

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.)

DIRECT TESTIMONY OF

STACEY HARDEN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

MAY 11, 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. By whom are you employed and in what capacity?**

7 A. I am employed by the Citizen's Utility Ratepayer Board ("CURB") as a Regulatory
8 Analyst.

9

10 **Q. Please describe your educational background.**

11 A. I earned a Bachelor of Business Administration degree from Baker University in 2001. I
12 earned a Master of Business Administration degree from Baker University in 2004.

13

14 **Q. Please summarize your professional experience.**

15 A. I joined the Citizens' Utility Ratepayer Board as a Regulatory Analyst in February 2008.
16 Prior to joining CURB, I was the manager of a rural water district in Shawnee County,
17 Kansas for five years. I am currently an adjunct faculty member at Friends University,
18 Baker University and Haskell Indian Nations University, where I instruct business and
19 accounting courses for undergraduate and graduate students.

20

21 **Q. Have you previously testified before the Commission?**

22 A. Yes. I previously offered testimony in KCC Docket Nos. 08-WSEE-1041-RTS, 10-
23 KGSG-421-TAR, 10-EPDE-497-TAR, 10-BHCG-639-TAR, 10-SUBW-602-TAR, 10-

1 WSEE-775-TAR, 10-KCPE-795-TAR, 10-KCPE-415-RTS, 11-SUBW-448-RTS, 12-
2 SUBW-359-RTS, 12-MKKEE-410-RTS, 12-MKKEE-491-RTS, 13-HHIW-570-RTS,14-
3 WSEE-148-TAR, 14-ATMG-230-TAR, and 15-WSEE-181-TAR. I have also authored
4 Report and Recommendations to the Commission in 13-HHIW-570-RTS, 14-KCPE-042-
5 TAR, and 15-WSEE-021-TAR.

6
7 **II. PURPOSE OF TESTIMONY**

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to:

- 10 1. request the Commission revisit and reinstate the all-electric rate discounts
11 previously offered by Kansas City Power & Light (“KCPL”); and
- 12 2. recommend the Commission implement increasing block rates for residential
13 summer usage.

14
15 **III. ALL-ELECTRIC RATES**

16 **Q. Please explain the term all-electric rates.**

17 A. Prior to the Commission order in Docket No. 10-KCPE-415-RTS (“415 Docket”), KCPL
18 had six residential rate classes, each with a unique rate structure. For the purposes of my
19 testimony, I will be focusing on the Residential Rate C – which is reserved for KCPL residential
20 customers with one meter who utilize all-electric space heating appliances – I will refer to this
21 class of customers as “all-electric” in my testimony.

1 **Q. What was the all-electric rate prior to the Commission Order in the 415 Docket?**

2 A. Prior to the Commission Order in the 415 Docket, the rates for all-electric customers were as
3 follows¹:

Customer Charge (Per Month)	\$9.07	
Energy Charge (Per kWh)	Summer Season	Winter Season
First 1000 kWh per month	\$0.08899	\$0.05211
Over 1000 kWh per month	\$0.08899	\$0.03908

4

5

6 **Q. How did the all-electric rates compare to the general residential rates?**

7 A. When compared to general residential customers, the all-electric customers received a
8 35% discount on the first 1,000 kWh used during the winter season, and a 51% discount
9 on usage over 1,000 kWh. The general residential rate prior to the Commission Order in the
10 415 Docket is as follows²:

Customer Charge (Per Month)	\$9.07	
Energy Charge (Per kWh)	Summer Season	Winter Season
First 1000 kWh per month	\$0.08899	\$0.08037
Over 1000 kWh per month	\$0.08899	\$0.08033

11

12

13 **Q. Why were all-electric customers given a discount?**

14 A. It is my understanding that the all-electric discount offered by KCPL had been in place
15 since the late 1980s. The discounted rates may have been initially implemented with the

¹ July 28, 2009, Docket No. 09-KCPE-246-RTS, *KCPL's Revised Tariffs Sheets as Required by Stipulation and Agreement*.

² *Id.*

1 intention of encouraging electric usage during the winter months after Iatan I and the
2 Wolf Creek Generation Station were brought online.

