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Operations Company  
Case Nos.: ER-2018-0145 and ER-2018-0146  
Date Testimony Prepared: August 7, 2018

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NOS.: ER-2018-0145 and ER-2018-0146**

**REBUTTAL TESTIMONY**

**OF**

**MARISOL E. MILLER**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY and  
KCP&L GREATER MISSOURI OPERATIONS**

**Kansas City, Missouri  
August 2018**

## TABLE OF CONTENTS

<b>I. CLASS COST OF SERVICE</b> .....	3
REVENUE SHIFTS.....	3
COMBINED CLASS COST OF SERVICE.....	5
<b>II. RATE DESIGN</b> .....	6
TOU RATES FOR THE RESIDENTIAL CLASS.....	6
RESIDENTIAL CUSTOMER CHARGE CALCULATION.....	13
CONSOLIDATION OF RESIDENTIAL RATE CODES .....	15
INCLINING BLOCK RATES FOR THE RESIDENTIAL CLASS.....	15
RATE DESIGN CHANGE FOR THE NON-RESIDENTIAL CLASSES .....	19
RATE STUDIES.....	21

**REBUTTAL TESTIMONY**

**OF**

**MARISOL E. MILLER**

**Case Nos. ER-2018-0145 and ER-2018-0146**

1 **Q: Please state your name and business address.**

2 A: My name is Marisol E. Miller. My business address is 1200 Main, Kansas City, Missouri  
3 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L”) as Manager–  
6 Regulatory Affairs.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company  
9 (“GMO”) (collectively, the “Company”).

10 **Q: Are you the same Marisol E. Miller who filed Direct Testimony in both ER-2018-**  
11 **0145 and ER-2018-0146?**

12 A: Yes, I am.

13 **Q: What is the purpose of your testimony?**

14 A: The purpose of my rebuttal testimony is to respond to certain issues presented by parties  
15 to this proceeding. Those issues include:

16 I.) CLASS COST OF SERVICE (CCOS)

17 a. Revenue shifts as presented in the testimony of the Missouri Public  
18 Service Commission Staff (“Staff”) witness Sarah Lange and

1 Missouri Industrial Energy Consumers (“MIEC”) witness Maurice  
2 Brubaker;

- 3 b. Consolidated class of service study proposals and tariff rates  
4 presented in the testimony of the Office of Public Counsel  
5 (“OPC”) witness Karl Pavlovic;

6 II.) RATE DESIGN

- 7 a. Mandatory Time of Use (“TOU”) rates for all Residential  
8 customers with an AMI meter as presented by Staff witness Sarah  
9 Lange;

- 10 b. Customer charge for the Residential class as presented by Staff  
11 witness Robin Kliethermes;

- 12 c. Residential rate consolidations and revenue shifts as presented by  
13 Staff witness Sarah Lange;

- 14 d. Non-residential rate design recommendations as presented by Staff  
15 witnesses Robin Kliethermes and Sarah Lange;

- 16 e. Non-residential rate design recommendations as presented by  
17 MIEC witness Maurice Brubaker;

- 18 f. Inclining block rate structure changes as presented in the testimony  
19 of the Missouri Department of Economic Development – Division  
20 of Energy (“DE”) witness Martin Hyman and Renew Missouri  
21 witness, Jamie Scripps; and

- 22 g. Recommended studies by Staff witnesses Robin Kliethermes and  
23 Sarah Lange.

1 **I. CLASS COST OF SERVICE**

2 **REVENUE SHIFTS**

3 **Q: What was Staff’s proposal filed in the Staff Class Cost of Service Report (“CCOS**  
4 **Report”) for KCP&L?**

5 A: Staff’s proposal assumed various scenarios of decreases of up to -2.17%. Their proposals  
6 included interclass revenue shifts that would shift revenue responsibility from the Small  
7 General Service (“SGS”) and Medium General Service (“MGS”) classes to be spread  
8 equally among the remaining classes. If an overall decrease of \$19M is ordered, \$7.5M  
9 and \$2.0M in revenue responsibility would be shifted from the SGS and MGS classes  
10 respectively to the remaining classes. If an overall decrease of less than \$18M, but more  
11 than \$10M is ordered, \$6.0M and \$1.0M would be shifted from SGS and MGS classes.  
12 If a decrease of less than \$10M is ordered, \$5.0M would be shifted from the SGS class to  
13 the remaining classes. If there is no change or an increase is ordered, Staff recommends  
14 no revenue shifts. No revenue shifts were recommended for GMO.

