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Issue: Policy
Witness: Natelle Dietrich
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: ER-2016-0285
Date Testimony Prepared: December 14, 2016

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

DIRECT TESTIMONY

OF

NATELLE DIETRICH

Staff Exhibit No. 207
Date 2-28-17 Reporter KF
File No. ER-2016-0285

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Jefferson City, Missouri
November 2016

TABLE OF CONTENTS OF

DIRECT TESTIMONY

OF

NATELLE DIETRICH

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CASE NO. ER-2016-0285

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KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Q. Please state your name and business address.

A. My name is Natelle Dietrich. My business address is 200 Madison Street, Jefferson City, Missouri 65101.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission") as Commission Staff Director.

Q. Have you provided your educational background and work experience in this file?

A. Yes. My educational and work experience is included in my Direct Testimony filed in this case with Staff's Direct Revenue Requirement Report on November 30, 2016.

EXECUTIVE SUMMARY

Q. What is the purpose of your testimony?

A. The purpose of this testimony is to sponsor the Staff's recommended rate design as developed by Staff and described in the Class Cost of Service/Rate Design Report ("CCOS Report") and to sponsor Staff's Report Responding to Certain Commission Questions ("Responsive Report"), both of which are filed concurrently with this direct testimony. Consistent with Staff's Cost of Service Report filed November 30, 2016, the

CCOS Report also includes Staff's recommendations concerning adjustments to KCPL's Fuel and Purchased Power Clause ("FAC") and its FAC tariff.

CCOS REPORT

Q. What is Staff's rate design recommendation in this case?

A. In Staff's Cost-of-Service Report, Staff indicated that based on the information available at the time of filing, Staff did not have enough information to support a change in rates. Therefore, in the CCOS Report, Staff recommends an adjustment of rates as follows:

- If no change in overall revenue requirement is ordered, Staff recommends a revenue neutral shift in revenue responsibility from the Lighting, SGS, MGS, and LGS classes to the Large Power ("LPS") class. Specifically, Staff recommends the LPS class's revenue responsibility be increased by approximately $2.35 million, with a reduction to the Lighting class's revenue responsibility of approximately $100,000, and the remainder of the reductions spread to the General Service classes (SGS, MGS, and LGS) so that the final rates are adjusted downward at an equal percentage to each of those rate classes.
- If the Commission awards an increase up to approximately 0.62% of current revenues, Staff recommends that increase be applied to the LPS class, though no other class should receive a rate reduction.
- If the Commission awards an increase in excess of approximately 0.62% of current revenues, Staff recommends the revenue neutral shifts described in the CCOS report be implemented.
- Incorporation of the changes to KCPL's pre-MEEIA and non-MEEIA revenue requirement will result in a slight reallocation of the revenue requirement responsibility of each non-lighting class.

If the Commission orders a rate increase, Staff further recommends the Residential customer charge increase by an equal percent of any final rate increase ordered for the Residential class up to a level of $18.44.

STAFF RATE DESIGN AND CCOS REPORT

Q. How is the Staff's CCOS Report organized?

A. The CCOS Report is organized by topic as follows:

I. Executive Summary
II. Class Cost-of-Service Study Results
III. Staff's Class Cost-of-Service Study
IV. Rate Design
V. Fuel and Purchased Power Adjustment Clause Tariff Sheet Recommendations

CLASS COST-OF-SERVICE STUDY

Q. Did Staff perform a Class Cost of Service ("CCOS") Study in this case?

A. Yes. Staff's CCOS study is designed to determine what rate of return is produced by each customer class on that class's currently tariffed rates, for recovery of any newly determined revenue requirement amount. Typically, Staff's recommended interclass revenue responsibility shifts, as applicable, are designed to reasonably bring each class closer to producing the system-average rate of return used in determining Staff's recommended revenue requirement. As previously indicated, in its Cost-of-Service Report, Staff indicated it did not have enough information available at the time of filing to support a change in rates; therefore, in the CCOS Report, Staff provides recommendations for inter-class shifts that vary depending on whether the Commission orders an overall change in revenue requirement.

STAFF'S REPORT RESPONDING TO CERTAIN COMMISSION QUESTIONS

Q. Please summarize Staff's Responsive Report.

A. The Commission issued two orders seeking additional information from Staff. The first, issued on August 8, 2016, directed Staff to submit an Infrastructure Efficiency Tariff that would provide for a discounted volumetric rate or customer charge, or a waiver or reduction of line extension-related charges, or some other mechanism to reduce bills of customers accessing infrastructure identified as under-utilized. The second, issued on August 24, 2016, directed Staff to address certain issues related to AMI smart meters; a Plug-in Electric Vehicle Rate ("PEV"); residential Time-of-Use ("ToU") and Time-of-Day ("ToD") Rate Design; Property Assessed Clean Energy ("PACE") and Pay as You Save ("PAYS"). Following is a summary of some of the key Staff observances as noted in the Responsive Report.

