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REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

MICHAEL S. SCHEPERLE

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2014-0370

*Jefferson City, Missouri
June 2015*

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1 A. No, Surrebuttal Testimonies of Sarah Kliethermes and Robin Kliethermes deal
2 with other aspects of CCOS studies and rate design. Specifically, they address CCOS
3 allocations, residential customer charges and retail rate revenues.

4 **Decoupling Mechanisms**

5 Q. What is your understanding of the rate design reply by Mr. Rush representing
6 KCPL to Mr. Woolf on behalf of the Sierra Club (“Sierra”) that recommends the Commission
7 investigate revenue decoupling in this case?

8 A. I would agree with Mr. Rush that this case is not the suitable venue for a
9 decoupling mechanism study. Additionally, Mr. Greg Meyer representing the Missouri
10 Industrial Energy Consumers (“MIEC”) has raised additional concerns¹ why decoupling
11 should not be used in this case. Specifically, the Commission has recently opened a new
12 docket titled “*In the Matter of a Working Case to Consider Proposals to Create a Revenue*
13 *Decoupling Mechanism for Utilities.*”² Staff recommends that the new docket (File No.
14 AW-2015-0282) is the correct venue for this matter where all decoupling mechanism options
15 can be addressed by utilities and other parties in a working docket.

16 **Frozen All-Electric Recommendations**

17 Q. What is Staff’s frozen All-Electric general service³ recommendations?

18 A. Staff recommends the first energy block rate of the frozen winter All-Electric
19 Service rate schedules for the SGS, MGS, and LGS rate classes be increased by an additional

¹ Mr. Meyer addresses why decoupling should not be used, particularly for high customer charges, concerns with fuel adjustment clause or trackers, and potential legal restrictions (page 2 of Rebuttal Testimony).

² File No. AW-2015-0282 dated May 1, 2015.

³ General Service group consists of Small General Service (“SGS”) class, Medium General Service (“MGS”) class, and Large General Service (“LGS”) class.

1 5%⁴. The difference between the rate structure of the regular rate schedules and the
2 companion frozen all-electric rate schedules⁵ is the treatment of the frozen all-electric space
3 heating rate schedules. The general service frozen all-electric rate schedules are restricted
4 (grandfathered) where the Commission has restricted the availability of the frozen all-electric
5 to customers currently served on one of those frozen rate schedules, but only for so long as
6 the customer remains on that rate schedule.

7 Q. What does KCPL say about Staff's recommendation?

8 A. Mr. Rush states that:

9 "Based on previous cases I believe Staff intent with this proposal is to move
10 toward elimination of the rate. However, based on the results of the winter
11 rate upwards is unsupported. Reviewing the seasonal results detailed in
12 Schedule TMR-8 of my direct testimony, one will find that the winter, general
13 service rates are overpriced and should be reduced from their current levels."
14 (Rebuttal Testimony, Tim Rush, page 61-62).

15
16 Q. Do you agree with KCPL's analysis?

17 A. Not entirely. KCPL has two sets of rates in the general service classes of SGS,
18 MGS, and LGS (regular service and frozen all-electric service) that vary in the winter season
19 based on when service originated and the frozen all-electric option. The summer energy rates
20 for the regular service and frozen all-electric are identical. Staff has continuously
21 recommended that the differences in rates be narrowed gradually to eliminate these rate
22 differences between customers in the same class. Previous⁶ Commission Orders and/or

⁴ The Commission has restricted the availability of the All-Electric and Separately-Metered space heating rates to customers currently served on one of those rate schedules, but only for so long as the customer continuously remains on that rate schedule.

⁵ The SGS, MGS and LGS rate classes consist of the following rate classifications and rate schedules: Rate classification of 1) regular rate schedule for secondary voltage; 2) regular rate schedule for primary voltage; 3) frozen all-electric secondary rate schedule; and 4) frozen all-electric primary rate schedule.

⁶ Case No. ER-2007-0291 (additional 10%), Case No. ER-2009-0089 (additional 5%), and Case No. ER-2012-0174 (additional 5%) for first winter energy block.

1 Stipulations and Agreements have resulted in the narrowing of certain rate components.
2 Staff's recommendation is a continuation of narrowing the first winter block energy rate.

3 Q. Does Staff have concerns with KCPL's CCOS study relating to individual
4 subclasses concerning different rate schedules in the SGS, MGS, and LGS classes?

