BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

| | | |
|---|---|---|
| IN THE MATTER OF THE APPLICATION OF<br>KANSAS CITY POWER & LIGHT COMPANY<br>TO MAKE CERTAIN CHANGES IN ITS<br>CHARGES FOR ELECTRIC SERVICE | ]<br>]<br>]<br>] | DOCKET NO. 15-KCPE-116-RTS |

# DIRECT TESTIMONY OF

# BRIAN KALCIC

RE:
CLASS COST OF SERVICE, AND
RESIDENTIAL AND SMALL GENERAL
SERVICE RATE DESIGN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

May 11, 2015

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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 and critique the class cost-of-service methodologies sponsored by Kansas City Power & Light Company ("KCPL"). I will also examine the Company's residential and Small General Service ("SGS") secondary rate design proposals, and sponsor alternative rate designs, where appropriate.

Finally, in order to illustrate CURB's policy position regarding conservation that is discussed by CURB witness Stacey Harden, I will present an alternative, conservation-oriented residential rate design for the Commission's consideration.

**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's alternative rate design proposals reflect the Company's proposed revenue allocation and

class revenue requirements, exclusive of the Company's proposed Transmission Delivery Charge ("TDC").

**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"):

- Direct the Company to use the Base, Intermediate and Peak cost-of-service methodology in future rate proceedings;
- Reject KCPL's proposal to recover the cost of Local Facilities in the residential customer charge;
- Adopt CURB's revised residential rate design, which includes a cost-based customer charge of $11.33 per month; and
- Adopt the Company's proposed SGS secondary rate design, which includes an across-the-board increase to most tariff charges.

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

## I. Class Cost of Service

**Q. Mr. Kalcic, please provide a general description of the cost-of-service analysis submitted by the Company in this proceeding.**

A. KCPL prepared a fully allocated cost-of-service study ("COSS") for the purpose of assigning the Company's claimed revenue requirement to rate classes. More accurately, KCPL prepared two separate COSSs. The first study uses the Base, Intermediate and

Peak ("BIP") cost allocation methodology that the Company employed in KCC Docket Nos. 10-KCPE-415-RTS and 12-KCPE-746-RTS. The second study employs the Average and Peak, Four Coincident Peak ("A&P 4CP") methodology.

While the two studies utilize different cost-of-service methodologies, each COSS includes the traditional three-step process of functionalization, classification and allocation. *Functionalization* refers to the process whereby utility plant and related expenses are assigned to functions, such as production, transmission, distribution and customer service. *Classification* refers to the process whereby the functionalized costs are separated by cost category, namely demand-, energy-, or customer-related costs. Finally, *allocation* refers to the process whereby the utility's classified costs are assigned to rate classes, based upon a factor that reflects a causal relationship between a given class and the utility's cost incurrence.

Upon completion, a COSS produces a measure of total cost of service, by rate class. By comparing allocated cost responsibility to class revenue levels, one can determine whether a given rate class is contributing revenues that are above or below its indicated cost of service.

**Q. How is a COSS used?**

A. The results of a COSS are typically used as a guide in the determination of overall class revenue requirements (i.e., revenue allocation), and in the subsequent implementation of those class revenue requirements via customer, demand, or energy charges (i.e., rate design).

**Q. Mr. Kalcic, how does the BIP methodology classify production plant?**

A. KCPL maintains numerous supply resources with varied capabilities for the purpose of providing both capacity and energy for customers throughout all 8,760 hours during the year. The BIP methodology examines the design and operating characteristics of individual units, along with how those generation resources are used, and classifies production plant as either: a) base; b) intermediate; or c) peak-related.

Large generating units (e.g., nuclear and coal) are normally the first units that are dispatched to meet customer load, since such units have lower average fuel costs (and are therefore designed to run throughout the year). The BIP methodology classifies such facilities as base (load) units. The next units that would generally be dispatched to serve load, i.e., load in excess of the level served by base units, are not designed to run as many hours as base units, due to higher operating costs. Still, such units are designed to run many hours (and in all months) throughout the year. The BIP methodology classifies these load-following supply resources as intermediate units. Finally, those units that are last in the dispatch order are generally run only to meet spikes in load levels that are of shorter duration. These last units have high operating costs, and are therefore designed to run only a few hours during the year. The BIP methodology classifies these supply resources as peak units.

From a traditional classification perspective, base units are considered energy-related, while intermediate and peak units are deemed to be capacity- (or demand-) related.

**Q. How does the BIP methodology allocate production plant to rate classes?**

A. Base costs are allocated to classes using a *base energy* allocation factor. The base energy factor is derived from class contributions to the month with the *lowest* total energy use during the test period. The aggregate level of base usage over the full course of the test period is defined as twelve times the average usage of the month with the lowest energy usage. Class contributions to the total annual base level of usage are used to allocate the costs of base load units.

