

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

In the Matter of Kansas City Power & Light            )  
Company’s Request for Authority to Implement        )     File No. ER-2014-0370  
a General Rate Increase for Electric Service         )

**MISSOURI DIVISION OF ENERGY’S  
INITIAL POST-HEARING BRIEF**

COMES NOW the Missouri Division of Energy and for its *Initial Post-hearing Brief*, states

**Clean Charge Network:**

*Should all issues associated with KCPL’s Clean Charge Network (“CCN”) be considered in a separate case and not considered in this case?*

No, DE recommends that the issues associated with KCPL’s CCN pilot program as they have been raised by the various parties within these proceedings be considered by the Commission in this rate case.

*Is the Clean Charge Network a public utility service?*

Yes, Since the Company is selling and distributing electricity through metered electric vehicle charging stations at host sites – and, ultimately, to electric vehicles – the Commission has the statutory jurisdiction to regulate the CCN as a public Utility service. Under §386.250.1 RSMo., “The jurisdiction, supervision, powers and duties of the public service commission herein created and established shall extend under this chapter: (1) To the manufacture, sale or distribution of...electricity for light, heat and power, within the state, and to persons or corporations owning, leasing, operating or controlling the same”.<sup>1</sup> Additionally, an electric vehicle charging station installation would fit the definition of a “structure” under §393.106.1 RSMo., as, “...a mechanical installation, machinery or

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<sup>1</sup> Ex. 352, DE witness Hyman Rebuttal, p. 38, ll. 6-16.

apparatus at which retail electric energy is being delivered through a metering device which is located on or adjacent to the structure and connected to the lines of an electrical supplier'.<sup>2</sup>

Another issue raised by multiple parties to this case was whether it was in the public interest to treat the Clean Charge Network as part of KCPL's regulated electric operations or would the public be better served if electric vehicle charging remained a competitively provided service. On this point KCPL raised the issue that its tariffs expressly forbid its customers from reselling KCPL furnished electricity. Section 5.03 of KCPL's Missouri Tariff No. 2 provides in part, "...the Company will not supply electric service to a Customer for resale or redistribution by the Customer."<sup>3</sup> Section 5.03 specifically defines resale as;

the furnishing of electric service **by a Customer to another person under any arrangement** whereby the **Customer makes a specific or separate charge** for the electric service so furnished, either in whole or in part, and whether the amount of such charge is determined by submetering, remetering, estimating or rebilling **as an additional charge, flat, or excess charge, or otherwise.** (Emphases added.)<sup>4</sup>

Based on the plain language of Section 5.03, a KCPL customer could not open an independent electric vehicle charging station from which the customer then furnished electric service to electric vehicle owners for any specific or separate charge. The Commission had cause to consider Section 5.03 in *In re WST*, which dealt with a condominium association served by KCPL via a master meter, and did not have individually metered condominium units, yet it wished to individually bill its members

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<sup>2</sup> Id at p. 39, ll. 3-14.

<sup>3</sup> Kansas City Power & Light Company, GENERAL RULES AND REGULATIONS APPLYING TO ELECTRIC SERVICE, Effective January 19, 1981. Sheet No. 1.19.

<sup>4</sup> Id.

for their electricity usage using monitoring equipment that would be owned by the condominium association. The Commission stated in that case that:

KCPL's tariff clearly provides that KCPL may not serve the residents of the WallStreet Tower Condominiums through a master meter. Furthermore, **the individual metering requirements promoted by the tariff generally serve the public interest in promoting conservation of energy and in providing protection to consumers.** (Emphasis added)<sup>5</sup>

Similarly, if a KCPL customer was to establish an independent electric vehicle charging station, where it purchased electricity from KCPL to then furnish to electric vehicle owners for sale it would be violating Section 5.03 just like WST. The same concerns of promoting conservation of energy and in providing consumer protection are applicable to the sale of electricity through non-regulated electric vehicle charging stations as they are with the sale of electricity to non-metered condominiums. If the Commission determines that the sale of electricity at electric vehicle charging stations is not subject to the prohibition on the resale of electricity, then utilities will have no control over the rates charged to electric vehicle owners. Specifically, utilities will not be able to develop cost based rates which encourage the use of its system during off peak hours. This has the potential to frustrate the Commission's policy goals of energy efficiency and energy conservation. Additionally, the Commission will have no control over the business structure of independent electric vehicle charging stations and electric vehicle owners will not have the Commission as a means of recourse if overcharged or unfairly treated by independent electric vehicle charging station owners. The Commission noted that KCPL's tariff forbidding the resale of electricity is related to the Public Utility Regulatory Act of 1978 ("PURPA"), which requires that all new buildings install

