

Exhibit No. 407

MECG – Exhibit 407
Kavita Maini
Surrebuttal Testimony in ER-2022-0130
File Nos. ER-2022-0129 & ER-2022-0130

Exhibit No.:
Issue: Class Cost of Study, Revenue Allocation, Rate Design
Witness: Kavita Maini
Type of Exhibit: Surrebuttal Testimony
Sponsoring Parties: MECG
Case No.: ER-2022-0130
Date Testimony August 16, 2022
Prepared:

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

_____)
**In the Matter of Evergy Missouri West,)
Inc. d/b/a Every Missouri West's Request) File No. ER-2022-0130
for Authority to Implement A General)
Rate Case Increase for Electric Service)**

Surrebuttal Testimony and Schedules of

Kavita Maini

On behalf of

MIDWEST ENERGY CONSUMERS GROUP

August 16, 2022



Protecting Your Bottom Line

KM ENERGY CONSULTING, LLC

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

In the Matter of Evergy Missouri West d/b/a)
Every Missouri West's Request for)
Authority to Implement A General Rate) Case No. ER-2022-0130
Case Increase for Electric Service)

STATE OF WISCONSIN)
) SS
COUNTY OF WAUKESHA)

AFFIDAVIT OF KAVITA MAINI

Kavita Maini, being first duly sworn, on her oath states:

1. My name is Kavita Maini. I am a consultant with KM Energy Consulting, LLC. having its principal place of business at 961 North Lost Woods Road, Oconomowoc, WI 53066. I have been retained by the Midwest Energy Consumers Group ("MECG") in this proceeding on its behalf.
2. Attached hereto and made a part hereof for all purposes are my surrebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2022-0130.
3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.



Kavita Maini

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

**In the Matter of Evergy Missouri West,)
Inc. d/b/a Every Missouri West’s Request)
for Authority to Implement A General)
Rate Case Increase for Electric Service) File No. ER-2022-0130
)**

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

In the Matter of Evergy Missouri West)	
d/b/a Every Missouri West’s Request for)	
Authority to Implement A General Rate)	<u>File No. ER-2022-0130</u>
Case Increase for Electric Service)	

Surrebuttal Testimony of Kavita Maini

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND OCCUPATION.**

3 A. My name is Kavita Maini. I am the principal and sole owner of KM Energy
4 Consulting, LLC.

5 **Q. PLEASE STATE YOUR BUSINESS ADDRESS.**

6 A. My office is located at 961 North Lost Woods Road, Oconomowoc, WI 53066.

7 **Q. ARE YOU THE SAME KAVITA MAINI WHO HAS PREVIOUSLY FILED**
8 **DIRECT AND REBUTTAL TESTIMONY IN THIS CASE?**

9 A. Yes, I filed direct and rebuttal testimony on behalf of the Midwest Energy Consumers
10 Group (“MECG”). I provided recommendations regarding Evergy Missouri West’s
11 (“West” or “Company”) class cost of service study (“COSS”), revenue allocation to
12 classes and rate design for the Large General Service (“LGS”) and Large Power
13 Service (“LPS”) rate schedules.

14 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

15 A. The purpose of my surrebuttal testimony is to respond to Company, Office of Public

1 Counsel (“OPC”) and Commission Staff witnesses regarding COSS methodology,
2 revenue allocation, and rate design related matters. The fact that I do not address any
3 particular issue should not be interpreted as my implicit approval of any position taken
4 by Staff or any other party on that issue.

5 **II. SUMMARY**

6 **Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.**

7 A. The following is a summary of my testimony and recommendations:

COSS

- 8 1. Contrary to the Company’s assertion, my A&E 4NCP method is included in the
9 NARUC manual. The manual used 1NCP as an illustrative example to show how
10 the A&E methodology works and is not aimed at being prescriptive about the
11 number of NCPs to use. Rather, it describes that the method consists of using
12 NCPs.
- 13 2. Given the similarity in results between the Company’s and MECG’s COSS results
14 for all classes except for the lighting, I am not opposed to the Company’s method.
- 15 3. Staff has not provided any evidence where the Commission explicitly has
16 acknowledged that the A&E method is not reasonable either because utilities are
17 market participants in the SPP market or for any other reason for that matter.
- 18 4. The class cost of service studies and related results submitted by the Company,
19 MIEC and MECG remain appropriate to rely on in this proceeding.