3
4 **Q. What was the all-electric rate established by the Commission's Order in the 415**
5 **Docket?**

6 A. The Commission Order in the 415 Docket reduced the discount that all-electric customers
7 had from 35% and 51% to just 10% and 21%. The Commission order established the
8 following rate structure for all-electric customers³:

Customer Charge (Per Month)	\$9.82	
Energy Charge (Per kWh)	Summer Season	Winter Season
First 1000 kWh per month	\$0.09469	\$0.06581
Over 1000 kWh per month	\$0.09469	\$0.05746

9
10
11 **Q. What was the general residential rate established by the Commission's Order in the**
12 **415 Docket?**

13 A. The Commission Order in the 415 Docket established the following general residential rates:⁴

Customer Charge (Per Month)	\$9.82	
Energy Charge (Per kWh)	Summer Season	Winter Season
First 1000 kWh per month	\$0.09469	\$0.07312
Over 1000 kWh per month	\$0.09469	\$0.07312

14
15
³ November 24, 2010, Docket No. 10-KCPE-415-RTS, *KCPL's Tariff Revisions Implementing the Rate Increase*.

⁴*Id.*

1 **Q. How did the Commission's Order in the 415 Docket impact the customers taking**
2 **service under the all-electric rate schedule?**

3 A. The Commission's Order in the 415 Docket significantly reduced the discount given to
4 customers taking service under the all-electric rate schedule, which had a substantial
5 impact on residential customers taking service under the all-electric rate schedule. First, it
6 must be noted that the rates established in the 415 Docket went into effect on December
7 1, 2010, which is during the winter heating season. The average bill for an all-electric
8 customer using 1,500 kWh in December increased almost 30%.⁵ Since all-electric
9 customers are using electricity to heat homes, it is likely that all-electric customers use
10 far more than 1,500 kWh per month during the winter season.

11

12 **Q. Did the Commission consider phasing-in the rate increase for all-electric customers**
13 **in order to avoid rate shock?**

14 A. No.

15

16 **Q. Would a phase-in of the elimination of all-electric rate discounts have been**
17 **appropriate?**

18 A. It's possible that a phase-in of the reduction of the all-electric rate discount might have
19 been appropriate. In the past, the Commission has utilized the principle of gradualism and
20 allowed for large rate increases to be phased-in to the affected rate classes over time, in
21 part because large rate changes can have significant consequences for customers.

22 Considering the magnitude of the reduction of the all-electric discount and the impact

⁵ Bill increase and percentage are based solely on customer charge and kWh rates. Fuel and other line items are not included.

1 that it had on customer bills, it may have been appropriate for the Commission to
2 consider gradually phasing-in the elimination of the discount.

3
4 **Q. Was notice provided to the all-electric customers that monthly heating bills might
5 increase by almost 30%?**

6 A. Not specifically. The Notice of Public Hearing filed by KCPL in the 415 Docket, notified
7 customers that it was seeking an 11.5% rate increase. According to the notice that was
8 provided to all residential customers, KCPL's request would add approximately \$11.08
9 per month to a "typical" residential customer's bill.

10
11 **Q. What, in your opinion, is meant by "typical" residential customer's bill?**

12 A. In my opinion, KCPL was summarizing the potential impact to a general residential
13 customer – not a customer taking service under the all-electric rate structure.

14
15 **Q. At the time of the 415 Docket, how many residential customers took service under
16 the all-electric rate structure?**

17 A. According to Schedule TMR2010-4, there were 42,957 all-electric customers in KCPL's
18 Kansas jurisdiction at the time of the 415 Docket. These all-electric customers
19 represented just over 20% of KCPL's total residential customers.

1 **Q. Did the 42,957 all-electric customers have a chance to speak to the Commission**
2 **about the large increase for all-electric customers during the Public Hearing in the**
3 **415 Docket?**

4 A. Not on the all-electric increase. KCPL's application requested that the approved rate
5 increase be uniformly applied to all customer classes. It was the testimony of intervening
6 parties that suggested that the discounts provided to all-electric customers should be
7 reduced. Ultimately, the rates adopted by the Commission were provided in the rebuttal
8 testimony of KCPL witness Tim Rush. However, because the notice had already been
9 given and the public hearing had already been held before intervening parties filed
10 testimony and before KCPL filed rebuttal testimony, the all-electric customers had no
11 notice or opportunity to speak to the Commission regarding the all-electric rate proposals.

12
13 **Q. Should the all-electric customers have been given an opportunity to be heard about**
14 **a possible bill increase?**

15 A. It is likely that many of KCPL's all-electric customers chose to make the investment in
16 electric heating units based in part upon the discount being offered by KCPL – discounts
17 that had been in place for many years prior to the 415 Docket. In my opinion, it is likely
18 that customers weighed the cost of installing electric space heating equipment – which
19 likely has a 10-15 year life span – against the cost of alternatives. Undoubtedly, the cost
20 of power, either electricity or natural gas, was part of the consumer's pay-back analysis.

