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BEFORE THE CORPORATION COMMISSION

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

DIRECT TESTIMONY OF

BRIAN KALCIC

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

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

August 22, 2012

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Q. Please state your name and business address.

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

Q. What is your occupation?

A. I am an economist and consultant in the field of public utility regulation, and principal of Excel Consulting. My qualifications are described in the Appendix to this testimony.

Q. On whose behalf are you testifying in this case?

A. I am testifying on behalf of the Citizens' Utility Ratepayer Board ("CURB").

Q. What is the subject of your testimony?

A. I will review the jurisdictional cost allocation, class revenue allocation and residential rate structure proposals sponsored by Kansas City Power & Light Company ("KCPL"). Consistent with CURB's policy position regarding conservation, I will also sponsor an alternative, conservation-oriented residential rate design to be implemented at the conclusion of this proceeding.

In addition, I will discuss the Company's proposed Small General Service ("SGS") secondary rate design, and sponsor changes, where appropriate.

Q. Have you reflected CURB witness Andrea C. Crane's recommended revenue adjustment for KCPL in your alternative rate design proposals?

A. No, I have not. For ease of comparison with KCPL's rate design proposals, CURB alternative residential and SGS rate design proposals reflect the Company's proposed class revenue requirements.

Q. Please summarize your primary recommendations.

A. Based upon my analysis of KCPL's filing and discovery responses, I recommend that the Kansas Corporation Commission ("KCC" or "Commission"):

- Reject KCPL's proposed change to its existing jurisdictional cost of service methodology;
- Direct the Company to revise the availability language of its general service rate schedules in its next base rate proceeding, so as to limit the availability of such rate schedules to customers with a given maximum load size and/or voltage service level;
- Adopt CURB's revised residential rate design, which would provide a stronger conservation price signal to KCPL's residential customers; and
- Adopt CURB's revised SGS secondary rate design, which would eliminate a portion of the excess rate discounts that are applicable to SGS secondary all-electric space heating customers.

The specific details associated with the above recommendations are discussed below.

I. Jurisdictional Cost Allocation

Q. Mr. Kalcic, what is the purpose of the Company's jurisdictional cost-of-service study ("JCOSS")?

A. The Company's JCOSS allocates KCPL's total claimed revenue requirement to the Company's Kansas Retail, Missouri Retail and FERC/Wholesale jurisdictions.

Q. Is KCPL proposing any change to its jurisdictional cost allocation methodology in this proceeding?

A. Yes. In this proceeding, KCP&L proposes to allocate its capacity-related costs to jurisdictions based on each jurisdiction's contribution to the Company's total coincident peak demand during the four summer months ("4CP" method).

In its prior base rate case at Docket No. 10-KCPE-415-RTS, KCPL allocated capacity-related costs based on each jurisdiction's contribution to the Company's total coincident peak demand during all twelve months of the year ("12CP" method).

Q. What is the impact on KCPL's Kansas Retail jurisdiction of using the 4CP method (in place of the 12CP method) to allocate capacity-related costs to jurisdictions?

A. All else equal, replacing the 12CP methodology with the 4CP methodology in the Company's JCOSS shifts $10.4 million of revenue responsibility *from:* a) the Company's Missouri Retail and FERC jurisdictions; *to* b) its Kansas Retail jurisdiction. In other words, but for KCPL's proposed change to its JCOSS methodology, the

Company's requested increase in this docket would be $53.2 million rather than $63.6 million, or $10.4 million lower.

Q. Does CURB agree with the Company's proposed change in its JCOSS methodology?

A. No. As discussed below, the Company's proposed JCOSS methodology is inconsistent with: 1) the methodology used to allocate capacity costs in the Company's filed class cost-of-service study ("CCOSS"); and 2) the methodology employed by the Southwest Power Pool ("SPP") to bill KCPL for the transmission costs that the Company incurs to serve its native load. As such, CURB recommends that the KCC reject KCPL's proposed 4CP methodology, and approve the continued use of the 12CP method for allocating capacity-related costs in the Company's JCOSS.

Q. Mr. Kalcic, please identify the primary types of plant costs that are deemed "capacity related" (and therefore assigned to jurisdictions based on the 4CP allocator) in the Company's JCOSS.

A. Within the JCOSS, the largest components of capacity-related costs consist of: a) $5.0 billion of total production plant in service; and b) approximately $450.0 million of total transmission plant in service. In addition, a portion of the Company's intangible plant in service is also deemed to be capacity-related.

Q. Does the JCOSS classify 100% of KCPL's production and transmission plant as capacity-related?

A. Yes. All of KCPL's steam, nuclear and other (i.e., combustion turbine and wind) production plant is deemed capacity related, and therefore assigned to jurisdictions based on the 4CP allocator. Similarly, all of KCPL's transmission plant is allocated to jurisdictions using the 4CP allocator.

Q. Does KCPL use a 4CP methodology to allocate 100% of its production plant costs to rate classes in its CCOSS?

A. No, it does not. The Company uses the Base, Intermediate, Peak ("BIP") methodology to allocate production plant costs to rate classes in its CCOSS. As discussed below, only the peak-related portion (or 26.4%) of KCPL's total generating capacity is allocated on a 4CP basis.

Q. How does the BIP methodology allocate production plant to KCPL's rate classes?

A. Generally speaking, the BIP methodology first stratifies production plant as baseload-, intermediate- or peak-related, according to how specific generating units are dispatched to serve load over all 8,760 hours 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 12CP method. Finally, peak units are allocated to rate classes using the 4CP method.

Q. What percentage of KCPL's total generating capacity (MWs) does the CCOSS stratify as baseload-, intermediate- and peak-related?