5 A. Yes. Staff witness Robin Kliethermes addressed this situation in her rebuttal
6 testimony. Staff emphasized that KCPL made the assumption that all individual rate
7 schedules or subclasses that make up a class category have the same relationship between
8 average and peak demand. This method does not take into consideration the actual peaks of
9 the individual rate schedules and the different usage characteristics that may exist between
10 subclasses in a class category, but instead assumes that each subclass has the same load factor.
11 This assumption that each subclass has the same load factor in a given month is not helpful to
12 determine the cost of service for customers with electric space heating as opposed to
13 comparable customers who do not use electric space heating. Therefore, Staff's
14 recommendation is to narrow the rate differential of subclasses (winter rates) that would
15 eventually eliminate any winter rate differential.

16 **Inter-Class Revenue Allocation**

17 Q. Do you have any concerns with the United States Department of Energy
18 ("USDOE") recommendation for inter-class revenue allocation?

19 A. Yes. USDOE witness Mr. Schmidt states that:

20 Staff witness Scheperle is recommending an across-the-board increase
21 with each class receiving an equal percentage rate increase. Staff is ignoring
22 the role of cost based rates in sending proper price signals for economic
23 efficiency in the use of electricity. (Rebuttal Testimony, Michael Schmidt,
24 page 7).
25

1 Q. Does Staff agree with USDOE assessment that Staff is ignoring the role of cost
2 based rates in its recommendations?

3 A. No. Staff's class revenue allocation recommendation is based on two parts 1)
4 Staff's CCOS study results, and 2) the Commission's Report and Order from its last rate case
5 (ER-2012-0174). Staff's CCOS results and the Report and Order are mirror images and each
6 class is within a zone of reasonableness range where Staff is recommending no additional
7 class revenue-neutral adjustments.

8 Listed below is the class summary of the Report and Order in Case No.
9 ER-2012-0174.

10 **TABLE 1**

Class	Revenues from Staff True-up	Ordered Neutral Class Shift	Ordered Revenue Increase	Net Increase	Final Revenue	Percent
Res	\$259,631,036	\$0	\$25,029,196	\$25,029,196	\$284,660,232	9.640%
SGS	\$46,952,137	(\$3,319,366)	\$4,526,324	\$1,206,958	\$48,159,095	2.571%
MGS	\$95,722,085	(\$2,139,206)	\$9,227,891	\$7,088,685	\$102,810,770	7.405%
LGS	\$162,923,932	\$0	\$15,706,347	\$15,706,347	\$178,630,279	9.640%
LPS	\$125,004,461	\$5,458,572	\$12,050,798	\$17,509,370	\$142,513,831	14.007%
Lighting	\$8,820,652	\$0	\$850,337	\$850,337	\$9,670,989	9.640%
Total	\$699,054,303	\$0	\$67,390,893	\$67,390,893	\$766,445,196	9.640%

11
12 Table 1 shows, that based on the Commission's Report and Order, that the
13 ("Residential") Res and LGS class received the system average increase of 9.640%, the SGS
14 class received a 2.571% increase, the MGS class received a 7.405% increase, and the Large
15 Power ("LPS") class received a 14.007% increase. Staff's recommendation in this case is
16 based on its current CCOS results and prior Commission decision. For example, Staff Res
17 CCOS results support an overall increase of 11.44% with the Res class CCOS results at
18 12.41% increase. This revenue-neutral adjustment (12.41% - 11.44%) is only 0.97%

1 difference. In its last rate case proceeding described above, the Commission Report and
2 Order outlined no revenue-neutral adjustment for the Res class. Therefore, Staff
3 recommended the system average increase for the Res class which incorporates no revenue-
4 neutral adjustment for the Res class. Likewise, this means that, based on its CCOS results and
5 policy considerations, the residential and all other classes be increased by the average increase
6 for each class.

7 USDOE's revenue allocation proposal is a drastic revenue-neutral adjustment for the
8 Res class of 3.6% (14.3% - 10.7%) which contradicts the Commission's Report and Order in
9 its last general rate increase case of a zero percent revenue-neutral adjustment for the Res
10 class. Likewise, USDOE's revenue allocation proposal for the LPS industrial class is a
11 revenue-neutral adjustment of -1.9% (8.8% - 10.7%) which contradicts the Commission's
12 Report and Order in its last general rate increase case of a positive +4.367% (14.007% -
13 9.640%).

14 Q. Does Staff have "rate shock" concerns if USDOE's revenue-neutral
15 recommendation is adopted?

16 A. Yes. When you have a case like this where Staff's mid-point range increase is
17 estimated to be an increase of 11.4%, an additional 3.6% percent increase for residential
18 customers is a rate shock concern (11.4% + 3.6% = 15.0%). A residential customer using
19 1,000 kWh per month would experience a monthly increase of \$17.20. In Staff's opinion, this
20 would be a rate shock concern.

21 Q. Does this conclude your surrebuttal testimony?

22 A. Yes, it does.