BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF	]	
KANSAS CITY POWER & LIGHT COMPANY	]	DOCKET NO. 12-KCPE-764-RTS
TO MAKE CERTAIN CHANGES IN ITS	]	
CHARGES FOR ELECTRIC SERVICE	]	

CROSS-ANSWERING TESTIMONY OF

BRIAN KALCIC

RE:
JURISDICTIONAL COST ALLOCATION
AND
RESIDENTIAL AND SMALL GENERAL
SERVICE RATE DESIGN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

August 31, 2012

Q. Please state your name and business address.

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

Q. Have you previously submitted testimony in this proceeding?

A. Yes.

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

A. My cross-answering testimony responds to certain jurisdictional cost allocation and rate structure issues raised in the direct testimony of the following witnesses: a) KCC Staff Witness Justin T. Grady; and b) KCC Staff witness Robert H. Glass.

Staff Witness Grady

Q. Mr. Kalcic, have you reviewed the proposed jurisdictional cost-of-service study ("JCOSS") sponsored by Mr. Grady?

A. Yes.

Q. Does Staff agree with the Company's proposed JCOSS methodology?

A. No. KCPL proposes to allocate all of its capacity-related costs (and related expenses) to jurisdictions based on each jurisdiction's contribution to the Company's total coincident peak demand during the four summer months ("4CP" method). Staff uses a combination of 4CP and 12CP allocators to assign KCPL's capacity-related costs to jurisdictions in its JCOSS.

In general, Staff's JCOSS uses the 12CP methodology for allocating KCPL's base and intermediate production plant, and the 4CP methodology for the Company's peaking plant. In addition, Staff uses the 12CP (rather than KCPL's proposed 4CP) methodology to allocate the Company's transmission plant to jurisdictions.

Q. How does Staff determine whether KCPL's production plant is baseload-, intermediate- or peak-related in its JCOSS?

A. Staff maintains the same designation for each of the Company's generating plants as used in the Company's class cost-of-service study ("CCOSS"). By assigning different allocators to different types of plant, Staff's methodology "attempts to match the allocation factor for each type of plant to the operating realities and planning characteristics of the plant."[1]

Q. Do you agree that Staff's JCOSS methodology matches the allocation factor to the operating realities of each type of production plant?

A. No, I do not.

Q. Why not?

A. Under the Company's CCOSS methodology, production plant is stratified as baseload-, intermediate- or peak-related, according to how specific generating units are operated throughout the year. Baseload units are allocated to rate classes in proportion to each class' (base) energy usage. Intermediate units are allocated to rate classes using the

[1] See the Direct Testimony of Justin T. Grady at pages 17-18.

12CP method. Finally, peak units are allocated to rate classes using the 4CP method. In other words, the Company's BIP cost methodology allocates each type of production plant to rate classes based on the operating characteristics of the underlying plant.

In contrast to KCPL's CCOSS methodology, Staff's JCOSS methodology stratifies production plant as baseload-, intermediate- or peak-related, but then fails to distinguish between baseload and intermediate plant by using the *same* allocator (12CP) to allocate both types of plant to jurisdictions. In order to mimic the stratification-based allocation approach used in the Company's CCOSS, Staff would need to allocate baseload plant to jurisdictions based on energy usage in its JCOSS. Intermediate and peaking plant would be allocated by the 12CP and 4CP methods, respectively, as in Staff's JCOSS.

Q. How does Staff's JCOSS increase for Kansas compare to the increase produced by the 12CP methodology that was used in KCPL's last base rate case in Docket No. 10-KCPE-415-RTS?

A. All else equal, based on the JCOSS results shown in Staff Exhibit JTG-4, the Company's required Kansas increase in this proceeding would be $54.0 million. Under the 12CP methodology, the Company's required increase would be $53.2 million.[2] Therefore, Staff's proposed JCOSS methodology would shift an additional $0.8 million of revenue responsibility to Kansas (as compared to the 12CP methodology).