15 **Q: Do you agree with Staff’s revenue shift recommendations?**

16 A: No. Staff’s proposal contains significant differences from the Company’s. First, as  
17 outlined above, the Staff’s proposal was based on the utilization of the BIP method for  
18 the Production Cost Allocation, while the Company utilized the Average & Excess  
19 method. Secondly, the Company’s Direct Filing revenues were based on actual revenues  
20 ending June 30, 2017, while Staff’s revenues were based on actual revenues ending  
21 October 31, 2017. Thirdly, Staff recommends four different proposals for revenue shifts  
22 and are all proposed under the assumption that the cases will result in an overall decrease.  
23 Lastly, Staff recommends no revenue shifts should the case result in a rate increase. With  
24 this understanding of Staff’s proposal, the Company believes that with an expected rate

1 increase, as outlined in our Direct Filing, the revenue shifts recommended by the  
2 Company offer a more reasonable proposal that acknowledges the likelihood of rate  
3 switchers, as well as, providing shifts that recognize each class's overall rate of return as  
4 outlined in our CCOS. For KCP&L, the Company continues to recommend a 3.34% rate  
5 increase to the Residential Class and 0.97% increase to all Non-Residential classes,  
6 excluding Lighting. For GMO, the Company continues to recommend a 3.85% rate  
7 increase to the Residential Class and 1.31% increase to all Non-Residential classes,  
8 including Lighting, but excluding the recently approved Lighting Emitting Diode  
9 ("LED") Municipal Street Lighting rates. However, if there was a rate decrease ordered,  
10 the Company would expect that the Residential Class would get a smaller portion of the  
11 decrease as compared to the Non-Residential Classes. The Company would need to  
12 assess the impact of fuel in the event of a decrease to offer a better estimate at this time.

13 **Q: Did Staff's recommendations include any consideration for expected rate switchers?**

14 **A:** No. Rate switching is when customers switch from one rate class to another in an effort  
15 to find a more desirable rate. The effect of customers switching to more advantageous  
16 rates following the application of new rates is a very real concern with direct impact on  
17 the Company's ability to recover its approved revenue requirement. If a revenue shift or  
18 rate design is offered without considering this effect, there could be significant reaction  
19 and confusion due to customers' natural and understandable response to rate changes and  
20 this could result in significant loss of revenues to the Company. As such, acceptance of  
21 Staff's proposed revenue shifts as outlined above would expose the Company to this rate  
22 switching effect. To be fair to the Company, this effect must be taken into account in any  
23 final rate design definition based on the Staff recommendation.

1 **Q: Have you reviewed Missouri Industrial Energy Consumers (MIEC) witness,**  
2 **Maurice Brubaker’s, recommendation for adjusting class revenues?**

3 A: Yes. It’s my understanding that Mr. Brubaker’s proposal, on a revenue neutral basis,  
4 offers an increase of 8.8% increase to the Residential class and decreases for all non-  
5 residential classes in the following amounts: -8.2% (SGS), -3.9% (MGS), -6.2% (Large  
6 General Service (“LGS”)), -5.0% (Large Power Service (“LPS”)) and (Lighting) -8.1%.

7 **Q: Do you agree with Mr. Brubaker’s revenue shift recommendations?**

8 A: No. While Mr. Brubaker’s proposal recognizes the differing overall rates of return by  
9 each customer class, the Company maintains that its proposal as filed in Direct Filing  
10 offers a more balanced approach to applying revenue shifts in a manner that is less  
11 extreme, and in a manner that minimizes rate shock and embraces gradualism,  
12 particularly to the residential class

13 **Q: Did Mr. Brubaker’s recommendations include any consideration for expected rate**  
14 **switchers?**

15 A: No. If Mr. Brubaker’s recommendation is accepted, the Company would be exposed to  
16 the same rate switching concerns as expressed earlier.

17 **COMBINED CLASS COST OF SERVICE**

18 **Q: What are the limitations involved with OPC witness Karl Pavlovic’s**  
19 **recommendation that a consolidated class cost of service study and rate design be**  
20 **filed by the Company its next rate case?**

21 A: Consolidation of rate structures and Class Cost of Service is something that the Company  
22 believes has customer and company benefits, such as billing and operational simplicity.  
23 The Company has fully embraced this concept and consolidated its L&P and MPS rates  
24 under the GMO Docket No. ER-2016-0156, which also allowed us to offer a combined

1 L&P/MPS Class Cost of Service Study in the current GMO rate case. This  
2 comprehensive consolidation process spanned several years to plan, file, and implement  
3 and included working with stakeholders, as well as, performing significant billing impact  
4 analysis at the individual customer level in order to estimate impacts and mitigate them as  
5 much as possible. The results of that implementation are still being examined and are  
6 expected to be more fully explored in a future rate design case, so that the parties can  
7 utilize analysis and learnings from that effort in future potential consolidations. As such,  
8 Mr. Pavlovic's recommendation for a consolidated class cost of service and a combined  
9 rate design is premature and should be rejected by the Commission. Further, the issue he  
10 raises is not a rate design issue, but a broader policy issue that is severely hampered by  
11 the fact that the two Companies are separate legal entities. This fact and its limitations  
12 are more fully explored in the rebuttal testimony of Company witness, Darrin Ives.