Intermediate costs are allocated to classes using the *12CP Remaining* allocation factor. The 12CP Remaining factor is derived from class contributions to the system's twelve monthly peak demands ("12CP"), less the amount of class load serve by base units. Class contributions to this 12CP Remaining load are used to allocate the costs of intermediate units.

Finally, the peak costs associated with peaking units are allocated to classes using the *4CP Remaining* allocation factor. The 4CP Remaining factor is derived from class contributions to the system's four highest monthly peak demands ("4CP"), less the amount of class load serve by base and intermediate units.

**Q. How does the A&P 4CP methodology differ from the BIP methodology?**

A. The A&P 4CP methodology is similar to the BIP method in that it also deems a utility's production-related investment and associated operating expenses (excluding fuel) as serving both a demand *and* an energy function. However, compared to the BIP methodology, the method used in the A&P 4CP methodology to classify production plant is much less rigorous. In particular, the A&P 4CP methodology classifies

production plant investment as demand-and energy-related, based upon a utility's load factor.[1] In this proceeding, KCPL's system load factor is 50.1%%, so 50.1% of all production plant investment is classified as energy-related, and 49.9% is as demand-related. Furthermore, the A&P 4CP methodology goes on to allocate: a) the energy-related portion of production plant to classes on the basis of energy use; and b) the demand-related portion of production plant to classes on the basis of the contribution of each class to KCPL's four highest monthly peak demands.

**Q. What are the cost-of-service results under the two methodologies?**

A. The present class rates of return under the BIP and A&P 4CP methodologies are summarized in Table 2 of KCPL witness Paul M. Normand's direct testimony, and repeated for convenience in Table A below. In addition, Mr. Normand provides a composite or weighed average of the results of the two studies.

**Table A**
Class Rate of Return Results

| *Class* | *BIP* | *Return Index* | *A&P 4CP* | *Return Index* | *Composite Index* |
|---|---|---|---|---|---|
| Residential | 6.29% | 1.00 | 5.62% | 0.89 | 0.95 |
| Small GS | 8.66% | 1.37 | 8.84% | 1.40 | 1.39 |
| Medium GS | 7.97% | 1.26 | 8.30% | 1.31 | 1.29 |
| Large GS | 5.36% | 0.85 | 6.18% | 0.98 | 0.92 |
| Lighting | 5.35% | 0.85 | 9.69% | 1.54 | 1.20 |
| KS Total | 6.31% | 1.00 | 6.31% | 1.00 | 1.00 |

[1] Load factor is defined as the ratio of average demand to peak demand.

**Q. Why has the Company submitted two COSSs in this proceeding?**

A. KCPL is a member of the Southwest Power Pool ("SPP"), which recently converted to an "Integrated Marketplace" or regional approach to dispatching generating units. As Company witness Bradley D. Lutz explains:

> At its core, the BIP allocator requires the Company to divide its production fleet between the base, intermediate, and peak levels. The Company believes that, although the BIP model is capable to model changing conditions, it will become increasing[ly] difficult to make this assignment given the way we expect to utilize and plan our generation assets in the future in light of the SPP Integrated Marketplace. Over time, the Company may support a transition to the more general allocation provided by the A&P 4CP method. However, at this time we support the concept of blending the BIP and A&P 4CP results as an intermediate step."[2]

**Q. Has the Company, in fact, used any of the cost-of-service results shown in Table A as a guide to developing its class revenue allocation in this proceeding?**

A. No. As shown in Schedule BK-1, KCPL is proposing to assign a uniform increase of 10.48% to all rate classes, due to the Company's concern that attempts to align class revenue levels more closely with class cost of service indications could lead to lost revenues due to "rate switching" or "rate migration."[3]

But for the rate migration issue, however, KCPL would presumable have used the combined (or blended) results of its BIP and A&P 4CP cost studies to guide its class revenue allocation.

**Q. Mr. Kalcic, do you agree with Mr. Lutz that the BIP methodology is capable of modeling changing conditions?**

[2] See the Direct Testimony of Bradley D. Lutz at pages 9-10.
[3] See the Direct Testimony of Bradley D. Lutz at pages 10-11.

A. Yes. Indeed, Mr. Normand indicates that he adjusted the classification of KCPL's generating units in preparing his BIP COSS for this proceeding to reflect the central dispatch of those units by the SPP.

**Q. How does the BIP classification of KCPL's generating units in this proceeding compare to the classification used in the Company's COSS from Docket No. 12-KCPE-764-RTS?**

A. I have summarized the classification results in Table B below. As shown in Table B, the current COSS classifies a greater percentage of KCPL's generation as base- and intermediate-related, compared to the 764 Docket.

**Table B**
Summary of BIP Classification Results

| | *116 Docket* | *764 Docket* |
|---|---|---|
| Base Energy | 49.00% | 46.39% |
| 12 CP Remaining | 31.16% | 27.24% |
| 4 CP Remaining | 19.84% | 26.37% |
| Total Generation | 100.00% | 100.00% |

Source: Appendix A, page 2, to Mr. Normand's Direct Testimony, and CURB DR 152.