[2] See the Direct Testimony of Brian Kalcic at pages 3-4.

Q. Would revising Staff's JCOSS methodology to reflect an energy-based allocation of baseload production plant have a significant impact on Kansas' jurisdictional cost allocation?

A. Yes, Kansas' jurisdictional allocation would be much smaller under that scenario.

Q. Why?

A. As discussed on pages 6-7 of my direct testimony, a complete BIP-based approach to jurisdictional cost allocation would allocate a significant portion of the Company's total revenue requirement to jurisdictions on an energy basis. Since Kansas' jurisdictional energy allocator (42.2%) is significantly smaller than the 12CP (45.2%) allocation factor used in Staff's JCOSS, the BIP methodology would be expected to shift millions of dollars of revenue responsibility from Kansas to the Company's other jurisdictions.

Q. Have you performed any analysis to illustrate the impact on Kansas' jurisdictional cost allocation of assigning baseload plant on energy in Staff's JCOSS?

A. Yes, I have. In order to illustrate how much lower Kansas' jurisdictional allocation would be in the case where Staff's JCOSS were revised to reflect a complete BIP-approach to cost assignment, I first replicated Staff's JCOSS model shown in Staff Exhibit JTG-4, and then changed the allocator used for KCPL's *nuclear* production plant (shown in Staff Exhibit JTG-4, page 3 of 21, at lines 50-57), accumulated depreciation and associated expenses from Staff's proposed 12CP allocator to energy usage with losses (as given by the E1 factor shown on page 20 of 21 of Staff Exhibit

JTG-4). All other Staff allocation factors were unchanged. The result of this JCOSS rerun is summarized in Schedule BK-1(CA).

Q. What does Schedule BK-1(CA) show?

A. Line 7 of Schedule BK-1(CA) shows a required Kansas jurisdictional increase of $48.1 million, which is: a) $5.9 million lower than the $54.0 million increase produced by Staff's JCOSS methodology; and b) $5.1 million lower than the $53.2 million increase produced by the 12CP methodology used in Docket No. 10-KCPE-415-RTS.

Q. Is the result shown in Schedule BK-1(CA) fully indicative of the Kansas jurisdictional outcome that would be produced by a complete application of the BIP approach to jurisdictional cost allocation?

A. No. Under the BIP methodology, a portion of the Company's steam production plant (in addition to KCPL's nuclear plant) would be stratified as baseload-related and allocated to jurisdictions on an energy basis. The outcome reported in Schedule BK-1(CA) reflects the limited impact of allocating only KCPL's nuclear plant on an energy basis.[3] Therefore, the Kansas increase shown in Schedule BK-1(CA) is higher than in the case where a complete application of the BIP methodology were to be used for jurisdictional cost allocation purposes.

[3] CURB limited its analysis to KCPL's nuclear plant since the Company separately identifies its nuclear plant investment and related expenses in its JCOSS.

Q. Mr. Kalcic, is Staff's proposed JCOSS methodology appropriate?

A. No. As previously discussed, Staff's proposed JCOSS methodology reflects an incomplete application of the BIP methodology used in the Company's CCOSS. With all due respect, it makes no sense to adopt the BIP methodology for purposes of allocating KCPL's intermediate and peaking plant, only to penalize Kansas ratepayers by abandoning the BIP approach when it comes time to allocate the Company's baseload production plant.

Q. What JCOSS methodology does CURB recommend in this proceeding?

A. Consistent with the discussion contained in my direct and cross-answering testimony, CURB recommends that the KCC: 1) reject KCPL's proposed 4CP methodology; 2) reject Staff's proposed weighted average 4CP and 12CP methodology; and 3) approve the continued use of the 12CP method for allocating capacity-related costs in the Company's JCOSS.

However, CURB would not oppose Staff's general JCOSS approach if it were revised to reflect a complete application of the Company's BIP methodology for jurisdictional cost allocation purposes.

