

KCP&L-239

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Resources
Witness: John A. Rogers
Sponsoring Party: MO PSC Staff
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File No.: ER-2010-0355
Date Testimony Prepared: December 8, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KANSAS CITY POWER & LIGHT COMPANY

FILE NO. ER-2010-0355

**Jefferson City, Missouri
December 8, 2010**

****Denotes Highly Confidential Information****

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Staff Exhibit No. KCP&L-239
Date 1/18/11 Reporter LMB
File No. ER-2010-0355

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Kansas)
City Power & Light Company for)
Approval to Make Certain Changes in its)
Charges for Electric Service to Continue)
the Implementation of Its Regulatory Plan)

File No. ER-2010-0355

AFFIDAVIT OF JOHN A. ROGERS

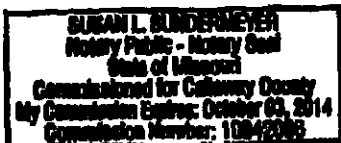
STATE OF MISSOURI)
) vs
COUNTY OF COLE)

John A. Rogers, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 12 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



John A. Rogers

Subscribed and sworn to before me this 5th day of December, 2010.




Notary Public

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OF
JOHN A. ROGERS
KANSAS CITY POWER & LIGHT
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REBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KANSAS CITY POWER & LIGHT

FILE NO. ER-2010-0355

Q. Please state your name and business address.

A. My name is John A. Rogers, and my business address is Missouri Public Service Commission (Commission), P. O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position at the Missouri Public Service Commission?

A. I am a Utility Regulatory Manager in the Energy Department of the Utility Operations Division.

Q. Are you the same John A. Rogers that contributed to Staff's Revenue Requirement Cost of Service Report (COS Report) filed on November 10, 2010?

A. Yes, I am.

Q. Would you please summarize the purpose of your rebuttal testimony?

A. I address certain direct testimony of: 1) Kansas City Power & Light Company's (KCPL or Company) witness, Tim M. Rush, related to KCPL's lack of commitment for its continuation of current and implementation of planned KCPL energy efficiency and demand response (demand-side, demand-side management or DSM) programs prior to the Commission's establishment of rules for the Missouri Energy Efficiency Investment Act (MEEIA), Section 393.1075, RSMo. Supp. 2009; and 2) Southern Union Company, d/b/a, Missouri Gas Energy's (MGE) witness, John J. Reed, related to Mr. Reed's

Rebuttal Testimony of
John A. Rogers

1 proposed fuel switching program as a KCPL energy efficiency program. On these issues Staff
2 makes the following recommendations:

3 1. Because of the uncertainty KCPL has created about continuing and adding
4 DSM programs under its Experimental Regulatory Plan (Regulatory Plan) the
5 Commission approved in Case No. EO-2005-0329 and its last adopted preferred
6 resource plan, Case No. EE-2008-0034, Staff recommends that the Commission
7 direct KCPL to comply with the MEEIA goal of achieving all cost-effective
8 demand-side savings by: a) filing with the Commission written documentation for
9 each DSM program explaining why continuing or adding the program as planned
10 does not promote the goal of achieving all cost-effective demand-side savings, or b)
11 continuing to fund and promote, or implement, the DSM programs in the
12 Regulatory Plan and in its last adopted preferred resource plan; and

13 2. Because: a) KCPL has not included the fuel switching program proposed by
14 MGE witness Mr. Reed in a Chapter 22 Electric Utility Resource Planning
15 integration analysis, and b) the proposed fuel switching program is not being
16 proposed by KCPL, but by a competitor of KCPL that would benefit from such a
17 fuel switching program, Staff recommends that the Commission not approve the
18 fuel switching program proposed by Mr. Reed.

19 **Response to KCPL's Testimony**

20 Q. For what parts of Mr. Rush's testimony do you provide rebuttal testimony?

21 A. I provide rebuttal testimony related to the following direct testimony by Mr.
22 Rush:

23 1. Page 21, lines 13 through 17:

24 Q. What has the Company done in this filing to address MEEI?

Rebuttal Testimony of
John A. Rogers

1 A. The Company has not taken any action in this filing beyond
2 what is currently in place and was established in the Regulatory Plan.
3 KCP&L hopes that rules will become effective in sufficient time prior
4 to the conclusion of this case and will become part of the outcome in
5 this proceeding.