**Q. Is this shift in BIP classification somehow inappropriate?**

A. No, since the new classification presumably reflects how the SPP currently dispatches KCPL's generation.

**Q. Do you share Mr. Lutz's concern that it will become increasingly difficult for the BIP methodology to model how KCPL plans and utilizes its generation assets in the future, in the context of the SPP's Integrated Marketplace dispatch approach?**

A. No. Neither Mr. Lutz nor Mr. Normand has provided any explanation as to how or why the BIP methodology would fail to reflect the manner it which KCPL builds and maintains its generating fleet going forward, in the context of the SPP's Integrated Marketplace.

**Q. Mr. Kalcic, has the KCC approved the use of the A&P 4CP methodology in recent KCPL rate proceedings?**

A. No. Counsel advises that the KCC specifically rejected the A&P 4CP methodology in two recent KCPL rate proceedings at Docket Nos. 10-KCPE-415-RTS and 12-KCPE-764-RTS.

**Q. At the same time, did the KCC adopt a particular COSS methodology in either of those KCPL rate proceedings?**

A. Yes. In each case, the KCC adopted the BIP methodology sponsored by KCPL witness Paul M. Normand.

**Q. What were the Commission's specific findings in the above referenced KCPL rate proceedings?**

A. In Docket No. 10-KCPE-415-RTS, the KCC concluded:

> The Commission finds Normand's use of the BIP method in his CCOS Study for allocation of production plant is preferable to Staff's average-

> and-peak approach. The BIP method provides more structure for modeling costs of production plant and use of generating resources. It also allows for a detailed examination of seasonal costs and corresponding seasonal rate allocations.[4]

Similarly, in Docket No. 12-KCPE-746-RTS, the KCC concluded:

> Doubletree and Sprint both oppose the BIP methodology claiming it allocates a disproportionate amount of costs to the LGS and Large Power customers. Doubletree favors spreading the increased costs equally, across-the-board to all classes. Both KCP&L and CURB note applying an across-the-board rate increase would exacerbate cost causation inequities by moving the LGS and Large Power classes further below the system rate of return. More importantly, Doubletree's and Sprint's positions ignore the Commission's directive in the 415 Docket, favoring the BIP method over the average-and-peak approach, finding the BIP method provides more structure for modeling costs and allows for a detailed examination of seasonal costs and rate allocations.[5]

**Q. Please summarize CURB's position with respect to the Company's proposal to give less weight to (or move away from) the BIP COSS methodology in future rate proceedings?**

A. The KCC determined that the BIP methodology is the preferred cost methodology for KCPL in the Company's two prior rate proceedings. In CURB's view, KCPL has failed to provide any evidence that the BIP methodology is incapable of providing reasonable class cost-of-service results going forward, i.e., in the context of the SPP's Integrated Marketplace. CURB recommends that the KCC: 1) reject KCPL's proposal; and 2) direct to Company to use the BIP COSS methodology in its next rate proceeding.

[4] KCC *Order: 1) Addressing Prudence; 2) Approving Application, in Part; & 3) Ruling on Pending Requests,* Docket No. 10-KCPE-415-RTS, November 22, 2010, at page 117.

[5] KCC *Order on KCP&L's Application for Rate Change,* Docket No. 12-KCPE-764-RTS, December 13, 2012s, at pages 23-24 (footnotes omitted).

## II. 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 five (5) rate schedules: 1) General Use (RES-A); 2) General Use and Space Heat – One Meter (RES-C); 3) General Use and Space Heat – Two Meters (RES-D); 4) Residential Time of Day Service (RTOD); and 5) Residential Other Use (ROU).[6]

The majority of KCPL's residential customers (i.e., approximately 71.0%) take service under RES-A. The RES-A rate schedule contains a customer charge and a flat rate energy charge, which is seasonally differentiated.[7] Approximately 23.0% of residential customers take service on the Company's RES-C space heating rate schedule. The RES-C rate schedule contains a two step, declining block winter energy charge, with winter rates reflecting discounts of 10% to 21% from the flat rate RES-A energy charge. The Company also offers a discounted space-heating rate to customers on RES-D, where space-heating equipment must be connected to a separate meter. The RES-D winter rates are identical to the RES-C winter rates, except that separately metered space heating load is billed at the RES-C second block rate. Any summer usage that is registered on RES-D separate meters (e.g., air conditioning load from a heat-pump) is billed at KCPL's summer energy charge.

[6] CURB will not address the Company's RTOD or ROU rate schedules.

[7] KCPL has one (1) summer energy charge that is applicable to all residential customers except those taking service on the RTOD or ROU rate schedules.

**Q. Is the Company proposing to revise its residential rate *structure* in this proceeding?**

A. Yes. KCPL is proposing: 1) to replace its single block RES-A winter energy charge with a three step, declining block rate; and 2) to replace its two step, declining block RES-C and RES-D winter energy charge with a three step, declining block rate.

