

Exhibit No.:  
Issues: Rate Design  
Class Cost of Service  
Witness: Janice Pyatte  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: ER-2007-0291  
Date Testimony Prepared: September 20, 2007

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**JANICE PYATTE**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. ER-2007-0291**

**Jefferson City, Missouri  
September**

**\*\*Denotes Highly Confidential Information\*\***

**NP**

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

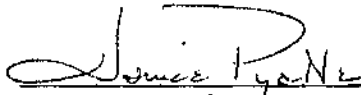
In the Matter of the Application of Kansas )  
City Power and Light Company for )  
Approval to Make Certain Changes in its )  
Charges for Electric Service To )  
Implement Its Regulatory Plan. )

Case No. ER-2007-0291

**AFFIDAVIT OF JANICE PYATTE**

**STATE OF MISSOURI**     )  
                                      ) ss  
**COUNTY OF COLE**         )

Janice Pyatte, of lawful age, on her oath states: that she has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 11 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

  
\_\_\_\_\_  
Janice Pyatte

Subscribed and sworn to before me this 19<sup>th</sup> day of September, 2007.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

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

My commission expires 9-21-10

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**JANICE PYATTE**  
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**SURREBUTTAL TESTIMONY**  
  
**OF**  
  
**JANICE PYATTE**  
  
**KANSAS CITY POWER & LIGHT COMPANY**  
  
**CASE NO. ER-2007-0291**

Q. Please state your name and business address.

A. My name is Janice Pyatte and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position with the Missouri Public Service Commission?

A. I am a Regulatory Economist in the Economic Analysis section of the Energy Department, Utility Operations Division.

Q. What has been your role in Case No. ER-2007-0291 to date?

A. I authored the Staff Report on Class Cost of Service and Rate Design filed on August 7, 2007.

Q. What is your educational background and work experience?

A. I completed a Bachelor of Arts degree in Economics at Western Washington State College in Bellingham, Washington and a Masters of Arts (A.M.) degree in Economics at Washington University in St. Louis, Missouri. I have been employed by the Missouri Public Service Commission (Commission) since June 1977. My primary role with the Missouri Public Service Commission Staff (Staff) has been to perform analysis in the areas of rate design, class cost of service, rate revenue, and billing units for the regulated electric utilities in Missouri. I worked under the direct supervision of Dr. Michael S. Proctor during

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1 the first 20 years of my tenure. Schedule JP-1 contains a list of the cases in which I have filed  
2 testimony before the Commission.

3 Q. What work experience have you had in prior cases that specifically related to  
4 class cost of service and rate design for Kansas City Power & Light Company ("KCPL" or  
5 "Company")?

6 A. I participated in the previous three investigations of KCPL's class cost of  
7 service and rate design in the past 30 years. The first was Case No. EO-78-161 *In the Matter*  
8 *of the Rate Design of Kansas City Power & Light Company*.

9 The second was Case No. EO-94-199 *In the Investigation of the Customer Class Cost*  
10 *of Service and Comprehensive Rate Design Investigation of Kansas City Power & Light*  
11 *Company* ("KCPL's Rate Design Case"). This KCPL Rate Design Case is of particular  
12 significance to the current case because the rate structures that were designed in that case are  
13 still in effect today. These rate structures are illustrated on page 6 of the Staff's Report on  
14 CCOS and Rate Design filed previously in this case

15 In Case No. ER-2006-0314 ("KCPL's last rate case" or "Rate Filing #1"), I performed  
16 the Staff's class cost-of-service ("CCOS") study; filed direct, rebuttal, and surrebuttal  
17 testimony on class cost-of-service and rate design issues; participated in settlement  
18 negotiations on behalf of Staff; and computed the rate values that resulted from the  
19 Commission's Report And Order.

20 Q. What was your role in Case No. EO-2005-0329 ("KCPL Regulatory Plan")?

21 A. I prepared Appendix I, which listed the data requirements for the class cost of  
22 service studies to be prepared for Rate Filing #1. I also participated in drafting the sections of

the Stipulation and Agreement that identified the class cost-of-service and rate design filings permitted in Rate Filings #2 and #3.