## 13 **II. RATE DESIGN**

### 14 **TOU RATES FOR THE RESIDENTIAL CLASS**

15 **Q: Have you reviewed MPSC Staff's recommendation regarding TOU Rates?**

16 **A:** Yes.

17 **Q: What are your thoughts on Staff's recommendation of a mandatory across the**  
18 **board implementation of TOU rates across the entire residential class for those**  
19 **customers with AMI meters?**

20 **A:** I believe the recommendation is an extreme recommendation that does not allow for the  
21 important customer education needed, doesn't fully consider the customer impacts, and  
22 deviates significantly from the studies and plans explored and recommended by the  
23 Company. GMO's comprehensive TOU Rate Study ("Study") consisted of collecting  
24 information, conducting qualitative/quantitative analyses of the existing GMO



1 Residential and Small General Service rates, and developing rates based upon  
2 consideration of Company goals, application of good rate making principles, comparison  
3 to common practice, and the experience of Burns & McDonnell (“BMcD”) in this area.  
4 BMcD was retained by the Company to assist in this effort and provide their rate design  
5 expertise. While the recommendation made by Staff generally aligns with the  
6 Company’s long-term rate implementation plan, as outlined in section 5.0 of the GMO  
7 TOU Report included in the Company’s Direct Filing, it places no real importance on  
8 timing, analysis, and customer education prior to consideration of a mass rollout to  
9 minimize customer impact. The Study’s initial recommendation stressed the importance  
10 of a paced roll out that would begin with an offering of a TOU Pilot. Staff’s  
11 recommendation lies in stark contrast to the recommendations resulting from this Study.

12 **Q: What did the Study consider as important factors or steps needed for the successful**  
13 **implementation of the TOU rates?**

14 A: The Study recommended the following<sup>1</sup>:

- 15       ▪ Offer TOU rates as pilots initially,
- 16       ▪ Freeze electric space/heat rates in its next rate case, pending pilot results,
- 17       ▪ Full and detailed analysis of customer response and customer bill impacts,
- 18       and
- 19       ▪ Analysis of revenue impacts resulting from customer response.

20 **Q: Why are these steps important and why is the offering of TOU as pilots important?**

21 A: The development and design of the TOU rates resulting from this Study considered  
22 lessons learned from the past, sound rate making principles, and customer impacts. The

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<sup>1</sup> KCP&L – Greater Missouri Operations Time of Use Rate Study, sections 5, 15, 11, and 12 (pgs. 28, 83, 61, and 66).

1 Study recognized that customer behavior is uncertain and unique, and often based on  
2 individual customer needs. As such, it will be important to carefully analyze customer  
3 response in order to understand customers' ongoing needs and determine education and  
4 tools needed to benefit a broad base of residential customers, particularly if TOU is to  
5 become a default or mandatory rate in the future.

6 **Q: You mention the importance of understanding customer impacts, but Staff included**  
7 **an analysis of possible bill impacts using a sample of customers based on hourly**  
8 **load research information and annual/seasonal averages. Isn't this enough?**

9 **A:** No. First, utilization of the load research information is overly general and inappropriate  
10 for purposes of determining customer bill impacts. Staff utilized load research  
11 information in a way that consolidated hourly use for General Use Customers and Space  
12 Heating Customers into a single hourly value for purposes of developing Time of Use  
13 billing determinants<sup>2</sup>. Essentially, this assumes that the load profiles for a Space Heating  
14 customer and a General Use Customer are exactly the same. This is not appropriate and  
15 likely to result in an underestimation of the impact to the Space Heating customers.  
16 Secondly, it appears that Staff took a sample from hourly load research meter data, data  
17 that is already sampled, and assumed that these hand selected customers' impacts  
18 represent the impacts of the entire population, which may not be the case. Overall, this  
19 means that their analysis does not fully or accurately represent the diversity of the  
20 customers within the Residential class, particularly General Use and Space Heating  
21 customers or the impacts all Residential customers will experience based on an across the  
22 board implementation of TOU rates.

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<sup>2</sup> Staff CCOS Report p. 37, Footnote 16.

