

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas City)
Power & Light Company to Make Certain) Docket No. 15-KCPE-116-RTS
Changes in Its Charges for Electric Service.)

TESTIMONY IN SUPPORT OF RATE DESIGN STIPULATION AND AGREEMENT

STACEY HARDEN

ON BEHALF OF

CITIZENS' UTILITY RATEPAYER BOARD

JUNE 16, 2015

1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Stacey Harden. My business address is 1500 SW Arrowhead Road, Topeka,
4 Kansas 66604.

5

6 **Q. Are you the same Stacey Harden who filed direct testimony in this Docket on May**
7 **11, 2015?**

8 A. Yes.

9

10 **Q. What is the purpose of your testimony today?**

11 A. My testimony has two purposes: first, I am testifying in support of the Non-Unanimous
12 Rate Design Settlement Agreement (“Rate Design S&A”), filed on June 16, 2015.
13 Second, I am providing supplemental testimony to include a more detailed plan for the
14 reinstatement of the all-electric rate discount for the Commission to consider. This
15 testimony is being provided in response to certain issues that were raised during
16 settlement discussions and specifically in Staff witness Dr. Robert Glass’s Cross
17 Answering testimony.

18

19 **Q. Do you have any initial comments regarding your testimony in support of the**
20 **Rate Design S&A?**

21 A. Yes. I am filing this testimony two days before the procedural requirements in order to

1 allow parties time to review my testimony, specifically the portion of my testimony that
2 provides a more detailed plan for the Commission to consider, if it determines that the
3 all-electric rate discounts identified in my direct testimony should be reinstated.

4
5 **Q. Before you explain your detailed plan, is it still your testimony that the Commission**
6 **reinstitute the all-electric discount levels?**

7 A. Yes. It remains my testimony that all-electric customers were not given fair notice of the
8 large rate increase experienced as a result of the Commission order in the 415 Docket and
9 that the Commission should reinstitute the all-electric heating discount levels as they
10 were prior to the 415 Docket. If the Commission orders that the all-electric heating
11 discounts be reinstated, the terms of the Rate Design S&A may only need to be altered in
12 only two places: the revenue allocation to the classes, and the rate design parameters for
13 residential customers. I will discuss these details later in my testimony.

14 If, in the alternative, the Commission declines to reinstitute the all-electric heating
15 discounts as recommended in my testimony, CURB supports the terms of the Rate
16 Design S&A that was filed on June 16, 2015.

17
18 **Q. Are you familiar with the terms of the Rate Design S&A that the parties have**
19 **submitted to the Commission in this proceeding?**

20 A. Yes.

21
22 **Q. Please summarize the general terms of the Rate Design S&A.**

23 A. First, the Rate Design S&A specifies that CURB's proposal to reinstate the residential

1 all-electric rate discounts shall be litigated before the Commission. Second, the Rate
2 Design S&A provides for a complete settlement of all rate design issues among the
3 signatory parties, applicable in the event that the Commission declines to accept CURB's
4 position with respect to all-electric rate differentials.

5 In particular, the Rate Design S&A proposes to resolve all contested rate design
6 issues pertaining to: a) the design of TDC Rider rates; b) class billing determinants; c)
7 class revenue allocation; d) residential customer charge levels; e) residential inclining
8 block rates; f) hours use rates for KCPL's non-residential classes; and g) LGS rate design
9 parameters. In addition, the Rate Design S&A provides for the implementation of
10 various uncontested tariff revisions, as originally proposed by KCPL.

11
12 **Q. Does CURB believe that the Rate Design S&A provides a reasonable resolution of**
13 **the (non-all-electric rate design) issues raised in this proceeding?**

14 A. Yes. As I discuss below, the Rate Design S&A provides a reasonable resolution to a
15 number of highly contested issues. There are a number of compromises included in the
16 agreement. Each signatory party achieved some of its objectives and compromised on
17 others. As such, I believe the overall result is reasonable. This agreement should also
18 significantly reduce the parties' litigation costs.

19
20 **Q. How does the Rate Design S&A resolve the highly contested issue of class revenue**
21 **allocation?**

22 A. Paragraph 7 of the Rate Design S&A specifies a class revenue allocation, based upon

1 a to-be-determined overall revenue award of X%. Under that provision, (1) the
2 Residential and Lighting classes would receive a system average increase (of X%), (2)
3 the SGS and MGS classes would receive increases below the system average, and (3) the
4 LGS classes would receive an increase above the system average.