**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-2. Notably, as shown in column 4 of Schedule BK-2, KCPL is proposing to increase residential customer charges from 52.0% to 77.4% (lines 1-2). The Company is also proposing to realign/reinforce its seasonal pricing cost differentials by assigning a 7.5% increase to the residential summer energy charge (lines 3-5), while reducing one or more of its applicable residential winter energy charges (lines 6-15).

**Q. What is the basis for the Company's proposal to increase the non-RTOD customer charge from $10.71 to $19.00 per month, or 77.4%?**

A. KCPL is proposing to recover the Residential class's allocated share of the cost of certain secondary distribution facilities and line transformers (collectively "Local Facilities") in the residential customer charge (rather than energy charges). According to Mr. Normand's Exhibit PNM-3, Schedule 3, page 46 of 60, the cost-based customer

charge for residential customers is $18.79 per month, inclusive of Local Facilities.[8] KCPL rounds that figure up to $19.00 per month in its proposed rate design.

**Q. Does CURB agree with the Company's proposed residential customer charge?**

A. No. CURB does not agree with the inclusion of Local Facilities costs in the residential customer charge. Local Facilities costs are classified as demand-related and allocated to classes on the basis of class non-coincident peak demands and/or customer maximum demand levels in the Company's COSSs.[9] Nevertheless, the Company deems Local Facilities costs to be customer related for purposes of setting customer charge levels.

In essence, KCPL is proposing to recover Local Facilities costs in the residential customer charge because such costs are fixed, i.e., unrelated to a customer's energy usage.[10] However, actual customer costs are comprised of only those costs that vary with the number of customers served, such as the costs associated with meters, meter reading, service lines and billing. In CURB's view, customer charges should be limited to the recovery of a utility's *customer-related* costs. All other costs should be recovered via a utility's energy and/or demand charges.

**Q. Mr. Kalcic, what is the cost-based level of the residential customer charge in the Company's COSSs, exclusive of Local Facilities costs?**

A. As shown in Exhibit PMN-3, Schedule 3, page 46 at line 36, the cost-based customer charge level is $11.33 per month.

[8] Note that the BIP and A&P 4CP methodologies produce the same cost benchmark of $18.79 per month.

[9] See Table 1 on page 12 of the Direct Testimony of Paul M. Normand.

[10] See the Direct Testimony of Bradley D. Lutz at page 17.

**Q. Have you prepared a revised residential rate design and proof of revenue that reflects a customer charge of $11.33 per month?**

A. Yes, in Schedule BK-3.

**Q. Please describe Schedule BK-3.**

A. Schedule BK-3 consists of six (6) columns. Column 1 contains the pro forma billing determinants filed by KCPL. Column 2 contains the Company's present base rates. 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 32, columns 5-6 of Schedule BK-3, CURB's revised rate design would produce the same total residential base rate revenue requirement of $301.2 million as proposed by KCPL, which equates to a base rate increase of 10.48%.

**Q. How did you recover the cost of Local Facilities that KCPL included in its proposed residential customer charge?**

A. First, I assigned Local Facilities costs to seasons, as shown in the Company's BIP COSS. Next, I recovered summer Local Facilities costs in the summer energy charge (shown on lines 5-6 of Schedule BK-3), and winter Local Facilities costs in winter energy charges (shown on lines 9-22 of Schedule BK-3).[11]

[11] Winter Local Facilities costs were assigned to the RES-A, RES-C and RES-D subclasses in accordance with the allocations shown in the Company's BIP COSS.

**Q. Does CURB's revised residential rate design incorporate the Company's proposed structural changes to the RES-A, RES-C and RES-D winter energy charges that are shown on lines 6-15 of Schedule BK-2?**

A. No. CURB's rate design retains the Company's existing winter energy charge rate structure, i.e., a flat rate winter energy charge for RES-A customers, and a two step, declining block winter energy charge for RES-C and RES-D customers.

**Q. Why does Schedule BK-3 retain KCPL's existing winter rate structure?**

A. CURB policy witness Stacey Harden discusses CURB's proposal to set RES-C and RES-D space heating discounts at the levels that existed prior to the KCC's decision in Docket No. 10-KCPE-415-RTS. The space heating discounts that existed at that time were based on (or measured against) a flat rate RES-A winter energy charge. In order to facilitate the implementation of CURB's space heating discount policy at the conclusion of this proceeding, I prepared CURB's revised residential rate design using KCPL's existing residential rate structure.

**Q. Have you prepared any other residential rate design for this proceeding?**

A. Yes. At the request of Ms. Harden, I have prepared a residential rate design with inclining block summer energy charges in Schedule BK-4 to illustrate how CURB's position with respect to employing a conservation-oriented rate design might be implemented in this proceeding.

