVE?**

17 **A Based on the limited information available, there is an acute need to mitigate the**
18 individual customer increases yet there is no analysis to demonstrate that any of the
19 rate phase-in proposals would be sufficient to address the impact problems and not at
20 the same time create additional problems.

1 Q IS THERE AN ALTERNATIVE METHOD TO ADDRESS THE EXTRAORDINARY CUSTOMER
2 IMPACTS?

3 A In my rebuttal testimony, I recommended consideration of an impact mitigation
4 program that would reduce the bills of highly impacted customers. I continue to
5 recommended a cap at 16.4%, approximately twice the overall proposed increase.

6 **RECOMMENDED MITIGATION PROGRAM**

7 Q IS THE DATA NECESSARY TO FULLY ANALYZE YOUR RECOMMENDED MITIGATION
8 PROGRAM FULLY AVAILABLE?

9 A No. For example, the individual customer impact data necessary to analyze the
10 impacts of residential rates proposed by Staff is not available. Similarly, Dr. Marke
11 made a recommendation for a lower residential customer charge that would be
12 expected to mitigate impacts as compared to the Staff and GMO proposed rates.
13 Again, to date GMO has not provided the impact data for this alternative.

14 As a part of the workshops, GMO has explained that it has the ability to
15 compute the impact of proposed rates on each customer. As a practical matter, it is
16 the only party that has the ability to do so in this case. GMO explains that such an
17 effort is time consuming and that it has to prioritize its work.

18 On August 31 of 2016, I received from GMO a partial response to my data
19 request for impact information based on Staff rates. Commercial and Industrial
20 impact data was provided. The response states: "The residential impacts are being
21 assembled and will be available the first week of September 2016." However, as I
22 understand the GMO plan, it is not Staff's proposed residential rates that are being

1 analyzed. Rather, it is a residential rate alternative that GMO prepared in the context
2 of the ongoing workshops.

3 OPC will need to supplement this testimony in order to provide the customer
4 impact data for the residential class.

5 Q DID MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT - DIVISION OF ENERGY
6 ("DE") WITNESS MARTIN HYMAN MAKE RECOMMENDATIONS TO THE COMMISSION
7 FOR THE EVALUATION OF CUSTOMER IMPACTS OF THE VARIOUS RATE PROPOSALS?

8 A Yes. He recommends that the Commission order GMO to provide customer impact
9 data under each rate proposal and that the rates being analyzed first be adjusted to a
10 common revenue requirement.

11 Q IS THIS A GOOD SUGGESTION?

12 A Yes. His recommendation could provide important data for consideration of the
13 alternative rate proposals, but the work that would be necessary to be responsive is
14 both considerable in scope and time consuming. Also, it would be important to
15 provide the parties with an opportunity to examine the analyses. In due course,
16 parties must have the opportunity to fully respond on the record.

17 Q ARE THERE EXTRAORDINARY CUSTOMER IMPACTS IN THIS CASE?

18 A Yes. The cause stems from many factors that have been documented. Among the
19 causes are:

- 20 • Customer charge increases;
21 • New customer class definitions;

- 1 • Changes from two different existing structures to a new one that in
- 2 many respects follows the KCPL mold;
- 3 • Migration of customers between customer classes; and
- 4 • Charges based on rate elements that are a not a part of existing rates.

5 Q IS ANY ADDITIONAL IMPACT INFORMATION AVAILABLE AT THIS TIME?

6 A Yes. Schedule 1 is a copy of customer impact data for commercial and industrial
7 customers. GMO provided the data to participants during the August 30 workshop
8 meeting. It is based on the GMO proposed rates scaled down by GMO with the intent
9 to represent a zero increase in revenues collected from the respective classes.

10 Q PLEASE DESCRIBE THE COMMERCIAL AND INDUSTRIAL RATES THAT WERE ANALYZED.

11 A As a preliminary matter, I note that the Staff's proposed commercial and industrial
12 rates are simply the rates proposed by GMO with the rate increase removed. GMO
13 made its own calculation to reflect zero increase rates and provided an impact
14 analysis based on those rates. It appears that for the purposes of the impact analysis,
15 these are a reasonable representation of the Staff proposed rates.

16 Q HAVE YOU REVIEWED THE IMPACT DATA PROVIDED FOR THE SMALL GENERAL
17 SERVICE RATES?

18 A Yes. As a preliminary matter, I will address the calculations for the net metering
19 customers. Apparently some net metering customers are enjoying a net bill credit
20 rather than a charge due to the net metering arrangement for energy produced. If a
21 customer in this situation receives an increase, the sign attached to the calculated
22 percentage increase is negative. For that reason, some large negative percentage
23 decreases appear in the analysis for net metering customers. While mathematically

1 correct, it is important to understand that what are shown in the analysis as large
2 negative percentage changes for such customers, in reality represent increases to the
3 revenue responsibility of such customers, not decreases. Also, the percentage change
4 is not meaningful as a measure of the change in underlying rates for service since it is
5 not computed against the retail cost of the energy that would be subject to the rate.

