

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

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**DIRECT TESTIMONY OF**

**DARRIN R. IVES**

**ON BEHALF OF  
KANSAS CITY POWER & LIGHT COMPANY**

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**IN THE MATTER OF THE APPLICATION OF  
KANSAS CITY POWER & LIGHT COMPANY  
FOR APPROVAL OF RESIDENTIAL ALL-ELECTRIC RIDER TARIFF**

**DOCKET NO. 16-KCPE-\_\_\_\_-TAR**

1 **Q: Please state your name and business address.**

2 A: My name is Darrin R. Ives. My business address is 1200 Main, Kansas City, Missouri  
3 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L” or “Company”) as  
6 Vice President – Regulatory Affairs.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L.

9 **Q: What are your responsibilities?**

10 A: My responsibilities include oversight of the Company’s Regulatory Affairs Department,  
11 as well as all aspects of regulatory activities including cost of service, rate design,  
12 revenue requirements, regulatory reporting and tariff administration.

1 **Q: Please describe your education, experience and employment history.**

2 A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business  
3 Administration with majors in Accounting and Marketing. I received my Master of  
4 Business Administration degree from the University of Missouri-Kansas City in 2001. I  
5 am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the  
6 public accounting firm Coopers & Lybrand L.L.P. I was first employed by KCP&L in  
7 1996 and held positions of progressive responsibility in Accounting Services and was  
8 named Assistant Controller in 2007. I served as Assistant Controller until I was named  
9 Senior Director – Regulatory Affairs in April 2011. I have held my current position as  
10 Vice President – Regulatory Affairs since August 2013.

11 **Q: Have you previously testified in a proceeding before the State Corporation**  
12 **Commission of the State of Kansas (“Commission” or “KCC”) or before any other**  
13 **utility regulatory agency?**

14 A: Yes, I have testified before both this Commission and the Missouri Public Service  
15 Commission on several occasions.

16 **Q: What is the purpose of your Direct Testimony?**

17 A: I will explain the Company’s request to implement a new rider tariff that will address  
18 concerns raised during KCP&L’s last rate case, Docket No. 15-KCPE-116-RTS (“15-116  
19 Docket”). I will discuss how the tariff will be implemented on a revenue-neutral basis.

20 **Q: Please describe the purpose of the tariff.**

21 A: Schedule DRI-1 presents the new rider tariff titled Residential All-Electric (“RAE”)  
22 Rider also referred to as Schedule RAE or Schedule 17. The tariff acts as a rider in  
23 concert with KCP&L’s other residential rate schedules and does not affect or require

1 changes to those other schedules. It is designed to provide qualifying residential all-  
2 electric rate customers, who may have made purchasing decisions in reliance upon  
3 KCP&L's winter season energy rate differentials (as compared to the residential general  
4 use rate) in effect prior to December 2010, a means to help mitigate the impact of an  
5 abrupt change in those rate differentials that occurred on December 1, 2010, the effective  
6 date of rates resulting from KCP&L's Docket No. 10-KCPE-415-RTS ("10-415  
7 Docket").

8 **Q: Did the decisions in the 10-415 Docket eliminate the rate differentials for all-electric**  
9 **customers?**

10 A: No. It simply reduced the differentials. KCP&L's residential winter season all-electric  
11 rates still reflect a differential below our residential winter season general use rates by  
12 10% for the first 1000 kWh per month and by 21% for all kWh over 1000 kWh per  
13 month.

14 **Q: How does the RAE Rider help mitigate the effect of the decision made in the 10-415**  
15 **Docket?**

16 A: The RAE Rider provides a credit to qualifying customers based upon their winter season  
17 usage and the prevailing applicable energy rate. To the extent all-electric customers  
18 made purchasing decisions based upon the winter season all-electric rate differentials in  
19 place prior to the effective date of rates resulting from KCP&L's 10-415 Docket, the  
20 credit will help shorten the current payback period associated with those purchasing  
21 decisions.

1 **Q: Why does KCP&L propose to implement the RAE Rider?**

2 A: The decisions made by the parties and the Commission in KCP&L's 2010 rate case, the  
3 10-415 Docket, resulted in a significant reduction in the differentials between KCP&L's  
4 residential winter season general use rates and KCP&L's residential winter season all-  
5 electric rates. Customers may have made purchasing decisions in reliance upon those  
6 differentials existing prior to December 1, 2010. When significant rate changes are  
7 considered, the concept of gradualism is often used to implement the change over a  
8 period of time rather than in a single abrupt rate change. While the all-electric  
9 differentials were not eliminated in the 10-415 Docket, they were significantly reduced  
10 and a number of KCP&L's residential all-electric customers have expressed  
11 dissatisfaction with the associated bill impact. Additionally, the Commission, in its  
12 deliberations in KCP&L's 15-116 Docket, and CURB, in its testimony in the same  
13 docket, expressed concern that gradualism was not applied in the 10-415 Docket.