A. The CCOSS percentages are 46.4%, 27.2% and 26.4%, respectively.[1]

Q. Has the KCC previously determined that the BIP methodology is appropriate for allocating the [Kansas Retail portion of] KCPL's production plant to rate classes in the CCOSS?

A. Yes. The KCC approved the BIP methodology in Docket No. 10-KCPE-415-RTS.

Q. Mr. Kalcic, why should the Company's JCOSS and CCOSS methodologies be consistent?

A. The methodologies should be consistent because the fundamental purpose of each study is the same, i.e., to assign costs to a specific group of customers. Whereas the JCOSS is used to determine the cost based revenue requirement of each of the Company's jurisdictions, the CCOSS is used to determine the cost based revenue requirement of KCPL's rate classes (within its Kansas jurisdiction).[2] In that respect, one may view the CCOSS as simply an extension of the Company's JCOSS.

Q. If the BIP methodology were to be used in the Company's JCOSS, would the resulting jurisdictional cost assignments be the same as those produced by KCPL's existing 12CP methodology?

[1] See the Direct Testimony of Paul M. Normand at page 9.
[2] The Company's CCOSS allocates KCPL's claimed revenue requirement to the following classes: Residential; SGS; Medium General Service ("MGS"); Large General Service ('LGS"); Large Power Service ("LPS"); Off-Peak Lighting; and Other Lighting.

A. No. Since the BIP methodology would allocate a significant portion of the Company's total revenue requirement to jurisdictions on an energy basis, one would expect that a BIP-based JCOSS methodology would produce a *smaller* allocation to Kansas than either the 12CP or 4CP methodology.[3] However, the Kansas jurisdictional outcome produced by the 12CP method (in the JCOSS) is closer to a hypothetical BIP-based result than the Company's proposed 4CP methodology.

Q. Mr. Kalcic, is the Company's proposed 4CP methodology consistent with the methodology employed by the SPP to bill KCPL for the transmission costs that the Company incurs to serve its native load?

A. No. According to KCPL's response to KCC DR 273, *network service* is the primary type of transmission service that KCPL uses for its native load customers. However, the SPP determines network service (transmission) charges by using load ratio shares that are based on the 12 coincident peaks from the prior calendar year. Therefore, the Company's proposal to allocate 100% of transmission plant to jurisdictions on a 4CP basis does not comport with the methodology used by the SPP to recover actual transmission costs.

Q. For the record, how does the Company's CCOSS allocate transmission plant to rate classes?

A. Consistent with the SPP approach, the Company's CCOSS allocates transmission plant based on the 12CP methodology.

[3] This outcome follows from the fact that Kansas' jurisdictional energy allocator (42.2%) is significantly smaller than either its 12CP (45.2%) or 4CP (46.4%) allocation factor.

Q. Please summarize CURB's position with respect to the Company's proposed change to its JCOSS methodology?

A. Because the Company's proposed JCOSS change is inconsistent with the KCC approved BIP methodology and the SPP methodology for recovering transmission costs, CURB recommends that the KCC reject KCPL's proposed 4CP methodology, and approve the continued use of the 12CP method for allocating capacity-related costs in the Company's JCOSS.

II. Class Revenue Allocation

Q. Mr. Kalcic, how does KCPL propose to recover its requested revenue increase in this proceeding?

A. Schedule BK-1 summarizes the Company's proposed revenue allocation. As shown on lines 1-6 of Schedule BK-1, the Company's proposed base rate increases range from a low of 10.0% for the SGS class, to a high of 13.54% for the LGS and LPS classes. The proposed system average increase in base revenues is 12.86% (per line 7).

Q. How did KCPL arrive at the proposed revenue allocation shown in Schedule BK-1?

A. On page 16 of his direct testimony, Mr. Bradley D. Lutz testifies that the Company's proposed revenue allocation is intended to lessen the "inter-class disparity" in class rates of return identified in the Company's CCOSS, while reducing the potential for customer migration between rate schedules (i.e., rate switching).

To that end, the Company assigned a system average increase of 12.86% to the Residential, MGS and Lighting classes. The SGS class was assigned an increase of 10%, and the remaining LGS and LPS classes received the residual increase of 13.54%.

Q. With respect to the above class cost-of-service guideline, does Mr. Lutz indicate that KCPL's proposed revenue allocation is successful in reducing inter-class disparities in class rates of return?

A. Yes. Mr. Lutz reaches that conclusion based on a comparison of relative class rates of return at present and proposed rates.[4]

Q. Mr. Kalcic, do you agree that a simple comparison of relative class rates of return at present and proposed rates will always provide an accurate indication of the degree of movement toward cost of service?

A. No. Except in the special case where a class is shown to move *exactly* to the system average rate of return (i.e., a relative rate of return of 1.00) at proposed rates, the fact that a class' relative rate of return moves *toward* 1.00 provides no assurance, in and of itself, that the class is moving closer to paying its total cost of service.

Q. Why is that the case?

A. By definition, if a class is not paying exactly its full cost of service, it is either: a) receiving a subsidy (i.e., paying too little); or b) providing a subsidy (i.e., paying too much). In order to determine whether or not a class is moving toward cost of service,

[4] See the Direct Testimony of Bradley D. Lutz at pages 8-9.

one must ascertain whether the class' present subsidy is growing or shrinking at proposed rates. If its present subsidy is growing, the class is moving in the wrong direction (i.e., away from cost of service). Conversely, if its present subsidy is shrinking, the class is moving closer to cost. In short, the proper yardstick for measuring the degree of movement toward cost of service is the change in the absolute level of class subsidies at present and proposed rates.

Q. Can one determine whether class subsidies are increasing or decreasing using class rate of return information?

A. Yes, by comparing the *deviation* of an individual class' rate of return from the system average at present and proposed rates. For example, if a given class' present rate of return is 100 basis points below the (present) system average rate of return, while its proposed rate of return is, say, only 50 basis points below the (proposed) system average rate of return, then one may conclude that the subsidy received by that class has been reduced (in this case by half).

