

**Exhibit No.**

**Issue: Rate Design-Discounted  
Rates for Space-heating**

**Witness: Joseph A. Herz**

**Type of Exhibit: Rebuttal Testimony**

**Sponsoring Party: Trigen-Kansas City**

**Case No. ER-2007-0291**

**Date Testimony Prepared: August 29, 2007**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**STATE OF MISSOURI**

**REBUTTAL TESTIMONY**

**OF**

**JOSEPH A. HERZ**

**ON BEHALF OF  
TRIGEN-KANSAS CITY ENERGY CORP.**

**NON-PROPRIETARY**

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Schedule JAH-5	Change in Revenue Responsibility Proposed by MPSC Staff and DOE-NNSA - <b>HIGHLY CONFIDENTIAL – Not included in Non-Proprietary Version</b>

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI  
REBUTTAL TESTIMONY OF JOSEPH A. HERZ  
ON BEHALF OF TRIGEN-KANSAS CITY ENERGY CORP.  
CASE NO. ER-2007-0291**

1    Introduction

2    Q.     Please state your name.

3    A.     My name is Joseph A. Herz.

4

5    Q.     Are you the same Joseph A. Herz who has previously filed direct testimony in this rate  
6           proceeding?

7    A.     Yes, I am.

8

9    KCPL Proposal for Equal Percentage Increase

10   Q.     Do you have a position regarding KCPL's rate design proposal to increase all rates by the  
11           overall percentage increase granted in this case?

12   A.     Yes. I have previously filed Direct Testimony opposing the company's proposal to  
13           increase all rates by the overall percentage rate increase because doing so will effectively  
14           increase the size<sup>1</sup> of the general service space-heating rate discounts.<sup>2</sup> KCPL's proposal  
15           for an across the board increase that is equal to the overall increase of 8.3% effectively  
16           will *increase* the size of the space-heating discounts because as each demand and energy  
17           rate component is increased by the same percentage, the difference between the proposed  
18           general service standard tariff rates and the general service space-heating discounted rates

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<sup>1</sup> As noted in my Direct Testimony, by "size" I'm referring to the difference on the energy rate charges per kWh energy between standard general service rates and the corresponding discounted dollar amount of the space-heating customer's monthly billing.

<sup>2</sup> The discounted all electric general service tariff rates and the provisions for separately metered space-heating rate discounts are sometimes collectively referred to herein as "space-heating rate discounts", "discounted rates related to space-heating", or simply "discounted rates".

1 will be increased and be larger than the difference under current rates. This is shown by  
2 Schedule JAH-1 through Schedule JAH-4.

3 This is inconsistent with what was done in the last case. Also, it doesn't make  
4 sense that the space-heating rate discounts should be increased in light of the "concerns"  
5 of such discounts expressed by the Commission in KCPL's last rate case. Nor would  
6 increasing the space-heating discounts appear to be consistent with the Commission's  
7 restriction of discounted space-heating rates to "existing" customers (regardless of one's  
8 definition) until there is a comprehensive class cost of service study for commercial and  
9 industrial space-heating service. Finally, KCPL's proposal to increase the commercial  
10 and industrial space-heating discounts by the overall increase would potentially establish  
11 a bad precedent for future rate filings.

12 Accordingly, my Direct Testimony included a recommendation that the  
13 discounted rates related to space-heating be increased more than the standard general  
14 service rates so that the discounted rates and standard tariff rates reach parity over three  
15 KCPL rate cases (i.e., this rate case and the next two KCPL rate cases).<sup>3</sup>

16  
17 Class Revenue Responsibility Shift Proposed by MPSC Staff and DOE-NNSA

18 Q. Have any parties proposed to shift revenue responsibility between rate classes?

19 A. Yes, Direct Testimony was filed on behalf of the Missouri Public Service Commission  
20 Staff (MPSC Staff) and the Department of Energy – National Nuclear Security  
21 Administration (DOE-NNSA) that would change the revenue allocation between  
22 customer classes such that the revenue responsibility of some classes would increase, and  
23 the revenue responsibility of other rate classes would decrease. The MPSC Staff

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<sup>3</sup> Refer to pages 5 and 6 of my Direct Testimony for a complete listing of my recommendations in this rate case.