**Q. How do CURB's illustrative residential rates in Schedule BK-4 compare to its revised rates shown in Schedule BK-3?**

A. CURB's illustrative residential rate design adopts all of CURB's proposed customer charges and winter energy charges that are shown in Schedule BK-3. However, in place of CURB's revised flat rate summer energy charge of $0.12035 per kWh, CURB's illustrative rates would establish: 1) a rate of $0.11833 per kWh for usage up to 1,000 kWh per month in the summer; and 2) a rate of $0.12397 per kWh for all usage in excess of 1,000 kWh in the summer.[12] This second block rate incorporates a conservation-oriented price differential of approximately 0.6¢ per kWh (or 5%) over CURB's illustrative summer rate for the 0-1,000 kWh block.

**Q. Mr. Kalcic, why did you limit the summer energy charge price differential to 5% in Schedule BK-4?**

A. I limited the price differential to 5% in order to mitigate the potential bill impacts on residential customers that use in excess of 1,000 kWh per month in the summer. I note that the KCC approved a summer inclining block rate design for residential customers of Westar Energy, Inc.in Docket No. 13-WSEE-629-RTS. As a result of that case, Westar's residential customers pay approximately 17.5% more for all usage in excess of 900 kWh during the summer months. CURB's illustrative summer price differential of 5% would act as a first step toward implementing the type of residential rate design approved in Docket No. 13-WSEE-629-RTS.

[12] See lines 5-6 of column 4 in Schedule BK-4.

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

A. Yes. Schedule BK-5 shows the residential increases produced by CURB's illustrative conservation-oriented rate design. Those increases would range from a low of 10.09% (RES-D) to a high of 10.58% (RES-A).

**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 rate design proposals for the Company's residential rate classes?**

A. Yes. CURB recommends that the Commission reject KCPL's proposal to recover Local Facilities costs in the residential customer charge, and adopt CURB's proposed customer charge of $11.33 per month.

In addition, if the Commission adopts CURB's policy position with respect to residential space heating discounts, the additional discounts should be implemented using the residential rate design presented in Schedule BK-3 as the starting point.

Finally, if the Commission adopts CURB's policy position with respect to conservation, the KCC should 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 105% of the first block rate.

## III. 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.[13] 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 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. Only in one minor respect. As shown in Schedule BK-6, the Company is proposing to assign an across-the-board increase of 10.5% to all of its SGS energy charges, except in the case of the separately metered heating load of SGSSH customers (line 16).

[13] 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.

Under present rates, SGSSH heating load is billed at the SGSS third block winter rate of $0.0477 per kWh. Under proposed rates, SGSSH heating load would be billed at (linked to) the SGSSA third block winter rate of $0.04370 per kWh. This change results in a slightly lower increase (7.19%) to the SGSSH heating rate.

**Q. Is the Company's proposed change in its SGS rate structure reasonable?**

A. Yes. Since heating customers are served on both rate schedules SGSSA and SGSSH, the SGSSH heating rate should be linked to the SGSSA rate.

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

A. Yes, it does.

**Q. How should the Commission adjust the Company's proposed SGS rate design in the event that the KCC awards KCPL less that its requested increase?**

A. In that event, CURB recommends a proportional reduction to the Company's proposed SGS increases shown in column 3 of Schedule BK-6.

**Q. Does this conclude your direct 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 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 8 day of May, 2015.

Notary Public

My Commission expires:
8/6/2018

JEFFREY P MORTLAND
Notary Public – Notary Seal
State of Missouri, St Louis County
Commission # 14430035
My Commission Expires Aug. 6, 2018

## 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, Indiana, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.

# SCHEDULES BK-1 THROUGH BK-6

**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 | $272,644 | $301,229 | $28,584 | 10.48% |
| 2 | SGS | $38,415 | $42,442 | $4,028 | 10.48% |
| 3 | MGS | $66,320 | $73,273 | $6,953 | 10.48% |
| 4 | LGS | $151,282 | $167,142 | $15,861 | 10.48% |
| 5 | Lighting | $8,136 | $8,989 | $853 | 10.48% |
| 6 | Total Retail | $536,797 | $593,076 | $56,279 | 10.48% |