**EXECUTIVE SUMMARY**

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to criticisms of Staff's Report on CCOS and Rate Design made in the rebuttal testimony of KCPL witness Timothy M. Rush, Office of the Public Counsel ("OPC") witnesses Barbara A. Meisenheimer and Russell W. Trippensee, and Department of Energy–National Nuclear Security Administration ("DOE/NNSA" or "DOE") witness Gary C. Price. Specifically, my surrebuttal testimony will:

(1) Respond to the discussion in OPC witness Barbara A. Meisenheimer's rebuttal testimony that Staff's Report on CCOS and Rate Design does not necessarily represent OPC's opinions [Meisenheimer Rebuttal, page 6, line 19 – page 7, line 9].

(2) Respond to the rebuttal testimony by DOE witness Gary C. Price [Price Rebuttal, page 3, lines 14-20] and Ms. Meisenheimer [Meisenheimer Rebuttal, page 7, lines 10-15] that the table shown on Section III. B., page 4 of Staff's CCOS and Rate Design Report fails to properly reflect their final CCOS results filed in Case No. ER-2006-0314.

(3) Respond to Ms. Meisenheimer's characterization of the outcome of the last KCPL rate case [Meisenheimer Rebuttal, page 4, lines 6-9].

(4) Respond to Mr. Rush's and Ms. Meisenheimer's contention that Staff's CCOS and Rate Design proposals are a violation of the agreement of the KCPL Regulatory Plan. [Rush Rebuttal, page 5, line 5–page 6. page 11] [Meisenheimer Rebuttal, page 3, line 14 – page 4 line 2]

1 (5) Respond to Mr. Trippensee's claim that Staff's proposal to shift revenue  
2 responsibility between customer classes is prohibited under the KCPL Regulatory Plan  
3 [Trippensee Rebuttal, page 2, line 13–page 3, line 11].

4 **Opinions Expressed in Staff's Report on CCOS and Rate Design Are Its Own**

5 Q. What is OPC's concern about the information contained in the Staff's Report on  
6 CCOS and Rate Design?

7 A. According to Ms. Meisenheimer's rebuttal testimony, OPC is concerned that  
8 Staff presented its CCOS and Rate Design recommendations as a report rather than as  
9 testimony, and that OPC was neither consulted nor necessarily agreed with the contents of the  
10 Staff's Report.

11 The cover pleading filed with the Staff Report explains why a report format was used  
12 in this instance. Ms. Meisenheimer's statement that OPC was not consulted in the drafting of  
13 Staff's CCOS and Rate Design Report is correct. The Staff Report was never intended to  
14 represent any opinion except its own and is not indicated as representing any party's position  
15 other than the Staff's position.

16 **Comparison of CCOS Study Results**

17 Q. What is the issue surrounding the table comparing the results of the various  
18 CCOS studies filed in Staff's Report?

19 A. Both DOE witness Gary C. Price and OPC witness Barbara A. Meisenheimer  
20 pointed out in their respective rebuttal testimonies that the table shown on Section III. B.,  
21 page 4 of Staff's CCOS and Rate Design Report failed to properly reflect DOE's and OPC's  
22 final CCOS results filed in Case No. ER-2006-0314. In response to that criticism, I prepared

the table below that compares the results of the various CCOS studies filed in Case No. ER-2006-0314, as revised to reflect the final DOE and OPC studies.