20 **Revenue Allocation**

- 21 1. Contrary to Staff’s assertions, I have not adopted West’s revenue requirement and
22 I have based my revenue allocation recommendations after reviewing the relative
23 rates of return at present rates and prior to any revenue requirement increases.
- 24 2. OPC did not conduct a COSS study but instead indicated support for Staff’s
25 revenue allocation recommendations on the basis of factors including inflation and
26 concerns regarding a potential recession. These factors are not unique to the
27 residential class. Rather, commercial and industrial customers are also impacted
28 by such factors. Therefore, such elements should not be used as justifications to
29 ask the industrial/commercial classes to pay disproportionately more to subsidize
30 another class, on top of the impacts associated with these factors.

- 1 3. While I appreciate that the Company's approach considers minimizing rate
2 impacts for certain customer classes and wants to maintain this position for
3 gradualism policy considerations, we should not lose sight of the fact that while
4 some customers classes will continue to contribute less than their share of costs
5 under the Company's proposed approach, other classes are being asked to bear the
6 unfair burden of contributing more than their share of costs. Consequently, it
7 would be more reasonable and fairer if there was greater focus on addressing
8 equity concerns as the average system increase is lowered, compared to the
9 Company's proposal.

10 **Rate Design**

- 11 1. Contrary to Staff's position, the COSS results can be relied upon, for rate design
12 purposes. I continue to maintain my recommendations submitted in direct
13 testimony.
- 14 2. I recommend that the Company take steps to convene a working group to further
15 vet any future LGS and LPS rate design modifications that are under consideration
16 prior to submitting those in a future rate case.

17 **III. RESPONSES REGARDING COSS METHODS**

18 **Q. PRIOR TO RESPONDING TO COSS RELATED ISSUES, DO YOU HAVE**
19 **ANY INTIAL MATTERS TO ADDRESS**

- 20 A. Yes, I have a correction to note related to my Rebuttal testimony. On pages 6 and 7, I
21 indicated that Staff uses the same allocator to allocate fixed production and
22 transmission costs at the jurisdictional level in this case. I further discussed that other
23 Missouri utilities such as Empire and Ameren also do the same. Since then, I realized
24 that I erred by indicating that Ameren utilized the same approach. Taking that fact
25 into consideration does not change my recommendation that it is appropriate to use the
26 same demand allocator for generation and transmission related costs to classes as is
27 used at the jurisdictional level in this case.

1 Q. COMPANY WITNESS MR. CRAIG BROWN INDICATES THAT MY
2 PROPOSED AVERAGE AND EXCESS (A&E) METHOD USING FOUR
3 HIGHEST NON-COINCIDENT PEAKS (4NCP) IS NOT INCLUDED IN THE
4 NARUC COST ALLOCATION MANUAL. DO YOU AGREE?

5 A. No, I do not. Mr. Brown indicates on page 4 of his rebuttal testimony that the example
6 I referenced used 1NCP and that 4NCP is not mentioned. The manual used 1NCP as
7 an illustrative example to show how the A&E methodology works and is not aimed at
8 being prescriptive about the number of NCPs to use. The manual explains on page 49
9 that “the method allocates production plant costs to rate classes using factors that
10 combine the classes’ average demand and non-coincident peak (NCP) demands.” The
11 number of monthly maximum demands to be used would depend on the annual load
12 pattern and annual system peak of the specific utility. The manual describes the
13 methodology on page 49 and compares the resulting calculations using A&E 1NCP v.
14 A&E 1CP on pages 50 and 51.