6 2. Page 22, lines 10 through 18:

7 Q. Does the current mechanism filed in the case and what was part
8 of the Regulatory Plan accomplish these policy [MEEIA] goals?

9 A. No. From the Company's perspective, the current regulatory
10 accounting mechanism does not adequately address the policy goals
11 set out in the law. Specifically, the current mechanism does not
12 provide timely recovery or earnings opportunities, nor does it
13 sufficiently encourage the implementation of energy efficiency
14 programs by the utility. It is our expectation that the rule that comes
15 out of the MEEI rulemaking process will address these goals and will
16 more adequately address energy efficiency programs and cost
17 recovery.

18 3. Page 25, lines 4 through 13:

19 Q. Does the Regulatory Plan or any of the orders approving the
20 individual programs specifically refer to these programs as "pilot"
21 programs with a specific expiration date?

22 A. Not necessarily. However, the structure of the Regulatory Plan,
23 and the fact that many of these programs were authorized using the
24 supporting budget information from the Plan, some even including
25 annual budget amounts within the tariffs, raise questions about the
26 status of these programs once the five-year period for each or the
27 Regulatory Plan expires, or when the budgeted amounts for the
28 programs have been spent. It is the Company's hope that with the
29 establishment of a rulemaking that adequately provides recovery, all of
30 the programs currently in the portfolio will become permanent.

31 Q. What do you conclude from this testimony?

32 A. I conclude that KCPL is not committing to continue current DSM programs
33 and to implement new DSM programs prior to KCPL's receiving approval of DSM programs
34 under the anticipated Missouri Energy Efficiency Investment Act rules¹ (MEEIA rules).

¹ Commission Case No. EX-2010-0368.

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1 Further, it is Staff's position that KCPL is required to comply with MEEIA as a law of the
2 State of Missouri, whether or not any MEEIA rules are effective.

3 Q. Why do you believe KCPL is required by law to comply with MEEIA
4 regardless of when MEEIA rules become effective?

5 A. MEEIA became law on August 28, 2009. With the enactment of MEEIA, the
6 State of Missouri has declared and directed the following:

7 3. It shall be the policy of the state to value demand-side investments
8 equal to traditional investments in supply and delivery infrastructure and
9 allow recovery of all reasonable and prudent costs of delivering cost-
10 effective demand-side programs. In support of this policy, the commission
11 shall:

- 12 a. Provide timely cost recovery for utilities;
13 b. Ensure that utility financial incentives are aligned with helping
14 customers use energy more efficiently and in a manner that
15 sustains or enhances utility customers' incentives to use energy
16 more efficiently; and
17 c. Provide timely earnings opportunities associated with cost-
18 effective measurable and verifiable efficiency savings.

19 4. The commission shall permit electric corporations to implement
20 commission-approved demand-side programs proposed pursuant to this
21 section with a goal of achieving all cost-effective demand-side savings.
22 Recovery for such programs shall not be permitted unless the programs are
23 approved by the commission, result in energy or demand savings and are
24 beneficial to all customers in the customer class in which the programs are
25 proposed, regardless of whether the programs are utilized by all customers.
26 The commission shall consider the total resource cost test a preferred cost-
27 effectiveness test. Programs targeted to low-income customers or general
28 education campaigns do not need to meet a cost-effectiveness test, so long
29 as the commission determines that the program or campaign is in the public
30 interest. Nothing herein shall preclude the approval of demand-side
31 programs that do not meet the test if the costs of the program above the
32 level determined to be cost-effective are funded by the customers
33 participating in the program or through tax or other governmental credits or
34 incentives specifically designed for that purpose.

35 Subsections 393.1075.3 and 4, RSMo. Supp. 2009.

36 Q. Has KCPL requested in this case cost recovery and utility financial incentives
37 related to its DSM programs?

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John A. Rogers

1 A. KCPL has requested continuation of the current non-traditional accounting and
2 regulatory asset treatment of its DSM program costs established by the Company's
3 Regulatory Plan the Commission approved in Case No. EO-2005-0329. KCPL has not
4 requested a utility financial incentive in this case for its DSM programs, although it could
5 have done so.