1 **Q: According to Staff, their recommended TOU rates will produce little to no variation**  
2 **in a statistically average residential customer. Do you agree?**

3 A: I disagree with utilization of averages for purposes of determining customer bill impacts  
4 and believe that such an approach fails to recognize the diversity of customers within the  
5 class and their individual impacts. However, given the overly general utilization of the  
6 data used by Staff and Staff's assumptions, I can see why Staff's analysis shows little  
7 variation "on average." As a lesson learned, the Company had similar analysis early on  
8 in the ER-2016-0156 ("GMO Consolidation") case that demonstrated that an average  
9 impact for the Consolidation would result in a 2.2%<sup>3</sup> change in a customer's bill.  
10 Multiple stakeholders participating in technical conferences provided feedback that  
11 analysis on an average basis was inadequate. Further analysis demonstrated several  
12 outliers (+50% impact) for the revenue neutral proposed rates. Significant effort was  
13 made within the rate design to address these outliers and these efforts spanned many  
14 months, but in my view, was time well spent. It is my opinion that this TOU proposal  
15 will be just as impactful to customers as the GMO Consolidation and each customer will  
16 have a unique impact, some, perhaps many, significantly so. For these reasons and  
17 because of the across the board proposed application of the rates, I believe more granular  
18 analysis is needed.

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<sup>3</sup> This percentage is an approximation based on presentations provided in technical conferences held during the GMO consolidation case.

1 **Q: Are there additional specific observations and concerns with the average impacts**  
2 **offered by Staff?**

3 A: Yes. Just as a means of testing Staff's proposed rates, the Company selected one  
4 Residential Rate Code (MORH) for Space Heating customers in GMO and applied  
5 Staff's proposed TOU rates and compared that against the Company's current rates.

6 Staff's Proposed TOU Rates (winter):

- 7 ▪ \$0.105/kWh for peak
- 8 ▪ \$0.064/kWh for off peak

9 GMO's Current rates for (MORH) (winter):

- 10 ▪ \$0.10625 – first 600 kWh
- 11 ▪ \$0.06035 – next 400 kWh
- 12 ▪ \$0.04991 – over 1000 kWh

13 GMO has over 100,000 space heating customers. Staff's report says an average non-  
14 summer customer will pay the same as the third block of the current non-summer rate for  
15 non-peak usage<sup>4</sup>.

16 If we assume that only the third block of current GMO space heating rate,  
17 MORH, is non-peak during the eight winter months of the year ending June 30, 2018, we  
18 calculate the following using the Company's current rates, with no increase reflected, and  
19 Staff's TOU rates:

- 20 ▪ 493M kWh (block 3 usage-rounded) at Company's Current Non-summer  
21 rate of \$0.04991 per kWh = \$24,623,318

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<sup>4</sup> Staff CCOS Report p. 34, ln. 20.

- 1           ▪       493M kWh (Staff's proposed non-summer, non-peak) of \$0.064 per kWh  
2                       = \$31,574,682
- 3           ▪       Difference = \$6,951,364 divided by average of 105,000 customers divided  
4                       by 8 winter months = \$8.27 per month increase. This amounts to a  
5                       7.24% increase to the average monthly winter bill for customers on rate  
6                       MORH. Using historical bill frequencies, we estimate that 50% of these  
7                       customers will likely have usage in the third block. These approximately  
8                       50,000 customers' monthly bills would increase by \$16.54 and the actual  
9                       impact grows to 14.49%.
- 10          ▪       For comparative purposes, we also performed the above analysis using the  
11                       largest residential general use code and found that residential general use  
12                       customers could see decreases of up to -11.35%.
- 13          ▪       We also performed the above analysis on the entire residential class, and  
14                       saw that for the entire class, customers would experience an *average*  
15                       increase of up to 1.97%.

16       This example highlights the significant variability that exists within the residential class  
17       that is blurred when we focus only on average impacts. Like in the GMO consolidation  
18       case, mass implementation of rate design change impacting an entire population of  
19       customers merits granular analysis by individual customer to provide a full picture of  
20       bill impacts within the diverse residential class to ensure that customer impacts are fully  
21       considered and understood.

1 **Q: On pg. 34, line 8 of its CCOS Report, Staff contends that a low impact, low**  
2 **differential, long period time of use rate design is an excellent customer education**  
3 **opportunity. Staff also believes that its TOU rates will produce little to no bill**  
4 **variation. Assuming this is true, are you still concerned about customer impacts?**

5 A: Yes, because full impact analysis has still not been performed that determines the true  
6 impacts of Staff's proposal. However, my concern then extends to the expected success  
7 of Staff's proposed TOU rates. In the GMO TOU Study, the Company's frozen TOU  
8 rates were reviewed for purposes of understanding the levels of adoption. Some possible  
9 reasons for the low levels of adoption in past TOU rate offerings included<sup>5</sup>, the On-Peak  
10 period duration may be too long, Peak to Off Peak prices may be too small, and  
11 additional marketing/promotion may have been needed. It should be noted that Staff's  
12 proposed on-peak period duration of 8:00am-9:59pm is significantly longer than the  
13 frozen TOU rate of 1pm-8pm. Additionally, the Peak/Off Peak Price differential is  
14 significantly less than the Company's frozen rate that offers a 2 to 1 differential. Lastly,  
15 while the Staff seem to acknowledge the importance of customer education<sup>6</sup>, they seem  
16 to believe TOU rates in and of themselves are inherently educational<sup>7</sup>. The implication  
17 being that the TOU rates as proposed and given the expected effective date of rates,  
18 would require minimal education prior to implementation. The Company's  
19 understanding of this was further confirmed in conversations with Staff during technical  
20 conference held on July 31, 2018. This minimization of the importance of customer  
21 education prior to rate deployment lies in stark contrast to experience from the GMO

