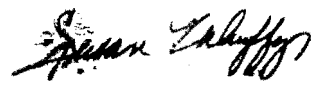


BEFORE THE CORPORATION COMMISSION ~~STATE~~ CORPORATION COMMISSION
OF THE STATE OF KANSAS

JUL 02 2010



In the Matter of the Application of]
Kansas City Power & Light Company to]
Modify its Tariffs to Continue the]
Implementation of its Regulatory Plan]

Docket No. 10-KCPE-415-RTS

CROSS-ANSWERING TESTIMONY OF

BRIAN KALCIC

RE: RESIDENTIAL AND SMALL GENERAL SERVICE
RATE STRUCTURE

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

July 2, 2010

1 **Q. Please state your name and business address.**

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

3

4 **Q. Have you previously submitted testimony in this proceeding?**

5 A. Yes.

6

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

8 A. My cross-answering testimony responds to certain rate structure issues raised in the
9 direct testimony of the following witnesses: a) KCC Staff witness Robert H. Glass; b)
10 Kansas Gas Service (“KGS”) witness David N. Dittmore; c) KGS witness Paul H.
11 Raab; and d) Atmos Energy Corporation (“Atmos”) witness Gary W. Milligan.

12

13 **Staff Witness Glass**

14

15 **Q. Mr. Kalcic, have you reviewed the residential rate design proposals sponsored by**
16 **Dr. Glass?**

17 A. Yes, I have.

18

19 **Q. Please summarize Staff’s proposed residential rate design for the summer months.**

20 A. Dr. Glass proposes to replace the Company’s flat rate summer energy charge with a
21 two-step inclining block rate structure. Under Staff’s proposal, the energy charge for

1 usage in excess of 1,000 kWh per month would be approximately 20% greater than the
2 energy charge for the first 1,000 kWh used in a given month.¹

3
4 **Q. How does Staff's residential summer rate design compare to CURB's**
5 **recommended rate design shown in Schedule BK-2?**

6 A. The general rate design approaches are the same, in that CURB is also proposing to
7 implement a summer inclining block rate structure. Under the CURB's proposal, the
8 charge for usage in excess of 1,000 kWh per month would be approximately 21%
9 greater than the first block energy charge.

10
11 **Q. Please summarize Staff's proposed residential rate design for the winter months.**

12 A. Exhibit RHG-2 shows that Staff's proposed winter rate design would: 1) eliminate the
13 declining block rate applicable to RES-A customers; 2) eliminate the water heating
14 discounts applicable to RES-B and RES-E customers; and 3) effectively consolidate the
15 Company's RES-C, RES-D and RES-E space heating customers on a single "space
16 heating" tariff, where the average discount applicable to space heating load would be
17 appreciable smaller than under KCPL's proposed rate design.

18
19 **Q. How does Staff's residential winter rate design compare to CURB's winter rate**
20 **design shown in Schedule BK-2?**

21 A. Overall, the direction of the rate designs is similar (both would implement a more
22 conservation-oriented rate structure), but Staff's rate design would eliminate a greater

¹ Note that a separate rate design would apply to the Company's residential TOD customers.

1 percentage of KCPL's existing residential water heating and space heating discounts
2 than under CURB's proposal.

3 To be more specific:

- 4 • both Staff and CURB would eliminate 100% of the Company's declining block
5 rates in the winter season in this case;
- 6 • Staff would eliminate 100% of the Company's water heating discounts in this
7 case, while CURB would eliminate 50% of the *excess* water heating discounts
8 applicable to RES-B and RES-E customers (based upon KCPL's cost-of-service
9 study ("COSS"));
- 10 • Staff would charge all space-heating customers the same rate for heating load at
11 the end of this case, while CURB would maintain separate space heating
12 charges for RES-C, RES-D and RES-E customers, based upon eliminating 50%
13 of the *excess* space heating discounts applicable to RES-C, RES-D and RES-E
14 customers; and
- 15 • Staff would eliminate 100% of any remaining space heating discounts in a
16 future proceeding, while CURB would eliminate any remaining *excess* discounts
17 in the Company's next base rate case.

18
19 **Q. Mr. Kalcic, you have described how Staff and CURB's residential rate designs**
20 **differ with respect to the winter season. Could you explain *why* the rate designs**
21 **differ?**

22 A. Yes. CURB's recommended rate design is based upon the premise that the Company's
23 RES-A through RES-E customers are to be treated as separate and distinct rate classes.

1 As such, CURB's recommended rate design is ultimately constrained to reflect the
2 differences in the Company's cost to serve the RES-A through RES-E classes.²

3 Staff's rate design is based on the premise that the Company's RES-A through
4 RES-E customers are part of a *single* rate class, with separate rates based on customers'
5 specific end-uses of electricity. Staff proposes to eliminate specific end-use rates. As a
6 result, Staff's rate design approach would eliminate all water heating and space heating
7 discounts as soon as practical – at which point all of KCPL's residential customers
8 would be served by a single rate schedule.