Q. Have you calculated the deviations in class rates of return at present and Company proposed revenue levels?

A. Yes, I have. The resulting deviations are shown in columns 2 and 4 of Schedule BK-2.

Q. What do you conclude from the information shown in Schedule BK-2?

A. Based on the deviations in class rates of return shown in columns 2 and 4 of Schedule BK-2, I conclude that only the SGS (line 2) and Other Lighting (line 7) classes would

move closer to their respective cost based revenue levels under KCPL's proposed class revenue allocation.

Q. Does KCPL explain why it chose not to propose more aggressive movement toward class cost of service in this proceeding?

A. Yes. On page 9 of his direct testimony, Mr. Lutz testifies:

> More aggressive movement would expose the Company to significant revenue risk through customer migration. Customers within the General Service classes are free to move or migrate, between the General Service classes to achieve the best rate for their business. This migration leads to revenue loss and is not reflected in the test year revenue requirement. These rate-related migrations will likely result in the Company being unable to recover its revenue requirement. Therefore, any effort to completely correct significant inter-class differences must be done with caution.

Q. Does CURB propose to modify the Company's class revenue allocation in this proceeding?

A. Despite the fact that the Company's proposed revenue allocation produces little or no movement toward class cost of service, CURB is not sponsoring an alternative revenue allocation in this proceeding.

Q. Why not?

A. Given the results of KCPL's CCOSS, providing for meaningful movement toward class cost of service would require that the Company's general service classes receive much more disparate rate increases than under the Company's proposal. Presumably, KCPL would oppose any such proposal due to alleged revenue losses. As a result, CURB

recommends that the KCC address the issue of rate switching in this proceeding, so that meaningful movement toward class cost of service can begin in KCPL's next case.

Q. Mr. Kalcic, in your experience, is rate migration (and the potential for revenue erosion) typically an issue with regard to setting cost based electric rates?

A. No, simply because most electric utilities restrict/limit the availability of their general service (i.e., non-residential) rate schedules according to maximum load size (i.e., a customer's peak monthly billing demand) and/or voltage service levels. As a result, general service customers qualify for but a *single* tariff rate, making rate switching a moot issue.

Q. What do you recommend?

A. In order to eliminate the potential for rate switching, and thereby facilitate reasonable movement toward class cost of service in future rate proceedings, I recommend that the KCC direct the Company to revise the availability language of its general service rate schedules in its next base rate proceeding, so as to limit the availability of such rate schedules to customers with a given maximum load size and/or voltage service level.

III. Residential Rate Design

Q. Mr. Kalcic, please provide a brief description of KCPL's current residential service rate schedules.

A. The Company serves residential customers via six (6) rate schedules: 1) General Use (RES-A); 2) General Use and Water Heat – One Meter (RES-B); 3) General Use and Space Heat – One Meter (RES-C); 4) General Use and Space Heat – Two Meters (RES-D); 5) General Use and Water Heat and Separately Metered Heat – Two Meters (RES-E); and 6) Time of Day Service (TOD).[5]

The majority of KCPL's residential customers (i.e., approximately 70.0%) take service under RES-A. The RES-A rate schedule contains a customer charge and a flat rate energy charge, which is seasonally differentiated.[6] Approximately 22.0% of residential customers take service on the Company's RES-C space heating rate schedule. The RES-C rate schedule contains a declining block winter energy charge, with winter rates reflecting discounts of 10% to 21% from the flat rate RES-A energy charge. Water heating customers on RES-B and RES-E receive a discount on the first 1,000 kWh of winter consumption. Finally, the Company offers a discounted space-heating rate to customers on RES-D and RES-E, where space-heating equipment must be connected to a separate meter. Any summer usage that is registered on such separate meters (e.g., air conditioning load from a heat-pump) is billed at KCPL's summer energy charge.

Q. Does the Company propose to revise its residential rate *structure* in this proceeding?

A. Yes, it does. In response to a KCC directive in Docket No. 10-KCPE-415-RTS to simplify the Company's residential rate structure by reducing the number of residential

[5] CURB will not address the Company's Residential TOD tariff.

[6] The Company has one (1) summer energy charge that is applicable to all residential customers except those taking service on the Residential TOD rate schedule.

subclasses, KCPL is proposing: 1) to eliminate the RES-B subclass by billing water heating customers on the Company's RES-A (general use) rate schedule; and 2) to consolidate the RES-D and RES-E subclasses on a single "two meter" space heating rate.

In addition, KCPL is proposing to add a Residential Other Use rate schedule in response to customer complaints regarding the billing of their separately metered detached garages (or similar structures) on the Company's SGS rate schedule. In general, the Company's proposed Residential Other Use rate schedule is intended to simplify customer billing. Under the Company's proposal, KCPL will bill energy usage associated with separately metered residential structures at the same rate as the Company's *first block* SGS energy charge. However, SGS demand and customer charges would no longer apply to such service.

Q. Have you provided a summary of the Company's proposed residential rate design in this case?

A. Yes, I have. The Company's present and proposed residential tariff charges are summarized in Schedule BK-3. As shown in column 4 of Schedule BK-3, KCPL is proposing to assign a uniform increase of 12.86% to its summer (lines 4-5), RES-A winter (lines 6-7) and RES-C winter (lines 10-11) energy charges. All other increases shown in column 4 are driven by the Company's proposed consolidation of RES-B with RES-A, and RES-D with RES-E.

Q. Does CURB agree with the Company's proposed residential rate design in this proceeding?

A. In part. CURB agrees with KCPL's proposal to eliminate the RES-B subclass and consolidate the RES-D and RES-E subclasses. Given the potential rate impacts associated with the Company's proposed consolidation, CURB recommends that a further examination of the propriety of KCPL's residential heating discounts be postponed until the Company's next case. Also, CURB does not oppose the Company's proposed Residential Other Use rate schedule.