15 Q. DO YOU BELIEVE THAT THE COMPANY’S A&E 4CP METHOD IS
16 UNREASONABLE?

17 A. No, I do not. As indicated by Mr. Brown on page 6 of his rebuttal testimony, the
18 Company utilized this same approach in the last case. Further, as mentioned in my
19 direct testimony and also in response to Missouri Industrial Energy Consumer’s
20 (MIEC) witness Mr. Brubaker in my rebuttal testimony, except for the lighting class,
21 West’s COSS results are substantially similar to MECG’s COSS. While I continue to
22 recommend that the Commission adopt MECG’s A&E4NCP method for allocating

1 generation and transmission costs, given the similarity in results for all of the
2 remaining classes, I am not opposed to West's COSS.

3 **Q. ON PAGES 27 THROUGH 31 OF HER TESTIMONY, STAFF WITNESS MS.**
4 **LANGE PROVIDES AN ASSESSMENT OF THE IMPACT OF SHIFTING**
5 **CERTAIN COSTS AWAY FROM THE RESIDENTIAL CLASS, SGS AND**
6 **LIGHTING CLASSES AND TOWARDS LGS AND LPS CLASSES**
7 **RESPECTIVELY. DOES THIS ASSESSMENT CONTRIBUTE ANYTHING**
8 **MEANINGFUL TO THE RECORD?**

9 A. No, it does not. Ms. Lange's observations are based on speculative "what-if" cases.
10 This kind of sensitivity analysis of the impact of shifting certain percentages of costs
11 away from and towards various classes may be an interesting thought experiment, but
12 no meaningful conclusions can be drawn from such analysis. Therefore, the results of
13 this analysis should not be considered as a reason to depart from broadly accepted
14 COSS practices outlined in my testimony (or that of the Company and MIEC).

15 **Q. MS. LANGE ALSO CLAIMS THAT I HAVE DISREGARDED MECG**
16 **WITNESS MR. GREG MEYER'S RECOMMENDATIONS AND ADOPTED**
17 **WEST'S REVENUE REQUIREMENT. DO YOU AGREE WITH HER**
18 **ASSESSMENT?**

19 A. No, I do not. It is clear from my direct testimony that: (a) I have not adopted West's
20 revenue requirement and (b) I have based my revenue allocation recommendations
21 after reviewing the relative rates of return at present rates and prior to any revenue
22 requirement changes. Figures 5 and 6 in my direct testimony show the rates of return
23 at present rates and revenue neutral adjustments needed for equal rates of return at

1 present rates. Further, my revenue allocation recommendations are aimed at
2 methodology to reduce the subsidies shown by the COSS studies in this case more
3 than the actual revenue requirement results. That is, I specify a revenue allocation
4 method whereby the lower the average rate increase, the higher should be the revenue
5 neutral shifts for fostering equity amongst classes. Therefore, my testimony is aimed
6 at defining the method and does not adopt any particular amount of rate increase
7 including the Company's increase.

8 **Q. DID MS. LANGE PROVIDE ANY EVIDENCE THAT THE COMMISSION**
9 **FINDS THAT THE A&E METHOD TO ALLOCATE FIXED PRODUCTION**
10 **OR THE ENERGY ALLOCATOR TO ALLOCATE FUEL AND OTHER**
11 **VARIABLE PRODUCTION COSTS TO BE UNREASONABLE DUE TO THE**
12 **EXISTENCE OF THE SPP MARKETPLACE?**

13 A. No. Ms. Lange claims that my variable and fixed production cost allocators do not
14 acknowledge the existence of the SPP marketplace. However, Ms. Lange has not
15 provided any evidence where the Commission explicitly has acknowledged that the
16 A&E method or the energy allocator is not reasonable either because utilities are
17 market participants in the SPP market or for any other reason for that matter.

18 **Q. SHOULD THE COMMISSION FIND MS. LANGE'S ARGUMENTS**
19 **PERSUASIVE WITH REGARDS TO DISMISSING MY COSS METHOD AND**
20 **RELATED RESULTS?**

21 A. No. As demonstrated above, my approach is consistent with the NARUC manual and
22 in line with mainstream COSS approaches. Ms. Lange has not provided persuasive

1 arguments why my approach is invalid. Therefore, I recommend that the Commission
2 disregard her criticisms.

