BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF]	
KANSAS CITY POWER & LIGHT COMPANY]	DOCKET NO. 18-KCPE-480-RTS
TO MAKE CERTAIN CHANGES IN ITS]	
CHARGES FOR ELECTRIC SERVICE]	

CROSS-ANSWERING TESTIMONY OF

BRIAN KALCIC

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

September 19, 2018

Q. Please state your name and business address.

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

Q. Are you the same Brian Kalcic who filed direct testimony in this docket on September 12, 2018?

A. Yes.

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

A. I will comment on the class cost of service, class revenue allocation and/or rate design positions of the following witnesses: 1) Mr. Steve W. Chriss, testifying on behalf of Walmart Inc. ("Walmart"); and 2) Dr. Robert H. Glass, testifying on behalf of Staff.

Walmart Witness Chriss

Q. On pages 12-13 of his direct testimony, Mr. Chriss states that Walmart supports the adoption of the Company's A&E 4CP production cost allocation methodology, since the methodology may be expected to make KCPL's commercial and industrial rates more competitive with those in surrounding states. What is your response?

A. In CURB's view, the production cost allocation methodology adopted by the KCC should be selected on the basis of whether it best tracks cost causation, not whether it favors a particular class of ratepayers.

Q. Does Mr. Chriss offer any other rationale in support of the A&E 4CP production cost methodology?

A. No, he does not.

Q. Does Mr. Chriss sponsor an alternative class revenue allocation proposal?

A. Not specifically. However, Mr. Chriss does recommend that the KCC follow certain class revenue allocation guidelines when determining a final class revenue allocation in this proceeding.

Q. What guidelines does Mr. Chriss recommend?

A. First, Mr. Chriss recommends that the KCC begin with the Company's proposed revenue allocation and reduce the increase to each customer class by 1.2%, which is the difference between KCPL's initial requested increase of 5.7% and its revised increase of 4.5%. Second, in the event the Commission were to award the Company less than its revised increase, he recommends that the Commission "should use the reduction to move the customer classes closer to their respective cost of service levels, such that no class receives an increase greater than that resulting from step 1."

Q. What cost-of-service study ("COSS") does Mr. Chriss propose that the Commission use to implement Step 2 of his revenue allocation proposal?

A. Mr. Chriss proposes that the KCC rely upon the Company's filed COSS to determine movement toward class cost of service.

Q. Would it be appropriate for the Commission to use the results of KCPL's filed COSS to implement Mr. Chriss's class revenue allocation guidelines?

A. No, since the Company's cost study utilizes the A&E 4CP cost methodology, which is inconsistent with the previous KCC-approved Base, Intermediate Peak ("BIP") cost methodology.

<u>Staff Witness Glass</u>

Q. Mr. Kalcic, have you reviewed the class revenue allocation proposal sponsored in the direct testimony of Dr. Glass?

A. Yes, I have.

Q. How did Dr. Glass arrive at Staff's proposed class revenue allocation, which is shown in Table 1, on page 11 of his direct testimony?

A. Dr. Glass used the results of Staff's filed COSS, tempered by gradualism considerations, to develop Staff's proposed revenue allocation proposal. First, in recognition of the fact that the SGS, MGS and Lighting classes exhibit rates of return in excess of the system average, Dr. Glass chose to assign these classes no base rate increase. Second, Dr. Glass assigned a residual base rate increase of 1.2% to the Company's Residential and LGS classes, both of which exhibit rates of return below the system average in Staff's COSS.

Q. Do you have any comment on Staff's revenue allocation proposal?

A. Yes. I would note that Staff is proposing an overall revenue decrease in this case of approximately $1.1 million, which equates to a base rate revenue increase of (-$1.1 million plus $6.7 million or) $5.6 million, inclusion of the rebasing of the PTS. As such, the SGS, MGS and Lighting classes would receive an overall revenue *decrease* under Staff's revenue allocation proposal, since their current PTS revenues would not be rolled in to *their* base rates.

Q. Would it be appropriate to assign an overall revenue decrease to any rate class in the event that the KCC awarded KCPL an overall revenue increase in this proceeding?

A. No. In that event, all rate classes should receive an overall increase, so as not to exacerbate the residual increase required of KCPL's Residential and LGS classes.

Q. Mr. Kalcic, have you reviewed Staff's proposed rate design for the Company's existing residential rate schedules?

A. Yes, I have.

Q. Do you have any comment on Staff's proposed rate design?

A. Yes. CURB disagrees with Staff's proposal to increase the current RES-A, RES-C and RES-D customer charge from $14.00 to $14.50 per month.