21 Further, the Commission's Order on in the 415 Docket was issued on November
22 22, 2010. The rates went into effect December 1, 2010. With no advance warning, the all-
23 electric customers saw their monthly bill increase substantially. These customers were

1 not given an opportunity to investigate alternatives to all-electric space heating, or to find
2 other ways to reduce their overall consumption. It is my opinion that some consideration
3 needs to be provided for these customers who chose to make long-term investments in
4 their homes based upon KCPL's longstanding rate structure.

5
6 **Q. Did the Commission's Order in the 415 Docket conclude that a case needed to be
7 opened to specifically focus on rate design?**

8 A. Yes. The Commission's Order in the 415 Docket approved the alternative rate design
9 proposal presented in the rebuttal testimony of Tim Rush. However, the Commission also
10 concluded that a case will be opened to develop a rate design for KCPL. According to its
11 Order in the 415 Docket, "the Commission concludes that a rate case will be opened
12 specifically focused on rate design for KCPL. Such a proceeding will allow closer
13 examination of KCPL's rate structure to ensure fair cost apportionment among the classes
14 and to incorporate concepts from several emerging issues."⁶

15
16 **Q. If this case had been opened, would it have presented an opportunity for all-electric
17 customers to be heard?**

18 A. Yes it would have.

19
20 **Q. Was the Commission-ordered rate case focusing on rate design ever opened?**

21 A. No. In Docket No. 12-KCPE-764-RTS ("764 Docket"), KCPL sought a waiver of the
22 Commission's requirements that a rate case be opened to specifically address rate design.

⁶ November 22, 2010, KCC Docket No. 10-KCPE-415-RTS, *Order* at pages 123-124.

1 The Commission granted KCPL's motion and determined that the rate design case was to
2 be incorporated into the 764 rate case.

3

4 **Q. In the 764 Docket, did KCPL propose the Commission revisit the all-electric rate**
5 **decision?**

6 A. No.

7

8 **Q. In the 764 Docket, did any other party recommend the Commission revisit the all-**
9 **electric rate decision?**

10 A. No.

11

12 **Q. So up to this point in time, has the Commission had an opportunity to re-examine**
13 **the all-electric rates?**

14 A. No.

15

16 **Q. Are you recommending the Commission revisit its decision to substantially reduce**
17 **the all-electric discounts?**

18 A. Yes. I am recommending the Commission revisit its decision in order to determine
19 whether these customers were treated fairly. First, the notice in the 415 Docket did not
20 alert the all-electric customers to the potential magnitude of the increases they could see,
21 and all-electric customers had no notice of the increase until the rates were implemented
22 at the end of the case. At no point in the 415 Docket were these specific customers given
23 the opportunity to address the substantial increase they would see. Since the rate design

1 docket ordered in the 415 Docket was never opened, and no party to the 764 Docket
2 raised the issue, the Commission has not had the opportunity to address the question of
3 whether these all-electric customers were treated fairly.

4 Second, even if the Commission wanted to make some reductions in the discount
5 level, and even if notice was proper, this Commission has a long tradition of moving rates
6 gradually, so as to not produce rate shock from unexpectedly large bill increases. In this
7 instance, the all-electric customers were not treated in the same manner many other
8 customers traditionally have been treated.

9 Third, the disproportionately high rate increase that all-electric customers
10 experienced—with no advanced warning, during the winter heating season—was simply
11 unfair. These customers, who made large financial investments in their homes, did so
12 using a longstanding history of Commission-approved rates. When the longstanding
13 Commission-approved discounts were eliminated, it changed the financial payback
14 scenario that the customers may have used when making the decision about what kind of
15 heating to install in their homes. It is my opinion that given the problems with notice, and
16 the magnitude of the rate increase, the result was unfair for these all-electric customers.

17
18 **Q. If the Commission revisits the all-electric rate discount, what do you recommend?**

19 **A.** First, I recommend the Commission reinstate the 35% discount on the first 1,000 kWh
20 used during the winter season, and the 51% discount on usage over 1,000 kWh, both of
21 which were in place prior to the 415 Docket. These discounts should remain in effect
22 until 2025, at which time the customers in this rate class would move to the appropriate
23 residential rate class. Leaving the discount in place for 10 years should allow customers

1 to reap the payback of the investment they made in their homes when they installed all-
2 electric heating appliances.