3 **Q. SHOULD THE COMMISSION BE PERSUADED BY MS. LANGE’S VIEW**
4 **THAT THE COMPANY’S OR MY COSS RESULTS ARE UNRELIABLE?**

5 A. No. I generally agree with Company witness Mr. Bradley Lutz’s view that Staff
6 seems to take the position that the inability to identify certain costs at a very detailed
7 level make the Company’s studies unreliable. Further, I support his position on page
8 15 of his rebuttal testimony where he states the following:

9 In previous cases, Staff was able to produce class cost of service
10 (“CCOS”) studies and rate designs that were offered as reasonable and
11 recommended for adoption by the Commission. Assertions that CCOS
12 studies are now inadequate, not robust, or otherwise unreliable and
13 therefore are not worth the effort is a troubling change. Staff states that in
14 order to have “more accurate CCOS studies and rate designs that more
15 accurately reflect cost causation” this detailed data is necessary. However,
16 there is no evidence of deficiency offered from Staff here nor am I aware
17 of any deficiency noted from past Commission action signaling that
18 traditional CCOS methods are inaccurate.

19 Therefore, the class cost of service studies and related results submitted by the
20 Company, MIEC and MECG remain appropriate to rely on in this proceeding.

21 **IV. RESPONSES REGARDING REVENUE ALLOCATION**

22 **Q. WHAT WAS YOUR REVENUE ALLOCATION PROPOSAL?**

23 A. Should the Commission approve the same rate increase as originally proposed by
24 West, I was not opposed to the Company’s proposal to use a multiplier of (a) 128% for
25 classes whose present rate revenues were below their costs to serve, such as the
26 residential class and (b) 75% for classes whose present rate revenues were above their
27 costs to serve, such as the LGS and LPS classes. However, if there were rate decreases
28 compared to the Company’s proposal, I argue that more attention should be given to

1 removing the cross subsidies among classes. Thus, I proposed for every 1% decrease
2 in the jurisdictional rate increase compared to the Company's original proposal, the
3 multipliers should be adjusted to move classes closer to cost. In rebuttal testimony, I
4 indicated that if Staff's 4.67% recommended increase was approved, then the
5 multiplier applicable to the residential, lighting and other classes could be increased to
6 149.9% and 171.8% respectively to reflect 50% or 100% of the change from the
7 Company's original increase. The impact of that is as follows:

- 8 • Applying a multiplier of 149.9% produces a 7.01% increase for residential,
9 lighting and other classes and the remaining amount represents a 1.91% increase
10 for the SGS, MGS, LGS and LPS classes.
- 11 • Applying a multiplier of 8.03% produces a 0.69% increase for residential, lighting
12 and other classes and the remaining amount represents a 1.61% increase for the
13 SGS, MGS, LGS and LPS classes.

14 **Q. WHAT WAS STAFF'S RESPONSE TO YOUR REVENUE ALLOCATION**
15 **PROPOSAL?**

16 A. Ms. Lange opposes my revenue allocation on the basis that she finds that my COSS
17 study is deficient.

18 **Q. HOW DO YOU RESPOND?**

19 A. As explained above, Ms. Lange's arguments to reject my COSS and related results are
20 not persuasive. The approach I have put forward in my COSS is consistent with the
21 NARUC manual, in-line with mainstream COSS approaches, and produces similar
22 results as the COSS performed by Evergy and MIEC witnesses. Therefore, the

1 Commission should disregard her recommendation regarding my revenue allocation
2 proposal.

3 **Q. WHAT IS OPC’S REVENUE ALLOCATION RECOMMENDATION?**

4 A. While not conducting a class cost of service analysis, Mr. Geoff Marke indicates
5 initial support for Staff’s revenue allocation recommendation.