14 **Q: How will the credit be calculated and provided to qualifying customers?**

15 A: The customer's bill will continue to be calculated consistent with all applicable rate  
16 schedules based upon the customer's energy usage. There will be no changes to either  
17 KCP&L's existing residential rate schedules or the basic calculation of the customer's  
18 monthly bill. Following the effective date of the RAE Rider, during the winter season  
19 period (September 15 to May 15), a credit will be calculated and applied to qualifying  
20 customer bills that reflects a percentage of the customer's total winter usage energy  
21 charges. This credit will be shown separately on the customer's bill. During the first 12-  
22 month period the RAE Rider is in effect, the credit will be calculated at 20 percent of the  
23 customer's total winter usage energy charge for the month. During the next 12-month

1 period the RAE Rider is in effect, the credit will be ratcheted down to 16 percent with an  
2 additional ratchet of 4 percent each year such that the Rider credit falls to zero (0) and  
3 ceases to apply after five years or 60 months.

4 **Q: What KCP&L customers will qualify for the RAE Rider?**

5 A: Qualifying customers will be those customers on KCP&L residential Rate Codes 2RS6A,  
6 2RW6A, 2RS2A, 2RS3A, or 2RS7A as of the effective date of the RAE Rider. These are  
7 KCP&L's residential all-electric rate codes under Schedule R, Section C, *Residential*  
8 *General Use and Space Heat – One Meter*, and Section D, *Residential General Use and*  
9 *Space Heat – 2 Meters*. These were the rate codes affected by the abrupt rate change on  
10 December 1, 2010, resulting from the 10-415 Docket. In addition to being a current  
11 customer under one of the identified all-electric rate codes, qualifying customers must  
12 have been on the qualifying rate code prior to December 1, 2010, and continuously on  
13 such rate code at the same residence through the effective date of the proposed RAE  
14 Rider.

15 **Q: How will this RAE Rider affect KCP&L's residential tariff schedules?**

16 A: The RAE Rider will not affect any of KCP&L's current residential rate schedules under  
17 Schedule R. Those rates will remain the same – pending KCP&L's next rate case – and  
18 will be applied to residential customer bills, both all-electric and non-all-electric, just as  
19 they are today.

20 **Q: Do customers need to apply to KCP&L to qualify for the RAE Rider?**

21 A: No. If the Commission approves this RAE Rider, KCP&L will query its customer  
22 information systems to identify qualified customers and will automatically apply the  
23 RAE Rider to their monthly bills. Additionally, KCP&L will monitor all-electric

1 customers who switch to other rates and cease application of the RAE Rider in the event  
2 such a switch disqualifies a customer from further credits under the Rider.

3 **Q: How long will the RAE Rider be in place?**

4 A: The RAE Rider does not change rates set in the 15-116 Docket but is designed to provide  
5 a temporary credit to qualifying residential all-electric customers related to their  
6 volumetric winter season usage for a five-year period. The regulatory recovery treatment  
7 proposed in the RAE Rider will require the Rider to continue beyond the five-year credit  
8 period until the Company has recovered the foregone revenue.

9 **Q: If a customer qualifies as of the effective date of the RAE Rider, will that customer  
10 continue to receive the credit for the full five-year period?**

11 A: Not necessarily. If a customer who qualified for the RAE Rider as of the effective date of  
12 the Rider moves to a new residence during the effective five-year period of the Rider or  
13 switches to a non-qualifying rate code at their premise during the five-year period of the  
14 Rider, the credit applicable under the RAE Rider will cease to apply to that customer as  
15 of the date of change.

16 **Q: What is the estimated credit amount for KCP&L's qualifying residential  
17 customers?**

18 A: Qualifying RESC customers, on average, will receive bill credits that total approximately  
19 \$140 for the first year, ratcheting down over the five-year period to approximately \$30  
20 for the fifth year for total estimated potential credits of roughly \$425 per RESC customer,  
21 on average. Qualifying RESD customers, on average, will receive bill credits that total  
22 approximately \$85 for the first year, ratcheting down over the five-year period to  
23 approximately \$20 for the fifth year for total estimated potential credits of roughly \$260

1 per RESD customer, on average. Individual customer credits will vary depending on  
2 usage levels, weather, etc.

