

Exhibit No.: **KCPL-57**
Issue: Renewable Energy Standard and
Missouri Energy Efficiency
Investment Act of 2009; DSM; Rate
Design; Fuel Switching; Interim
Energy Charge
Witness: Tim M. Rush
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2010-0355
Date Testimony Prepared: January 5, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0355

SURREBUTTAL TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
January 2011**

KCPL Exhibit No. KCPL 57
Date 2/3/11 Reporter LMB
File No. ER-2010-0355

SURREBUTTAL TESTIMONY

OF

TIM M. RUSH

Case No. ER-2010-0355

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

2 A: My name is Tim M. Rush. My business address is 1200 Main Street, Kansas City,
3 Missouri, 64105.

4 **Q: Are you the same Tim M. Rush who prefiled direct and rebuttal testimony in this**
5 **matter?**

6 A: Yes.

7 **Q: What is the purpose of your surrebuttal testimony?**

8 A: The purpose of my surrebuttal testimony is to address certain parties rebuttal testimony
9 presented in this case. Specifically, I will address the rebuttal testimony of Missouri
10 Public Service Commission Staff (Staff) witness John A. Rogers on the subject of
11 Missouri Energy Efficiency Investment Act of 2009 ("MEEIA") - Demand-Side
12 Resources and his proposal found on page 2 or his surrebuttal testimony which
13 recommends to the:

14 "Commission to direct KCPL to comply with the MEEIA goal of achieving all
15 cost-effective demand-side savings by: a) filing with the Commission written
16 documentation for each DSM program explaining why continuing or adding the
17 program as planned does not promote the goal of achieving all cost-effective
18 demand-side savings, or b) continuing to fund and promote, or implement, the

1 DSM programs in the regulatory Plan and in its last adopted preferred resource
2 plan; and”

3 I will address the rebuttal testimony of Missouri Department of Natural Resources
4 (MDNR) witness Adam Bickford pertaining to his concerns about the Company’s DSM
5 programs and funding.

6 I will address the testimonies of Staff witness Michael S. Scheperle, OPC witness
7 Ms. Meisenheimer, the Department of Energy witness Dennis W. Goins and Ford,
8 MEUA, MIEC, and Praxair witness Maurice Brubaker regarding rate design.

9 I support Mr. Rogers’s position that the Commission should reject Missouri Gas
10 Energy (MGE) witness John J. Reed’s proposal to require KCP&L to implement a fuel
11 switching program.

12 I will address the rebuttal testimony of Michael E. Taylor of the Staff regarding
13 the recovery of costs associated with the Renewable Energy Standard (RES) and how
14 KCP&L generally agrees with his testimony and has presented such evidence in support
15 of his position in my rebuttal testimony in this case.

16 I also address the rebuttal testimony of Ms. Barbara A. Meisenheimer of the Office of the
17 Public Counsel regarding her position that the Company should not be allowed to implement an
18 Interim Energy Charges recovery mechanism as part of this case.

19

20 **MISSOURI ENERGY EFFICICENCY INVESTMENT ACT OF 2009**

21 **John A. Rogers Surrebuttal**

22 **Q: Do you believe that the Company is complying with the current legislation**
23 **regarding the MEEIA?**

1 A: Yes, I do.

2 **Q: Have rules been enacted that establish the Commission's policy guidelines for**
3 **recovery of DSM costs?**

4 A: Not as of yet.

5 **Q: Do you agree with Mr. Rogers recommendation that the Commission should direct**
6 **KCP&L to file a) written documentation for each DSM program explaining why**
7 **continuing or adding the program as planned does not promote the goal of**
8 **achieving all cost-effective demand-side savings, or b) continuing to fund and**
9 **promote, or implement, the DSM programs in the Regulatory Plan and in its last**
10 **adopted preferred resource plan.**

11 A: No, I do not. The Company believes that it is in compliance with the current legislation,
12 as well as the Integrated Resource Plan (IRP) rule regarding DSM. The Company is
13 active with many parties, including the Staff in addressing the Company's IRP, as well as
14 the Customer Program Advisory Group (CPAG) in addressing planning and status of all
15 DSM programs and any changes, additions or deletions of programs. Like utilities
16 throughout the country, the Company has experienced customer load growth changes due
17 to many factors including the downturn in the economy. The change in load has
18 necessitated some changes to the plan, which has been presented to the parties of IRP.
19 Additionally, the Company meets frequently with CPAG, informing them of the status of
20 existing programs and discussing future programs. At this time, the Company is
21 continuing its DSM programs as outlined in the tariffs on file with the Commission.