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<sup>5</sup> KCP&L – Greater Missouri Operations Time of Use Rate Study, pg. 2-2.

<sup>6</sup> Staff CCOS Report, pg. 32, line 21.

<sup>7</sup> Staff CCOS Report, pg. 25, line 12.

1 TOU study and general understanding of the importance of educating customers about  
2 rate changes as significant as mandatory TOU rates.

3 **Q: Are there any other concerns regarding Staff's TOU proposal?**

4 A: Yes. Based on the GMO TOU Study performed, TOU rates must be properly designed in  
5 order to provide enough of a price signal to the customer to change their behavior.  
6 Staff's proposal and intent is to "produce little to no bill variation"<sup>8</sup>. If that is the case,  
7 Staff's proposed TOU rates would offer minimal price signal and would likely result in  
8 no change in customer behavior. If that is the case, it is unclear what benefit, if any, is  
9 being offered by the TOU rates proposed by Staff. For more specific detail regarding the  
10 appropriate way to roll out TOU rates, including the importance of customer education,  
11 please see the rebuttal testimony of Kim Winslow.

12 **RESIDENTIAL CUSTOMER CHARGE CALCULATION**

13 **Q: Do you agree with Staff's calculation of the customer charge being \$12.82 for**  
14 **KCP&L and \$14.50 for GMO?**

15 A: No. Following review of the Staff work papers, Staff's allocation of customer expense  
16 accounts incorrectly reduced the customer charge proposed for KCP&L-MO and GMO.  
17 Additional differences in the Company and Staff's proposals lie in the differences in the  
18 revenue shifts recommended, as well as, the expectation of a rate increase/decrease.

19 **Q: What issues were identified for the KCP&L-MO determination?**

20 A: In its KCP&L-MO Study, Staff utilized "7-Sales @ Generation", an energy based  
21 allocator, to allocate account 908 Customer Assistance Expense, a Customer Service &  
22 Information Expense account. In their Study filed in KCP&L's 2016 rate case, Staff

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<sup>8</sup> Staff CCOS Report, pg. 34 line 10.

1 utilized its “18-Cust. Services & Info Ex” allocator, a customer based allocator. This  
2 change caused \$10,315,084 to be excluded in Staff’s calculation of the residential  
3 customer charge. Staff’s calculated customer charge for KCP&L-MO would be \$16.42 if  
4 they had allocated these customer costs on a customer allocation basis, consistent with  
5 their 2016 approach.

6 **Q: Did Staff use the appropriate allocator for account 908 Customer Assistance**  
7 **Expense in their preliminary GMO CCOS Study?**

8 A: No. Staff again utilized the energy based, “7-Sales @ Generation” allocator for account  
9 908 which caused \$5,028,974 to be excluded in Staff’s calculation of the residential  
10 customer charge. Staff’s calculated customer charge for GMO would be \$13.87 if they  
11 had allocated these customer costs on a customer allocation basis, consistent with their  
12 2016 approach.

13 **Q: Are there additional concerns with Staff’s GMO calculation?**

14 A: Yes, in quantifying the differences between the Staff calculation and the Company  
15 calculation of the GMO customer charge components I noted another rather significant  
16 difference in the treatment of account 588 Miscellaneous Distribution Expense. The  
17 difference was ultimately identified in the functionalization of the account. As described  
18 in my direct testimony, the functions are used in the CCOS study to divide costs into  
19 categories including production, transmission, distribution, and other costs. These  
20 functional views are then useful in rate design as they are being used here. In  
21 functionalizing the account, Staff did not include approximately \$6,000,000 of costs to  
22 the customer function, instead assigning those cost to the distribution function. Staff’s  
23 calculated customer charge for GMO would then be \$16.50 if they had functionalized



1 Account 588 consistent with the Company approach and applied the appropriate  
2 customer allocation for Account 908 described in the prior response.