6 Q. Has KCPL adopted a preferred resource plan that has a goal of achieving all
7 cost-effective demand-side savings?

8 A. I do not know if it has adopted such a preferred resource plan or not. As I
9 stated in my direct testimony in the Staff COS Report on page 127 lines 20 through 22, that
10 the Company formally advised the Commission on February 3, 2010 (File No. EE-2010-
11 0034) that it has determined that it is appropriate to "scale back" its demand-side programs in
12 the earlier years of its adopted preferred resource plan. The letter did not state what resources
13 would replace the DSM programs in its adopted preferred resource plan. Since February 3,
14 2010, there has been no other formal communication from KCPL to the Commission
15 concerning continuation of its current DSM programs and/or implementation of new DSM
16 programs in future years. Further, KCPL's next Chapter 22 compliance filing is not due until
17 November 5, 2011, and in File No. EE-2011-0032 KCPL has requested to extend that date to
18 April 1, 2012.

19 Q. Please describe the DSM programs in KCPL's last adopted preferred resource
20 plan.

21 A. In KCPL's last Chapter 22 Electric Utility Resource Planning filing (Case No.
22 EE-2008-0034), the Company's adopted preferred resource plan included ** _____
23 _____

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1 _____**. These programs
2 are new or enhanced KCPL DSM programs to complement KCPL's current energy efficiency
3 programs and demand response (Energy Optimizer and MPower) programs, which were
4 implemented as part of the Regulatory Plan.

5 I have summarized below KCPL's proposed DSM programs contained in its last
6 adopted preferred resource plan:

** _____ **	** _____ **	** _____ **	** _____ **
** _____ **	** _____ **	** _____ **	** _____ **
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7 Q. Has KCPL curtailed the level of participation in any of its DSM programs?

8 A. During its Customer Programs Advisory Group (CPAG) meetings throughout
9 2010, KCPL has stated that it has stopped processing new applications for its MPower
10 program.

11 Q. Did KCPL evaluate the impact on customers of delaying implementation of the
12 demand response programs in its adopted preferred resource plan?

² Kansas City Power & Light Integrated Resource Plan, Case No. EE-2008-0034, Book 1 of 2, Volume 5:
Demand-Side Resource Analysis, pages 54 through 69.



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1 A. Yes. The following quotation from KCPL's last Chapter 22 compliance filing³
2 indicates that KCPL has evaluated the impact of delaying its implementation of demand-
3 response programs and found that ** _____

4 _____ **
5 ** _____
6 _____
7 _____
8 _____
9 _____
10 _____
11 _____ **

12 Q. How do you characterize the level of customer interest in or demand for the
13 KCPL demand-side programs?

14 A. KCPL's customers have a high level of interest in or demand for KCPL's
15 demand-side programs as demonstrated by spending and participation levels for the current
16 programs over the past five years as summarized in Appendix 3, Schedule JAR-1 of the
17 Staff's COS Report in this case. On page 127, lines 11 through 13 of the Staff's COS Report,
18 I summarize the KCPL demand-side programs' budget variance: "As reported by the
19 Company, through June 30, 2010 the budget for all Company demand-side programs is
20 \$24,001,009 and the actual total expenditures through this period are \$27,442,517, or 14%
21 greater than budget." There is little doubt that KCPL has been effective in promoting its
22 demand-side programs and that KCPL's customers have a high level of interest in the
23 programs.

24 Q. What is Staff's recommendation to the Commission concerning KCPL's DSM
25 programs?

³ Kansas City Power & Light Integrated Resource Plan, Case No. EE-2008-0034, Book 1 or 2, Volume 1:
Executive Summary, page 21.