PARTY	RES	SGS	MGS	LGS	PWR	LGT	SC
STAFF:A&P	8.24%	-3.53%	-8.75%	-2.41%	-4.84%	0.00%	
KCP&L:A&P	9.31%	-3.41%	-10.65%	-5.55%	-2.75%	11.31%	
OPC: A&P	5.66%	-14.99%	-10.81%	-2.78%	5.76%	2.86%	37.28%
OPC: TOU	2.41%	-16.04%	-10.80%	-1.34%	11.08%	-7.76%	41.89%
IND: A&E	22.94%	-3.53%	-9.83%	-12.65%	-17.13%	-20.98%	
IND: 1CP	25.19%	-5.83%	-10.03%	-12.78%	-19.92%	-20.98%	
IND: 3CP	24.09%	-7.65%	-11.39%	-11.85%	-17.50%	-20.98%	
IND: 4CP	25.14%	-7.88%	-11.88%	-13.01%	-17.64%	-20.98%	
DOE: A&P	16.31%	-4.54%	-11.91%	-8.47%	-10.09%	5.38%	

The results of the two OPC CCOS studies shown above are not exactly comparable to the study results presented by the other parties because Ms. Meisenheimer did not use the cost data and class definitions specified in the KCPL Regulatory Plan, of which OPC was a Signatory.

Q. Do the revisions made to the CCOS comparison table change the Staff's overall conclusions about the proper direction that class revenue shifts should move?

A. No. The revised comparison table shown above demonstrates the same qualitative conclusions as the original table; namely that the results of the CCOS studies filed by the parties to Case No. ER-2006-0314 consistently show that Residential class revenues (rates) are too low to cover the costs of serving that class and class revenues (rates) from each of the three General Service classes (Small, Medium, Large) exceed KCPL's cost to serve each of them. The study results are inconclusive about whether the Large Power and Lighting revenues (rates) should be increased or decreased.

Q. Do the results of the DOE CCOS study filed in this case contradict the conclusions that you've drawn from the studies presented in the last case?



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1           A.     No. The DOE study results contained on Table 6 of Mr. Price's rebuttal  
2 testimony (reproduced below) also show that Residential class revenues (rates) are too low to  
3 cover the costs of serving that class and class revenues (rates) from each of the three General  
4 Service classes (Small, Medium, Large) exceed KCPL's cost to serve each of them.

PARTY	RES	SGS	MGS	LGS	PWR	LGT
DOE: A&P	11.29%	-8.86%	-12.72%	-6.45%	-2.61%	19.33%

5  
6     **Outcome of Case No. ER-2006-0314**

7     Q.     What is your response to Ms. Meisenheimer's characterization of the outcome of the  
8 last KCPL rate case?

9     A.     Ms. Meisenheimer describes the outcome of the last KCPL rate case as follows: "...As  
10 a result of disproportionate shifts agreed to in the last case, the residential increase was to be  
11 approximately 21% - 65% higher than the 9.9% to 10.5% increases to be experienced by the  
12 other classes..." [Meisenheimer Rebuttal, page 4, lines 6-9]

13           The facts are shown in the table below. The CCOS and Rate Design settlement of the  
14 parties (including OPC) resulted in a shift of \$3,427,807 in revenue responsibility from the  
15 non-residential (General Service and Large Power classes) to the Residential class. This  
16 revenue-neutral dollar shift is shown (in percentage terms) in the table below in the row  
17 named CCOS. The Commission's Report And Order determined that a 10.46% increase in  
18 overall KCPL revenues was appropriate. The combined effect of these two actions is shown  
19 in the row named TOTAL. The combined effect on the Residential class was to increase  
20 residential rates by 12.7%.

	RES	SGS	MGS	LGS	PWR	LGT	MO
CCOS	2.00%	-0.45%	-0.45%	-0.45%	-2.54%	0.00%	0.00%
REV REQ	10.46%	10.46%	10.46%	10.46%	10.46%	10.46%	10.46%
TOTAL	12.7%	10.0%	10.0%	10.0%	7.7%	10.5%	10.5%

I believe that Ms. Meisenheimer's characterization, such as the use of numbers "...21% - 65%...", misrepresents the outcome of the last KCPL rate case, part of which OPC agreed to.