6 All things considered, I see no basis for a meaningful impact calculation for the
7 net metering customers from the data that is available. As such I do not recommend
8 any mitigation be extended to customers with net metered service.

9 Q WHAT DO YOU RECOMMEND AS A MITIGATION APPROACH FOR OTHER SMALL
10 GENERAL SERVICE CUSTOMERS?

11 A Based on a review of the data provided to this point in time, I continue to recommend
12 16.4% as a target for limiting the impact to SGS customers. In conjunction with this
13 target, I also recommend additional qualifying criteria for mitigation.

14 First, it is a fact that the bills analyzed are not current and mitigation
15 necessarily will be applied to customers based on their current usage and
16 circumstances. Unfortunately, that is not as simple as sorting through a file of
17 historical annual bills.

18 Second, some of the extraordinary percentage impacts arise from very small
19 bills. As a practical matter the impact arising from very small bills is not a problem
20 that needs to be addressed so long as the dollar magnitude of the increase remains
21 small.

22 Third, a threshold criteria is needed to identify accounts for which mitigation
23 may be appropriate. I have tested several possibilities ranging from 12% to 16.4% and

1 from \$60 per year to \$180 per year. As a preliminary screen, I recommend a 12%
2 estimated annual increase as the first screen for identifying customers for whom
3 mitigation would be appropriate.

4 Fourth, I recommend a threshold for mitigation at approximately \$60 per year.
5 The intent is provide mitigation only in amounts that are large enough to provide
6 meaningful relief for customers.

7 Fifth, a delivery mechanism is needed for the mitigation relief. At this time, I
8 do not have a firm recommendation as to whether the credit is most usefully applied
9 as a customer specific flat amount per monthly bill, a credit per kWh, or a credit per
10 kW for demand metered SGS customers. While it may be theoretically beneficial to
11 pick the mechanism based on a customer's circumstances, at this time my suggestion
12 is a single delivery mechanism.

13 Q HAVE YOU DISCUSSED ANY ASPECT OF YOUR PROPOSAL WITH THE PARTICIPANTS IN
14 THE ONGOING RATE DESIGN WORKSHOPS?

15 A Yes. My recommendation for mitigation as presented in rebuttal testimony has been
16 discussed. Further discussions were had during the August 30th workshop and some
17 data has been shared.

18 Q BASED ON THE INFORMATION AVAILABLE AT HIS TIME, DO YOU RECOMMEND THAT
19 THE RATE CONSOLIDATION PROCEED?

20 A In my rebuttal I identified three possibilities. I continue to recommend consideration
21 of two of the three.

1 First, I continue to expect parties to move from the workshop discussions of the
2 proposed consolidated rate design to discussions of settlement possibilities. Hence,
3 one possibility may be a settlement supported by OPC. I would of course recommend
4 due consideration of any settlement that may emerge.

5 Second, in the absence of an agreed structure and rates, I recommended the
6 Commission consider an equal percentage adjustment of existing rates to the extent
7 needed to accommodate any change in the revenue requirement as determined by the
8 Public Service Commission (“Commission”) in due course. In the absence of a viable
9 proposal to consolidate rates, it would be possible to make adjustments that would
10 ease the consolidation when it next arises. For example, I suggest movement to
11 similar residential customer charges for the two divisions. No doubt there are other
12 possibilities that parties may identify.

13 Third, the possibility of the proposed consolidated rates remains. However,
14 the impacts of the proposed consolidated rates on customers are in many cases sharp
15 and extraordinary. That has not changed and even a substantially moderated overall
16 increase cannot remedy the unusual rate impacts, as illustrated by analysis of zero
17 increase rates. Therefore, I do not recommend approval of the GMO proposed
18 consolidated rate design absent provisions to mitigate the sharp and extraordinary
19 individual customer impacts. Support is also contingent on an accommodation of the
20 rate design considerations addressed by Dr. Marke.