### 3 **CONSOLIDATION OF RESIDENTIAL RATE CODES**

4 **Q: Are Staff's suggestions to consolidate the various residential rate schedules,**  
5 **including suggested revenue shifts into a single, residential rate schedule feasible?**

6 A: As outlined above in the TOU section, while consolidation of rates would be simpler for  
7 the Company for many reasons, consolidation of the residential class, including its space  
8 heating and two-meter space heating rates, without further analysis of full impacts to all  
9 customers within the residential class would almost certainly negatively impact many  
10 customers, particularly the space heating customers. As an example, the Company  
11 reviewed the GMO proposed rates offered by Staff in Schedule SLKL-d3, pg. 2 of 2, and  
12 note that while the General Use Customers may experience approximately a -2%  
13 decrease, the Space Heat customers would experience a 6% increase. If increases to the  
14 individual blocks are considered, the increase to one of the individual Space Heat energy  
15 blocks exceeded 25%. Based on this observation, I believe the Commission should reject  
16 the Staff proposals to consolidate these rates until more analysis can be conducted to size  
17 the individual impacts of Staff's proposal for residential rate consolidation to fully  
18 understand the impact it might have on all residential customers.

### 19 **INCLINING BLOCK RATES FOR THE RESIDENTIAL CLASS**

20 **Q: Have you reviewed the DE's and Renew Missouri's recommendation regarding**  
21 **Inclining Block Rates ("IBR")?**

22 A: Yes.

1    **Q: Do you agree with Mr. Hyman’s and Ms. Scripps recommendation to further incline**  
2       **the energy rates in the KCP&L jurisdiction and implement IBR in the GMO**  
3       **jurisdiction?**

4    A: No, I do not.

5    **Q: Why?**

6    A: The Commission acknowledged the following in the Company’s last rate case in ER-  
7       2016-0285:

8                   Findings of Fact:

9                   Time-varying rates can be more beneficial to reduce peak demand  
10                  than inclining block rates. Time of use rates (also known as  
11                  demand response rates), better reflect cost causation than the  
12                  current rate design and would create beneficial incentives for  
13                  customers to reduce usage during system peak times. KCPL has  
14                  smart meters installed for over 90 percent of its customers, yet  
15                  does not have tariffs in place that would allow customers to benefit  
16                  from demand response rates those meters would allow. Many other  
17                  utilities already offer time-differentiated rates to residential  
18                  customers.

19                 As outlined in the last KCP&L order, the Commission acknowledges that TOU rates are  
20                 better suited to reduce peak demand than IBR. This has also been reiterated in  
21                 practices/implementations across the industry. The proposal to implement IBR in the last  
22                 KCP&L case was an interim measure only, primarily driven by an absence of other  
23                 viable and better options. That is no longer the case. The Company has filed in this case  
24                 a comprehensive GMO study of TOU rates that validated the many ways that TOU rates  
25                 are more appropriate than IBR. This study includes a long-term plan to implement TOU  
26                 rates across all Residential customers. In acknowledgement of the importance of  
27                 gradualism and to avoid rate shock, the Company is proposing TOU pilots that would be  
28                 part of a MEEIA filing, where a comprehensive plan, inclusive of customer education,

1 customer response analysis, bill analysis, and rate modification may occur to inform the  
2 Company as to broader implementation in a way that more proactively anticipates and  
3 addresses customer impacts.

4 **Q: Why not just flatten and/or incline the energy rates across the board as**  
5 **recommended by DE and Renew MO?**

6 A: For GMO and KCP&L, the Company just implemented a consolidation of rates and/or  
7 IBR that went to effect on February 22 and June 8, 2017, respectively. Because these  
8 were relatively recent implementations, the Company has not yet fully analyzed the  
9 effects of the consolidation/IBR, so to add further complexity to those rates by layering in  
10 yet another change before performing the consolidated rate analysis planned in the  
11 upcoming rate design case will only serve to blur the understanding of that rate  
12 consolidation/IBR and their full impact to customers. No intervenor in this case has  
13 offered analysis that measures the impacts of these newly implemented rates or could  
14 demonstrate through full bill impact analysis that customers were not unduly impacted by  
15 these changes. As such, to further subject customers to another round of changes without  
16 fully analyzing the impacts of previous implementation of those changes seems  
17 premature. However, as a means of demonstrating the unexpected yet plausible impacts  
18 of IBR, the Company completed a comparison of KCP&L's June of 2017 actual revenues  
19 utilizing pre-IBR rates as compared to June 2018 actual revenues with IBR rates  
20 implemented. The June 2018 temperatures were considerably higher than in the previous  
21 year. The results show a significant increase, partially from the IBR rate and primarily  
22 from weather for the KCP&L RES General Use revenue, an increase of 50% on average.  
23 The rate increase to this class was an average increase of 3.88%. The IBR rate design

1 resulted in a decrease of 3.26% to the first 600 kWh's, but an increase of 11.91% above  
2 the 600 kWh's. Average use for that month of all customers was nearly 1,000 kWh's.  
3 The current IBR places significant cost recovery on the final block of the energy charge.  
4 As an example, customers using 1,000 kWh's saw an increase of over 7%, twice what the  
5 overall increase was set out to be. This focus on the final block of the rate can introduce  
6 wild swings, up or down, depending on weather driven changes in usage - usage changes  
7 that are often difficult to control or influence.