**KCPL Regulatory Plan Language**

Q. What are KCPL's and OPC's objections to the recommendations contained in Staff's CCOS and Rate Design Report?

A. Mr. Rush and Ms. Meisenheimer allege that the Staff's proposal to make a \$3,536,542 revenue shift from the Medium General Service class to the Residential class violates the KCPL Regulatory Plan agreement. KCPL's and OPC's allegations appear to arise from their interpretations of the single sentence in the KCPL Regulatory Plan Stipulation and Agreement on page 35 that identifies the class cost-of-service and rate design filings permitted in Rate Filing #2 (*i.e.*, this case) and Rate Filing #3. The sentence states, in its entirety, that "...The Signatory Parties agree not to file new or updated class cost of service studies or to propose changes to rate structure in Rate Filing #2 [and #3]." [Section 3.b.(iv), page 35]

In his rebuttal testimony, Mr. Rush states that "...It is the Company's opinion that anything other than an equal shift in rates uniformly to all classes does not comply with the

1 provisions of the S&A [of the Regulatory Plan].” [Rush Rebuttal, page 2, lines 5-6]. Ms.  
2 Meisenheimer supports KCPL’s reasoning for proposing an equal percentage increase  
3 [Meisenheimer Rebuttal, page 3, line 14 – page 4, line 2]. If one assumes that the use of the  
4 word “shift” in Mr. Rush’s statement means “increase”, then the KCPL proposal to implement  
5 any increase in revenues granted by the Commission in this case as an equal percentage  
6 increase to all customer classes is consistent with his stated interpretation of the KCPL  
7 Regulatory Plan language.

8 Q. Does Staff agree with KCPL’s interpretation of the Regulatory Plan language?

9 A. No. The Staff would never intentionally violate any Stipulation and  
10 Agreement, and did not do so here, intentionally or unintentionally. The recommendations  
11 contained in Staff’s CCOS and Rate Design Report comply with what Staff believes the  
12 language in the KCPL Regulatory Plan means. Since Staff did not file a new or updated  
13 CCOS study in this case, the disagreement between Staff and KCPL-OPC rests on whether  
14 the words “rate structure” refer to all aspects of rate design (as KCPL-OPC contend) or to a  
15 specific area of rate design (as Staff contends).

16 Q. How does Staff define the words “rate structure”?

17 A. The Appendix to Staff’s CCOS and Rate Design Report contains a section  
18 entitled Fundamental Concepts of Electric CCOS and Rate Design. The Staff’s interpretation  
19 and use of the term “Rate Structure” over many years is described as follows:

20 **Rate Structure:** Rate structure is composed of the various types of monthly prices  
21 charged for the utility’s products. At the most basic level there are: a) customer  
22 charges, a fixed dollar amount to be paid each month irrespective of the amount of the  
23 product taken; b) usage (energy) charges, a price per unit charged on the total units of  
24 the product consumed over the month; and c) peak (demand) usage charges, a price  
25 per unit charge on the maximum units of the product taken over a short period of time  
26 (for electricity, usually 15 minutes or 30 minutes). Onto these three basic rate forms  
27 can be added more elaborate variations such as seasonal differentials (different

charges for different seasons of the year), time-of-day differentials (different charges for different times during the day), declining block rates (lower per-unit charges for higher usage), hours-use rates (rates which decline as the customer's hours of use – the ratio of monthly usage to maximum hourly usage – increases); and many more. . . .”

Q. Has Staff illustrated its interpretation of the term “rate structure” as it relates to KCPL’s current tariffs?

A. Yes. Please see the following excerpt from page 6 of Staff’s Report on CCOS and Rate Design, which relates solely to rate elements, not to the allocation of costs to customer classes.

*A. Retain the Current Rate Structures*

The residential rate schedules consist of the following elements:

Customer Charge	\$ per-bill
Energy Charge	\$ per kWh by kWh rate block

The non-residential, non-lighting rate schedules consist of the following elements:

Customer Charge	\$ per-bill
Facilities Charge	\$ per kW of facilities demand
Demand Charge	\$ per kW of billed demand
Energy Charge	\$ per kWh by hours use rate block
Reactive Charge	\$ per kVar

Q. Does Staff base its interpretation of what is and what is not permissible under the KCPL Regulatory Plan on the evolution of the language in the Regulatory Plan in addition to its interpretation of the term “rate structure”?