22 **Q: Concerning the Regulatory Plan, do you believe the Commission and the Staff of the**
23 **Commission envisioned the DSM programs identified to go on indefinitely?**

1 A: No, I do not. The Regulatory Plan was essentially a five year plan. The DSM related
2 portion of the Plan was laid out as a five year plan, complete with an estimated budget
3 that was five years in length. Additionally, on August 23, 2005, the Commission issued
4 its *Order Approving Amendment to Experimental Regulatory Plan*, and adopted
5 amendments to the Plan recommended by Staff, Public Counsel, Département of Natural
6 Resources and Praxair.

7 **Q: What is significant about these amendments?**

8 A: The Report and Order approving the Experimental Regulatory Plan allowed the signatory
9 parties to adopt provisions of a similar agreement pending before the Kansas Corporation
10 Commission. The amendment that was recommended and is pertinent to this issue was:

11 "In calendar years 2005 through 2009, KCP&L commits to implement Demand
12 Response, Efficiency and Affordability programs, subject to the continuing review and
13 prior approval of the Commission...."

14 This amendment specifically recommended by Staff, Public Counsel, Department of
15 Natural Resources and Praxair and subsequently adopted by the Commission, bounded
16 the DSM commitments in the Regulatory Plan to calendar years 2005 through 2009.

17 **Q: Did KCP&L discontinue its DSM programs January 1, 2010?**

18 A: No, it has not. To the contrary, KCP&L has continued its DSM programs in good faith
19 that the Commission will implement rules that provide for adequate cost recovery of
20 DSM expenditures. In fact, KCP&L has expended more funds on DSM in total than was
21 set out in the Regulatory Plan.

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Adam Bickford Rebuttal

Q: Would you summarize Mr. Bickford's rebuttal?

A: Mr. Bickford wants to make sure that KCP&L continues is DSM programs at the current funding levels between the completion of the Regulatory Plan and the implementation of the MEEIA rules.

Q: Do you think that KCP&L is following the intent of the MEEIA legislation?

A: Absolutely. I believe that some parties who have a high level of interest in encouraging even further development of DSM programs may believe that more can be done.

Q: Are their mechanisms set up to allow parties to address their concerns about the development of DSM programs and the development of such?

A: Yes. The Company regularly meets with parties through the CPAG organization that address programs, tariffs, evaluations of the successes and failures of programs and help guide in the future directions of DSM programs. We also file and have parties participate in the IRP process. The IRP is also in the process of a new rulemaking which will most likely result in new rules.

Q: Do you agree support Mr. Bickford's position?

A: No. Changes to the current DSM programs are constantly being evaluated. To suggest that some mandate should be made to continue programs at the current funding level is not appropriate. Particularly, while new rules are being developed to address many of the deficiencies in the recovery of DSM costs.

RATE DESIGN

Michael S. Scheperle Rebuttal

1 **Q: Would you summarize Mr. Scheperle's rate design rebuttal?**

2 A: Mr. Scheperle summarizes the various class cost of service study results and contrasts the
3 benefits of the detailed studies performed by Staff and the Company with the simplified,
4 class level studies offered by Mr. Brubaker and Dr. Goins. Mr. Scheperle then walks
5 through the rate design proposals offered by the parties and provides comments on each.

6 **Q: Do you have any specific concerns with Mr. Scheperle's comments?**

7 A: Yes. In my rebuttal I express my concern with the Staff rate design in that it did not take
8 into account the customer shifts that will almost assuredly result from Staff's proposal.
9 Staff's proposal does not explore the disruption of the relationship between the Large
10 General Service and the Large Power rate groups, leading to the potential rate switching
11 impact of its proposal. Mr. Scheperle does not address my concern in his rebuttal. In
12 fact, in response to the Industrial's proposal, on page 19 of Mr. Scheperle's rebuttal, he
13 expresses the exact, rate switching concern I offer in respect to the Staff proposal. Rate
14 switching is a very real risk to the Company and its ability to realize the authorized rate
15 increase amount. Rate designs must consider or account for this occurrence.