1 proposes to increase the revenue responsibility of the residential class by \$3,536,542  
2 from the medium general service class thereby reducing the revenue responsibility of the  
3 medium general service class by that same amount (see page 2 of MPSC staff witness  
4 Mr. Watkins Direct Testimony). DOE-NNSA believes, that because of discrepancies in  
5 the relative rates of return, the revenue responsibility of the residential and street light  
6 classes should be increased and the revenue responsibilities of the three general service  
7 classes (i.e., small, medium and large) and the large power class should be decreased in  
8 this rate case and the next two KCPL rate case filings so that all rate classes end up at a  
9 uniform rate of return (see the Direct Testimony of DOE-NNSA witness Mr. Price, and  
10 Table 1 at Page 5 and Table 2 at page 10.) Schedule JAH-5 summarizes the changes in  
11 revenue responsibility proposed by MPSC Staff and DOE-NNSA for this rate case.  
12 Schedule JAH-5 includes information that DOE-NNSA has marked as Highly  
13 Confidential; therefore, Schedule JAH-5 is marked as Highly Confidential.

14  
15 Q. How would the overall rate increase approved by the Commission in this rate case be  
16 implemented under the MPSC Staff and DOE-NNSA proposals?

17 A. As I understand their proposals, MPSC Staff and DOE-NNSA would first adjust the  
18 revenue responsibilities of each of the rate classes by the amounts shown in Schedule  
19 JAH-5 before consideration of any overall revenue increase resulting from KCPL's rate  
20 case filing. While the shifting of revenue responsibility would require rate increases for  
21 some rate classes (for example a 1.8% residential rate increase under MPSC Staff  
22 proposal), other classes would require a rate decrease (such as a 5% medium general  
23 service rate decrease under MPSC Staff's proposal). In effect, the shifting of revenue

responsibility would be revenue neutral on an overall Company basis but not on a class basis. In order to generate the additional revenue approved by the Commission in this rate case filing, it is my understanding that the MPSC Staff and DOE-NNSA proposals would then increase the adjusted revenue responsibilities of each rate class by the overall percentage revenue increase approved by the Commission. Say for example the Commission were to approve an overall 6% increase in this rate case. Under MPSC Staff's proposal, the residential class would see a 7.8% increase (6% plus 1.8% for the shift of revenue responsibility) and the medium general service class would see a 1% increase (6% less the 5% shift in revenue responsibility); all other classes would see a 6% increase. On the other hand, KCPL's proposal under this hypothetical would increase all customer classes by 6%.

Q. How would the rates for each rate class be adjusted under MPSC Staff's and DOE-NNSA's proposals to accomplish the proposed revenue responsibilities by rate class?

A. DOE-NNSA's Direct Testimony does not address how rates within each rate class should be adjusted under its proposal. MPSC Staff proposes that each of the demand and energy charge components within the rate class would be adjusted by the overall percentage adjustment for that rate class. In other words, the MPSC Staff proposal is similar to the Company's proposal in that all rates within each rate class will increase the same percentage, although that percentage may differ by rate class under MPSC Staff's shifting of class revenue responsibility proposal versus the Company's proposal for a uniform percentage increase to all customer classes. The net effect however, is that increasing the general service standard tariff rates and the general service space-heating discounted rates

1 within each of the general service categories (i.e., small, medium and large) by the same  
2 percentage will increase the size of the space-heating discounts which will drive the  
3 magnitude of the differential in the wrong direction. As stated in my Direct Testimony,  
4 the general service space-heating rate discounts need to be decreased, not increased,  
5 within each of the general service categories. To do so, one needs to increase the general  
6 service space-heating discounted rates by a larger percentage than the standard tariff rates  
7 within each of the general service categories.