8 **Q: Mr. Hyman and Ms. Scripps and other stakeholders appear to acknowledge that**  
9 **TOU rates provide a better price signal than IBR, but DE and Renew MO continue**  
10 **to make recommendations that would take IBR implementation further. What is**  
11 **your concern with this?**

12 A: My concern would be around the confusion to the customer. Customer education will be  
13 a significant endeavor requiring explaining rate design concepts that are new for the  
14 customer, adding the complexity of two separate rate designs with differing goals will  
15 only serve to further complicate customer messaging and understanding.

16 **Q: Mr. Hyman and Ms. Scripps suggest a lower customer charge, do you agree?**

17 A: No. The DE seems to acknowledge that rates should reflect cost causation (Mr. Hyman's  
18 Direct testimony, pg. 9 line 20). However, both DE and Renew MO ignore the class cost  
19 of service study and recent Commission orders<sup>9</sup> that the customer charge is set based on  
20 the level of specific customer-related cost. These customer-related costs are subject to  
21 increase. Artificially limiting the customer charge as suggested is contrary to cost based  
22 rate making.

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<sup>9</sup> See orders in ER-2016-0285 and ER-2014-0370.

1                    **RATE DESIGN CHANGE FOR THE NON-RESIDENTIAL CLASSES**

2    **Q:    Have you reviewed Staff’s proposed changes to rates impacting the Non-residential**  
3            **class?**

4    A:    Yes.

5    **Q:    What are your thoughts on the feasibility or overall reasonableness of Staff’s**  
6            **recommendations?**

7    A:    My understanding of Staff’s proposal for implementation at the effective date of rates is  
8            as follows:

9                    (1) For KCPL’s LPS class the declining blocked demand charges  
10                   should first be flattened on a revenue-neutral basis within the class,  
11                   regardless of whether any increase or decrease in revenue  
12                   requirement be ordered. Any decrease ordered should be applied as  
13                   an equal percent reduction to the facilities charge and the first and  
14                   second blocks of the energy charge.

15                   (2) For all other non-residential non-lighting classes for both  
16                   utilities, Staff recommends that any class-level decrease be applied  
17                   to the first and second block hour’s use energy charges.

18                   (3) If a class-level increase is ordered for any non-residential class  
19                   for either KCPL or GMO, Staff recommends that such increase be  
20                   applied as an additional charge to kWh sold between the hours of  
21                   8:00 am and 6:00 pm, on non-holiday weekdays. This will result,  
22                   on average, in a relative shift of revenue recovery back from the  
23                   energy charge variation based on customer NCP in a manner  
24                   consistent with cost-causation.

25            The Company continues to believe that this case supports a rate increase, as outlined in  
26            our Direct Filing. Since the Staff proposal does not fully account for this outcome, we  
27            assert that our proposed rate design is most appropriate. The Company would also like to  
28            express significant concerns with the third recommendation regarding the desire to apply  
29            an additional charge to specific hours in the day. This change would require additional  
30            configuration of the non-residential rate as time of day elements are not currently part of

1 the rate. This recommendation would add complexity to the rate implementation and  
2 may be difficult, if not impossible to achieve given the limited time normally provided at  
3 the end of the case for implementing the new rates.

4 **Q: Have you reviewed MIEC witness Maurice Brubaker's recommended changes for**  
5 **the Non-residential class?**

6 A: Yes.

7 **Q: What are your thoughts on the overall reasonableness of Mr. Brubaker's**  
8 **recommendations?**

9 A: In addition to the revenue shifts recommended by Mr. Brubaker (outlined in the Class  
10 Cost of Service and Revenue Shifts section above), he also recommends several changes  
11 to the Large Customer Rate Structures. Assuming a rate increase, Mr. Brubaker  
12 recommends maintaining the energy charges for the third block and apply three quarters  
13 of the average percentage increase to the remaining charges of the rate, including the  
14 customer charge, reactive demand charge, the facilities charge, the demand charge and  
15 initial block energy charges. Assuming a decrease, he recommends, a uniform reduction  
16 of the third energy block equal to the total revenue decrease for the rate schedule divided  
17 by the total # of kWh for the rate schedule. The Company continues to believe that this  
18 case supports a rate increase, as outlined in our Direct Filing. As such, we assert that our  
19 proposed rate design remains the most appropriate. However, we do recognize the need  
20 to address the rates for large customers and continue to work in that regard. To that end,  
21 the Company shares some effort to explore the potential benefit of a high use-high load  
22 factor tariff, that could in part, address some portion of the issues raised in Mr.