Staff Witness Glass

Q. Mr. Kalcic, have you reviewed the proposed residential rate design sponsored by Dr. Glass?

A. Yes, I have.

Q. Does Staff propose to revise KCPL's existing residential rate structure in this proceeding?

A. No. As shown in Exhibit 4, page 2 of 7, attached to Dr. Glass' direct testimony, Staff is proposing to assign an across-the-board increase of 5.3% to all of the Company's residential tariff charges.

Q. Would Staff's proposed residential rate design accommodate the Company's proposal to consolidate certain residential subclasses in this proceeding?

A. No, it would not. The Company proposes to eliminate the RES-B (water heating) subclass and to consolidate its RES-D and RES-E (space heating) subclasses on a single rate schedule. Under Staff's proposal, the RES-B, RES-D and RES-E subclasses would remain on separate rate schedules.

Q. Does Dr. Glass indicate why Staff is not proposing to consolidate any residential subclasses in this proceeding?

A. Yes. On page 18 of his direct testimony, Dr. Glass states that Staff originally "intended to address the primary rate design problems identified in the 415 order," but was constrained, in part, by gradualism considerations from addressing various rate design concerns in this proceeding.

Q. Did the KCC's Order in Docket No. 10-KCPE-415-RTS specify residential rate design as one of the "problems" to be addressed in this case?

A. Yes, it did. The KCC directed KCPL to simplify the Company's residential rate structure by reducing the number of residential subclasses.

Q. Do you agree with Dr. Glass that gradualism considerations preclude any consolidation of KCPL's residential rate schedules at this time?

A. No. Dr. Glass suggests that consolidating any of KCPL's residential rate schedules would impose an excessive rate impact on other classes (or subclasses) of customers. I disagree.

Q. Does KCPL's proposal to consolidate certain residential subclasses cause any rate impact on the Company's non-residential rate schedules?

A. No. Since KCPL's proposed residential rate design does not entail a shift in revenue responsibility to other rate classes, the Company's non-residential rate classes are completely unaffected by KCPL's proposal.

Q. Mr. Kalcic, does CURB's revised residential rate design shift revenue responsibility to KCPL's s non-residential rate schedules?

A. No. CURB's revised residential rate design is revenue neutral with respect to all other rate classes.

Q. Does KCPL's proposed residential rate design impose non-uniform increases on the Company's *residential* subclasses?

A. Yes, it does. However, only the RES-B subclass would receive an above average increase. The RES-D and RES-E subclasses would actually receive *below average* rate increases ranging from 10.0% to 12.0% under KCPL's proposal.[4]

Q. Do you find the Company's proposed RES-B impact excessive?

A. No. The Company's proposed RES-B increase is 16.96%, or approximately 1.32 times KCPL's requested system average increase of 12.86%. In my experience, gradualism considerations typically limit class increases to no more than 1.50 times the system average. Therefore, KCPL's proposed RES-B increase passes the gradualism test.

Q. Would CURB's revised residential rate design impose an excessive rate increase on any of KCPL's residential subclasses?

A. Not at all. Schedule BK-5 (attached to my direct testimony) shows the residential increases produced by CURB's revised rate design. As shown in Schedule BK-5, the revised RES-B increase is 16.68%, or 1.30 times the system average.

Q. Should the KCC adopt the Company's proposal to eliminate the RES-B subclass and to consolidate its RES-D and RES-E subclasses on a single rate schedule?

A. Yes. The Company's proposal would greatly simplify KCPL's existing residential rate structure, without imposing an undue rate impact on any residential subclass.

[4] See KCPL's response to CURB DR 149.

Q. Mr. Kalcic, does Staff's proposed residential rate design differ from CURB's revised rate design in any other manner (besides consolidation)?

A. Yes. Staff is proposing to maintain the Company's existing summer rate structure, where all residential customers pay a flat rate energy charge for usage during the summer months. To encourage conservation, CURB proposes to implement a two-step inclining block rate design, where the charge for summer usage in excess of 1,000 kWh per month would be 20% greater than the first block energy charge.

