

Exhibit No.: 433
 Issues: Rate Design
 Witness: Maurice Brubaker
 Type of Exhibit: Surrebuttal Testimony
 Sponsoring Parties: Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumers Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers
 Case No.: ER-2012-0175
 Date Testimony Prepared: October 10, 2012

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 Missouri Public
 Service Commission

**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 a General Rate
 Increase for Electric Service

Case No. ER-2012-0175
 Tracking No. YE-2012-0405

Surrebuttal Testimony and Schedules of

Maurice Brubaker

On behalf of

**Ag Processing Inc
 Federal Executive Agencies
 Midwest Energy Consumers Group
 Midwest Energy Users' Association
 Missouri Industrial Energy Consumers**

October 10, 2012



MIEC/MECG-Exhibit No. 433
 Date 10-24-12 Reporter KF
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Surrebuttal Testimony of Maurice Brubaker

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140,**
3 **Chesterfield, MO 63017.**

4 **Q ARE YOU THE SAME MAURICE BRUBAKER WHO HAS PREVIOUSLY FILED**
5 **TESTIMONY IN THIS PROCEEDING?**

6 **A Yes. I have previously filed direct testimony on August 21, 2012; revised direct**
7 **testimony on September 6, 2012; and rebuttal testimony on September 12 2012 in**
8 **this proceeding regarding rate design issues.**

9 **Q ARE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN**
10 **THAT TESTIMONY?**

11 **A Yes. This information is included in Appendix A to my direct testimony on rate design**
12 **issues.**

13 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

14 **A This testimony is presented on behalf of Ag Processing Inc; Federal Executive**
15 **Agencies; Midwest Energy Consumers Group; Midwest Energy Users' Association;**

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1 and Missouri Industrial Energy Consumers (collectively referred to as "Industrials").
2 These customers purchase substantial amounts of electricity from KCP&L Greater
3 Missouri Operations Company ("GMO"), both in the MPS territory and in the L&P
4 territory. The outcome of this proceeding will have an impact on their cost of
5 electricity.

7 **Q WHAT IS THE SUBJECT OF YOUR SURREBUTTAL TESTIMONY?**

8 A In my surrebuttal testimony, I will respond to certain portions of the rebuttal
9 testimonies of GMO witnesses Normand and Rush, and MPSC Staff witness
10 Scheperle.

11 The fact that I may not respond to a particular point or position should not be
12 interpreted as an endorsement.

13 **Response to GMO**

14 **Q AT PAGE 4 OF HIS REBUTTAL TESTIMONY, MR. NORMAND TAKES ISSUE**
15 **WITH THE STATEMENT MADE IN YOUR TESTIMONY THAT HIS BIP APPROACH**
16 **IS OBSCURE AND INAPPROPRIATE. IN RESPONSE, HE CLAIMS IT IS WELL**
17 **RECOGNIZED IN THE INDUSTRY AND STATES THAT HE HAS USED THIS**
18 **APPROACH AS WELL AS SIMILAR METHODS FOR OVER 30 YEARS. PLEASE**
19 **RESPOND TO MR. NORMAND'S TESTIMONY.**

20 A I readily acknowledge that Mr. Normand has proposed the BIP method on a number
21 of occasions, and for a number of years. I also acknowledge that it is described in
22 the National Association of Regulatory Utility Commissioners ("NARUC") *Electric*
23 *Utility Cost Allocation Manual* ("Manual"), but the fact that it is described in the Manual

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1 does not mean that it is endorsed by anyone, rather it is simply an explanation of the
2 method.

3 What Mr. Normand has not rebutted, and indeed cannot rebut, is that BIP is
4 an obscure and arcane method that has not found support in the industry. In this
5 regard, please refer to Schedule MEB-COS-SR-1 which is the response to MIEC
6 Data Request No. 2.1 in Case No. ER-2010-0355. In response to the request to
7 identify rate proceedings he was aware of where the BIP method was adopted, all
8 that Mr. Normand was able to provide was a reference to the November 2010
9 decision by the Kansas Corporation Commission in the KCPL Iatan 2 rate case. I
10 would certainly think that if Mr. Normand had succeeded in selling the BIP method
11 during the last 30 or so years that he has been promoting it, that he would be able
12 find at least one instance where it was adopted by a Commission prior to 2010.