However, as I discuss below, CURB is recommending a change to KCPL's residential summer energy charges in order to provide a stronger price signal to consumers to conserve electricity during KCPL's peak season. Accordingly, I have prepared an alternative residential rate design for the Commission's consideration in this proceeding.

Q. Why does CURB believe that it is appropriate to implement a more conservation-oriented residential rate structure in this proceeding?

A. CURB's Consumer Counsel informs me that the Commission has the authority to adjust utility rate structures to accomplish desired goals such as conservation. As a matter of public policy, it is CURB's position that the Commission can, and should, encourage conservation by revising existing rate structures to provide stronger conservation-oriented price signals. Many Kansas electric utilities (such as KCPL) are currently involved with extensive capital expenditure programs. Greater conservation, if

achieved, will help consumers manage rising electric utility bills in the coming years and delay the need for additional generation units.

Q. Couldn't a significant revision to KCPL's existing rate structure exacerbate the rate increases that will be experienced by certain residential customers?

A. Yes. CURB is cognizant of that possibility. In its comments to the Commission in Docket No. 08-GIMX-442-GIV, CURB stated, in pertinent part:

> [W]ith respect to rate impacts on consumers that may result from adjusting the current rate structure or from moving to real-time pricing, the Commission must also be an active participant in the creation of mechanisms or rate structures that protect the most vulnerable of our citizens. . . . CURB encourages the Commission to join with CURB, the utilities and other intervenors, where appropriate, in finding mechanisms to make sure there are rate protections and affordability programs for our low-income and fixed-income customers. For example, rate design should ensure that the first block of usage remains affordable for all customers. Rate blocks above this first block can be adjusted upward, if necessary.[7]

In other words, CURB finds that an appropriate residential rate design would encourage conservation while at the same time providing a measure of affordability over a "first block" or baseline level of customer usage. Usage in excess of the baseline level would be subject to higher pricing for all customers.

Q. Did CURB consider establishing a *separate* low-income rate schedule to offer rate protection to low-income customers?

[7] *Comments of the Citizens' Utility Ratepayer Board*, Dec. 21, 2007, pp. 7-8, KCC Docket No, 08-GIMX-442-GIV.

A. No. CURB's Consumer Counsel informs me that the Commission rejected the concept of separate low-income assistance rates in Docket No. 04-GIMX-531-GIV, deciding that such rate designs would be impermissibly discriminatory and unduly preferential.[8]

Q. Mr. Kalcic, which specific feature of the Company's revised residential rate structure does CURB oppose?

A. CURB opposes the Company's flat rate energy charge in the summer months. In CURB's view, summer energy charges should be redesigned to provide a flat rate for the first 1,000 kWh of consumption, with a higher price applying to all consumption in excess of that level (i.e., a two-step inclining block rate structure) so as to encourage conservation.

Q. Have you prepared a revised residential rate design and proof of revenue incorporating a two-step inclining block summer energy charge?

A. Yes, in Schedule BK-4.

Q. Please describe Schedule BK-4.

A. Schedule BK-4 consists of six (6) columns. Column 1 contains the pro forma billing determinants filed by KCPL.[9] Column 2 contains the Company's present base rates.

[8] "The Commission has previously determined that low-income assistance rates in the form of pure discounts are impermissibly discriminatory and unduly preferential, and that there is no basis to depart from the prior determination of the Commission in this regard." *Order Accepting Staff's Report and Recommendation and Closing Docket,* August 31, 2005, ¶ 13, KCC Docket No. 04-GIMT-531-GIV.

[9] Since KCPL did not provide a detailed breakdown of residential summer usage, *by rate block*, in response to CURB DR 149, the summer rate block usage figures shown on lines 4-5 of Schedule BK-4 were derived by applying the corresponding residential rate block ratios from Docket No. 10-KCPE-415-RTS to KCPL's total pro forma billing determinants in this proceeding.

Column 3 shows the present revenue that is derived from multiplying KCPL's pro forma billing determinants in column 1 by the present rates shown in column 2. CURB's recommended rates are shown in column 4, and its recommended revenue is provided in column 5. Finally, column 6 shows the percentage change in revenues under CURB's recommended rate design.

As shown on line 30, columns 5-6 of Schedule BK-4, CURB's revised rate design would produce the same total residential base rate revenue requirement (excluding TOD customers) of $282.8 million as proposed by KCPL, which equates to a base rate increase of 12.86%.

Q. How do CURB's revised residential rates compare to the Company's proposed rates?

A. CURB's revised residential rate design adopts all of the Company's proposed customer charges and winter energy charges. However, in place of the Company's proposed flat rate summer energy charge, CURB's revised rates would establish: 1) a rate of $0.10066 per kWh for usage up to 1,000 kWh per month in the summer; and 2) a rate of $0.12079 per kWh for all usage in excess of 1,000 kWh in the summer.[10] This second block rate incorporates a conservation-oriented price differential of approximately 2.0¢ per kWh (or a 20.0% increase) over CURB's recommended summer rate for the 0-1,000 kWh block.

[10] See lines 4-5 of column 4 in Schedule BK-4.

Q. Mr. Kalcic, why does CURB recommend that a 20% price differential apply to summer usage in excess of 1,000 kWh per month?

A. The KCC recently approved a summer inclining block rate design for residential customers of Westar Energy, Inc. at Docket No. 12-WSEE-112-RTS. As a result of that case, Westar's residential customers will pay approximately 22% more for all usage in excess of 900 kWh during the summer months. CURB's recommended summer price differential of 20% is consistent with the residential rate design approved in Docket No. 12-WSEE-112-RTS.