9

10 **Q. In evaluating the residential rate design proposals advanced by Staff and CURB**
11 **in this case, what is the fundamental question that the Commission needs to**
12 **decide?**

13 A. The Commission needs to decide whether or not it is appropriate to treat KCPL's
14 residential water heating and space heating customers as separate rate classes. If
15 separate rate class treatment were to be deemed appropriate, then there would be no
16 basis to eliminate 100% of the Company's residential water heating discounts in this
17 case (as Staff proposes), and CURB's recommended rate design guidelines should be
18 approved.

19 On the other hand, if the Commission determines that all residential customers
20 should be served by a single rate schedule, then 100% of KCPL's existing discounts

² For example, CURB's recommended rate design focuses on eliminating the excess (i.e., non-cost based) discounts afforded to residential water heating and space heating customers, not the cost based portion of existing discounts.

1 should be eliminated as soon as practical, i.e., as soon as customer impact
2 considerations will allow.

3

4 **Q. Mr. Kalcic, did you review the Small General Service (“SGS”) rate design**
5 **proposals sponsored by Dr. Glass?**

6 A. Yes.

7

8 **Q. Please summarize Staff’s proposed SGS rate design for the summer months.**

9 A. Dr. Glass proposes to replace the Company’s three-step declining block hours-use
10 energy charge with a two-step declining block rate structure. In addition, Staff would
11 eliminate the voltage discount current applicable to SGS customers served at primary
12 voltage.

13

14 **Q. Did CURB include either of such changes in its recommended SGS summer rate**
15 **design shown in Schedule BK-5?**

16 A. No. CURB’s rate design leaves the Company’s three-step declining block hours-use
17 energy charge in place. CURB did not propose a rate design for SGS primary
18 customers.

19

20 **Q. Would it be appropriate to eliminate the Company’s SGS primary service voltage**
21 **discount?**

22 A. No. The Company incurs greater line losses to serve a customer at secondary voltage
23 than at primary voltage. As a result, it is appropriate that the energy charges paid by

1 SGS primary service customers reflect a discount from the Company's corresponding
2 SGS secondary service rates.

3

4 **Q. Do you have any comment on Staff's proposal to eliminate the third SGS energy**
5 **rate block?**

6 A. Yes. The Company's SGS rate structure includes hours-use rate blocks. As a result,
7 the amount of kWh billed in a given rate block is a function of a customer's billing load
8 factor. The third SGS rate block is based on 360 hours-use, which means that a
9 customer must exhibit a load factor in excess of (approximately) 50% in order to be
10 billed at the third block rate. In essence, the Company's hours-use rate blocks function
11 much the same way as a demand charge, in that a high load factor customer is rewarded
12 with a lower average cost per kWh consumed (than a low load factor customer).

13 By eliminating the third rate block, Staff's proposed rate design will shift cost
14 responsibility from lower load factor to higher load factor SGS customers. In CURB's
15 view, any proposal to eliminate the third SGS rate block needs to be accompanied by
16 shift in cost recovery from SGS energy charges to SGS demand charges. Such a shift
17 would mitigate the rate impact on higher load factor SGS customers of Staff's proposal
18 to eliminate the third SGS rate block.

19

20 **Q. Please summarize Staff's proposed SGS rate design for the winter months.**

21 A. In addition to the previous changes, Staff's proposed rate design would eliminate 100%
22 of the winter discounts applicable to SGSSH secondary and SGSSA primary customers.

1 It would also reduce the average winter discount applicable to SGSSA customers served
2 at secondary voltage.

3

4 **Q. Does CURB propose to eliminate the winter discounts applicable to SGSSH and/or**
5 **SGSSA customers?**

6 A. No. As in the case of the Company's residential subclasses, CURB treats KCPL's SGS
7 heating and all-electric customers as separate rate classes. As a result, CURB's
8 proposal is to eliminate a portion of the *excess* discounts received by such customers in
9 this case.

10

11 **KGS Witness Dittemore**

12

13 **Q. Mr. Kalcic, what is Mr. Dittemore's primary recommendation in this case?**

14 A. Mr. Dittemore recommends that the Commission close KCPL's residential space
15 heating and water heating tariffs to new customers until such time as the Commission
16 completes its deliberations on the merits of fuel switching in Docket No. 09-GIMX-
17 160-GIV. New customers to KCPL's service territory (or existing space heating or
18 water heating customers who change residences within the Company's service territory)
19 during this period would be served under KCPL's RES-A tariff.