A. Staff would not otherwise get involved in a discussion of prior iterations of a settlement document. But by charging Staff with violating specific terms of the KCPL Regulatory Plan, KCPL and OPC have left Staff with no alternative other than to, on advice of Staff counsel, reveal what are otherwise confidential settlement communications that took

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Janice Pyatte

1 place during the negotiations of the sentence in question. This otherwise confidential  
2 information is being disclosed solely for the purposes of explaining Staff's knowledge and  
3 understanding of that sentence and rebutting KCPL's and OPC's testimony respecting that  
4 language.

5 Q. What does the information possessed by or known to Staff respecting this term  
6 of the Regulatory Plan Stipulation and Agreement reveal?

7 A. \*\* \_\_\_\_\_

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Surrebuttal Testimony of  
Janice Pyatte

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9 Q. \*\* \_\_\_\_\_  
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11 A. \*\* \_\_\_\_\_  
12 \_\_\_\_\_ \*\*

13 Q. Do Staff's recommendations in this case fall within the parameters permitted  
14 under the final language?

15 A. Yes. Staff believes that its recommendations in this case are within the scope  
16 of the language in the KCPL Regulatory Plan Stipulation and Agreement.

17 Q. Has Staff made OPC and KCPL aware of its interpretation of the language in  
18 the Regulatory Plan Stipulation and Agreement respecting CCOS and rate design respecting  
19 Rate Filings #2 and #3 prior to this case?

20 A. Yes. Staff did so in KCPL's rate case last year, Case No. ER-2006-0314.

21 Q. Does this conclude your surrebuttal testimony?

22 A. Yes, it does.

**Participation in MOPSC Cases**  
**Witness: Janice Pyatte**

<b>Company</b>	<b>Case Number</b>
Kansas City Power & Light Company	ER-2007-0291
Union Electric Company d/b/a AmerenUE	ER-2007-0002
Kansas City Power & Light Company	ER-2006-0314
The Empire District Electric Company	ER-2006-0315
Aquila, Inc. d/b/a Aquila Networks-L&P	HR-2005-0450
Aquila, Inc. d/b/a Aquila Networks-MPS and L&P	ER-2005-0436
Aquila, Inc. d/b/a Aquila Networks-MPS and L&P	EO-2002-384
The Empire District Electric Company	ER-2004-0570
Aquila, Inc. d/b/a Aquila Networks-MPS and L&P	ER-2004-0034 & HR-2004-0024
The Empire District Electric Company	ER-2002-424
Union Electric Company d/b/a AmerenUE	EC-2002-1
UtiliCorp United, Inc. d/b/a Missouri Public Service	ER-2001-672
The Empire District Electric Company	ER-2001-299
UtiliCorp United and The Empire District Electric Co.	EM-2000-369
UtiliCorp United and St. Joseph Light & Power Co.	EM-2000-292
St. Joseph Light & Power Company	ER-99-247 & EC-98-573
Union Electric Company	EO-96-15
St. Joseph Light & Power Company	EC-98-573
Missouri Public Service	ER-97-394 & ET-98-103
The Empire District Electric Company	ER-97-81
The Empire District Electric Company	ER-95-279
Kansas City Power & Light Company	EO-94-199
The Empire District Electric Company	ER-94-174 & EO-91-74
St. Joseph Light & Power Company	ER-93-41
Missouri Public Service	ER-93-37
Union Electric Company	EM-92-225 & EM-92-253
Union Electric Company	EO-87-175
Arkansas Power & Light Company	ER-85-265
Kansas City Power & Light Company	ER-85-128 & EO-85-185
Union Electric Company	EO-85-17 & ER-85-160
Union Electric Company	ER-84-168
Laclede Gas Company	GR-84-161
Union Electric Company	ER-84-168
Arkansas Power & Light Company	ER-83-206
Kansas City Power & Light Company	ER-83-49
The Empire District Electric Company	EO-82-40
The Empire District Electric Company	ER-81-209
Kansas City Power & Light Company	EO-78-161
Laclede Gas Company	GO-78-38
Union Electric Company	EO-78-163
St. Joseph Light & Power Company	EO-77-56