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1 A. Staff recommends that the Commission direct KCPL to comply with the
2 MEEIA goal of achieving all cost-effective demand-side savings by: 1) filing with the
3 Commission written documentation for each DSM program in the Regulatory Plan and in its
4 last adopted preferred resource plan explaining why continuing or adding the program as
5 planned does not promote the MEEIA goal of achieving all cost-effective demand-side
6 savings, or 2) continuing to fund and promote, or implement, the DSM programs in the
7 Regulatory Plan and in its last adopted preferred resource plan.

8 Response to MGE's Testimony

9 Q. For what areas of Mr. Reed's testimony do you provide rebuttal testimony?

10 A. I provide rebuttal testimony to Mr. Reed's testimony regarding: 1) Staff's
11 agreement with Mr. Reed that natural gas appliances are more efficient than electric
12 appliances providing similar energy service when using the full-fuel-cycle approach to
13 measuring efficiency; 2) Staff's disagreement with the suggestion of Mr. Reed that because
14 fuel switching programs are approved for electric utilities in other states, such a program can
15 presently be beneficial for KCPL's customers; 3) Staff's disagreement with Mr. Reed's
16 statement that the Commission has adopted the Total Resource Cost (TRC) test to evaluate
17 demand-side resources in Missouri; and 4) Staff's disagreement with Mr. Reed's conclusion
18 that his proposed fuel switching program for KCPL is a cost effective way to promote energy
19 efficiency and conservation by offering financial incentives (i.e., rebates) to KCPL's electric
20 customers to convert certain end-use applications, such as water heating and space heating,
21 from electricity to natural gas.

22 Q. Do you have knowledge of full-fuel-cycle approach to efficiency?

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1 A. Yes. The full-fuel-cycle approach to efficiency means measuring efficiency
2 over the entire trajectory path of energy to include the efficiency of extraction of fuel,
3 processing/cleanup of fuel, transportation of fuel, conversion of fuel into another form of
4 energy (generation of electricity), transmission of fuel or energy, distribution of fuel or energy
5 and the end-use appliance. While I was employed by Arkansas Western Gas Company from
6 2004 to 2008 as Director, Resource Planning, I presented the full-fuel-cycle approach to
7 measuring efficiency in several Arkansas energy policy cases before the Arkansas Public
8 Service Commission (APSC) in 2007, during rulemakings for: 1) Resource Planning
9 Guidelines for Electric Utilities and 2) Rules for Utility Demand-Side Programs and again in
10 2008 before the Arkansas Governor's Commission on Global Warming (AGCGW).

11 Q. Were you successful in getting full-fuel-cycle efficiency included in Arkansas
12 energy policy as a result of the cases you participated in?

13 A. No. I believe that my presentations on behalf of Arkansas Western Gas were
14 the first formal presentations on using full-fuel-cycle efficiency in energy policy for Arkansas,
15 and the barriers to acceptance of such a policy were still too great in Arkansas. However, I
16 agree with Mr. Reed that there a growing momentum at the national level and within some
17 states for use of full-fuel-cycle efficiency as a part of energy policy.

18 Q. Do any of Missouri's rules or regulations concerning utility demand-side
19 programs require the use of full-fuel-cycle efficiency when analyzing energy savings or
20 demand savings?

21 A. No.

22 Q. How does MEEIA define energy efficiency?

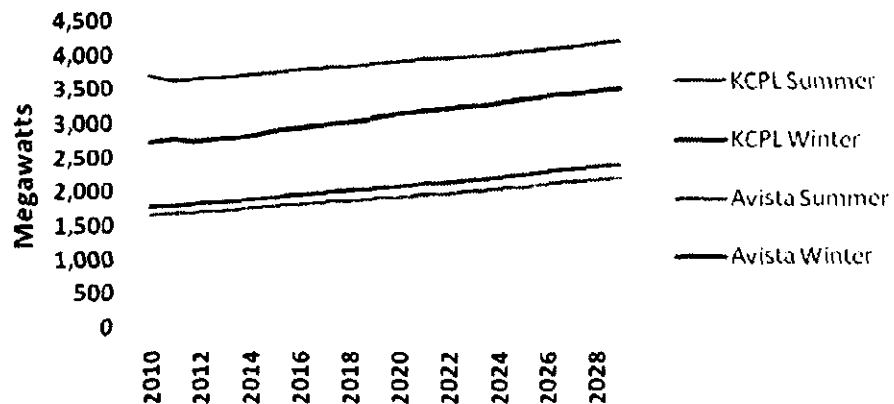
1 A. MEEIA defines energy efficiency as measures that reduce the amount of
2 electricity required to achieve a given end use.