8  
9 KCPL's Proposed Renaming of All-Electric Tariff to Space Heating

10 Q. Is KCPL proposing any changes to the general service all-electric tariffs?

11 A. Yes. Although not addressed in KCPL's Direct Testimony, it appears KCPL is proposing  
12 to rename the general service "All-Electric" tariffs as "Space Heating" tariffs. In the last  
13 rate case, KCPL proposed to rename its general service all-electric tariffs as space  
14 heating tariffs and to increase the availability of the general service space-heating  
15 discounted rates under those tariffs to customers that were not, nor would otherwise  
16 qualify, as all-electric general service customers. Trigen opposed KCPL's proposed  
17 renaming and expansion of the availability of KCPL's general service all-electric tariffs  
18 in the last rate case, and the Commission rejected KCPL's proposal to do so in its Report  
19 and Order. While KCPL is again proposing to rename the general service all-electric  
20 tariff in this rate case filing, it does not appear that KCPL is proposing in this case to  
21 revise or expand the availability of the general service all-electric tariffs to customers that  
22 are not all-electric.

1 Q. Do you oppose KCPL's proposal to rename its general service all-electric tariffs?

2 A. Yes, I do. The availability of the general service all-electric rate discounts is to be  
3 limited only to those commercial and industrial customers:

4 "For electric service through one meter and using only electric  
5 service for all lighting, cooking, water heating, comfort space  
6 heating (except aesthetic fireplaces), comfort cooling, general  
7 purposes, and any other purposes requiring energy. The customer  
8 must have electric water heating and electric space heating  
9 equipment. This equipment shall be of a size and design approved  
10 by the Company. Electric space heating and electric water heating  
11 equipment shall be permanently installed, connected and  
12 thermostatically controlled." (Underlining added for emphasis - see  
13 Availability section of KCPL's Small, Medium and Large General  
14 Service – All Electric tariffs)

15 Obviously, the criteria set forth in the general service tariffs for commercial and  
16 industrial customers to be eligible for the general service all-electric discounted rates  
17 requires more than the customer having electric space heating. Renaming the general  
18 service "All Electric" tariffs as "Space Heating" tariffs would be misleading and not  
19 consistent with the Availability section of the general service all-electric tariffs.

20  
21 Conclusion

22 Q. Does this conclude your rebuttal testimony?

23 A. Yes, it does.



**Small General Service**  
**Increase in All-Electric Rate Discounts Due to**  
**KCPL's Equal Percentage Increase**

		<u>Current All-Electric Rate Discount</u>				<u>Proposed All-Electric Rate Discount</u>				<u>KCPL's Proposed Increase to All-Electric Rate Discounts</u>	
Line:		<u>Standard</u>		<u>Current</u>		<u>Standard</u>		<u>Proposed</u>		<u>Amount</u>	<u>Percentage</u>
		<u>Tariff Rate</u>	<u>Rate</u>	<u>All-Electric Discount</u>	<u>(a - b)</u>	<u>Tariff</u>	<u>All-Electric Rate</u>	<u>Discount</u>	<u>(d - e)</u>		
1	<u>Winter Season (8 months)</u>	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>		<u>(d)</u>	<u>(e)</u>	<u>(f)</u>		<u>(g)</u>	<u>(g / c)</u>
2											<u>(h)</u>
3	Rate for Service at Secondary Voltage										
4	Energy Charge (\$/kWh)										
5	First 180 hours use per month	0.08579	0.06156	0.02423		0.09290	0.06670	0.02620		0.00197	8.13%
6	Next 180 hours use per month	0.04188	0.03904	0.00284		0.04540	0.04230	0.00310		0.00026	9.15%
7	Over 360 hours use per month	0.03779	0.03904	(0.00125)		0.04090	0.04230	(0.00140)		(0.00015)	12.00%
8	Rate for Service at Primary Voltage										
9	Energy Charge (\$/kWh)										
10	First 180 hours use per month	0.08383	0.06015	0.02368		0.09080	0.06510	0.02570		0.00202	8.53%
11	Next 180 hours use per month	0.04092	0.03815	0.00277		0.04430	0.04130	0.00300		0.00023	8.30%
12	Over 360 hours use per month	0.03692	0.03815	(0.00123)		0.04000	0.04130	(0.00130)		(0.00007)	5.69%

