

BEFORE THE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF ]  
KANSAS CITY POWER & LIGHT COMPANY ] DOCKET NO. 15-KCPE-116-RTS  
TO MAKE CERTAIN CHANGES IN ITS ]  
CHARGES FOR ELECTRIC SERVICE ]

CROSS-ANSWERING TESTIMONY OF  
BRIAN KALCIC

RE:  
CLASS COST OF SERVICE

ON BEHALF OF  
THE CITIZENS' UTILITY RATEPAYER BOARD

May 26, 2015

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

2 A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

3

4 **Q. Have you previously submitted testimony in this proceeding?**

5 A. Yes.

6

7 **Q. What is the subject of your cross-answering testimony?**

8 A. My cross-answering testimony responds to certain class cost-of-service arguments  
9 raised in the direct testimony of Steve W. Chriss on behalf of Wal-Mart Stores, Inc.  
10 (“Walmart”).

11

12 **Walmart Witness Chriss**

13

14 **Q. Does Mr. Chriss accept the Company’s Base, Intermediate and Peak (“BIP) or**  
15 **Average and Peak, Four Coincident Peak (“A&P 4CP”) cost-of-service**  
16 **methodology?**

17 A. No, Mr. Chriss rejects both approaches. Instead, Mr. Chriss recommends that the  
18 Commission adopt the Average and *Excess*, Four Coincident Peak (“A&E 4CP”)   
19 methodology to allocate production plant to rate classes in the Company’s cost-of-  
20 service study (“COSS”). In Mr. Chriss’ view, the A&E 4CP method “recognizes that  
21 production plants are used to meet peak demand as well as provide energy.”<sup>1</sup>

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<sup>1</sup> See the Direct Testimony of Steve W. Chriss at page 25.

1 **Q. Do you agree with Mr. Chriss that the A&E 4CP methodology gives weight to**  
2 **class energy use when allocating production-related costs to rate classes?**

3 A. As discussed below, I do not.  
4

5 **Q. How does the A&E 4CP methodology allocate production plant to rate classes?**

6 A. The A&E 4CP methodology: (1) nominally classifies production plant investment as  
7 demand-and energy-related, based upon a utility's load factor; and then (2) allocates (i)  
8 the energy-related portion of production plant to classes on the basis of energy use, and  
9 (ii) the demand-related portion of production plant to classes on the basis of each  
10 class's contribution to KCPL's four highest monthly peak demands, *in excess of its*  
11 *average demand level.*  
12

13 **Q. Why do you say that the A&E 4CP approach "nominally" classifies a portion of**  
14 **production plant as energy related?**

15 A. Table 1 below compares KCPL class allocation factors using the A&P 4CP, A&E 4CP  
16 and Four Coincident Peak ("4CP) cost methodologies. For comparison purposes, note  
17 that the 4CP methodology classifies 100% of a utility's production plant as demand  
18 related. As a result, the 4CP methodology allocates 100% of production plant to classes  
19 solely on the basis of class contributions to a utility's four highest monthly peak  
20 demands.  
21

22 **Table 1**  
23 **Alternative Class Allocation Factors**

1

<i>Class</i>	<i>A&amp;P 4CP</i>	<i>A&amp;E 4CP</i>	<i>4CP</i>
	(1)	(2)	(3)
Residential	49.87%	55.21%	<b>55.21%</b>
Small GS	5.48%	5.48%	<b>5.51%</b>
Medium GS	11.46%	10.87%	<b>10.95%</b>
Large GS	32.75%	28.00%	<b>28.33%</b>
Lighting	0.44%	0.44%	<b>0.00%</b>
KS Total	100.00%	100.00%	<b>100.00%</b>

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Source: KCPL A&P 4CP COSS Workpapers and Exhibit SWC-5 at Lines 7 & 15.

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As shown in columns 2-3 of Table 1, there is very little difference between the A&E 4CP and 4CP allocation factors on KCPL's system. Indeed, but for the fact that the Lighting class does not contribute toward KCPL's coincident peak demands during the summer months, the A&E 4CP and 4CP allocation factors shown in Table 1 would be identical across all rate classes.<sup>2</sup>

Stated differently, the A&E 4CP methodology is mathematically equivalent to the 4CP methodology except in the case where a utility serves one or more 100% off-peak classes. As a result, the A&E 4CP approach is essentially a demand-based allocation methodology that gives zero weight to energy use when assigning production plant to rate classes in a COSS.

**Q. Mr. Kalcic, has the Commission previously approved a 100% demand-based allocation methodology for allocating KCPL's production plant to rate classes?**

A. CURB's Consumer Counsel informs me it has not.

<sup>2</sup> This conclusion does not apply to the A&P 4CP methodology.

1 **Q. Did the Commission specifically address the propriety of using a 100% demand-**  
2 **based production plant allocator in a recent KCPL rate proceeding?**

3 A. Yes. The Commission considered and rejected the 4CP cost-of-service methodology  
4 (in favor of the BIP methodology) in Docket No. 10-KCPE-415-RTS:

5 The Commission finds Normand's use of the BIP method in his CCOS  
6 Study for allocation of production plant is preferable to Staff's average-  
7 and-peak approach. The BIP method provides more structure for  
8 modeling costs of production plant and use of generating resources. It  
9 also allows for a detailed examination of seasonal costs and  
10 corresponding seasonal rate allocations. Staff's CCOS study does not  
11 break out costs for individual rate categories or seasonal differences and  
12 does not provide information that parties to the 09-246 S&A agreed be  
13 included for this proceeding. *The Commission declines MUGG's*  
14 *proposal to use a 4-month coincidental peak method to allocate*  
15 *production costs.* The Commission adopts Normand's CCOS Study and  
16 will use it as a basis for determining a rate design for KCPL.<sup>3</sup>  
17 (Emphasis supplied.)  
18

19 As I indicated on page 10 of my direct testimony, the Commission also adopted  
20 the BIP methodology in Docket No. 12-KCPE-746-RTS.