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17 **Barbara A. Meisenheimer Rebuttal**

18 **Q: Would you summarize Ms. Meisenheimer's rate design rebuttal?**

19 A: Ms. Meisenheimer's testimony is focused exclusively on the class cost of service
20 proposal offered by Mr. Brubaker on behalf of the Industrial customers. As her rebuttal
21 did not speak to rate design issues I do not have any comments in this surrebuttal and will
22 defer comments about the class cost of service to company witness Paul Normand.

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Dr. Dennis W. Goins Rebuttal

2 **Q: Would you summarize Dr. Goins's rate design rebuttal?**

3 A: Dr. Goins spends the majority of his rebuttal testimony exploring his concerns with the
4 base, intermediate, peak production allocation methods utilized in the class cost of
5 service studies offered by Staff and the company. Concerning rate design issues, Dr.
6 Goins continues to support across the board, equal application of any approved increase.
7 His rate design proposal is consistent with the Company's position.

8 **Q: Do you have any specific concerns with Mr. Goins' comments?**

9 A: Yes. While I agree with Dr. Goins opinion concerning the equal application of any
10 approved increase, Dr. Goins offers a number of incorrect statements concerning the
11 base, intermediate, peak production allocation method used in the company class cost of
12 service study, issues that are addressed by company witness Paul Normand.

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Maurice Brubaker Rebuttal

15 **Q: Would you summarize Mr. Brubaker's rate design rebuttal?**

16 A: Mr. Brubaker focuses his rebuttal on discussion of the class cost of service studies
17 offered by Staff, OPC, and the Company and his concerns with the allocation methods
18 employed. As his rebuttal did not speak to rate design issues I do not have any comments
19 in this surrebuttal and will defer comments about the class cost of service to company
20 witness Paul Normand.

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MGE proposal on Fuel Switching

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John Rogers Rebuttal

1 Q: Do you agree with Staff witness John Roger's testimony regarding the fuel switching
2 program suggested by MGE witness John J. Reed. ?

3 A: Yes. I agree and support Mr. Rogers's position that the Commission should reject MGE
4 witness John J. Reed's proposal to require KCP&L to implement a fuel switching
5 program.

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Renewable Energy Standard (RES)

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Michael E. Taylor Rebuttal

9 Q: Have you read the rebuttal testimony of Staff witness Michael E. Taylor?

10 A: Yes. Mr. Taylor addresses the RES proposed recovery method filed in the Company's
11 case. His recommendation is that the Company should be allowed recovery of the actual
12 costs of the program.

13 Q: Do you agree with his testimony?

14 A: Yes. I generally agree with his recommendation and have submitted in my rebuttal
15 testimony evidence as to how much the Company has spent so far in 2010 regarding RES
16 expenditures and a recommended method for recovery. Mr. Taylor suggests that the
17 Company should be allowed the actual expenditures spent in 2010 to be included in cost
18 of service. My recommendations is to include the 2010 RES costs in cost of service as an
19 estimate of the ongoing expenditures and the expenses incurred in 2010 be amortized
20 over a 2-year period beginning with the implementation of rates in this case.

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Interim Energy Charge (IEC)

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Barbara A. Meisenheimer Rebuttal

1 Q: **Have you read the rebuttal testimony of OPC witness Barbara A. Meisenheimer?**

2 A: Yes. Ms. Meisenheimer's position is that the Company should not be allowed to
3 implement an Interim Energy Charges recovery mechanism as part of this case.

4 Q: **Do you agree with her testimony?**

5 A: No. I believe that as part of the Experimental Regulatory Plan established in Case No.
6 EM-2005-0329, the Company is allowed to seek an IEC. The agreement states that the
7 Company may not seek any mechanism authorized in current legislation known as "SB
8 179" or other change in state law that would allow riders or surcharges or changes in
9 rates outside of a general rate case based upon a consideration of less than all relevant
10 factors.

11 Q: **Are the provisions that Ms. Meisenheimer references as the basis for her suggestion
12 found in the Code of State Regulations?**

13 A: Yes.

14 Q: **Were those rules and the requirements of those rules established as part of the
15 outcome of SB 179?**

16 A: Yes. Those rules are specific to the outcome of SB 179.

17 Q: **Do you believe that the provision in the Experimental Regulatory Plan regarding
18 the IEC is different than those rules established under SB 179?**

19 A: Yes. The IEC reference found in the Experimental Regulatory Plan was established well
20 before the establishment of the rules surrounding SB 179. The Company should not be
21 prohibited from establishing an IEC in this case.

22 Q: **Does that conclude your testimony?**

23 A: Yes, it does.