Q. Have you quantified the increases that would apply to the Company's residential subclasses under CURB's revised rate design?

A. Yes. Schedule BK-5 shows the residential increases produced by CURB's revised rate design. Those increases would range from a low of 10.74% (for RES-D) to a high of 16.68% (for former RES-B customers).

Q. Are the residential subclass increases shown in Schedule BK-5 materially different from the increases associated with the Company's proposed residential rate design?

A. No, the two proposals produce similar rate increases for each subclass.

Q. Mr. Kalcic, would you please summarize CURB's recommended rate design approach for the Company's residential rate classes?

A. Yes. CURB recommends that the Commission direct KCPL to implement a two-step inclining block summer energy charge applicable to all residential customers, with the rate for usage in excess of 1,000 kWh per month set at 120% of the first block rate.

This rate design directive should be implemented after the Commission has determined both the Company's overall revenue requirement, and individual rate class revenue targets.

IV. SGS Rate Design

Q. Mr. Kalcic, please provide a brief description of the Company's current SGS rate schedules for secondary voltage service.

A. The Company maintains four (4) secondary SGS rate schedules: a) General Use (SGSS); b) Space Heating – All Electric (SGSSA); c) Separately Metered Space Heat (SGSSH); and d) Unmetered Service (SGSSU). The SGSS, SGSSA and SGSSH rate schedules contain a customer charge (based on the size of the customer's load in kW), a demand charge and a seasonally differentiated, demand-based declining block energy charge.[11] The SGSSU rate schedule reflects a (single) customer charge and seasonally differentiated, declining block energy charges (i.e., the same seasonal energy charges that apply to SGSS customers). The Company maintains one set of summer energy charges that applies to all SGSS, SGSSA and SGSSH customers. SGSSA customers

[11] The Company's declining block energy charges are defined according to "hours use" breakpoints, rather than fixed kWh usage levels. As a result, the higher the SGS customer's load factor, the greater the percentage of the customer's usage that is billed at a lower rate per kWh.

receive non-uniform discounts from the winter energy charges paid by SGSS customers. SGSSH customers pay the same winter energy charges as SGSS customers, except for a discount on their separately metered heating load.

Q. Does the Company propose to revise its SGS rate structure in this proceeding?

A. No. As shown in Schedule BK-6, the Company is proposing to assign an across-the-board increase of 10.0% to all of its SGS tariff charges.

Q. Does CURB accept the Company's proposed SGS rate design in this proceeding?

A. No. As discussed below, CURB opposes the Company's proposed SGS rate design because it fails to address the excess discounts currently received by SGSSA space heating customers in the winter season.

Q. Are the current space heating discounts that KCPL provides to SGSSA and SGSSH customers cost justified?

A. In the case of SGSSA customers, they are not. Table 1 below compares the average rate paid per kWh (excluding customer charges) by each of the Company's SGS subclasses at present rates (column (a)), and at equalized rates of return (column (c)), per KCPL's COSS. Columns (b) and (d) of Table 1 show the percentage (ratio) of the average rate paid by each subclass to the average rate paid by SGSS (general use) customers, under each scenario. Column (e) of Table 1 shows the difference in present and cost-based discounts for each SGS subclass. Since both of the heating-class figures in column (e) are negative, one can conclude that the Company's current SGS heating discounts are

excessive, in amounts ranging from 2.8% (SGSSH) to 9.9% (SGSSA). In CURB's view, the KCC should reduce the size of excess SGSSA discount in this proceeding.

Table 1
Present SGS Average Rates versus Equalized ROR Rates

CLASS	*Present Rate ($ / kWh) (a)*	*Present % of SGSS Rate (b)*	*Equalized ROR ($ / kWh) (c)*	*Equalized % of SGSS Rate (d)*	*Difference [b – d] (e)*
SGSS	$0.0914	100.0%	$0.1056	100.0%	0.0%
SGSSA	$0.0781	85.4%	$0.1006	95.3%	-9.9%
SGSSH	$0.0824	90.2%	$0.0982	93.0%	-2.8%

Source: Average rates derived from Table 4 in the Direct Testimony of Paul M. Normand & Schedule BK-7.

Q. Does CURB propose to eliminate 100% of the Company's excess SGSSA secondary space heating discount in this proceeding?

A. No. In order to mitigate customer rate impacts, CURB recommends that approximately 50% of the excess SGSSA discount identified in Table 1 be eliminated in this case.

Q. Mr. Kalcic, what SGS rate design does CURB recommend in this proceeding?

A. CURB's revised SGS rate design is shown in Schedule BK-7. CURB's revised rate design adopts all of the Company's proposed customer, demand and summer energy charges. However, unlike the Company, CURB does not recommend an across-the-board increase for all SGS winter energy charges.

As shown on line 29, columns 5-6 of Schedule BK-7, CURB's revised rate design would produce the same total KCPL SGS secondary base rate revenue requirement of $36.7 million as proposed by KCPL, which equates to a base rate increase of 10.0%.

Q. Please discuss how you determined the level of CURB's revised SGS secondary winter energy charges shown in column 4, lines 13-24 of Schedule BK-7.

A. CURB's revised SGS secondary winter energy charges were derived so as to leave the aggregate level of the Company's proposed SGS winter energy charge revenue unchanged. Through an iterative process, I adjusted the winter energy charges applicable to SGSSA and SGSSH customers so as to eliminate approximately 50.0% of the current SGSSA excess discount identified in Table 1. CURB's revised rate design leaves the current SGSSH excess discount of 2.8% at the same approximate level.

Q. What information is shown in Table 2 below?

A. Table 2 shows the average discounts available to SGSSA and SGSSH customers under present rates and CURB's recommended rate design. By comparing column (e) of Table 2 to column (e) of Table 1, one finds that CURB's recommended rate design would eliminate approximately 50% of the current excess discounts received by SGSSA customers.