5
6 **Q. Is the above class revenue allocation grounded in a specific cost-of-service**
7 **methodology?**

8 A. No. To be clear, the Rate Design S&A does not adopt a specific cost-of-service
9 methodology. However, from CURB's perspective, the relative class increases assigned
10 to the Residential and SGS classes are consistent with (or supported by) the results of the
11 Company's BIP cost-of-service study, which CURB supports.¹

12
13 **Q. Do the proposed Residential and SGS increases under the Rate Design S&A fall**
14 **within the range of increases advocated by the parties to this proceeding?**

15 A. Yes, they do. For example, KCPL proposed a system average increase for the
16 Residential class, while Wal-Mart proposed an above average Residential increase, based
17 on the results of its preferred Average and Excess 4CP (A&E 4CP) cost methodology.²
18 In addition, Staff proposed to assign the SGS class an increase far below the system
19 average, while KCPL proposed a system average increase for SGS customers.

20
21
22

¹ See Table 2 on page 15 of the Direct Testimony of KCPL witness Paul M. Normand.

² CURB opposed the use of the A&E 4CP methodology.

1 **Q. As a result, does CURB find that the Rate Design S&A's proposed Residential and**
2 **SGS increases are supported by substantial evidence in the record as a whole?**

3 A. Yes.

4
5 **Q. How does the Rate Design S&A resolve the contested issue of the Residential**
6 **customer charge?**

7 A. Paragraph 7 of the Rate Design S&A provides for a RES-A, RES-C, RES-D and
8 ROU monthly customer charge of \$14.00, and a monthly TOU charge of \$20.00.

9
10 **Q. Do the proposed Residential customer charges under the Rate Design S&A fall**
11 **within the range of charges advocated by the parties to this proceeding?**

12 A. Yes. CURB advocated a non-TOU monthly customer charge of \$11.33, based upon the
13 residential customer charge cost benchmark contained in KCPL's BIP cost-of-service
14 study. KCPL proposed a non-TOU monthly customer charge of \$19.00, while Staff
15 proposed a rate of \$13.00 per month.

16
17 **Q. Does CURB believe that the Rate Design S&A's proposed Residential customer**
18 **charge is reasonable?**

19 A. Yes, since the proposed rate of \$14.00 per month (1) falls within the range of charges
20 advocated by the parties and (2) is supported by substantial evidence in the record as a
21 whole.

22 While \$14.00 is above CURB's recommended customer charge level, I believe
23 the proposal is reasonable since the \$14.00 charge will remain fixed in the rate design

1 resulting from KCPL's abbreviated rate case, per Paragraph 7 of the Rate Design S&A.
2 KCP&L will not increase the customer charge until the rate case following the
3 abbreviated case. Having the customer charge remain at this level for that duration
4 provides some level of certainty to residential customers.

5
6 **Q. How does the Rate Design S&A resolve CURB's proposal to implement increasing**
7 **block rates for residential usage in the summer months?**

8 A. Paragraph 7 of the Rate Design S&A states that KCPL will not implement inclining
9 block rates for residential usage in the summer months.

10
11 **Q. Does CURB find it reasonable to forego its proposal to implement inclining block**
12 **rates at this time?**

13 A. Yes. The Rate Design S&A required concessions among all the signatory parties, and
14 CURB deemed it reasonable to compromise on inclining block summer rates in order to
15 reach agreement on other contested issues.

16
17 **Q. How did KCPL propose to recover its SGS revenue increase in this**
18 **proceeding?**

19 A. KCPL proposed to assign an across-the-board increase to all existing SGS tariff charges.

1 **Q. Did CURB accept KCPL's proposed SGS rate design approach?**

2 A. Yes, it did.³

3

4 **Q. Does the Rate Design S&A modify KCPL's proposed SGS rate design or rate**
5 **structure?**

6 A. No, Paragraph 7 of the Rate Design S&A provides that KCPL will maintain its
7 current hours-use rate structure for non-residential customers.

8

9 **Q. As a result, does CURB find that the Rate Design S&A's proposed SGS rate design**
10 **reasonable and supported by substantial evidence in the record as a whole?**

11 A. Yes. If the Commission determines that the all-electric heating discount levels should not
12 be reinstated, CURB does agree that the Commission can find that the Rate Design
13 S&A is a reasonable resolution of the contested issues in this case.

14

15 **Q. Please provide more details for how the Commission can reinstitute the all-electric**
16 **heating discounts as advocated in your direct testimony.**

17 A. Reinstating the all-electric heating discount levels is simply a three step process. First,
18 the Commission should determine whether it agrees that KCPL's all-electric customers
19 were not given fair notice of the substantial rate increase these customers experienced
20 when the all-electric discount levels were reduced in the 415 Docket. If the Commission
21 agrees that these customers were not treated fairly, then the Commission must make two

³ See page 19 of the Direct Testimony of Brian Kalcic.