13 When, in this case, he was invited to detail prior proceedings where the BIP
14 method had been proposed, and where it may have been approved, he did not
15 provide any additional information. (See Schedule MEB-COS-SR-2, which is Mr.
16 Normand's response to MIEC Data Request No. 1-5 in this proceeding.)

17 **Q AT THE BOTTOM OF PAGE 5 OF HIS REBUTTAL TESTIMONY, MR. NORMAND**
18 **SUGGESTS THAT STAFF'S APPROACH TO THE ALLOCATION OF**
19 **GENERATION FIXED COSTS WAS SIMILAR TO HIS METHOD. DO YOU**
20 **AGREE?**

21 **A** No. The only similarity between the two methods is the witnesses both refer to them
22 as a "BIP" method. The difference between Mr. Normand's approach and Mr.
23 Schepeler's approach is like the difference between night and day. At pages 9-12 of

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1 his rebuttal testimony, Mr. Scheperle lays out the substantial differences between his
2 approach and Mr. Normand's. On page 11, he observes:

3 "In this case GMO's methodology disproportionately allocates energy
4 to certain classes, ..."

5 The differences are highlighted very effectively by Table 2 appearing on
6 page 4 of Mr. Scheperle's rebuttal testimony. In this table, he presents the indexes of
7 return for various customer classes under Mr. Normand's (referred to as GMO)
8 method, Staff's method, and the three methods that I have submitted. This is
9 summarized below for L&P:

<u>Indexes of Return for Major Classes (L&P)</u>			
<u>Class</u>	<u>GMO</u>	<u>Staff</u>	<u>Industrial</u>
	(1)	(2)	A&E - 4NCP
			(3)
Residential	0.83	0.71	0.61
SGS	1.97	1.98	1.52
LGS	1.37	1.22	1.36
LPS	0.81	1.14	1.28
Total	1.00	1.00	1.00

Source: Scheperle Rebuttal Testimony, page 4.

10 In substantial contrast, the GMO (Normand) results are materially different
11 from the other studies for customers with high load factors, and customers with low
12 load factors. This is shown most clearly by comparing the results for the Residential
13 class and the Large Power Service ("LPS") class.¹ GMO (Normand) has an index of
14 return of 0.81 for the LPS class, while Staff has 1.14 and my study is 1.28. For the
15 Residential class, GMO (Normand) shows an index of return of 0.83 while for Staff it
16 is 0.71 and for my study it is 0.61. Essentially, GMO's (Normand's) results are
17 substantially out of step with the results produced by widely accepted cost of service

¹The results for Small General Service, and to a lesser degree for Large General Service, are not as different because the load factors of these classes are closer to the system average load factor.

1 methodologies. These significant disparities are a clear indicator that Mr. Normand's
2 study is out of the range of accepted methodologies.

3 **Q ON PAGE 6 OF HIS TESTIMONY, MR. NORMAND FURTHER STATES THAT YOU**
4 **LIMITED YOUR PRESENTATION TO THE MAJOR CLASSES, AND DID NOT**
5 **BREAKDOWN THE STUDIES BY SEASON OR ANY FURTHER DETAIL. IS MR.**
6 **NORMAND CORRECT?**

7 **A** No. All Mr. Normand would have had to do was to look at the workpapers supplied in
8 association with my direct testimony. The workpapers contain the results of class
9 cost of service studies using my recommended method (and the alternatives as well)
10 in exactly the same rate schedule, voltage level and seasonal detail as Mr.
11 Normand's studies.