**Medium General Service**  
**Increase in All-Electric Rate Discounts Due to**  
**KCPL's Equal Percentage Increase**

		Current All-Electric Rate Discount Proposed All-Electric Rate Discount				KCPL's Proposed Increase to All-Electric Rate Discounts	
Line:		Current		Proposed		Amount (f - c) (g)	Percentage (g / c) (h)
		Standard Tariff Rate (a)	All-Electric Rate (b)	Standard Tariff (d)	All-Electric Rate (e)		
1	<u>Winter Season (8 months)</u>						
2							
3	Rate for Service at Secondary Voltage						
4	Demand Charge (\$/kW-mo)	1.4190	2.0100	(0.59100)	1.53700	2.17700	(0.64000)
5	Energy Charge (\$/kWh)						
6	First 180 hours use per month	0.06300	0.04050	0.02250	0.06820	0.04390	0.02430
7	Next 180 hours use per month	0.03780	0.02670	0.01110	0.04090	0.02890	0.01200
8	Over 360 hours use per month	0.03170	0.02440	0.00730	0.03430	0.02640	0.00790
9	Rate for Service at Primary Voltage						
10	Demand Charge (\$/kW-mo)	1.3860	1.9650	(0.57900)	1.50100	2.12800	(0.62700)
11	Energy Charge (\$/kWh)						
12	First 180 hours use per month	0.06150	0.03960	0.02190	0.06660	0.04290	0.02370
13	Next 180 hours use per month	0.03690	0.02610	0.01080	0.04000	0.02830	0.01170
14	Over 360 hours use per month	0.03100	0.02390	0.00710	0.03360	0.02590	0.00770
						(0.04800)	8.29%
						0.00180	8.22%
						0.00090	8.33%
						0.00060	8.45%

**Large General Service**  
**Increase in All-Electric Rate Discounts Due to**  
**KCPL's Equal Percentage Increase**

		<u>Current All-Electric Rate Discount Proposed All-Electric Rate Discount</u>				<u>KCPL's Proposed Increase to All-Electric Rate Discounts</u>	
Line:		<u>Current</u>		<u>Proposed</u>		<u>Amount</u>	<u>Percentage</u>
		<u>Standard Tariff Rate</u>	<u>All-Electric Rate (a - b)</u>	<u>Standard Tariff Rate</u>	<u>All-Electric Rate (d - e)</u>		
	<u>Winter Season (8 months)</u>	(a)	(b)	(d)	(e)	(f - c)	(g / c)
1							
2							
3	Rate for Service at Secondary Voltage						
4	Demand Charge (\$/kW-mo)	2.1720	2.0100	2.35200	2.17700	0.01300	8.02%
5	Energy Charge (\$/kWh)						
6	First 180 hours use per month	0.05450	0.04050	0.05900	0.04390	0.00110	7.86%
7	Next 180 hours use per month	0.03470	0.02670	0.03760	0.02890	0.00070	8.75%
8	Over 360 hours use per month	0.02970	0.02440	0.03220	0.02640	0.00050	9.43%
9	Rate for Service at Primary Voltage						
10	Demand Charge (\$/kW-mo)	2.1220	1.9650	2.29800	2.12800	0.01300	8.28%
11	Energy Charge (\$/kWh)						
12	First 180 hours use per month	0.05320	0.03960	0.05760	0.04290	0.00110	8.09%
13	Next 180 hours use per month	0.03390	0.02610	0.03670	0.02830	0.00060	7.69%
14	Over 360 hours use per month	0.02910	0.02390	0.03150	0.02590	0.00040	7.69%