Table 2
Present SGS Secondary Average Rates versus CURB Recommended Rates

CLASS	*Present Rate ($ / kWh)* *(a)*	*Present % of SGSS Rate* *(b)*	*CURB Rate ($ / kWh)* *(c)*	*CURB % of SGSS Rate* *(d)*	*Difference [b – d]* *(e)*
SGSS	$0.0914	100.0%	$0.1002	100.00%	0.00%
SGSSA	$0.0781	85.4%	$0.0904	90.2%	-4.8%
SGSSH	$0.0824	90.2%	$0.0905	90.3%	-0.1%

Source: Average rates derived from Schedule BK-7.

Q. Have you summarized CURB's recommended increases to the Company's SGS secondary subclasses?

A. Yes. Schedule BK-8 shows that the SGS secondary increases produced by CURB's recommended rate design would range from 9.7% (for SGSS) to 15.0% (for SGSSA).

Q. Mr. Kalcic, would you please summarize CURB's rate design recommendations for the Company's SGS secondary rate classes?

A. Yes. CURB recommends that the Commission direct KCPL to reduce the current *excess* SGSSA space-heating discount by 50%, by adjusting the winter energy charges applicable to all SGS secondary customers. Once again, CURB's rate design proposal should be implemented after the Commission has determined both the Company's overall revenue requirement, and individual customer class revenue targets.

Q. Should the excess SGSSA and SGSSH discounts that remain after the conclusion of this case be eliminated in KCPL's next rate proceeding?

A. Yes. If the KCC adopts CURB's proposed SGS rate design, the excess SGSSA and SGSSH discounts that remain at the conclusion of this case should be small enough to eliminate completely in KCPL's next base rate proceeding.

Q. Does this conclude your direct testimony?

A. Yes.

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.

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 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 17 day of August, 2012.

Notary of Public

My Commission expires:

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

SCHEDULES BK-1 THROUGH BK-8

KANSAS CITY POWER & LIGHT COMPANY

Company Proposed Allocation of its
Requested Increase in Base Revenue
(Dollars in Thousands)

Line	Classification	Present Base Revenue	Proposed Base Revenue	Proposed Increase	
				Amount	Percent
		(1)	(2)	(3)= (2) - (1)	(4)= (3) / (1)
1	Residential	$250,605	$282,840	$32,234	12.86%
2	SGS	$33,387	$36,726	$3,339	10.00%
3	MGS	$59,660	$67,334	$7,674	12.86%
4	LGS	$133,678	$151,776	$18,098	13.54%
5	LPS	$7,765	$8,817	$1,051	13.54%
6	Lighting	$8,974	$10,128	$1,154	12.86%
7	Total Company	$494,071	$557,621	$63,551	12.86%

Source: Sch. BDL-2

KANSAS CITY POWER & LIGHT COMPANY

Company Proposed Allocation of its
Requested Increase in Base Revenue
(Dollars in Thousands)

		Present		Proposed	
Line	Classification	Rate of Return	Deviation	Rate of Return	Deviation
		(1)	(2)	(3)	(4)
1	Residential	7.51%	1.05%	9.69%	1.12%
2	SGS	9.59%	3.13%	11.57%	3.00%
3	MGS	7.81%	1.35%	10.03%	1.46%
4	LGS	4.19%	-2.27%	6.26%	-2.31%
5	LPS	3.18%	-3.28%	5.23%	-3.34%
6	Off-Peak Lighting	0.84%	-5.62%	1.20%	-7.37%
7	Other Lighting	6.29%	-0.17%	8.66%	0.09%
8	Total Company	6.46%	0.00%	8.57%	0.00%
	Source:	Exh. PNM-2, Sch. 1		Testimony of B. Lutz, pgs. 8-9	

KANSAS CITY POWER & LIGHT COMPANY

Summary of Present and Proposed Residential Base Rates

Line	Description	Present Rates	Proposed Rates	Proposed Increase Amount	Proposed Increase Percent
		(1)	(2)	(3)	(4)
	Customer Charge				
1	One Meter 1/	$9.83	$11.09	$1.26	12.86%
2	Two Meters 2/	$9.83	$11.25	$1.42	14.45%
3	Time of Day	$13.85	$15.63	$1.78	12.86%
	Energy Charge				
	Summer -- All Customers				
4	First 1,000 kWh	$0.09474	$0.10693	$0.01219	12.86%
5	All add'l kWh	$0.09474	$0.10693	$0.01219	12.86%
	Winter				
	General Use - (RES-A)				
6	First 1,000 kWh	$0.07315	$0.08256	$0.00941	12.86%
7	All add'l kWh	$0.07315	$0.08256	$0.00941	12.86%
	Water Heating - (RES-B)				
8	First 1,000 kWh	$0.06585	$0.08256	$0.01671	25.38%
9	All add'l kWh	$0.07315	$0.08256	$0.00941	12.86%
	Space Heating - (RES-C)				
10	First 1,000 kWh	$0.06585	$0.07432	$0.00847	12.86%
11	All add'l kWh	$0.05748	$0.06487	$0.00739	12.86%
	S.H. 2 Meters - (RES-D)				
12	First 1,000 kWh	$0.07315	$0.07432	$0.00117	1.60%
13	All add'l kWh	$0.07315	$0.06487	($0.00828)	-11.32%
14	Separate Space Heating	$0.05748	$0.06487	$0.00739	12.86%
	W.H./S.H. 2 Meters - (RES-E)				
15	First 1,000 kWh	$0.06585	$0.07432	$0.00847	12.86%
16	All add'l kWh	$0.07315	$0.06487	($0.00828)	-11.32%
17	Separate Space Heating	$0.05748	$0.06487	$0.00739	12.86%
	Time of Day - (RTOD)				
18	Summer On-Peak	$0.15519	$0.17515	$0.01996	12.86%
19	Summer Off-Peak	$0.06480	$0.07313	$0.00833	12.86%
20	Winter - All Hours	$0.06775	$0.07646	$0.00871	12.86%

Notes:

1/ Applicable to RES-A, RES-B and RES-C.