1 Q DO YOU HAVE ANY CHANGES TO YOUR RECOMMENDED TARIFF LANGUAGE THAT
2 WOULD PROVIDE FOR MITIGATION?

3 A Yes. I had recommended a demand credit for customers with demand metering and a
4 kWh credit for others. At this time, work continues on the development of an
5 appropriate credit mechanism and I do not have specific recommendations for the
6 credit mechanisms. The recommended language is modified accordingly. Also, it is
7 the possible that different credit provisions will be appropriate for each rate for which
8 mitigation is provided. Suggested language follows:

9 GMO shall have the discretion to provide rate credits determined for
10 individual customers to reduce the impact of the rate change to
11 approximately 16.4% on an annual basis for a period of one year. [The
12 rate credits shall be provided as a credit rate per kWh.] GMO shall
13 consider the impact on a combined basis for any customer that takes
14 service at multiple locations or under multiple rates. This authority to
15 initiate demand rate credits shall expire 12 months after the initial
16 effective date of this rate. A rate credit established during this period
17 either may be applied retroactively to the first effective date of this
18 rate, or it may be applied prospectively. In either event the effective
19 period of the rate credit for any customer shall be 12 months.

20 The language in brackets is illustrative. Language will need to be inserted to
21 reflect the credit mechanism determined to be appropriate for each rate
22 schedule.

23 Q DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

24 A Yes it does.

GMO/Staff Proposed Rates Adjusted to Zero Increase
 Small General Service Class - Customer Impacts
 Information Provided by GMO on August 30, 2016

Impact from Current Rate (%)		Average Monthly Impact (\$)	
<u>Bin</u>	<u>Frequency</u>	<u>Bin</u>	<u>Frequency</u>
-100%	12	-1000	5
-90%	3	-950	2
-80%	11	-900	1
-70%	17	-850	0
-60%	51	-800	2
-50%	79	-750	4
-40%	287	-700	3
-30%	517	-650	2
-20%	1279	-600	6
-10%	4516	-550	4
0%	8121	-500	2
10%	8814	-450	11
20%	6910	-400	9
30%	5348	-350	10
40%	4482	-300	25
50%	287	-250	47
60%	113	-200	116
70%	44	-150	275
80%	32	-100	736
90%	21	-50	2135
100%	10	0	11484
More	10	50	25741
	40964	100	240
		150	56
		200	26
		250	7
		300	3
		350	2
		400	4
		450	0
		500	2
		550	1
		600	0
		650	1
		700	0
		750	1
		800	0
		850	0
		900	0
		950	0
		1000	0
		More	1
			40964

GMO/Staff Proposed Rates Adjusted to Zero Increase
 Large General Service Class - Customer Impacts
 Information Provided by GMO on August 30, 2016

Impact from Current Rate (%)		Average Monthly Impact (\$)	
<i>Bin</i>	<i>Frequency</i>	<i>Bin</i>	<i>Frequency</i>
-100%	0	-1000	20
-90%	0	-950	0
-80%	2	-900	1
-70%	11	-850	1
-60%	16	-800	5
-50%	15	-750	3
-40%	33	-700	4
-30%	59	-650	5
-20%	178	-600	5
-10%	371	-550	6
0%	1003	-500	9
10%	1037	-450	11
20%	97	-400	15
30%	11	-350	18
40%	2	-300	33
50%	2	-250	45
60%	0	-200	91
70%	1	-150	253
80%	0	-100	413
90%	0	-50	361
100%	0	0	389
More	2	50	266
	2840	100	206
		150	171
		200	120
		250	102
		300	59
		350	51
		400	43
		450	22
		500	22
		550	17
		600	12
		650	8
		700	10
		750	4
		800	9
		850	3
		900	2
		950	3
		1000	2
		More	20

2840

GMO/Staff Proposed Rates Adjusted to Zero Increase
 Large Power Service Class - Customer Impacts
 Information Provided by GMO on August 30, 2016

Impact from Current Rate (%)		Average Monthly Impact (\$)	
<i>Bin</i>	<i>Frequency</i>	<i>Bin</i>	<i>Frequency</i>
-100%	0	-1000	31
-90%	0	-950	0
-80%	0	-900	2
-70%	0	-850	1
-60%	0	-800	3
-50%	0	-750	0
-40%	0	-700	2
-30%	0	-650	2
-20%	3	-600	1
-10%	14	-550	1
0%	51	-500	0
10%	190	-450	1
20%	5	-400	3
30%	0	-350	2
40%	0	-300	4
50%	0	-250	1
60%	0	-200	2
70%	0	-150	3
80%	0	-100	3
90%	0	-50	0
100%	0	0	6
More	0	50	5
	263	100	6
		150	4
		200	4
		250	12
		300	3
		350	6
		400	1
		450	3
		500	7
		550	10
		600	9
		650	8
		700	9
		750	4
		800	6
		850	5
		900	4
		950	1
		1000	5
		More	83

263