6 **Q. WHAT WAS MR. GEOFF MARKE’S RESPONSE TO YOUR REVENUE
7 ALLOCATION PROPOSAL?**

8 A. Mr. Marke indicates the following on page 26 of his rebuttal testimony:

9 There is a great deal of uncertainty surrounding what exactly the revenue
10 requirement will be in the case. I would also note that inflation is at a 40-
11 year high and there is still a large degree of uncertainty as to whether
12 the economy is entering into a recession. In light of these considerations, I
13 have a difficult time recommending any revenue neutral shift in this case
14 as I believe the principle of gradualism trumps all considerations given
15 the aforementioned facts. As such, I am tentatively aligned with Staff’s
16 initial recommendation, but I reserve the right to amend my
17 recommendation as more information is presented.

18 **Q. DO YOU AGREE WITH MR. MARKE’S REASONING?**

19 A. No. The effect of inflation or concerns regarding a potential recession are of concern
20 and applicable to the commercial and industrial rate classes as well. Such concerns
21 are not unique to the residential class but rather affect all classes of customers.
22 Increased inflation has also led to an increase in the cost of raw materials for industrial
23 customers. To the extent that competition has prevented these industrial customers
24 from passing these increased costs through to the customer in the form of higher
25 prices, the industrial customer has simply had to absorb the cost of inflation. Further,
26 if a recession were to occur, industrial customers will also be adversely impacted as
27 the demand for their product decreases. Therefore, such factors should not be used as

1 justifications to ask the industrial / commercial classes to pay disproportionately more
2 to subsidize the residential class. It is not equitable to do so.

3 **Q. HOW DO YOU RESPOND TO MR. MARKE’S STATEMENT THAT**
4 **GRADUALISM SHOULD TRUMP ALL OTHER CONSIDERATIONS?**

5 A. I disagree. The basis of setting rates and allocating costs to customers should start
6 from proper cost causation principles and cost-based rates. The COSS analysis
7 provided by MECG, West, and MIEC all show that certain classes are not paying
8 appropriate cost-based rates. But, importantly, all of those parties have incorporated
9 gradualism in their recommendations. No party is recommending we shift to 100%
10 cost-base rates all at once in this case. In contrast, Mr. Marke’s position that the
11 Commission should consider only what he calls “gradualism” without even
12 acknowledging or attempting to determine cost of service based impacts is a radical
13 departure from widely accepted rate-making practices and not reasonable for classes
14 that continue to subsidize other classes. Thus, OPC’s approach should be rejected.

15 **Q. WHAT WAS THE COMPANY’S RESPONSE TO YOUR REVENUE**
16 **ALLOCATION PROPOSAL?**

17 A. Ms. Miller indicates that in the spirit of gradualism and to minimize impacts to certain
18 customers, the Company would seek to maintain its revenue allocation proposal.

19 **Q. DOES YOUR REVENUE ALLOCATION PROPOSAL CONSIDER**
20 **GRADUALISM?**

21 A. Yes, it does. First, I indicated that if the Company’s revenue requirement increase was
22 approved as filed, then I would not be opposed to the Company’s revenue allocation

1 proposal, which substantially considers moderation.¹ Second, I proposed an approach
2 whereby the lower the average system rate increase, the higher should be the revenue
3 neutral shifts. In this manner, I made efforts to have a more balanced trade-off
4 between moderation and equity policy considerations. Thus, while I appreciate that
5 the Company considers minimizing rate impacts for certain customer classes and
6 wants to maintain this position for gradualism policy considerations, we should not
7 lose sight of the fact that while some customers classes will continue to contribute less
8 than their share of costs under the Company's proposed approach, other classes are
9 being asked to bear the unfair burden of contributing more than their share of costs.
10 Consequently, it would be more reasonable and fairer if there was more focus on
11 addressing equity concerns as the average system increase is lowered, compared to the
12 Company's proposal.