Source: Section 17
Summary

**KANSAS CITY POWER & LIGHT COMPANY**
Summary of Present and Proposed Residential Base Rates

| Line | Description | Present Rates (1) | Proposed Rates (2) | Proposed Increase Amount (3) | Proposed Increase Percent (4) |
|---|---|---|---|---|---|
| | **Customer Charge** | | | | |
| 1 | One Meter 1/ | $10.71 | $19.00 | $8.29 | 77.40% |
| 2 | Time of Day | $15.13 | $23.00 | $7.87 | 52.02% |
| | **Energy Charge** | | | | |
| | *Summer -- All Customers* | | | | |
| 3 | First 600 kWh | $0.10331 | $0.11110 | $0.00779 | 7.54% |
| 4 | Next 400 kWh | $0.10331 | $0.11110 | $0.00779 | 7.54% |
| 5 | All add'l kWh | $0.10331 | $0.11110 | $0.00779 | 7.54% |
| | *Winter* | | | | |
| | General Use - (RES-A) | | | | |
| 6 | First 600 kWh | $0.07976 | $0.07976 | $0.00000 | 0.00% |
| 7 | Next 400 kWh | $0.07976 | $0.07674 | ($0.00302) | -3.79% |
| 8 | All add'l kWh | $0.07976 | $0.07449 | ($0.00527) | -6.61% |
| | Space Heating - (RES-C) | | | | |
| 9 | First 600 kWh | $0.07183 | $0.07183 | $0.00000 | 0.00% |
| 10 | Next 400 kWh | $0.07183 | $0.06728 | ($0.00455) | -6.33% |
| 11 | All add'l kWh | $0.06272 | $0.06272 | $0.00000 | 0.00% |
| | S.H. 2 Meters - (RES-D) | | | | |
| 12 | First 600 kWh | $0.07183 | $0.07183 | $0.00000 | 0.00% |
| 13 | Next 400 kWh | $0.07183 | $0.06728 | ($0.00455) | -6.33% |
| 14 | All add'l kWh | $0.06272 | $0.06272 | $0.00000 | 0.00% |
| 15 | Separate Space Heating | $0.06272 | $0.06272 | $0.00000 | 0.00% |
| | Time of Day - (RTOD) | | | | |
| 16 | Summer On-Peak | $0.16933 | $0.17556 | $0.00623 | 3.68% |
| 17 | Summer Off-Peak | $0.07082 | $0.07343 | $0.00261 | 3.69% |
| 18 | Winter - All Hours | $0.07404 | $0.07676 | $0.00272 | 3.67% |
| | Other Use - (RTOD) | | | | |
| 19 | Summer - All kWh | $0.13784 | $0.12058 | ($0.01726) | -12.52% |
| 20 | Winter - All kWh | $0.10972 | $0.09474 | ($0.01498) | -13.65% |

Notes:
1/ Applicable to RES-A, RES-C and RES-D.

**KANSAS CITY POWER & LIGHT COMPANY**
Summary of CURB Illustrative Residential Revenue Increases
with Inclining Block Summer Rates

| Line | Description | Present Revenue | Revised Revenue | Revised Increase Amount | Revised Increase Percent |
|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) |
| | **Residential Service** | | | | |
| 1 | General Use: RES-A | $187,470,261 | $207,313,011 | $19,842,750 | 10.58% |
| 2 | Space Heating: RES-C | $67,616,207 | $74,589,481 | $6,973,274 | 10.31% |
| 3 | S.H. 2 Meters: RES-D | $17,472,172 | $19,235,291 | $1,763,119 | 10.09% |
| 4 | Total Residential | $272,558,640 | $301,137,783 | $28,579,143 | 10.49% |

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 | Proposed Rates | Proposed Increase Amount | Proposed Increase Percent |
|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) |
| | **Customer Charge** | | | | |
| 1 | 0-24 kW | $17.54 | $19.38 | $1.84 | 10.49% |
| 2 | 25 kW or above | $45.84 | $50.65 | $4.81 | 10.49% |
| 3 | Add'l Meter 1/ | $2.07 | $2.50 | $0.43 | 20.77% |
| 4 | Unmetered Service | $7.53 | $8.32 | $0.79 | 10.49% |
| | **Demand Charge** | | | | |
| 5 | First 25 kW | $0.000 | $0.000 | $0.00 | - |
| 6 | All add'l kW | $2.702 | $2.986 | $0.28 | 10.51% |
| | **Energy Charge** | | | | |
| | *Summer* | | | | |
| 7 | First 180 hours use | $0.13784 | $0.15231 | $0.01447 | 10.50% |
| 8 | Next 180 hours use | $0.06053 | $0.06689 | $0.00636 | 10.51% |
| 9 | Over 360 hours use | $0.05409 | $0.05977 | $0.00568 | 10.50% |
| | *Winter* | | | | |
| | General - (SGSS & SSGSU) | | | | |
| 10 | First 180 hours use | $0.10971 | $0.12123 | $0.01152 | 10.50% |
| 11 | Next 180 hours use | $0.05171 | $0.05714 | $0.00543 | 10.50% |
| 12 | Over 360 hours use | $0.04077 | $0.04505 | $0.00428 | 10.50% |
| | All Electric - (SGSSA) | | | | |
| 13 | First 180 hours use | $0.07460 | $0.08243 | $0.00783 | 10.50% |
| 14 | Next 180 hours use | $0.04527 | $0.05002 | $0.00475 | 10.49% |
| 15 | Over 360 hours use | $0.03955 | $0.04370 | $0.00415 | 10.49% |
| | Separate Meter - (SGSSH) | | | | |
| 16 | All kWh | $0.04077 | $0.04370 | $0.00293 | 7.19% |

Notes:

1/ Applicable to customers with separately metered space heating.