**Small, Medium and Large General Service  
Increase in Separately Metered Space Heat Rate Discounts Due to  
KCPL's Equal Percentage Increase**

		<u>Current Separately Metered</u>		<u>Proposed Separately Metered</u>		<u>KCPL's Proposed Increase to Separately Metered Space Heat Rate Discounts</u>	
		<u>Separately</u>		<u>Separately</u>			
		Standard	Metered	Current	Standard	Metered	Proposed
		<u>Tariff Rate</u>	<u>Space</u>	<u>Discount</u>	<u>Tariff</u>	<u>Space</u>	<u>Discount</u>
		(a)	(b)	(a - b)	(d)	(e)	(d - e)
			<u>Heat Rate</u>	(c)		<u>Heat Rate</u>	(f)
							(g / c)
						<u>Amount</u>	<u>Percentage</u>
						(f - c)	(g)
							(h)
Line:							
1	<u>Winter Season (8 months)</u>						
2							
3	Small General Service - Secondary Voltage						
4	Energy Charge (\$/kWh)						
5	First 180 hours use per month	0.08579	0.03968	0.04611	0.09290	0.04300	0.04990
6	Next 180 hours use per month	0.04188	0.03968	0.00220	0.04540	0.04300	0.00240
7	Over 360 hours use per month	0.03779	0.03968	(0.00189)	0.04090	0.04300	(0.00210)
8	Medium General Service - Secondary Voltage						
9	Energy Charge (\$/kWh)						
10	First 180 hours use per month	0.06300	0.03330	0.02970	0.06820	0.03610	0.03210
11	Next 180 hours use per month	0.03780	0.03330	0.00450	0.04090	0.03610	0.00480
12	Over 360 hours use per month	0.03170	0.03330	(0.00160)	0.03430	0.03610	(0.00180)
13	Large General Service - Secondary Voltage						
14	Energy Charge (\$/kWh)						
15	First 180 hours use per month	0.05450	0.03120	0.02330	0.05900	0.03380	0.02520
16	Next 180 hours use per month	0.03470	0.03120	0.00350	0.03760	0.03380	0.00380
17	Over 360 hours use per month	0.02970	0.03120	(0.00150)	0.03220	0.03380	(0.00160)

**SCHEDULE JAH-5**

**THIS SCHEDULE HAS BEEN DEEMED HIGHLY  
CONFIDENTIAL IN ITS ENTIRETY**

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

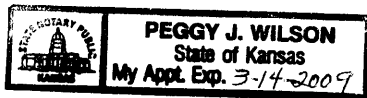
In the Matter of the Application of Kansas    )  
City Power and Light Company for Approval)  
to Make Certain Changes in its Charges for    )  
Electric Service to Implement its Regulatory )  
Plan    )

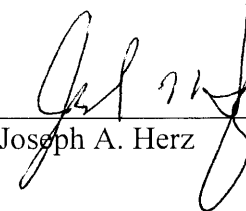
Case No. ER-2007-0291

AFFIDAVIT OF JOSEPH A. HERZ

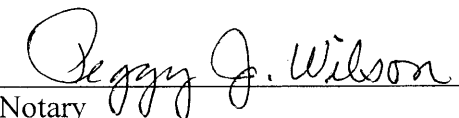
STATE OF KANSAS                )  
  ) ss  
COUNTY OF JEWEL            )

Joseph A. Herz, being of lawful age, on his oath states: that he has participated in the preparation of the attached Rebuttal Testimony in question and answer form and Schedules to be presented in the above case; that the answers in said Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers and schedules; and that such matters are true and correct to the best of his knowledge and belief.



  
\_\_\_\_\_  
Joseph A. Herz

Subscribed and sworn to before me this 29<sup>th</sup> day of August, 2007.

  
\_\_\_\_\_  
Notary