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Issues: Rate Design
Revenue Allocation Method

Witness: Gary C. Price

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: DOE-NNSA

Case No.: ER-2007-0291

Direct Testimony Date: August 30, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0291

REBUTTAL TESTIMONY

OF

GARY C. PRICE

ON BEHALF OF

**THE DEPARTMENT OF ENERGY – NATIONAL
NUCLEAR SECURITY ADMINISTRATION**

**Kansas City, Missouri
August 2007**

PUBLIC

Exhibit No. 805
Case No(s). ER-2007-0291
Date 10/1/07 Rptr UV

1 **REBUTTAL TESTIMONY**
2 **OF**
3 **GARY C. PRICE**
4 **KANSAS CITY POWER & LIGHT**
5 **CASE NO. ER-2007-0291**
6

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

8 A. My name is Gary C. Price. My business address is P.O. Box 23, Sun Prairie, Wisconsin
9 53590.

10
11 **Q. BY WHO ARE YOU EMPLOYED?**

12 A. I am a principal consultant with Rhema Services Inc. and have worked in the utility industry
13 for more than 35 years.

14
15 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?**

16 A. Yes. On August 7, 2007 I filed direct testimony in this case on behalf of the United States
17 Department of Energy that is representing the interest of the National Nuclear Security
18 Administration ("DOE-NNSA") and other affected Federal Executive Agencies.

19
20 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

21 A. The rebuttal testimony I am presenting herein is offered on behalf of DOE-NNSA.

22 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

23 A. The purpose of my rebuttal testimony is to comment on a MO PSC Staff proposal regarding
24 shifts in class revenue responsibilities in this proceeding and appropriateness of last case's
25 class cost of service (CCOS).

1 **Q. PLEASE EXPLAIN STAFF'S PROPOSAL REGARDING CLASS REVENUE**
2 **SHIFTS.**

3 A. In his filed direct testimony in this proceeding, Mr. James C. Walker of the MO PSC Staff
4 ("Staff") sponsored the Staff's recommendation regarding shifts in class revenue
5 responsibility. The Staff's recommendation is to increase the revenue responsibility of the
6 Residential class by approximately 1.8% and reduce the Medium General Service ("MGS")
7 class by approximately 5% in order to shift \$3,536,542 from the MGS class to the
8 Residential class. Mr. Watkins goes on to state that this shift is warranted to more closely
9 align class revenue responsibility with the current cost of serving each class
10

11 **Q. WHAT IS THE BASIS OF THE STAFF PROPOSAL SPONSORED BY MR.**
12 **WATKINS?**

13 A. As explained by Mr. Watkins on page 2 of his direct testimony, he "relied on Ms. Janice
14 Payatte for preparing the Staff's Class Cost of Service and Rate Design Report (Report) filed
15 in this case. The Report is based on her work in Case No. EO-2005-0329 (KCPL's
16 "Regulatory Plan" case) and Case No. ER-2006-0314 (KCPL's most recent rate case) and the
17 analysis she performed in this case." It is clear that Staff proposed shifts in class revenue
18 responsibilities in this case are based on the CCOS work performed by Ms. Janice Payatte in
19 the previous case. The Staff proposal is not tied in any way to KCPL's costs or loads
20 reflected in the Company's filing in this case.

21 **Q. PLEASE EXPLAIN THE PROBLEM THAT YOU HAVE WITH STAFF USING A**
22 **CCOS FROM THE LAST CASE TO DETERMINE CHANGES IN CLASS**
23 **REVENUE RESPONSIBILITIES IN THIS CASE.**

1 A. First, of the numerous CCOS studies presented in the last case, there was no determination
2 made in the last case that Staff's CCOS was the correct model to use in determining class
3 revenue responsibilities. The class revenue responsibility was determined in that case through
4 a negotiated settlement. Second, it is improper, in my opinion, to use the any CCOS results
5 from a prior period to determine the class revenue responsibilities in the current period. It is
6 inappropriate to determine class revenue responsibility relying in a stale and out of period
7 CCOS as the Staff has relied in this case. After examining the costs, revenues, billing units
8 and allocation parameters in this case, one can clearly ascertain that they are significantly
9 different than in the last KCPL case. I have prepared below a Table 5 showing the different
10 classes responsibility as per my CCOS for both rate cases. In addition, at page 3, starting at
11 line 5, Mr. Watkins certainly supports my premise by stating that additions to production
12 plant (such as Iatan 2) to KCPL's rate base "will compound, rather than ameliorate, any
13 current misalignments between class costs and class revenues."