Schedule BK-3

**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 | 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) |
| | **Customer Charge** | | | | | | |
| 1 | One Meter | 2,446,463 | $10.71 | $26,201,618 | $11.33 | $27,718,425 | 5.79% |
| 2 | Two Meters | 150,558 | $10.71 | $1,612,477 | $11.33 | $1,705,823 | 5.79% |
| 3 | Time of Day | 670 | $15.13 | $10,137 | $23.00 | $15,410 | 52.02% |
| 4 | Subtotal | 2,597,691 | | $27,824,232 | | $29,439,658 | 5.81% |
| | **Energy Charge** | | | | | | |
| | *Summer* | | | | | | |
| 5 | First 1,000 kWh | 751,378,166 | $0.10331 | $77,624,878 | $0.12035 | $90,428,362 | 16.49% |
| 6 | All add'l kWh | 419,432,086 | $0.10331 | $43,331,529 | $0.12035 | $50,478,652 | 16.49% |
| 7 | Manual Bills | 92,736 | | $9,581 | | $10,585 | |
| 8 | Subtotal Summer | 1,170,902,988 | | $120,965,988 | | $140,917,599 | 16.49% |
| | *Winter* | | | | | | |
| | General Use - (RES-A) | | | | | | |
| 9 | First 600 kWh | 605,734,344 | $0.07976 | $48,313,371 | $0.08361 | $50,645,448 | 4.83% |
| 10 | Next 400 kWh | 199,396,444 | $0.07976 | $15,903,860 | $0.08361 | $16,671,537 | 4.83% |
| 11 | All add'l kWh | 183,411,665 | $0.07976 | $14,628,914 | $0.08361 | $15,335,049 | 4.83% |
| 12 | Manual Bills | 120,032 | | $11,185 | | $12,357 | |
| 13 | Subtotal RES-A | 988,662,484 | | $78,857,330 | | $82,664,391 | 4.83% |
| | Space Heating - (RES-C) | | | | | | |
| 14 | First 600 kWh | 217,860,087 | $0.07183 | $15,648,890 | $0.07696 | $16,766,512 | 7.14% |
| 15 | Next 400 kWh | 101,692,687 | $0.07183 | $7,304,586 | $0.07696 | $7,826,269 | 7.14% |
| 16 | All add'l kWh | 191,028,224 | $0.06272 | $11,981,290 | $0.06720 | $12,837,097 | 7.14% |
| 17 | Manual Bills | 158,461 | | $11,667 | | $12,890 | |
| 18 | Subtotal RES-C | 510,739,459 | | $34,946,433 | | $37,442,768 | 7.14% |
| | S.H. 2 Meters - (RES-D) | | | | | | |
| 19 | First 600 kWh | 41,329,729 | $0.07183 | $2,968,714 | $0.07696 | $3,180,736 | 7.14% |
| 20 | Next 400 kWh | 9,850,207 | $0.07183 | $707,540 | $0.07696 | $758,072 | 7.14% |
| 21 | All add'l kWh | 8,919,422 | $0.06272 | $559,426 | $0.06720 | $599,385 | 7.14% |
| 22 | Separate Space Heating | 91,525,840 | $0.06272 | $5,740,501 | $0.06720 | $6,150,536 | 7.14% |
| 23 | Manual Bills | 32,198 | | $2,210 | | $2,442 | |
| 24 | Subtotal RES-D | 151,657,395 | | $9,978,391 | | $10,691,171 | 7.14% |
| | Other Use | | | | | | |
| 25 | Summer - all kWh | 17,854 | $0.13784 | $2,461 | $0.12058 | $2,153 | -12.52% |
| 26 | Winter - all kWh | 65,603 | $0.10972 | $7,198 | $0.09474 | $6,215 | -13.65% |
| 27 | Subtotal RES-D | 83,457 | | $9,659 | | $8,368 | -13.37% |
| | Time of Day - (RTOD) | | | | | | |
| 28 | Summer - On-Peak | 79,812 | $0.16933 | $13,515 | $0.17556 | $14,012 | 3.68% |
| 29 | Summer - Off-Peak | 257,092 | $0.07082 | $18,207 | $0.07343 | $18,878 | 3.69% |
| 30 | Winter - all kWh | 407,633 | $0.07404 | $30,181 | $0.07676 | $31,290 | 3.67% |
| 31 | Subtotal RES-D | 744,537 | | $61,903 | | $64,180 | 3.68% |
| 32 | Total Residential | 2,822,790,321 | | $272,643,936 | | $301,228,135 | 10.48% |

