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	)	File No. ER-2014-0370
A General Rate Increase for Electric Service	)	

KANSAS CITY POWER & LIGHT COMPANY'S RESPONSE IN OPPOSITION TO OBJECTION TO BILLING DETERMINANTS STIPULATION

COMES NOW Kansas City Power & Light Company ("KCP&L") and hereby submits to the Missouri Public Service Commission ("Commission") its Response in Opposition to Objection to Billing Determinants Stipulation.

1. On August 3, 2015, KCP&L and the Staff of the Commission ("Staff") filed herein a Non-Unanimous Stipulation and Agreement Regarding Class Kilowatt Hours, Revenues and Billing Determinants, and Rate Switcher Revenue Adjustments ("Billing Determinants Stipulation") by which KCP&L and Staff proposed to resolve a number of matters pertinent to calculating the rates to be established in this case. This included conditional withdrawal of KCP&L's objections and opposition to the LGS/LP rate design changes proposed in the Non-Unanimous Stipulation and Agreement on Certain Issues ("Non-Unanimous Rate Design Stipulation") filed herein by a number of parties, including the Office of the Public Counsel ("OPC"), on June 16, 2015.[1] See Billing Determinants Stipulation at 2, paragraph 7. On August 7, 2015, OPC objected to the provisions of the Billing Determinants Stipulation concerning Revenue Adjustments Associated with Rate Switchers (paragraphs 3-7 of the Billing Determinants Stipulation) on grounds that 1) the rate switcher revenue adjustment concerns revenue changes occurring beyond the true-up period and is therefore speculative, and 2) the

[1] KCP&L's objection to the LGS/LP rate design changes proposed in the Non-Unanimous Rate Design Stipulation was premised on the fact that the LGS/LP rate design changes proposed therein would cause customers to switch rate classes to obtain lower electric bills resulting in revenue reductions necessitating a corresponding revenue adjustment. See KCP&L's Initial Brief at 142-144, paragraphs 397-398.

timing of customer notification means the revenue adjustment has been overstated. As will be explained in more detail below, OPC is wrong on both counts and the Commission should approve the Billing Determinants Stipulation in its entirety.

2. Why has OPC concerned itself with the rate switcher revenue adjustment issue which addresses large electricity users in KCP&L's LGS and LP customer classes? As prescribed in paragraph 5 of the Billing Determinants Stipulation, the LGS/LP rate switcher revenue adjustment applies exclusively to the LGS and LP classes. Neither the Midwest Energy Consumers' Group ("MECG") nor the Missouri Industrial Energy Consumers ("MIEC") – entities representing KCP&L customers directly affected by the rate switcher revenue adjustment – have objected to this provision of the Billing Determinants Stipulation. Moreover, neither MECG, MIEC nor OPC provided any testimony or asked any cross-examination questions on the LGS/LP rate switcher revenue adjustment issue. OPC typically represents the interests of residential and smaller non-residential utility customers, none of whom are in any way affected by the LGS/LP rate switcher revenue adjustment proposed in the Billing Determinants Stipulation. In addition to having no substantive interest at stake in the rate switcher revenue adjustment issue, OPC provides no substantial basis for the Commission to reject this provision of the Billing Determinants Stipulation.

3. OPC's argument that the rate switcher revenue adjustment addresses matters occurring beyond the true-up period and is therefore speculative also lacks foundation. As Staff witness Scheperle acknowledged, adoption of the LGS/LP rate design changes proposed by MIEC/MECG witness Brubaker (which were reflected in the Non-Unanimous Rate Design Stipulation) is likely to cause customers to switch rate classes to obtain the benefit of lower electricity bills in the future. See Ex. 238, Scheperle Rebuttal at 14:2-5. The rate switcher

revenue adjustment is designed to compensate KCP&L for the revenue losses that would otherwise occur during the period when rates set in this case will be in effect. OPC's argument would have the Commission ignore the impact of these rate switcher revenue losses even though they are known and measurable. See Ex. 167, Rush True-Up Rebuttal at 2-3.