14 **Q. DID YOU, ON BEHALF OF DOE-NNSA, PRESENT A CCOS STUDY IN CASE NO.**
15 **ER-2006-0314?**

16 A. Although Staff's Report failed to acknowledge that DOE-NNSA filed a CCOS in that case, I did
17 file a CCOS on their behalf. I have included Table 5 below, taken in part from the Staff Report,
18 at Pages 3 and 4, which compares the relative rates of returns presented by various interveners in
19 the last case. Table 6 also includes the results of the CCOS presented by DOE-NNSA in the last
20 case and in this case.

Table 5
Relative Rates Of Return

Party	Res	SGS	MGS	LGS	LPS	LGT	Source
From Case No. ER-2006-0314							
KCPL	9.31%	-3.41%	-10.65%	-5.55%	-2.75%	11.31%	Staff Report, Pg 4
OPC: A&P	5.18%	-15.46%	-13.16%	-2.00%	7.12%	1.41%	Staff Report, Pg 4
OPC: TOU	2.11%	-16.35%	-13.18%	-0.59%	11.70%	-5.93%	Staff Report, Pg 4
IND: A&E	22.94%	-3.53%	-9.83%	-12.65%	-17.30%	-20.98%	Staff Report, Pg 4
IND: 1CP	25.19%	-5.83%	-10.03%	-12.78%	-19.92%	-20.98%	Staff Report, Pg 4
IND: 3 CP	24.09%	-7.65%	-11.39%	-11.85%	-17.50%	-20.98%	Staff Report, Pg 4
IND: 4 CP	25.14%	-7.88%	-11.88%	-13.01%	-17.64%	-20.98%	Staff Report, Pg 4
Staff	8.24%	-3.53%	-8.75%	-2.41%	-4.84%	0.00%	Staff Report, Pg 3
DOE-NNSA	16.31%	-4.54%	-11.91%	-8.47%	-10.09%	5.38%	GCP Rebuttal, Table 2B

Table 6
Relative Rates Of Return
DOE - NSAA Class Cost of Service For Each Rate Case

	Res	SGS	MGS	LGS	LPS	LGT	Source
Case No. ER-2006-0314	16.31%	-4.54%	-11.91%	-8.47%	-10.09%	5.38%	GCP Rebuttal, Table 2B
Case No. ER-2007-0291	11.29%	-8.86%	-12.72%	-6.45%	-2.61%	19.33%	GCP Direct, Table 3

1
2
3
4

1 **Q. HAVE YOU FILED A CCOS STUDY IN THIS CASE REFLECTING THE**
2 **CURRENT TEST YEAR COSTS AND CLASS LOADS?**

3 **A.** Yes. The CCOS that I've filed in this proceeding is shown and described in my direct
4 testimony in this case. Also, Table 6 shows a comparison between the classes relative rates of
5 return in the last and in this case. As a result of the Stipulation and Agreement in the last case
6 ER – 2006-0314, we can observe that the Residential class relative rate of return shifted
7 about 5% and its deviation from unity is now 11.3% instead of 16.3%. The impact on the
8 other classes was somewhat mixed with LGS and LPS classes shifting some towards unity
9 while MGS and SGS remained almost the same and shifted a little more away from unity.

10
11 **Q. HAVE YOU NOW CHANGED YOUR RECOMMENDATION REGARDING THE**
12 **CLASS REVENUE RESPONSIBILITY FROM WHAT YOU FILED IN YOUR**
13 **DIRECT TESTIMONY IN THIS CASE?**

14 **A.** No. Since the last case, we have made some progress in moving classes towards equivalent
15 rates of return. We still have more to accomplish in aligning revenue with cost. My proposal
16 is to continue to move gradually toward equivalent rates of return for all classes. My proposal
17 would provide greater shifts to unity (plus or minus) to the classes further apart from unity.

18
19 **Q. IS STAFF'S PROPOSAL TO ADJUST ONLY THE MGS CLASS RELATIVE RATE**
20 **OF RETURN CLOSER TO UNITY APPROPRIATE?**

1 A. No. Staff's proposal is based on a stale and not representative cost of service that does not
2 reflect the reality of the 2007 rate year. Secondly, it only adjusts one class of service while
3 the remaining classes are still above unity rate of return.

4

5 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

6 A. Yes, it does.

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