Source: KCPL Rate Design Workpapers & CURB DR 151

Target $301,227,717
Rounding $418

Schedule BK-4

**KANSAS CITY POWER & LIGHT COMPANY**

CURB Illustrative Residential Rate Design and Proof of Revenue
with Inclining Block Summer Energy Charge
Basis: KCPL Requested Revenue Increase

| Line | Description | Pro Forma Billing Determinants (1) | Present Rates (2) | Present Revenue (3) = (1)*(2) | CURB Illustrative Rates (4) | CURB Illustrative Revenue (5) = (1)*(4) | Percentage Change in Revenues (6) = (5)/(3) |
|---|---|---|---|---|---|---|---|
| | **Customer Charge** | | | | | | |
| 1 | One Meter | 2,446,463 | $10.71 | $26,201,618 | $11.33 | $27,718,425 | 5.79% |
| 2 | Two Meters | 150,558 | $10.71 | $1,612,477 | $11.33 | $1,705,823 | 5.79% |
| 3 | Time of Day | 670 | $15.13 | $10,137 | $23.00 | $15,410 | 52.02% |
| 4 | Subtotal | 2,597,691 | | $27,824,232 | | $29,439,658 | 5.81% |
| | **Energy Charge** | | | | | | |
| | *Summer* | | | | | | |
| 5 | First 1,000 kWh | 751,378,166 | $0.10331 | $77,624,878 | $0.11833 | $88,910,578 | 14.54% |
| 6 | All add'l kWh | 419,432,086 | $0.10331 | $43,331,529 | $0.12397 | $51,996,996 | 20.00% |
| 7 | Manual Bills | 92,736 | | $9,581 | | $10,585 | |
| 8 | Subtotal Summer | 1,170,902,988 | | $120,965,988 | | $140,918,159 | 16.49% |
| | *Winter* | | | | | | |
| | General Use - (RES-A) | | | | | | |
| 9 | First 600 kWh | 605,734,344 | $0.07976 | $48,313,371 | $0.08361 | $50,645,448 | 4.83% |
| 10 | Next 400 kWh | 199,396,444 | $0.07976 | $15,903,860 | $0.08361 | $16,671,537 | 4.83% |
| 11 | All add'l kWh | 183,411,665 | $0.07976 | $14,628,914 | $0.08361 | $15,335,049 | 4.83% |
| 12 | Manual Bills | 120,032 | | $11,185 | | $12,357 | |
| 13 | Subtotal RES-A | 988,662,484 | | $78,857,330 | | $82,664,391 | 4.83% |
| | Space Heating - (RES-C) | | | | | | |
| 14 | First 600 kWh | 217,860,087 | $0.07183 | $15,648,890 | $0.07696 | $16,766,512 | 7.14% |
| 15 | Next 400 kWh | 101,692,687 | $0.07183 | $7,304,586 | $0.07696 | $7,826,269 | 7.14% |
| 16 | All add'l kWh | 191,028,224 | $0.06272 | $11,981,290 | $0.06720 | $12,837,097 | 7.14% |
| 17 | Manual Bills | 158,461 | | $11,667 | | $12,890 | |
| 18 | Subtotal RES-C | 510,739,459 | | $34,946,433 | | $37,442,768 | 7.14% |
| | S.H. 2 Meters - (RES-D) | | | | | | |
| 19 | First 600 kWh | 41,329,729 | $0.07183 | $2,968,714 | $0.07696 | $3,180,736 | 7.14% |
| 20 | Next 400 kWh | 9,850,207 | $0.07183 | $707,540 | $0.07696 | $758,072 | 7.14% |
| 21 | All add'l kWh | 8,919,422 | $0.06272 | $559,426 | $0.06720 | $599,385 | 7.14% |
| 22 | Separate Space Heating | 91,525,840 | $0.06272 | $5,740,501 | $0.06720 | $6,150,536 | 7.14% |
| 23 | Manual Bills | 32,198 | | $2,210 | | $2,442 | |
| 24 | Subtotal RES-D | 151,657,395 | | $9,978,391 | | $10,691,171 | 7.14% |
| | Other Use | | | | | | |
| 25 | Summer - all kWh | 17,854 | $0.13784 | $2,461 | $0.12058 | $2,153 | -12.52% |
| 26 | Winter - all kWh | 65,603 | $0.10972 | $7,198 | $0.09474 | $6,215 | -13.65% |
| 27 | Subtotal RES-D | 83,457 | | $9,659 | | $8,368 | -13.37% |
| | Time of Day - (RTOD) | | | | | | |
| 28 | Summer - On-Peak | 79,812 | $0.16933 | $13,515 | $0.17556 | $14,012 | 3.68% |
| 29 | Summer - Off-Peak | 257,092 | $0.07082 | $18,207 | $0.07343 | $18,878 | 3.69% |
| 30 | Winter - all kWh | 407,633 | $0.07404 | $30,181 | $0.07676 | $31,290 | 3.67% |
| 31 | Subtotal RES-D | 744,537 | | $61,903 | | $64,180 | 3.68% |
| 32 | Total Residential | 2,822,790,321 | | $272,643,936 | | $301,228,695 | 10.48% |

Source: KCPL Rate Design Workpapers & CURB DR 151

Target $301,227,717
Rounding $978

## 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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