3 Q. Why do you disagree with the suggestion of Mr. Reed that because fuel
4 switching programs are approved for electric utilities in other states, such a program can
5 presently be beneficial for KCPL's customers?

6 A. Mr. Reed states that fuel switching programs have been approved for Puget
7 Sound Energy in Washington and Oregon, Avista Corporation in Idaho and Washington,
8 CenterPoint Energy in Texas and Philadelphia Electric Company in Pennsylvania. However,
9 there are very important differences between KCPL and these utilities:

	KCPL	Puget Sound Energy	Avista Corporation	CenterPoint Energy	Philadelphia Electric
Type of Utility	Electric	Combined	Combined	Diversified Energy	Electric
Electric Peak	Strong Summer Peak	Winter	Winter	n/a	n/a
Ownership	Investor	Investor	Investor	Investor	Municipal

10
Summer and Winter Peak Demand (MW)
for KCPL and for Avista



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1 Q. What observations and conclusions are you able to make as a result of these
2 differences?

3 A. I make the following observations:

4 1. KCPL has a strong summer peak, forecasting a summer peak demand
5 exceeding the winter peak demand for the next 20 years, while Puget Sound Energy
6 and Avista are winter peaking electric utilities.

7 2. KCPL is an electric utility, while Puget Sound Energy and Avista are
8 combined electric and natural gas utilities, and CenterPoint Energy is a very large
9 diversified energy company (electricity, natural gas, pipelines and energy
10 marketing).

11 3. All are investor-owned except Philadelphia Electric Company, which is a
12 municipal electric utility.

13 I draw the following conclusions from my observations:

14 1. Fuel switching programs for Puget Sound Energy, Avista and CenterPoint
15 Energy result in money moving from "one pocket to the other" within the
16 company, while Mr. Reed's proposed fuel switching program for KCPL results in
17 money moving from KCPL's pocket to the pocket of MGE.

18 2. Because the energy and demand savings from the proposed fuel switching
19 program will result primarily from space heating in the winter, and because KCPL
20 is such a strong summer peaking utility, KCPL would expect to experience no
21 generation or transmission avoided costs (benefits) from the program for several
22 decades, if ever.

23 Q. Why do you disagree with Mr. Reed's statement that the Commission has adopted
24 the TRC test to evaluate demand-side resources in Missouri?

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1 A. Evaluation of demand-side resources in Missouri must be in compliance with
2 Chapter 22 Electric Utility Resource Planning rules. The Chapter 22 rules require the evaluation
3 of all supply-side resources and demand-side resources on an equivalent basis though
4 comprehensive resource analysis, integration analysis, risk analysis and strategy selection. The
5 TRC test is used only in the screening of DSM measures and DSM programs. DSM programs
6 that pass the TRC screening test are passed on as demand-side resources for the utility's
7 integration analysis.

8 Q. Has Mr. Reed performed an analysis of his proposed fuel switching program in
9 compliance with Chapter 22?

10 A. No. Mr. Reed has not evaluated his proposed fuel switching program in
11 compliance with Chapter 22. Further, Mr. Reed has not performed any analysis of the cost
12 effectiveness of the proposed fuel switching program for KCPL (see Mr. Reed's direct testimony
13 at page 40 lines 15 and 16).

14 Q. Does Staff have a recommendation for the Commission concerning the fuel
15 switching program proposed by Mr. Reed?

16 A. Staff recommends that the Commission not approve the fuel switching program
17 proposed by Mr. Reed, because: 1) KCPL has not analyzed the program in its Chapter 22 Electric
18 Utility Resource Planning integration analysis, and 2) the proposed fuel switching program is not
19 being proposed by KCPL, but by a competitor of KCPL that would benefit from such a fuel
20 switching program.

21 Q. Does this conclude your testimony at this time?

22 A. Yes.