4. The Commission should also reject OPC's timing-based claim that the agreed-upon $500,000 rate switcher revenue adjustment must somehow be prorated unless all customers who will benefit from switching customer classes are notified in advance of or simultaneously with the effectiveness of new rates. This OPC argument ignores the fact that KCP&L calculated the rate switcher revenue adjustment at $590,000 annually by assuming that the only customers to switch are those who will benefit as a direct result of the LGS/LP rate design changes and save at least 5%. See Ex. 167, Rush True-Up Rebuttal at 3:4-16. Other customers will benefit from switching rates, but not directly as a result of the LGS/LP rate design change (that is, they would benefit by switching today), and still others would benefit from the LGS/LP rate design changes but by an amount less than 5%, and accounting for revenue losses associated with rate switchers not directly resulting from the LGS/LP rate design or those benefiting by less than 5% would have increased the rate switcher revenue adjustment above the agreed-upon $500,000 amount. The quantification is a conservative estimate in that the actual revenue loss due to rate switching will likely be greater than $590,000. Next, OPC's argument for a prorated, partial-year adjustment also ignores the fact that cost of service and the associated adjustments are calculated on an annualized basis. Calculating the LGS/LP rate switcher revenue adjustment on a prorated basis unreasonably presumes that the rates set in this case will be effective for only twelve months. Additionally, all customers – including those who will benefit from switching customer classes if the LGS/LP rate design changes proposed in the Non-Unanimous Rate Design

Stipulation are adopted by the Commission – will be notified that rates have been changed with the bill each customer receives during the billing cycle immediately after new rates take effect and would thus be able to determine on their own whether rate switching would be beneficial at that time.[2] The rate switching notifications will be made to each affected customer after an analysis is completed based on the current customers' usage and the new rate design. This will not be completed until after the new rates are developed from the Commission's Report and Order in this case. The timing of this process prohibits it from occurring sooner than the time frame set forth in the Billing Determinants Stipulation that OPC opposes. Requiring that customers be notified any sooner is simply not workable in light of the analysis required and the current communication channels. Moreover, OPC's suggestion that customer communication occur essentially immediately and simultaneously ignores the need for individual customer attention from Company personnel that this issue will likely require for many affected customers.

5. In sum, OPC's objections to the LGS/LP rate switcher revenue adjustment provisions of the Billing Determinants Stipulation are insubstantial and should be rejected by the Commission. If, however, the Commission rejects the rate switcher revenue adjustment provisions of the Billing Determinants Stipulation, then KCP&L reiterates its position that the LGS/LP rate design changes proposed in the Non-Unanimous Rate Design Stipulation should be rejected and all LGS/LP rate elements should be increased on an across the board equal percentage basis.

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[2] When rates were last increased in January 2013 (as a result of Case No. ER-2012-0174), KCP&L placed the following message on customer bills: "The Missouri Public Service Commission approved a rate change that became effective January 26, 2013. Energy consumed beginning on January 26, 2013, is being billed at the new approved rate. If you are a Budget Billing customer, any change to your monthly budget amount will reflect the new rates.".

WHEREFORE, KCP&L respectfully submits this Response in Opposition to OPC's Objection to Non-Unanimous Stipulation.

Respectfully submitted,

/s/ Robert J. Hack

Robert J. Hack, MBE# 36496
Roger W. Steiner, MBE #39586
Kansas City Power & Light Company
1200 Main Street
Kansas City, MO 64105
(816) 556-2785
(816) 556-2787 (Fax)
Rob.Hack@kcpl.com
Roger.Steiner@kcpl.com

Attorneys for Kansas City Power & Light Company

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, this 12th day of August, 2015, to all parties of record.

/s/ Robert J. Hack

Robert J. Hack