3 **Q: How did KCP&L determine to use 20 percent as the starting point for the RAE**  
4 **Rider credit?**

5 A: First, in order to assess the magnitude of the issue, we looked at how the winter season  
6 rate differentials changed in the 10-415 Docket and estimated the average annual impact  
7 on currently affected customers. With that magnitude as an upper boundary, we then  
8 looked at various credit levels that would apply prospectively and provide an overall  
9 average credit at or below that boundary. Finally, we determined a reasonable starting  
10 credit level, 20 percent, on an average annual customer basis that would simulate  
11 gradualism over a five-year prospective time frame.

12 **Q: How will the credit be presented on the customer's bill?**

13 A: The credit will show in the Billing Details section, located in the upper right-hand corner  
14 of the bill along with other rider applications such as the Energy Cost Adjustment (ECA)  
15 Rider, the Energy Efficiency Rider (EER), and the Transmission Delivery Charge (TDC)  
16 Rider. The customer will be able to clearly view a line showing the RAE Rider credit  
17 applied to the winter season energy usage for each bill.

18 **Q: What happens at the end of the five-year period?**

19 A: The RAE Rider will provide credits on winter season usage to qualifying customers for  
20 five years and then the credits will no longer apply. The RAE Rider tariff itself will not  
21 terminate until such time as all foregone revenue deferred under the tariff has been  
22 applied to KCP&L's rates through amortization of the regulatory asset in a rate case(s).

1 **Q: Please describe the regulatory asset you mention above.**

2 A: As a result of the credits being provided to qualifying customers under the RAE Rider,  
3 KCP&L will forego revenue in the amount of the credits applied to customer bills. In  
4 order for KCP&L to be able to have the opportunity to recover the full amount of revenue  
5 requirement authorized in KCP&L's most recent rate case, Commission approval of the  
6 RAE Rider tariff will establish a regulatory asset to defer the amount of the RAE Rider  
7 credits accumulated over the five-year period for recovery in KCP&L's full general rate  
8 cases filed during and following the period. In those rate cases, KCP&L will use a three-  
9 year recovery/amortization period for the regulatory asset; however, the regulatory asset  
10 may involve "vintages" to allow recovery to begin in rates established as a result of a rate  
11 case filed prior to the end of the five-year period of the Rider.

12 **Q: From which customers will the regulatory asset be recovered?**

13 A. In future rate cases, the regulatory asset will be recovered through the winter season rates  
14 of KCP&L's residential non-all-electric rate classes – the residential general use rate  
15 class, the residential time-of-day rate class, and the residential other use rate class – as  
16 this is consistent with how the costs represented by these foregone revenues would likely  
17 have been recovered had gradualism been employed in the 10-415 Docket.

18 **Q: What is the estimated impact on KCP&L's non-all-electric residential customers**  
19 **when the amortization is applied?**

20 A: As discussed in more detail above, in KCP&L's next full general rate case(s) the  
21 aggregated amount of the credits applied to customer bills to that point under the RAE  
22 Rider will be amortized for recovery and applied to winter season rates of KCP&L's non-  
23 all-electric residential rate codes over a three-year recovery period. Generally, we



1 estimate the impact to KCP&L's customers on Rate Codes RESA, ROU and RTOD to  
2 range from 0.5 to 1.5 percent increase in their total annual bill during the amortization  
3 recovery period.

4 **Q: What is KCP&L's intent if the Commission approves the RAE Rider but modifies it**  
5 **from what KCP&L has proposed?**

6 A: KCP&L will review any modifications ordered by the Commission to determine if they  
7 are acceptable to the Company. KCP&L will not implement the RAE Rider if any such  
8 changes are unacceptable. Not allowing full recovery of the costs of the Rider would be  
9 considered an unacceptable modification to KCP&L.

10 **Q: Why is a regulatory asset needed as part of the RAE Rider tariff?**

11 A: The Commission recently established rates for KCP&L in the 15-116 Docket designed to  
12 allow KCP&L the opportunity to earn the Commission-authorized rate of return. While  
13 KCP&L believes it is important to be responsive to the customer impact and relations  
14 concerns expressed in that case, the financial burden should not be placed upon  
15 KCP&L's shareholders. If gradualism had been employed at the time of the abrupt  
16 reduction of the all-electric rate differentials in the 10-415 Docket, KCP&L's  
17 shareholders would not have been required to shoulder the changes and, likewise, its  
18 shareholders should not be denied the opportunity to earn its Commission-authorized rate  
19 of return now or prospectively as part of the Company's efforts to address the situation.

