

Exhibit No.:
Issue: Rate Design
Witness: Maurice Brubaker
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Midwest Energy Consumers Group and
Missouri Industrial Energy Consumers
Case No.: ER-2016-0156
Date Testimony Prepared: September 2, 2016

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

_____)
In the Matter of KCP&L Greater Missouri)
Operations Company's Request for)
Authority to Implement a General Rate) **Case No. ER-2016-0156**
Increase for Electric Service)
_____)

Surrebuttal Testimony of

Maurice Brubaker

On behalf of

**Midwest Energy Consumers Group and
Missouri Industrial Energy Consumers**

September 2, 2016



Project 10206

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OF THE STATE OF MISSOURI**

**In the Matter of KCP&L Greater Missouri
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Case No. ER-2016-0156

Surrebuttal Testimony of Maurice Brubaker

1 Introduction and Summary

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140,
4 Chesterfield, MO 63017.

5 Q ARE YOU THE SAME MAURICE BRUBAKER WHO PRESENTED DIRECT
6 TESTIMONY IN THIS MATTER ON JULY 29, 2016?

7 A Yes, I am.

8 Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

9 A My testimony will respond to the rebuttal testimony of other parties on the subject of
10 rate consolidation and impacts.

**Maurice Brubaker
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1 **Q BEFORE PROVIDING YOUR RESPONSE, PLEASE BRIEFLY SUMMARIZE YOUR**
2 **PREVIOUS TESTIMONY ON THIS ISSUE.**

3 A I supported an equal percentage increase to each customer class. Subsequent to my
4 filing of direct testimony, a Stipulation providing for this treatment has been submitted
5 to and approved by the Commission.

6 I support consolidation of rates, subject to addressing and mitigating the rate
7 increase for those customers who would be facing substantially above average
8 percentage increases. My analysis focused on the Large Power Service (“LPS”) and
9 Large General Service (“LGS”) customers of Missouri Public Service Company
10 (“MOPUB”) and St. Joseph Light & Power Company (“SJL&P”). The large impacts
11 principally occur on the MOPUB system. Forty percent of the MOPUB LPS
12 customers would be facing increases larger than 10%, and 49% of the MOPUB LGS
13 customers would be facing increases larger than 10%.

14 There are two primary reasons for this result. The first is the introduction of a
15 Facility Demand Charge based on 100% of the customer’s highest maximum demand
16 occurring during the 12 preceding months. The second feature that appears to be
17 causing these much larger increases for MOPUB customers is the definition of the
18 “Annual Base Demand,” which influences how both demand and energy are billed.

19 **Q PLEASE SUMMARIZE YOUR MITIGATION PROPOSALS.**

20 A I made two separate mitigation proposals. They both involve a two-step phase-in of
21 rate changes.

22 The first alternative was to define the Facility Demand as 75% of the
23 maximum demand occurring during the preceding 12 months, and to define the
24 Annual Base Demand similarly as 75% of the maximum demand experienced in any

1 of the four summer months occurring within the preceding 12 months. This structure
2 would apply from the effective date of the rates in this case and for 12 months
3 thereafter, when GMO's proposed rate structure would apply.

4 The second alternative was to have a temporary per kW demand credit,
5 paired with a kWh surcharge in order to maintain revenue neutrality for each
6 consolidated rate schedule. The surcharge would be in effect for 12 months, and
7 then the Company's proposed structure would go into effect.

8 The purpose of both phase-in proposals is to more tightly group the range of
9 impacts associated with the consolidation of divisions. As indicated, under GMO's
10 proposal, there are a significant number of customers that will receive increases in
11 excess of 10%. Under my phase-in proposal, this number should be decreased.

12 **Q DID GMO RESPOND TO YOUR PROPOSALS?**

13 A GMO witness Lutz provides a very brief response at pages 24-26 of his rebuttal
14 testimony. He acknowledged that there were some large impacts, but generally was
15 not supportive of either proposal, although he did not do an impact evaluation or have
16 any specific response to the key features of either proposal.

17 On page 25 of his rebuttal testimony, he comments about the rate structure
18 phase-in proposal (first option) and simply says that the Company has observed rate
19 structure changes similar to these and that they tend to simply shift the impacts from
20 one set of customers to another. That is hardly a revelation or a criticism because the
21 very purpose of moderation is to temporarily reduce the impact on those customers
22 who are experiencing the largest increases, and balance that with slightly larger
23 increases to those customers receiving below average increases, or slightly smaller
24 decreases to those who would be receiving decreases.