2/ Applicable to RES-D and RES-E.

Schedule BK-4

KANSAS CITY POWER & LIGHT COMPANY

CURB Revised Residential Rate Design and Proof of Revenue
Basis: KCPL Requested Revenue Increase

Line	Description	Pro Forma Billing Determinants (1)	Present Rates (2)	Present Revenue (3) = (1)*(2)	CURB Revised Rates (4)	CURB Revised Revenue (5) = (1)*(4)	Percentage Change in Revenues (6) = (5)/(3)
	Customer Charge						
1	One Meter	2,402,520	$9.83	$23,616,772	$11.09	$26,643,947	12.82%
2	Two Meters	152,360	$9.83	$1,497,699	$11.25	$1,714,050	14.45%
3	Subtotal	2,554,880		$25,114,471		$28,357,997	12.91%
	Energy Charge						
	Summer						
4	First 1,000 kWh	814,405,664	$0.09474	$77,156,793	$0.10066	$81,978,074	6.25%
5	All add'l kWh	353,861,354	$0.09474	$33,524,825	$0.12079	$42,742,913	27.50%
6	Manual Bills	72,741		$7,156		$8,063	12.67%
7	Subtotal Summer	1,168,339,759		$110,688,774		$124,729,050	12.68%
	Winter						
	General Use - (RES-A)						
8	First 1,000 kWh	977,148,136	$0.07315	$71,478,386	$0.08256	$80,673,350	12.86%
9	All add'l kWh	0	$0.07315	$0	$0.08256	$0	12.86%
10	Manual Bills	74,790		$6,392		$7,214	12.86%
11	Subtotal RES-A	977,148,136		$71,484,778		$80,680,564	12.86%
	Water Heating - (RES-B)						
12	First 1,000 kWh	21,018,884	$0.06585	$1,384,094	$0.08256	$1,735,319	25.38%
13	All add'l kWh	8,721,833	$0.07315	$638,002	$0.08256	$720,075	12.86%
14	Manual Bills	3,790		$344		$418	21.43%
15	Subtotal RES-B	29,740,717		$2,022,440		$2,455,812	21.43%
	Space Heating - (RES-C)						
16	First 1,000 kWh	303,176,820	$0.06585	$19,964,194	$0.07432	$22,532,101	12.86%
17	All add'l kWh	182,533,135	$0.05748	$10,492,005	$0.06487	$11,840,924	12.86%
18	Manual Bills	57,016		$4,028		$4,546	12.86%
19	Subtotal RES-C	485,709,955		$30,460,227		$34,377,571	12.86%
	S.H. 2 Meters - (RES-D)						
20	First 1,000 kWh	5,414,796	$0.07315	$396,092	$0.07432	$402,428	1.60%
21	All add'l kWh	0	$0.07315	$0	$0.06487	$0	-11.32%
22	Sep. Space Heating - W	6,634,079	$0.05748	$381,327	$0.06487	$430,353	12.86%
23	Sep. Space Heating - S	1,535,559	$0.09474	$145,479	$0.12079	$185,480	27.50%
24	Subtotal RES-D	13,584,434		$922,898		$1,018,261	10.33%
	W.H./S.H. 2 Meters - (RES-E)						
25	First 1,000 kWh	52,198,333	$0.06585	$3,437,260	$0.07432	$3,879,380	12.86%
26	All add'l kWh	8,289,984	$0.07315	$606,412	$0.06487	$537,771	-11.32%
27	Sep. Space Heating - W	79,554,378	$0.05748	$4,572,786	$0.06487	$5,160,693	12.86%
28	Sep. Space Heating - S	12,967,758	$0.09474	$1,228,565	$0.12079	$1,566,375	27.50%
29	Subtotal RES-D	153,010,453		$9,845,023		$11,144,219	13.20%
30	Total Residential	2,827,533,454		$250,538,611		$282,763,474	12.86%

Source: CURB DR 149

Target $282,763,731
Rounding ($257)

KANSAS CITY POWER & LIGHT COMPANY
Summary of CURB Revised Residential Revenue Increases

Line	Description	Present Revenue	Revised Revenue	Revised Increase Amount	Revised Increase Percent
		(1)	(2)	(3)	(4)
	Residential Service				
1	General Use: RES-A	$170,577,770	$192,567,934	$21,990,164	12.89%
2	Water Heating: RES-B	$4,226,099	$4,931,175	$705,076	16.68%
3	Space Heating: RES-C	$59,314,903	$66,802,872	$7,487,969	12.62%
4	S.H. 2 Meters: RES-D	$1,484,554	$1,644,063	$159,509	10.74%
5	W.H./S.H. 2 Meters: RES-E	$14,935,284	$16,817,428	$1,882,144	12.60%
6	Total Residential	$250,538,610	$282,763,473	$32,224,863	12.86%

Source: CURB rates times class billing determinants.