21

22 **Q. On pages 19-20 of his direct testimony, Mr. Chriss discusses an alleged**  
23 **shortcoming of the BIP methodology, namely, the inability of the BIP methodology**  
24 **“to model changing conditions, particularly as they relate to KCPL’s participation**  
25 **in the Southwest Power Pool’s Integrated Marketplace.” Has Mr. Chriss**  
26 **presented any evidence that the BIP methodology is incapable of modeling**  
27 **changing conditions?**

28 A. No, he has not.

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<sup>3</sup> KCC Order: 1) Addressing Prudence; 2) Approving Application, in Part; & 3) Ruling on Pending Requests, Docket No. 10-KCPE-415-RTS, November 22, 2010, at page 117.

1 **Q. What are Mr. Chriss' specific concerns regarding the adaptability of the BIP**  
2 **methodology?**

3 A. On page 20 of his direct testimony, Mr. Chriss states:

4 I am concerned that the specificity and subjectivity of the BIP renders it  
5 invalid in the face of certain changes in economic dispatch due to  
6 KCP&L's inclusion in the SPP IM. Additionally, policy changes or  
7 changes in dispatch that reflect the environmental attributes of system  
8 resources can also impact the validity of BIP results. The key in all  
9 scenarios is that, regardless of the changes in the SPP IM, drivers of  
10 economic dispatch, policy changes, or a move to environmental  
11 dispatch, **KCP&L's fixed production costs will have not changed,**  
12 **but a general rate case would be required for the BIP to be adjusted**  
13 **so that rates can reflect those changes.** This is not a basis for just and  
14 reasonable rates, is inconsistent with the Company's own view regarding  
15 fixed costs, and is not the best possible use of limited Company,  
16 regulatory, and intervenor resources. (Emphasis in original.)  
17

18 **Q. Are Mr. Chriss' concerns valid?**

19 A. No.

20

21 **Q. Why not?**

22 A. As opposed to his earlier position, Mr. Chriss now appears to concede that the BIP  
23 methodology *is* capable of modeling changing conditions, but claims that BIP results  
24 could nevertheless be rendered invalid due to changing conditions *between* rate  
25 proceedings. That concern is misplaced.

26 First, the extent to which KCPL's participation in the SPP IM will lead to  
27 changes in the dispatch of KCPL's generating units between rate proceedings is  
28 unknown at this time. Second, in the event that conditions/circumstances were to  
29 change, the BIP model can be adjusted in KCPL's next rate proceeding, with class  
30 allocation factors reset accordingly. The fact that any such adjustments would have to

1 wait until KCPL's next rate proceeding is immaterial for the simple reason that no cost-  
2 of-service methodology can capture changes in class cost-of-service "drivers" between  
3 rate proceedings.

4

5 **Q. Do you have any other comment?**

6 A. Yes. Mr. Chriss is critical of the BIP methodology because the BIP model may produce  
7 different results over time. In that respect, Mr. Chriss is asking the Commission to  
8 reject the BIP methodology because KCPL *can* adapt the BIP model to reflect possible  
9 changes in the manner in which KCPL builds and operates its generation plants (in the  
10 context of participation in the SPP IM).

11 In CURB's view, the ability to adjust the BIP model, as needed, to reflect  
12 potential changes in the SPP generation environment is a positive attribute of the  
13 methodology. The Commission should affirm its adoption of the BIP methodology in  
14 this proceeding.

15

16 **Q. Does this conclude your cross-answering testimony?**

17 A. Yes

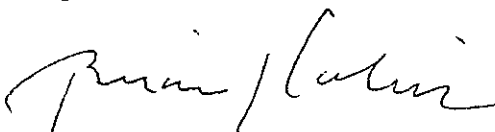
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VERIFICATION

STATE OF MISSOURI                    )  
  )  
COUNTY OF ST. LOUIS                )        ss:

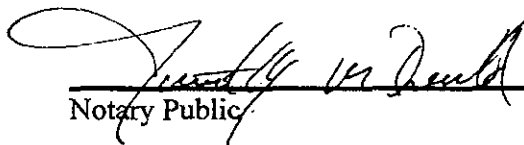
I, Brian Kalcic, of lawful age, being first duly sworn upon his oath states:

That he is a consultant for the Citizens' Utility Ratepayer Board; that he has read the above and foregoing Cross-Answering Testimony, and, upon information and belief, states that the matters therein appearing are true and correct.



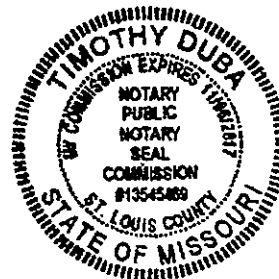
\_\_\_\_\_  
Brian Kalcic

SUBSCRIBED AND SWORN to before me this 21<sup>st</sup> day of May, 2015.



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

My Commission expires: 11/06/2017





**CERTIFICATE OF SERVICE**

15-KCPE-116-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 26<sup>th</sup> day of May, 2015, to the following parties:

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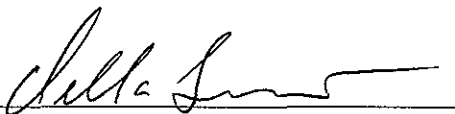
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