1 additional determinations: how to collect revenues impacted by reinstating the discount,
2 and how to design the rates to reinstate the all-electric discounts.

3
4 **Q. If the Commission reinstates the all-electric discounts, revenues for the all-electric**
5 **class will be reduced. Where do you recommend the Commission recover that**
6 **revenue reduction?**

7 A. As I presented in my direct testimony, since this is a question of fairness, the
8 Commission could choose to spread the revenue reduction among all classes, thereby
9 collecting the revenue from all classes of customers. If the Commission agrees that the
10 revenue reduction should be spread among all classes of customers, I would recommend
11 that it be allocated ratably in accordance with the revenue allocation terms in paragraph 7
12 of the Rate Design S&A.

13 Alternatively, the other option available to the Commission is to collect the
14 revenue from within the residential class. If the Commission orders that the reduction in
15 revenues from reinstating the all-electric heating discounts be collected from the
16 residential class, I recommend that these revenues be collected through the winter heating
17 rates. I make this recommendation because allowing for heating discounts would impact
18 only heating time rates.. If the Commission chooses this option, the Commission must
19 order the parameters set forth in paragraph 9 of the Rate Design S&A should be adjusted
20 accordingly.

1 **Q. Are you providing a more detailed plan for reinstating the all-electric discount**
2 **levels?**

3 A. Yes. I have attached a detailed plan to accompany my direct testimony to reinstate the
4 all-electric discounts to this testimony as Exhibit SMH-1. This Exhibit is structured
5 similarly to the Exhibits filed in Dr. Robert Glass's cross-answering testimony, but does
6 not include a recommendation on the actual rate. Columns 1 and 2 of Exhibit SMH-1
7 show the rates approved and the percentage level of discount for certain KCPL residential
8 rate classes before the Commission order in the 415 Docket. Columns 3 and 4 show the
9 current rates for KCPL's residential customers and the percentage level of discounts for
10 all-electric heating customers taking service under classes RES-C and RES-D. Columns 5
11 through 8 illustrate two possible ways the Commission can reinstate the all-electric
12 heating discounts.

13
14 **Q. Did your direct testimony address customers taking service under RES-D?**

15 A. No, it did not. After reviewing Dr. Glass's cross-answering testimony, I became aware
16 that I unintentionally omitted customers taking service under KCPL's RES-D rate class.
17 My direct testimony focused solely on customers taking service under KCPL's RES-C
18 rate class. The details provided in this testimony in support of the Rate Design S&A
19 remedy that omission, and include RES-D customers in my recommendation.

20
21 **Q. Please explain CURB's recommendations for how the Commission can design rates**
22 **to reinstate the all-electric heating discounts.**

23 A. I have two proposals the Commission could adopt if it chooses to reinstate the all-

1 electric heating discounts. Columns 5 and 6 of Exhibit SMH-1 represent the first option,
2 while columns 7 and 8 of Exhibit SMH-1 represent an alternative option.

3 The first option – illustrated in columns 5 and 6 – attempts to mirror the level of
4 discounts that existed before the Commission order in the 415 Docket. After the general
5 use rates for summer and winter (notated as “A” and “B” in column 5) are determined,
6 the discounts for the RES-C customers would be applied to the winter use rates, as they
7 were prior to the Commission order in the 415 Docket. Customers taking service under
8 RES-D would also receive a discount for winter heating use, but this option does not
9 mirror the exact discount given to RES-D customers prior to the 415 Docket.

10
11 **Q. Why does this option treat rates for RES-D customers differently than RES-C**
12 **customers?**

13 A. Customers taking service under the RES-D rate class have two meters: one that meters
14 general use and a second that meters only the space heating. Prior to the Commission
15 order in the 415 Docket, RES-D customers paid a higher monthly customer charge,
16 received a 3-4% discount on general use – lights, dishwasher, television, etc., and
17 received a 53% discount on all heating use that was separately metered. The higher
18 monthly customer charge for RES-D customers was eliminated in the 415 Docket.