1. AMI "Smart" Metering: AMI meters have been installed in over 90% of KCPL's Missouri customer homes. Approximately 15,000 KCPL Missouri customers do not have AMI meters. A small number of customers have contacted the PSC with concerns about the installation of the AMI meters and have requested a traditional analog meter. Although Staff notes it is not generally opposed to the installation of AMI meters, Staff recommends KCPL modify its tariff to create a meter opt-out program, which would include a provision to allow customers the option of a manually read meter rather than an AMI meter.

2. PEV: KCPL has launched an initiative to install and operate more than 1000 electric vehicle ("EV") charging stations throughout its Missouri, Kansas and GMO service territories. KCPL's proposed tariff does not address charging of EVs at customer single-family residences or at privately owned and operated charging stations. Staff analyzed and compared KCPL's tariff with the Georgia Plug-In Electric Vehicle ToU rate. Staff explains the Georgia model and states, that in its opinion, the Georgia model provides proper incentives to charge EVs in off-peak hours by breaking off-peak hours into two categories: Off-Peak and Super Off-Peak. Staff recommends the implementation of PEV-ToU rates, and

also recommends KCPL gather data and report annually to the Commission and interested stakeholders on the impact of EVs on grid reliability.

3. Residential ToU or ToD rate design: Staff has had discussions with KCPL related to its deployment of AMI metering and related billing software. KCPL has represented that while nearly all of its residential customers are metered using AMI metering, KCPL has not transitioned to a billing system capable of recording the multiple meter readings necessary to bill on ToU or ToD rates. Staff and KCPL are working to design a geographically-limited dynamic pricing program to explore the applicability of such a program to mitigate upgrades to the distribution system, in addition to the typical application of peak rebate programs to mitigate purchases of expensive energy and capacity.

4. PACE: PACE financing is designed to make payments affordable by offering a fixed interest rate that is payable over an extended period of time. Home improvement energy efficiency measures are permanently installed and assessed to the property. The assessment transfer homeowners when the home sells. Staff's Responsive Report discusses current PACE programs, which are currently only available in Jackson County, Missouri, but there are plans to implement the program in other parts of Missouri. Current program eligibility requirements include:

- Maximum 90% loan-to-value ("LTV") ratio;
- Current on property taxes for last twelve months and not late more than once over the prior three years;
- Current on mortgage for last twelve months;
- No bankruptcy for last two years;
- No involuntary liens on the property; and
- \$2,500 minimum financing; maximum financing is twenty percent of property value (LTV cannot exceed 100%).

5. PAYS: PAYS enables utility customers to purchase and install cost-effective energy efficiency upgrades or distributed renewable energy assets through a voluntary program that assures immediate net savings to customers. The utility pays the up-front costs of the upgrades, then places a fixed charge on the customer's electric bill. The Responsive Report outlines the core elements and general terms and conditions of the program. Currently, no Missouri investor-owned utilities participate in the PAYS program.

6. Infrastructure efficiency tariff: Staff and KCPL have had discussions about the Commission's request for an infrastructure efficiency tariff. In the Responsive Report, Staff explains its review, including a discussion of CCOS studies, customer-related distribution revenue requirement ranges, and customer-related distribution facilities. Staff notes the Commission's inquiry requires a level of data not currently available to Staff, and a set of assumptions not typically made in designing rates. Staff recommends that if a volumetric or monthly bill-based discount is to be implemented, such discount be proportionate to the functionalized customer-related distribution costs for each broad category of class, applied as a percentage to the customer's monthly bill after application of all other applicable surcharges, discounts and riders. For KCPL, this would result in a discount of approximately 5% for residential customers, 6% for SGS customers and .5% for all other customer classes. Staff recommends KCPL modify its facility extension tariff provisions to more fully consider the incremental costs a customer causes to a system in determining how much, if any, customer advance is required.

Q. Does this conclude your direct testimony?

A. Yes.

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-2016-0285

AFFIDAVIT OF NATELLE DIETRICH

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW NATELLE DIETRICH and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Direct Testimony; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Natelle Dietrich
NATELLE DIETRICH

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 14th day of December, 2016.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377

Dianna L. Vaught
Notary Public