20

21 **Q. What is the basis for Mr. Dittemore's recommendation?**

22 A. In Mr. Dittemore's view, the Company's residential space heating and water heating
23 tariffs are simply "designed to build load," or to switch customers away from natural
24 gas to the usage of electricity. He argues that it would be inappropriate public policy to

1 allow KCPL's fuel switching tariffs to accept new customers while the Commission
2 debates the merits of fuel switching.³

3

4 **Q. Do you believe that Mr. Dittmore's recommendation to close the Company's**
5 **residential space heating and water heating rate schedules is appropriate?**

6 A. I am not in a position to comment on the subject matter of Docket No. 09-GIMX-160-
7 GIV, or whether a *cost-based* heating discount would fall under the Commission's
8 definition of a fuel-switching rate. However, if Commission were to determine in this
9 case that all residential customers should be served via a single rate schedule, then it
10 would be reasonable to close KCPL's residential space heating and water heating rate
11 schedules to new customers (while those rate schedules were being phased out).

12

13 **KGS Witness Raab**

14

15 **Q. Please summarize Mr. Raab's recommendations in this case.**

16 A. Mr. Raab recommends that the Commission eliminate KCPL's residential space heating
17 and water heating subclasses. Failing that, Mr. Raab recommends that the Commission
18 close the residential space heating and water heating rate schedules to new customers,
19 and "take immediate steps" to eliminate the subsidies embedded in the Company's
20 RES-B, REC-C, RES-D and RES-E rate schedules.

³ See Mr. Dittmore's Direct Testimony at pages 4-5.

1 **Q. What does Mr. Raab mean by subsidies?**

2 A. Mr. Raab appears to be referring to the difference between existing class revenues and
3 the subclass cost-of-service revenue targets developed in the Company's COSS.⁴

4

5 **Q. Would these space heating and water heating subsidies be the same as the “non-
6 cost based” or “excess” discounts that are discussed in your direct testimony?**

7 A. Yes, they would.

8

9 **Q. Is Mr. Raab's secondary recommendation with regard to the elimination of the
10 residential space heating and water heating subsidies consistent with CURB's
11 position in this case?**

12 A. Yes, except for the time period over which such subsidies would be eliminated. Mr.
13 Raab appears to argue for eliminating 100% of the subsidies in this proceeding. Due to
14 customer impact concerns, CURB recommends eliminating 50% of the subsidies in this
15 case and the remaining subsidies in the Company's next base rate proceeding.

16

17 **Atmos Witness Milligan**

18

19 **Q. Mr. Kalcic, what is Mr. Milligan's recommendation in this case?**

20 A. Mr. Milligan recommends that the Commission rescind the Company's discounted
21 residential space heating and water heating tariffs “so that customers pay the same for
22 electricity whether they heat their homes and water with electricity or natural gas.”⁵

⁴ See Mr. Raab's Direct Testimony at page 14, lines 16-18.

⁵ See Mr. Milligan's Direct Testimony at page 6, lines 7-8.

1 **Q. Is Mr. Milligan's recommendation consistent with CURB's position in this case?**

2 A. No. Like Staff and KGS, Mr. Milligan recommends grouping all residential customers
3 into a single rate class, and serving those customers via one rate schedule. As
4 previously discussed, CURB's approach begins with the premise that the Company's
5 RES-A through RES-E customers are to be treated as separate and distinct rate classes,
6 with separate rate schedules.

7
8 **Q. If the Commission were to decide that all residential customers should be served**
9 **by a single rate schedule, do you believe it would be appropriate to rescind the**
10 **Company's RES-B, RES-C, RES-D and RES-E rate schedules at the conclusion of**
11 **this case?**

12 A. No. I believe that the rate impact on residential space heating and water heating
13 customers from such action would be excessive.

14
15 **Q. How should the Commission proceed if it determines that all space heating and**
16 **water heating discounts are to be eliminated?**

17 A. In such circumstances, the Commission should direct KCPL to close its space heating
18 and water heating rate schedules to new customers, and to eliminate the existing
19 discounts over two (2) to three (3) rate proceedings.

20
21 **Q. Does this conclude your cross-answering testimony?**

22 A. Yes.

VERIFICATION

STATE OF MISSOURI)
) ss:
COUNTY OF)

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

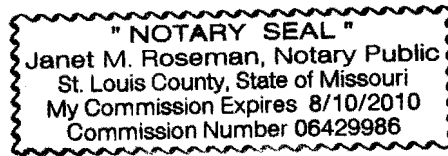
Brian Kalcic

SUBSCRIBED AND SWORN to before me this 30th day of June, 2010.

Janet M. Roseman

Notary of Public

My Commission expires:



CERTIFICATE OF SERVICE

10-KCPE-415-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was placed in the United States mail, postage prepaid, electronic service, or hand-delivered this 2nd day of July, 2010, to the following:

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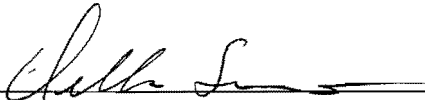
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