Q. Did Staff's proposed residential rate design in Docket No. 10-KCPE-415-RTS include an inclining block summer energy charge?

A. Yes, it did.

Q. Why did Staff decide against sponsoring an inclining block summer energy charge for residential customers in this proceeding?

A. Dr. Glass does not specifically address this issue in his direct testimony. Presumably, Staff concluded that its rate design options were limited by gradualism considerations.

Q. Would CURB's proposed inclining block summer energy charge impose an excessive rate impact on any residential subclass?

A. No. As previously discussed, the range of impacts shown in Schedule BK-5 are reasonable.

Q. What do you recommend?

A. I recommend that the KCC adopt CURB's revised residential rate design, which: 1) would provide residential customers with a stronger conservation price signal; 2) is consistent with the inclining block rate design approved by the KCC for residential customers of Westar Energy, Inc. in Docket No. 12-WSEE-112-RTS; and 3) does not impose an excessive rate impact on any residential subclass.

Q. Mr. Kalcic, did you review the Small General Service ("SGS") rate design proposals sponsored by Dr. Glass?

A. Yes.

Q. Please summarize Staff's proposed SGS rate design.

A. As shown in Exhibit 4, page 3 of 7, attached to Dr. Glass' direct testimony, Staff is proposing to assign an across-the-board increase of 3.5% to all of the Company's SGS tariff charges.

Q. How does Staff's proposed SGS rate design differ from CURB's revised SGS rate design?

A. As discussed on pages 21-24 of my direct testimony, CURB's revised SGS rate design would eliminate 50% of the excess rate discount (subsidy) that SGS secondary all-electric space heating (SGSSA) customers currently receive. Staff's proposal would maintain the existing percentage discounts applicable to SGSSA customers.

Q. Would CURB's revised SGS rate design shift revenue responsibility to any other KCPL rate schedule?

A. No. CURB's revised SGS rate design is revenue neutral with respect to all other rate classes.

Q. Would CURB's revised SGS rate design impose an excessive rate increase on any of KCPL's SGS secondary subclasses?

A. No. Schedule BK-8 (attached to my direct testimony) shows the SGS increases produced by CURB's revised rate design. As shown in Schedule BK-8, CURB's revised increases would range from 9.69% (for the SGSS subclass) to 15.0% (for the SGSSA subclass). As such, CURB's revised rate design would *not* violate traditional gradualism constraints since it would limit the SGSSA increase to 1.50 times the proposed class average increase of 10.0%.

Q. Should the KCC adopt CURB's revised SGS rate design?

A. Yes, since CURB's revised SGS rate design would eliminate 50% of the excess rate discount received by SGSSA customers, without imposing an excessive rate increase on the SGSSA subclass.

Q. Does this conclude your cross-answering testimony?

A. Yes.

VERIFICATION

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

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 28th day of August, 2012.

Notary of Public

My Commission expires: 8/10/2014

"NOTARY SEAL"
Janet M. Roseman, Notary Public
St. Louis County, State of Missouri
My Commission Expires 8/10/2014
Commission Number 10429986

Schedule

BK-1 (CA)

Kansas City Power & Light Company
2012 RATE CASE - Direct Filing
Kansas Jurisdiction
TY 12/31/11; known & measurable through 6/30/12

CURB Rerun of Staff's JCOSS with Nuclear Plant Allocated on Energy Basis

Revenue Requirement - Schedule 1

Line No.	Description		Amount
1	Net Orig Cost of Rate Base (Sch 2)	$	1,767,618,865
2	Rate of Return		8.5712%
3	Net Operating Income Requirement		151,506,148
4	Net Income Available (Sch 9)		122,442,832
5	Additional NOIBT Needed		29,063,316
6	Additional Current Tax Required		19,014,965
7	Gross Revenue Requirement	$	**48,078,282**
	% increase:		
	Including ECA and EE		**7.82%**
	Excluding ECA and EE		**9.77%**

CERTIFICATE OF SERVICE

12-KCPE-764-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 31st day of August, 2012, to the following:

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