12 **Q IS GMO WITNESS RUSH AS ENAMORED WITH MR. NORMAND'S BIP METHOD**
13 **AS IS MR. NORMAND?**

14 **A** No. At page 5 of his testimony, Mr. Rush states the following:

15 **Q: Do you consider the BIP allocation method superior to the**
16 **other methods proposed?**

17
18 **A:** No. I would not say that any one method is superior. Each
19 method provides a mathematically correct way to allocate costs.
20 The analyst is challenged to find a method that best represents
21 their respective belief of how the costs occur. The Commission in
22 their judgment of the facts of this case must evaluate the methods
23 to determine which options produce a fair and reasonable result.
24 There is ample room for reasonable minds to disagree.

1 **Response to Commission Staff**

2 Q AT PAGE 5 OF HIS REBUTTAL TESTIMONY, MR. SCHEPERLE INDICATES
3 THAT YOUR FILED STUDY WAS PERFORMED ONLY FOR "GROUPS OF RATE
4 CLASSES," AND NOT FOR THE SUBGROUPS. IS HE CORRECT?

5 A He is correct that the material provided in direct testimony was limited to the broad
6 customer groups, however as I noted previously in response to Mr. Normand, the full
7 details of these cost of service studies appear in workpapers provided to Mr.
8 Scheperle and to others.

9 Q DO THE RATES OF RETURN FOR THE SUBGROUPS WITHIN THE LARGE RATE
10 GROUPS AFFECT YOUR RECOMMENDATION WITH RESPECT TO THE
11 MOVEMENT OF TOTAL CLASS REVENUE REQUIREMENTS?

12 A No. My recommendations are purposely limited to the total change, or movement
13 toward cost of service, for the broad customer groups. To Mr. Scheperle's point
14 about different rates of return within the large customer groups, there is no reason
15 that individual subgroups within the broad group cannot receive separate and
16 different adjustments based on their individual results. What is important at a high
17 level is that the broad classes move closer to cost of service, which is what I have
18 proposed.

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Company Name: KCPL MO
Case Description: 2010 KCPL Rate Case
Case: ER-2010-0355

Response to Vuylsteke Diana Interrogatories – Set MIEC_20101129
Date of Response: 12/09/2010

Question No. :2.1

Please identify all regulatory proceedings of which Mr. Normand is aware where the regulatory commission adopted the base-intermediate-peak method of cost allocation that Mr. Normand has proposed in this case.

RESPONSE:

Mr. Normand does not keep or maintain a list of the adoption of the base, intermediate and peak allocation procedure in his associated regulatory proceedings. Mr. Normand is, however, well aware of its development and use as an appropriate and reasonable allocation method for production allocation.

Additionally, in the report and order issued on November 22, 2010 by the Kansas Corporation Commission regarding the recent KCP&L rate case (10-KCPE-415-RTS) the Commission expressed its support and adoption of the base, intermediate and peak allocation procedure.

Attachment: Q2.1 MO Verification.pdf

DATA REQUEST– Set MECG_20120518

Case: ER-2012-0175

Date of Response: 06/06/2012

Information Provided By: N/A

Requested by: Woodsmall David

Question No. : 1-5

Please provide a listing of all proceedings known to Mr. Normand in which the "base, intermediate, peak" cost allocation method has been proposed. For each such proceeding, please provide the name of the utility, the docket number, the approximate date of filing, the jurisdiction, the name of the witness and the party sponsoring the witness, the cost of service study itself along with the supporting testimony and a statement as to whether or not the Commission adopted the proposed "base, intermediate, peak" cost of service study.

Response:

Mr. Normand has always advocated the use of a production stacking method of allocation for production plant class allocation. This method is described in the attached NARUC Electric Utility Cost Allocation Manual (See the attached file "Cost Allocation Manual Pages.pdf."). Mr. Normand's preferred approach is the use of the Probability of Dispatch method. This approach has not been used in recent years as it is quite data intensive and many utility clients have divested generation assets. Instead, he has substituted this detailed Probability of Dispatch approach with an equivalent, time differentiated approach called the Base, Intermediate, Peak (BIP) method.

Mr. Normand does not maintain a list of the use of the BIP method by other parties, consultants, or other jurisdictions. Please see the response to Question #1-4 for testimony details of each study.

Attachment:

Q1-5 Cost Allocation Manual Pages.pdf

Q1-5 GMO Verification.pdf