3 Second, regarding eligibility for the all-electric rate rates, I recommend that the
4 Commission close the class of customers that will be eligible to receive the all-electric
5 discounts I recommended above. I recommend that only customers who currently take
6 service under the all-electric rate schedule should be eligible for these reinstated
7 discounts as legacy all-electric customers. The Commission could establish that
8 eligibility for legacy rates would continue so long as the customer remained at that
9 address. The legacy rates would be discontinued at the end of the ten-year period.

10 Third, I recommend that the Commission create a new class of residential all-
11 electric customers, in which all new customers with all-electric homes would be placed.
12 As noted above, the Commission could require that a change of name on the customer
13 account at a legacy address would end eligibility for the legacy rates. Such customers
14 would be placed in the new all-electric class. These customers would not be eligible to
15 receive the 35% discount on the first 1,000 kWh used during the winter season, or the
16 51% discount on usage over 1,000 kWh. Rather, these customers would receive whatever
17 rates the Commission approves in this case. The new all-electric discount class could be
18 eligible for discounts set at current rates (11%, 21%), or at any other level approved by
19 the Commission.

1 **Q. If the Commission reinstates the all-electric discount levels that were in place before**
2 **the 415 Docket, revenues for the all-electric class will be reduced. Where do you**
3 **recommend the Commission recover that revenue reduction?**

4 A. Since this is a question of fairness, the Commission could choose to collect the revenue
5 from all classes of customers. The other option is to collect the revenue from the other
6 residential classes. The Commission should indicate which it prefers.

7
8 **IV. INCLINING BLOCKS**

9 **Q. Does CURB support rate designs that use inclining block rates during the summer**
10 **months for residential customers?**

11 A. Yes, for two reasons. First, it has long been CURB's policy that utility rates should be
12 structured to accomplish desired goals such as conservation. CURB's position is that the
13 Commission can, and should encourage conservation by approving rate structures that
14 provide stronger conservation-oriented price signals. Utilizing inclining block rates
15 during the peak summer months would send price signals to consumers that may
16 encourage consumers to conserve energy. If the price signals are received and acted upon
17 by consumers, greater conservation may be achieved, which will, in turn, help consumers
18 manage rising electric utility bills in the coming years, as well as delay the need for
19 additional generation units.

20 Second, CURB's position is that utility rates should be affordable, and more
21 specifically, that the first block of energy usage should be affordable for all users. CURB
22 believes rates should be structured in ways that protect low users – who are often low-or
23 fixed-income customers – and reward consumers for achieving conservation. Customers

1 who proactively engage in efficient behaviors that reduce their overall energy
2 consumption should be rewarded by paying the lowest possible cost for the energy they
3 do use. Customers who use enough energy to reach the high-cost blocks face a high price
4 at the margin. CURB believes that implementing an inclining block rate in the summer
5 months would encourage conservation, and protect low-use consumers who actively
6 engage in efficient behaviors.

7

8 **Q. If the Commission implements an inclining summer block rates for residential**
9 **customers, as supported in your testimony, how should the rate be structured?**

10 A. If the Commission orders KCPL to implement an inclining summer block rate, I
11 recommend that the Commission implement the rate structure supported in Schedule
12 BK-4 of CURB Witness Brian Kalcic's testimony.

13

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

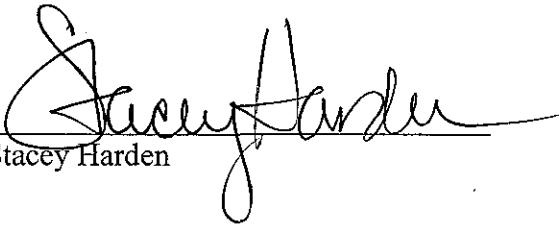
15 A. Yes.

VERIFICATION

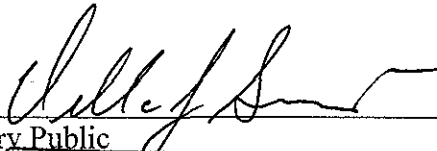
STATE OF KANSAS)

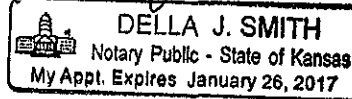
COUNTY OF SHAWNEE) ss:

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 11th day of May, 2015.


Notary Public



My Commission expires: 01-26-2017.

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 11th day of May, 2015, to the following parties:

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