1 **Q: Does the Commission have the authority to invoke the concept of gradualism as a**  
2 **means of moderating the impact of rate changes and move rates toward levels**  
3 **indicated by the results of class cost of service (“CCOS”) studies over time?**

4 A: Of course. It must be remembered that a number of subjective judgments go into the  
5 production of a CCOS study, making the exercise an art rather than a science. The  
6 allocation resulting from a CCOS study is an approximation, not a precise determination.  
7 And while a CCOS study is a starting point and guide for determining the appropriate  
8 rates for various classes of customers, other considerations are appropriate as well. The  
9 employment of “gradualism” to avoid rate shock is one such consideration, as are certain  
10 types of policy goals (*i.e.*, conservation) that are found to be in the public interest.

11 **Q: Does the Commission have the authority to approve cost items such as those**  
12 **resulting from the RAE Rider?**

13 A: Yes, when the Commission deems such costs are in the public interest. For example,  
14 when a utility incurs costs for items like dues, donations and contributions to charitable,  
15 civic and social organizations that the Commission does not find are unreasonable or  
16 inappropriate, the Commission has the authority and discretion to include up to 100% of  
17 those costs in rates. In fact, under K.S.A. 66-101f, the Commission is not permitted to  
18 disallow any greater than 50% of those costs. If they are not unreasonable or  
19 inappropriate, these type of expenses benefit the public and some or all should be  
20 included in rates. Similarly, if the Commission finds that the goals of the RAE Rider are  
21 not unreasonable or inappropriate, the Commission can approve the recovery in rates of  
22 related costs. By voluntarily filing this Application, KCP&L has stated its intent to offer  
23 this program as long as full cost recovery is allowed, either through the mechanism

1 proposed in this Application by KCP&L or through an alternative mechanism acceptable  
2 to KCP&L. If the Commission wants this program to be implemented, it has the  
3 authority to approve the terms presented in the Application and this testimony.

4 **Q: In KCP&L's 15-116 Docket, rates established were supported by CCOS studies**  
5 **presented in that proceeding. Would approval of this Rider request conflict with**  
6 **the rates set in that proceeding as supported by the CCOS studies?**

7 A: No. As mentioned earlier, the Rider will not affect any of KCP&L's current residential  
8 rates under Schedule R as supported by the CCOS studies presented in the 15-116 Docket  
9 and ordered by the Commission. Those rates will remain the same – pending KCP&L's  
10 next rate case. Because of the temporary nature of this Rider, and its intended  
11 policy/goal of addressing the concerns of customers that may have made purchasing  
12 decisions in reliance upon the all-electric rate differentials existing prior to December 1,  
13 2010, the class cost of service studies and underlying support are not undermined. Just as  
14 the Commission would have been well within its policy rights to insist upon a more  
15 gradual reduction in the residential all-electric rate differential in the 10-415 Docket to  
16 recognize investment decisions that may have been made by these customers, the  
17 Commission can do the same now. The ultimate objective of reducing the residential all-  
18 electric rate differential is the same and is supported by the CCOS studies. As discussed  
19 earlier, if the Commission wants this temporary program to be implemented, it has the  
20 authority to approve the terms presented in the Application and this testimony in support  
21 of the Rider tariff.

1 **Q: How does the RAE Rider serve the public interest?**

2 A: Approval of the RAE Rider as proposed by KCP&L serves the public interest by letting  
3 customers know the Company and the Commission heard their concerns. This improves  
4 the relationship and builds trust between the parties to the traditional regulatory compact  
5 – the Commission, the utility, customers, and the utility shareholders – thus,  
6 strengthening that compact and its future operation. As proposed by KCP&L, the RAE  
7 Rider is narrowly tailored to achieve the intended effect of mitigating the impact on  
8 customers whose investment decisions and expected recovery may have been affected by  
9 the abrupt change in winter season residential all-electric rate differentials that took place  
10 on December 1, 2010 as a result of the 10-415 Docket. The mitigating effect of the RAE  
11 Rider as proposed by KCP&L occurs not through a rate change, but by the application of  
12 a temporary credit to qualifying residential all-electric customers based on their  
13 prospective winter season usage over a period of five years. Consequently, under these  
14 unique circumstances, and without setting precedent in any way, Commission approval of  
15 the RAE Rider as proposed by KCP&L serves the public interest.