1 Brubaker’s testimony. Please see the Rebuttal testimony of Company Witness Brad Lutz  
2 for more information on how this tariff might work.

3 **RATE STUDIES**

4 **Q: MPSC Staff is recommending a number of rate studies be performed including the**  
5 **following:**

6 **a. Staff recommends that prior to the next rate design or general rate**  
7 **case, KCPL and GMO each study the seasonal nature of demands on**  
8 **the transmission and distribution systems, as well as the seasonal**  
9 **nature of the costs of capacity and energy to serve load. Specifically,**  
10 **Staff recommends the utilities consider dividing the current “winter”**  
11 **season, which consists of all non-summer months, into winter and**  
12 **shoulder seasons.**

13 **b. Staff recommends KCPL and GMO consider aligning the summer**  
14 **seasons of the two utilities, which currently vary by approximately 15**  
15 **days.**

16 **c. Staff recommends that KCPL and GMO begin to study and/or retain**  
17 **determinants associated with the creation of a coincident peak**  
18 **demand charge for all classes. For example, the highest 15-minute**  
19 **level of usage at any time between 12:01 pm and 6:00 pm on weekdays**  
20 **during the months of June – September.**

21 **d. Staff recommends that KCPL and GMO develop the record necessary**  
22 **to assign facility extensions to the classes in which customers take**  
23 **service.**

24 **Do you believe that each of these studies is necessary?**

1 A: I will address each study individually. Beginning with the Seasonal Study, no, this study  
2 is not necessary. The seasonal study ordered in the last GMO Case and submitted in this  
3 case, considered the seasonality of customer demand for electricity and the effect on total  
4 cost to serve. The allocation methods, including utilization of 12CP for transmission  
5 costs, 1NCP for distribution, 4CP for production cost, and use of historical monthly  
6 market data for evaluating energy costs, collectively revealed that current seasons and  
7 seasonal rates were appropriate as is. This was based on utilization of allocators  
8 reflecting seasonal consideration, as well as, the seasonality of customer demands. With  
9 a study already completed that considered seasonal customer demand and overall cost to  
10 serve, it's unclear what added benefit there would be to perform another study on a topic  
11 that's been generally considered and reviewed and that revealed that a shoulder season is  
12 unnecessary.

13 Concerning the Summer season alignment between KCPL-MO and GMO  
14 jurisdictions, yes, the Company supports this study but would recommend it occur in a  
15 future case or the GMO rate design case to be filed by July 2019. This timing would put  
16 the study at a time when, if found reasonable, the alignment could be proposed for  
17 implementation as part of that case.

18 Concerning the Study and/or retaining determinants associated with the creation  
19 of a CP demand charge for all classes, yes, the Company supports this study but would  
20 recommend it occur in a future rate case.

21 Concerning the recommendation to create a record to assign facility extensions to  
22 the classes in which customers take service, no, this is not necessary. Based on our  
23 CCOS study, line extension costs currently offset distribution plant accounts and are



1 allocated to customers based on NCP. The NCP allocation adequately approximates  
2 class differences. Direct assignment of costs would not be expected to yield material  
3 difference in cost allocation and with the administratively burdensome expectation of  
4 creating such a record, the expected cost would almost certainly exceed any potential  
5 benefit. Since new load serves to provide some benefit to all customers, sharing of costs  
6 between all customers is reasonable and appropriate.

7 **Q: Does that conclude your testimony?**

8 A: Yes, it does.

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

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)	
	)	Case No. ER-2018-0145
	)	

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-2018-0146
	)	

**AFFIDAVIT OF MARISOL E. MILLER**

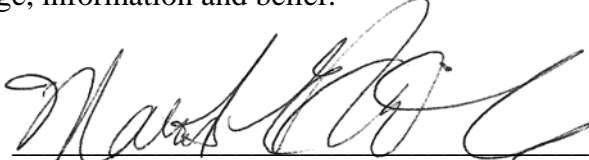
**STATE OF MISSOURI**    )  
  ) ss  
**COUNTY OF JACKSON**    )

Marisol E. Miller, being first duly sworn on his oath, states:

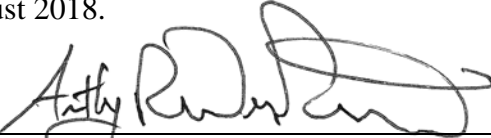
1. My name is Marisol E. Miller. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Supervisor – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my [Rate Design} Rebuttal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of twenty-three ( 23 ) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Marisol E. Miller

Subscribed and sworn before me this 7<sup>th</sup> day of August 2018.

  
\_\_\_\_\_  
Notary Public

My commission expires: 4/26/2021