1 Q DID MR. LUTZ PROVIDE ANY ANALYSIS TO INDICATE THE IMPACTS THAT
2 EITHER OF YOUR PROPOSALS WOULD HAVE?

3 A No, he did not.

4 Q IS MITIGATION OF IMPACTS A CONCEPT THAT IS FREQUENTLY APPLIED BY
5 REGULATORS IN MISSOURI, AND IN OTHER STATES?

6 A Yes. More often than not, when cost of service studies are performed, one or more
7 classes will be significantly below cost of service, and would require substantially
8 above system average percentage increases to reach cost of service. Almost always,
9 parties and the commission recognize these circumstances and moderate the impact
10 on customers in these classes by applying a percentage increase that is less than the
11 increase necessary to move to cost of service. My proposals are simply the internal
12 rate design version of the interclass impact mitigations. And, mitigating the impact on
13 the magnitude of changes in particular rate components also is frequently employed
14 in regulation, for exactly the same reason. This is usually described as gradualism.

15 Q AT THE BOTTOM OF PAGE 25 AND THE TOP OF PAGE 26 OF HIS REBUTTAL
16 TESTIMONY MR. LUTZ SUGGESTS THAT A PHASE-IN APPROACH IS SIMILAR
17 TO PURCHASING SOMETHING ON A CREDIT CARD BECAUSE THE
18 CUSTOMER WINDS UP PAYING MORE IN TOTAL. IS THAT AN ACCURATE
19 ANALOGY?

20 A No, it is wide of the mark. There is no deferral or interest associated with a phase-in.
21 Mr. Lutz either does not understand the concept or got carried away in his response.
22 In any event, it is not a comparable circumstance.

1 Q DID MR. LUTZ PROVIDE ANY ANALYSIS OF THE DISTRIBUTION OF IMPACTS
2 THAT WOULD OCCUR UNDER YOUR ALTERNATIVE PROPOSALS?

3 A No.

4 Q ON PAGE 25 OF HIS REBUTTAL TESTIMONY MR. LUTZ SAYS THAT HE
5 RESEARCHED THE MID-AMERICAN AND WESTAR ENERGY EXAMPLES OF
6 PHASE-INS THAT YOU REFERENCED IN YOUR DIRECT TESTIMONY. ARE HIS
7 COMMENTS PERTINENT?

8 A No. He simply comments that it appears to him that these were structured differently
9 than what I have proposed. However, he does not explain what he believes those
10 differences to be, or whether they would compel a different approach. In my view, the
11 major difference would be that the Westar and Mid-American phase-ins occur over a
12 much longer period of time. The phase-in for Mid-American is set to occur over a
13 10-year period, and the phase-in for Westar occurred over an even longer period of
14 time.

15 Q DID MR. LUTZ ADDRESS YOUR CONCERN ABOUT THE FACT THAT UNDER
16 GMO'S PROPOSAL CUSTOMERS WOULD BE BILLED BASED UPON DEMANDS
17 CREATED AT A TIME PRIOR TO THE EFFECTIVENESS OF THE PROPOSED
18 RATE STRUCTURE, SUCH THAT CUSTOMERS WOULD NOT HAVE HAD
19 NOTICE OF THE CONSEQUENCES OF THESE DEMANDS THAT THEY
20 CREATED?

21 A No, he did not address this inequity of suddenly "changing the rules" and billing
22 customers on the basis of demands created under a different set of rates with
23 different rules for establishing billing demands.

1 **Q DID STAFF WITNESS SARAH KLIETHERMES COMMENT ON YOUR**
2 **PROPOSALS?**

3 A Yes. There are brief comments at pages 13-15 of her rebuttal testimony. As to
4 impacts, she expresses a concern that with my proposed rate structure changes the
5 large impacts might simply be shifted to other customers.

6 **Q IS THIS LIKELY?**

7 A No. There are many customers receiving below average increases under the
8 Company's rate design. It therefore should be possible to moderate the impacts
9 without shifting them to another set of customers. If done properly, the result should
10 be lower increases on the most impacted customers, with other customers either
11 receiving slightly larger increases (but still less than the increases for the customers
12 that benefit from my proposal), or slightly smaller decreases, than they would under
13 GMO's rate design.

14 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

15 A Yes.

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