16 **Q: Does that conclude your testimony?**

17 A: Yes, it does.



**KANSAS CITY POWER & LIGHT COMPANY**

(Name of Issuing Utility)

Replacing Schedule \_\_\_\_\_ Sheet \_\_\_\_\_

Rate Areas No. 2 & 4

(Territory to which schedule is applicable)

which was filed \_\_\_\_\_

No supplement or separate understanding shall modify the tariff as shown hereon. Sheet 1 of 2 Sheets

**RESIDENTIAL ALL-ELECTRIC RIDER  
Schedule RAE**

**PURPOSE:**

The purpose of this Rider is to provide a credit for winter usage (*i.e.*, usage between September 15 and May 15) to residential all-electric heating customers currently on Company Rate Codes 2RS6A, 2RW6A, 2RS2A, 2RS3A, or 2RS7A who were also on those rate codes as of December 1, 2010. The Rider will be applied as a credit, with the credit percentage applied gradually declining over the effective five-year period.

**AVAILABILITY:**

To qualify for this Rider, a Customer must:

- (a) be a current Company Residential Customer on Rate Code 2RS6A, 2RW6A, 2RS2A, 2RS3A, or 2RS7A as of the initial effective date of this Rider;
- (b) have been on one of the five rate codes listed in (a) on or before December 1, 2010 at the Customer's current premise and have been on that same rate code at that same premise continuously to the initial effective date of this Rider.

In the event a Customer, during the effective five-year period of this Rider, moves to a new residence or the Customer switches to a rate code at their current premise other than Rate Code 2RS6A, 2RW6A, 2RS2A, 2RS3A, or 2RS7A, this Rider will cease to apply to that Customer after the date the rate code is switched.

**CREDIT APPLICATION:**

The credit applied to each qualifying Customer's monthly bill under this Rider shall apply to winter energy usage only and will be based on energy charges incurred for winter usage on that bill associated with the applicable rate schedules. The credit shall be determined by multiplying the total energy charges incurred for winter usage on that bill, associated with the applicable rate schedules, by 20% during the first effective year, 16% during the second effective year, 12% during the third effective year, 8% during the fourth effective year and 4% during the fifth effective year. For Rate Codes 2RS2A, 2RS3A, and 2RS7A the credit will apply only to usage associated with the second meter, *i.e.*, the heating meter. Credits shall be shown separately on the Customer's bill.

Effective year means a twelve-month period with the first effective year beginning on the effective date of this Rider.

All billing, operational and related provisions of the aforementioned rate schedules, Rate Codes 2RS6A, 2RW6A, 2RS2A, 2RS3A, or 2RS7A, are unaffected by this Rider and shall remain in effect during the application term of this Rider.

Issued: <u>December 31, 2015</u> <small>Month Day Year</small>	
Effective: _____ <small>Month Day Year</small>	
By: <u>/s/ Darrin R. Ives</u> <u>Vice President</u> <small>Title</small>	

**KANSAS CITY POWER & LIGHT COMPANY**

(Name of Issuing Utility)

Replacing Schedule \_\_\_\_\_ Sheet \_\_\_\_\_

Rate Areas No. 2 & 4

(Territory to which schedule is applicable)

which was filed \_\_\_\_\_

No supplement or separate understanding shall modify the tariff as shown hereon. Sheet 2 of 2 Sheets

**RESIDENTIAL ALL-ELECTRIC RIDER  
Schedule RAE**

**(Continued)**

**REGULATORY RECOVERY TREATMENT:**

The amount of the credits applied to customer bills under this Rider will be accumulated and deferred in a Regulatory Asset and recovered by the Company in future full general rate cases. Recovery of the Regulatory Asset balance as of the update for each future general rate case provided for in rates beginning with the effective date of rates in such rate case shall be amortized over three years and applied to the winter season rates for Company Rate Codes 2RS1A, 2TE1A, and 2RO1A. The Regulatory Asset amount accumulated and amortized for recovery through each subsequent rate case shall be tracked using a separate vintage with specific amortization periods for recovery purposes as established in future general rate cases.

**TERM OF RIDER:**

The credit application provision of this Rider shall terminate following the fifth year (60 months) of its application to the respective qualifying Customer accounts.

The regulatory recovery treatment provision of this Rider shall terminate as of the effective date of rates resulting from the first full general rate case following the end of the amortization period for the last vintage of the Regulatory Asset.

Issued:	<u>December 31, 2015</u>
	Month Day Year
Effective:	_____
	Month Day Year
By:	<u>/s/ Darrin R. Ives</u> Vice President
	Title