Q. Does Staff provide any cost support for its proposed customer charge level?

A. No. Instead, Dr. Glass states that Staff's rate design is intended to provide KCPL "more certainty in its revenue recovery," since the Company has agreed to not file new rates until January 1, 2023.[1]

Q. Does Staff's COSS support a residential customer charge level of $14.50 per month?

A. No. As shown in Schedule BK-1(CA), according to Staff's COSS, the cost-based customer charge for residential customers is $10.84 per month, inclusive of all customer-related costs. As I indicated in my direct testimony, CURB finds that customer charges should be limited to the recovery of a utility's customer-related costs. Accordingly, CURB finds there is no cost basis for increasing the residential customer charge at the conclusion of this proceeding.

Q. Does CURB continue to recommend that KCPL's current (non-RTOD) customer charge of $14.00 per month remain unchanged at the conclusion of this case?

A. Yes, it does.[2]

Q. Dr. Glass discusses the Company's proposed three-part residential distributed generation ("RS-DG") rate design on pages 18-20 of his direct testimony. As part of that discussion, Dr. Glass concludes that KCPL has provided a cost-of-service basis for its RS-DG rate design proposal. Do you agree with Dr. Glass?

[1] See the Direct Testimony of Dr. Glass at page 14.

[2] See the Direct Testimony of Brian Kalcic at page 15.

A. I do not agree. As I discuss on pages 18-20 of my direct testimony, KCPL designed its proposed RS-DG rates based on the revenue requirement and underlying cost characteristics of its RES-A customers. The Company has not attempted to link its proposed RS-DG rate design to its cost to serve *DG* customers, simply because the Company does not currently serve a sufficient number of DG customers to provide reliable cost-of-service information.

Q. Does Dr. Glass recommend any changes to the Company's proposed RS-DG rate design?

A. Yes. Staff's recommended RS-DG rate design is shown in Table 4 on page 20 of Dr. Glass's direct testimony. As shown in Table 4, Dr. Glass recommends (i) setting the RS-DG customer charge at $14.50 per month, (ii) increasing the Company's proposed RS-DG winter energy and demand charges, and (iii) decreasing the Company's proposed RS-DG summer energy charge.

Q. Does Dr. Glass provide any cost support for increasing the Company's proposed RS-DG winter energy and demand charges?

A. No. Instead, Dr. Glass increases such charges based on the assumption that RES-C space heating customers, with their commensurately greater winter energy use, could also become DG customers – which suggests to Staff that higher winter charges are "probably more appropriate."

Q. Does Dr. Glass provide any cost support for reducing the Company's proposed RS-DG summer energy charge?

A. No. Dr. Glass proposes to set RS-DG summer energy charge at the same level of KCPL's proposed voluntary residential three-part rate.

Q. Does CURB recommend approval of Staff's proposed RS-DG rate design?

A. No, since Staff's proposed rate design is not supported by evidence of KCPL's cost to serve DG customers.

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

Brian Kalcic

SUBSCRIBED AND SWORN to before me this 18th day of Sept., 2018.

Notary Public

My Commission expires: 12/18/18

NEAL J. STOCK
Notary Public - Notary Seal
State of Missouri
St. Louis County
My Commission Expires 12-18-2018
Commission # 14948577

SCHEDULE BK-1(CA)

KANSAS CITY POWER & LIGHT COMPANY

Determination of Staff's Residential Customer Charge Cost Benchmark
Basis: Staff's COSS

Line	Description	Total Residential (1)	Demand Related (2)	Energy Related (3)	Customer Related (4)
1	O&M Expenses	$185,391,947	$57,617,384	$109,153,739	$18,620,824
2	Depreciation & Amortization	$78,314,277	$47,087,725	$26,707,600	$4,518,952
3	Taxes Other Than Income	$27,191,371	$17,256,511	$8,188,255	$1,746,606
4	Income Taxes 1/	$12,714,080	$7,902,691	$4,256,401	$554,988
5	Required Return 1/	$85,220,977	$52,970,804	$28,530,155	$3,720,019
6	Total Revenue Requirement	$388,832,652	$182,835,115	$176,836,150	**$29,161,389**
				Total Bills	**2,689,188**
				Monthly Cost	**$10.84**

Source: Exhibit JWP-1

1/ At Staff's recommended overall rate of return of 7.128%.

CERTIFICATE OF SERVICE

18-KCPE-480-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 19th day of September, 2018, to the following:

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