KANSAS CITY POWER & LIGHT COMPANY

Summary of Present and Proposed SGS Base Rates -- Secondary Voltage

Line	Description	Present Rates (1)	Proposed Rates (2)	Proposed Increase Amount (3)	Proposed Increase Percent (4)
	Customer Charge				
1	0-24 kW	$16.31	$17.94	$1.63	10.00%
2	25 kW or above	$42.64	$46.90	$4.26	10.00%
3	Add'l Meter 1/	$1.93	$2.12	$0.19	10.00%
4	Unmetered Service	$7.00	$7.70	$0.70	10.00%
	Demand Charge				
5	First 25 kW	$0.000	$0.000	$0.00	-
6	All add'l kW	$2.513	$2.764	$0.25	10.00%
	Energy Charge				
	Summer				
7	First 180 hours use	$0.12820	$0.14102	$0.01282	10.00%
8	Next 180 hours use	$0.05629	$0.06192	$0.00563	10.00%
9	Over 360 hours use	$0.05031	$0.05534	$0.00503	10.00%
	Winter				
	General - (SGSS & SSGSU)				
10	First 180 hours use	$0.10205	$0.11226	$0.01021	10.00%
11	Next 180 hours use	$0.04809	$0.05290	$0.00481	10.00%
12	Over 360 hours use	$0.03792	$0.04171	$0.00379	10.00%
	All Electric - (SGSSA)				
13	First 180 hours use	$0.06938	$0.07632	$0.00694	10.00%
14	Next 180 hours use	$0.04210	$0.04631	$0.00421	10.00%
15	Over 360 hours use	$0.03649	$0.04014	$0.00365	10.00%
	Separate Meter - (SGSSH)				
16	All kWh	$0.03792	$0.04171	$0.00379	10.00%

Notes:

1/ Applicable to customers with separately metered space heating.

KANSAS CITY POWER & LIGHT COMPANY

CURB Revised SGS Rate Design and Proof of Revenue
(Secondary Service Only)

Line	Description	Pro Forma Billing Determinants	Present Rates	Present Revenue	CURB Revised Rates	CURB Revised Revenue	Percentage Change in Revenues
		(1)	(2)	(3) = (1)*(2)	(4)	(5) = (1)*(4)	(6) = (5)/(3)
	Non-Usage Charges						
1	Customer 0-24 kW	231,247	$16.31	$3,771,639	$17.94	$4,148,571	9.99%
2	Customer 25 kW +	13,384	$42.64	$570,694	$46.90	$627,710	9.99%
3	Add'l Meter 1/	4,808	$1.93	$9,279	$2.12	$10,193	9.85%
4	Unmetered Service	26,411	$7.00	$184,877	$7.70	$203,365	10.00%
5	Demand First 25 kW	0	$0.00	$0	$0.00	$0	-
6	Demand All add'l kW	273,184	$2.513	$686,511	$2.764	$755,081	9.99%
7	Subtotal			$5,223,000		$5,744,920	9.99%
	Energy Charges						
	Summer						
8	First 180 hours use	78,404,145	$0.12820	$10,051,411	$0.14102	$11,056,552	10.00%
9	Next 180 hours use	32,258,112	$0.05629	$1,815,809	$0.06192	$1,997,422	10.00%
10	Over 360 hours use	9,364,714	$0.05031	$471,139	$0.05534	$518,243	10.00%
11	Manual Bills	21,561		$2,560		$2,816	10.00%
12	Subtotal Summer	120,048,532		$12,340,919		$13,575,033	10.00%
	Winter						
	General - (SGSS & SGSSU)						
13	First 180 hours use	113,121,329	$0.10205	$11,544,032	$0.11159	$12,623,209	9.35%
14	Next 180 hours use	46,625,665	$0.04809	$2,242,228	$0.05259	$2,452,044	9.36%
15	Over 360 hours use	17,683,838	$0.03792	$670,571	$0.04147	$733,349	9.36%
16	Manual Bills	4,739		$508		$556	9.35%
17	Subtotal SGSS	177,435,571		$14,457,339		$15,809,158	9.35%
	All Electric - (SGSSA)						
18	First 180 hours use	10,088,079	$0.06938	$699,911	$0.08390	$846,390	20.93%
19	Next 180 hours use	3,342,990	$0.04210	$140,740	$0.05091	$170,192	20.93%
20	Over 360 hours use	1,359,523	$0.03649	$49,609	$0.04413	$59,996	20.94%
21	Subtotal SGSS	14,790,592		$890,260		$1,076,578	20.93%
	Separate Meter - (SGSSH)						
22	First 180 hours use	2,657,341	$0.10205	$271,182	$0.11159	$296,533	9.35%
23	Next 180 hours use	559,373	$0.04809	$26,900	$0.05259	$29,417	9.36%
24	Over 360 hours use	64,530	$0.03792	$2,447	$0.04147	$2,676	9.36%
25	Manual Bills	32,833		$3,035		$3,319	9.35%
26	Sep. Space Heating - W	4,446,990	$0.03792	$168,630	$0.04147	$184,417	9.36%
27	Sep. Space Heating - S	0	$0.12820	$0	$0.14102	$0	10.00%
28	Subtotal SGSSH	7,761,066		$472,194		$516,362	9.35%
29	Total SGS	320,035,761		$33,383,712		$36,722,050	10.00%

Source: CURB DR 149

Target $36,722,083
Rounding ($33)

Notes:
1/ Applicable to customers with separately metered space heating.

KANSAS CITY POWER & LIGHT COMPANY
Summary of CURB Recommended SGS Secondary Revenue Increases

Line	Description	Present Revenue	Recommended Revenue	Recommended Increase Amount	Recommended Increase Percent
		(1)	(2)	(3)	(4)
	SGS - Secondary				
1	General Use - SGSS	$30,001,575	$32,908,460	$2,906,885	9.69%
2	All Electric - SGSSA	$1,945,746	$2,237,583	$291,837	15.00%
3	S.H. Separate Meter - SGSSH	$1,014,787	$1,113,183	$98,396	9.70%
4	Unmetered - SGSSU	$421,602	$462,825	$41,223	9.78%
5	Total SGS - Secondary	$33,383,710	$36,722,051	$3,338,341	10.00%

Source: CURB rates times class billing determinants.

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 22nd day of August, 2012, to the following:

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