19 Currently, RES-D customers have the same rate structure and discounts as RES-C
20 customers. My recommendation would differentiate the RES-C and RES-D rates. During
21 the winter heating season, just like RES-C customers, RES-D customers receive a 10%
22 discount on their first 1,000 kWh each month of general use and a 21% discount on
23 general usage over 1,000 kWh each month. If the Commission adopts my

1 recommendation, as illustrated in columns 5 and 6, general usage for RES-D customers
2 would be treated the same as general usage for residential customers that do not have all-
3 electric heating equipment, while heating usage would receive the same discount as
4 residential customers that do have all-electric heating equipment. While this doesn't
5 produce the exact discounts that were available pre-415 case, it produces a close
6 approximation.

7
8 **Q. Is there another way the Commission could design rates to include the all-electric**
9 **heating discounts?**

10 A. Yes. Columns 7 and 8 of Exhibit SMH-1 illustrate another way the Commission could
11 adopt all-electric heating discounts. This example would reinstitute the pre-415 discount
12 levels for only customers taking service under the RES-C class. Customers taking service
13 under RES-D would continue to receive discounts on both general use and heating during
14 the winter season, but the discounts would not be equal to the level of discount for
15 customers taking service under RES-C.

16
17 **Q. Of the two options you have presented for the Commission to consider for**
18 **reinstitute all-electric heating discounts, which do you recommend?**

19 A. I recommend the Commission design rates to include all-electric heating discounts as
20 illustrated in columns 5 and 6 of Exhibit SMH-1.

1 **Q. Is it still your testimony that the Commission must close the class of customers that**
2 **will be eligible to receive the all-electric discounts you have recommended?**

3 **A. Yes.**

4

5 **Q. Is it still your testimony that the Commission create a new class of residential all-**
6 **electric customers, in which all new customers with all-electric homes would be**
7 **placed?**

8 **A. Yes.**

9

10 **Q. Does this conclude your testimony?**

11 **A. Yes.**

12

VERIFICATION

STATE OF KANSAS)

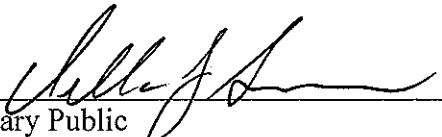
COUNTY OF SHAWNEE) ss:

I, Stacey Harden, of lawful age and being first duly sworn upon my oath, state that I am a regulatory analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.



Stacey Harden

SUBSCRIBED AND SWORN to before me this 16th day of June, 2015.



Notary Public



My Commission expires: 01-26-2017.

EXHIBIT

SMH-1

EXHIBIT SMH-1

Line No.

		Columns 1 & 2 represent rates and the % discount given to certain residential classes before the Commission Order in 10-KCPE-415-RTS		Columns 3 & 4 represent rates and the % discount given to certain residential classes as of most recent rate case (14-KCPE-272-RTS)		CURB Recommendation #1, which applies the 10-KCPE-415-RTS discounts, as they were, with slight adjustment to RES-D		CURB Recommendation #2, which applies the 10-KCPE-415-RTS discounts only to RES-C	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Rate	% level of discount	Rate	% level of discount	Rate	% level of discount	Rate	% level of discount
1									
2									
3	CUSTOMER CHARGE								
4	One Meter	9.07		10.71		\$	Per S&A	\$	Per S&A
5	Two Meters (RES-D, RESE)	11.27				\$	Per S&A	\$	Per S&A
6									
7	ENERGY CHARGE								
8	Summer Rate								
9	0-1000	0.08899		0.10331		A	TBD by final	C	TBD by final
10	1000+	0.08899		0.10331		A	rate design	C	rate design
11									
12	Winter Rates								
13	<u>General Use (RESA)</u>								
14	0-1000 (though 2014-15)	0.08037		0.07976		B	TBD by final	D	TBD by final
15	1000+	0.08003		0.07976		B	rate design	D	rate design
16									
17	<u>General & S/H - 1 Mtr (RESC)</u>								
18	0-1000 (though 2014-15)	0.05211	35%	0.07183	10%	B * 0.65	35%	C * 0.65	35%
19	1000+	0.03908	51%	0.06272	21%	B * 0.49	51%	C * 0.49	51%
20									
21	<u>General Use & SH (RES-D)</u>								
22	0-1000	0.07774	3%	0.07183	10%	same as B	0%	D * 0.90	10%
23	1000+	0.07694	4%	0.06272	21%	same as B	0%	D * 0.79	21%
24									
25	<u>Separately Metered Space Heat</u> <u>(Applies to RES-D)</u>								
26	Summer Rate	0.08899	0%	0.10331	0%	same as A	0%	C	0%
27	Winter Rate	0.03758	53%	0.06272	21%	B * 0.49	51%	C * 0.79	21%

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 16th day of June, 2015, to the following parties:

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