13 **V. RESPONSES REGARDING RATE DESIGN**

14 **Q. WHAT WAS YOUR RECOMMENDATION FOR ALLOCATION OF THE**
15 **INCREASES FOR THE LGS AND LPS CLASSES?**

16 A. I supported the Company's intent to allocate higher increases to demand charges
17 relative to energy charges. Specifically, for the LPS class, I recommended that the
18 Company first adjust the energy charges 75% of the LPS revenue requirement
19 increase, set the facility demand charge to the unit cost from the COSS and then adjust
20 all the other demand charges to recover the remaining revenue requirement increase.
21 For the LPS class, I recommended that the Company not increase in tail block charges
22 but rather first adjust the energy charges of the first two blocks (i.e., non-tail blocks)

¹ As shown in Figure 6 on page 29 of my direct testimony, the residential class would require a revenue neutral increase of over 20% prior to considering any revenue requirement increase.

1 by 75% of the LGS revenue requirement increase, set the facility demand charge to the
2 unit cost from the COSS and then adjust the demand charges to recover the remaining
3 revenue requirement increase.

4 **Q. WHAT WAS STAFF'S RESPONSE TO YOUR RECOMMENDATION?**

5 A. Ms. Lange opposed this recommendation because of her COSS related concerns.

6 **Q. HOW DO YOU RESPOND TO STAFF?**

7 A. As discussed earlier, contrary to Staff's concerns, the COSS results are valid and can
8 be relied upon, for functional guidance. Therefore, Staff's concerns are misguided and
9 I continue to maintain my recommendations submitted in direct testimony.

10 **Q. WHAT WAS STAFF'S RESPONSE REGARDING YOUR**
11 **RECOMMENDATION TO RECOGNIZE THE VOLTAGE DIFFERENTIALS**
12 **IN THE WINTER ENERGY SEASONAL CHARGES FOR THE LPS RATES?**

13 A. Ms. Lange supports this change. The Company did not respond directly to my
14 recommendation opposing such a change. Therefore, I recommend that this
15 recommendation be adopted.

16 **Q. WHAT WERE YOUR RECOMMENDATIONS REGARDING THE**
17 **COMPANY'S FUTURE PROPOSED CHANGES?**

18 A. I recommended that the following be considered:

- 19 • Shift fixed costs from energy charges to demand charges (as shown in the
20 Company's proposed Step 1) but do not change the energy charge differentials.
- 21 • Remove demand blocks (as shown in the Company's proposal) and introduce an
22 on-peak provision whereby the maximum demand set in the specified on peak
23 hours is the billing demand for the month.

- 1 • Evaluate a time differentiated on and off-peak energy rate to recognize the cost
- 2 differentials and provide better pricing signals than a flat energy rate.
- 3 • Set up a working group of interested parties to evaluate these alternatives and
- 4 assess rate impacts.
- 5 • Gather consensus on the steps and introduce in future rate cases.

6 **Q. HOW DID STAFF RESPOND?**

7 A. While Ms. Lange opposed my proposed approach of retaining the energy charge

8 differentials, she appears to be supportive of evaluating a time differentiated rate.

9 **Q. HOW DO YOU RESPOND?**

10 A. I specifically indicated in my direct testimony that I was very concerned about the

11 narrowing of the energy charge differentials with the ultimate goal of one flat

12 seasonally differentiated energy charge because a flat energy charge would fail to

13 recognize the lower off-peak energy prices thereby resulting in an inefficient pricing

14 signal that will not be reflective of cost. Therefore, I would not want the energy

15 charge differentials to be removed without first putting an alternative in its place that

16 recognizes the lower costs to serve during off peak times. Further, MECG would also

17 like to work with the Company and other interested stakeholders to evaluate

18 alternatives, assess impacts, and gather consensus on next steps prior to introducing

19 any changes in rate cases.

20 **Q. HOW DID THE COMPANY RESPOND?**

21 A. The Company appeared to be generally supportive of my feedback as discussed on

22 pages 19-20 of Ms. Miller's rebuttal testimony. However, I would recommend to the

23 Company take steps to convene a working group to further vet any future LGS and

1 LPS rate design modifications that are under consideration prior to submitting in a
2 future rate case.

3 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4 **A** Yes.