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-2014-0370

THE UNITED STATES DEPARTMENT OF ENERGY'S
POSITION STATEMENT

Comes now the United States Department of Energy and all other Federal Executive Agencies (DOE/FEA), by and through its attorney, and for its Position Statement, states as follows:

Introduction

On June 9, 2015, Staff of the Missouri Public Service Commission (Staff) on behalf of itself and all parties, filed a Joint List of Issues, List and Order of Witnesses, Order of Cross-Examination, and Order of Opening Statements (List of Issues). The List of Issues contained therein identifies the issues to be presented to the Missouri Public Service Commission (Commission) for its decision in this case. DOE/FEA has no position on the vast majority of issues identified in the List of Issues. DOE/FEA has positions on issues related to Cost of Capital and Class Cost of Service and Rate Design. DOE/FEA herein provides a brief statement of its position on those issues.

DOE/FEA Positions

I. Cost of Capital

A. Return on Common Equity – what return on common equity should be used for determining rate of return?

DOE/FEA takes the position that a return on common equity no higher than 9.0 percent should be used to determine the rate of return. This recommendation is based on a range of range of reasonableness of 8.2 percent to 9.6 percent.

B. Capital structure – what capital structure should be used for determining rate of return?

DOE/FEA takes the position that the Commission should reject Kansas City Power & Light Company's (KCP&L or Company) proposed capital structure of 50.36 percent common equity, 49.09 percent long-term debt and 0.55 percent preferred stock. The Commission should adopt the Company's actual capital structure of 47.40 percent common equity, 47.89 percent long-term debt, and 4.70 percent short-term debt.

C. Cost of debt – what cost of debt should be used for determining rate of return?

DOE/FEA takes the position that in determining the rate of return, the Commission should use a cost of short-term debt of 0.99 percent and a cost of long-term debt of 5.70 percent.

XXV. Class Cost of Service, Rate Design, Tariff Rules and Regulations

A. Class Cost of Service

a) Production Plant

1) What methodology should the Commission use to allocate fixed production plant costs among customer classes?

The Commission should provide the parties with current and future guidance by adopting a methodology for allocating fixed production plant costs among customer classes. DOE/FEA opposes the use of Staff's base-intermediate-peak (BIP) methodology and recommends the use of the 4 monthly coincident peak (4CP) methodology. Since KCP&L is a summer peaking utility, the four summer months of June, July, August, and September should be used. This method will allocate to each class a slice of the total production plant built to serve the various classes. Such plant is fixed and its costs must be recovered from customers regardless of usage.

B. Rate design

a) What methodology is most reasonable for allocating net cost of service among the customer classes in this case?

Aligning cost allocation with cost causation substantiates the subsidy identified by KCP&L. Correcting the rate inequities embedded in KCP&L's present rates requires an increase for the residential class, a decrease for lighting customers, and smaller increases or even a decrease for KCP&L's other classes of customers.

b) How should any revenue increase be allocated among rate schedules?

DOE/FEA is proposing meaningful but gradual steps toward cost-based rates in this case with the intent that additional steps toward cost based rates could be taken in KCP&L's next general rate case.

c) What, if any, interclass shift in revenue responsibilities should the Commission make?

DOE/FEA recommends that the Commission cap rate increases for any particular rate class at the greater of one-third (33 percent) more than the system average percentage rate increase or three percent above the system average percentage rate increase. Class rate changes below the system average should be limited to double these levels (e.g. two thirds less than the system average) prior to any reallocation of revenues necessitated by the proposed caps on rate increases.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 9th day of June, 2015, true and correct copies of the foregoing was:

(1) formally placed on the Commission's website via the Commission's Electronic Filing and Information System (EFIS) in accordance with applicable procedure; and

(2) served via electronic mail on all of the entities and individuals, and all of the legal representatives of all of the entities and individuals, including Commission Staff, whom the EFIS at this date identifies as parties or petitioners for intervention herein.

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