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<sup>5</sup> *In the Matter of the Application of WST, Inc., a Missouri Corporation, for a Variance from Kansas City Power & Light Company's General Rules and Regulations Requiring Individual Metering* MPSC Case No. EE-2006-0123, Report and Order, p. 6.

individual meters to encourage energy conservation, and Commission rule 4 CSR 240-20.050, which implements the requirements of PURPA. <sup>6</sup>While the Commission ultimately granted a variance to WST from the prohibition on the resale of electricity noting that the public interest in conservation of electricity will be served by the monitoring of electrical use proposed by WST to bill its members and the public interest in consumer protection is met because the entity reselling the electricity to the condominium owners will be the association which whose membership includes all owners,<sup>7</sup> the same cannot be said of the present situation. DE recommends that the Commission treat KCPL's CCN as part of the Company's regulated electric operation and in the case of independent electric vehicle charging stations, the Commission should grant variances on a case-by-case basis so as to ensure that those arrangements are within the public interest.

The analysis of KCPL's regulation prohibiting the resale of electricity also calls into question whether KCPL's pilot program is prohibited under Section 5.03 as the redistribution of electricity. Section 5.03 defines redistribution as;

furnishing of electric service by the Customer (i) to another building occupied by the Customer and located on the same premises of the Customer but used by the Customer for a separate business enterprise, or (ii) to separate premises occupied by another person, whether or not such premises are owned, leased or controlled by the Customer, without making a specific or separate charge for the electric service so furnished.

Electric vehicles are not buildings occupied by host sites. While electric vehicles may be considered to be premises occupied by another, electricity used by an electric vehicle cannot be said to be redistributed because the charging station is separately metered and the electricity used is charged for by KCPL. If in the event the Commission determines

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<sup>6</sup> Id at p. 4.

<sup>7</sup> Id at 6.

that the distribution of electricity to electric vehicles via a host site's separately metered charging station is redistribution under Section 5.03 the rule also provides an exemption, stating;

The restriction against "redistribution" may be waived by the Company where the operation of certain types of multiple occupancy premises, either in whole or in part, makes it impractical for the Company, in its judgment, to separately meter and supply electric service to each occupant as a Customer of the Company. Such exceptions may include: (i) an operation catering predominately to transients, such as hotels, motels, and hospitals;

If we consider electric vehicles to be occupants and the charging stations to be premises, then it would be impractical for KCPL to separately meter every electric vehicle using the charging station because electric vehicles by their nature are transient occupants. It, therefore, would be under KCPL's discretion to waive this requirement and it would be able to provide electricity to electric vehicles via a charging station without separately metering the electric vehicles.

Despite the claims of several non-Company parties, the CCN will bring numerous benefits to the Company's service territory and the Kansas City metropolitan area as a whole. Such benefits include the potential for spreading the Company's fixed cost recovery across more ratepayers, increasing economic development in the Kansas City metropolitan area, and reducing total air pollution emissions from the transportation and electric power sectors as end use customers charge their vehicles with electricity generated from cleaner energy sources. According to a publicly-available tool from the Department of Energy's Alternative Fuel Data Center, total annual carbon dioxide emissions from an electric vehicle (EV) charged in the Kansas City Metropolitan Area are lower compared to both a conventional gasoline-powered vehicle and a plug-in hybrid

electric vehicle (PHEV).<sup>8</sup> However, this tool assumes that the electricity generation profile of the region is more reliant on coal than the generation profile indicated in the Company's 2015 Triennial Integrated Resource Plan Filing (IRP); consequently, both the EV and PHEV would more likely approach the even lower emissions profile of a traditional hybrid electric vehicle based on the lower national average proportion of coal used for electricity generation, as cited by the Alternative Fuel Data Center.<sup>9</sup> As the Company further reduces its coal-based generation based on its Triennial IRP, emissions from EVs and PHEVs will also further decrease.

KCPL anticipates charging stations to be used in the morning hours since they will be located near places of employment.<sup>10</sup> Having electric cars charging on its network during these hours will use KCPL's existing generation resources more efficiently.<sup>11</sup> Additionally, The Clean Charge Network is not covered by the Commission's Promotional Practice rules, since the Company plans to own the individual charging stations and the electricity provided by these charging stations will be paid for by parties other than the Company during the pilot phase of the initiative. For the aforementioned reasons DE recommends that the Commission determine that the Clean Charge Network is a public utility and that it is in the public interest to regulate this offering as such.

*If the CCN is a public utility service, how should the cost of the CCN be recovered?*

To the extent that the CCN is installed, placed in service, and its costs are prudently incurred, the expenses related to its installation should be recovered through

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<sup>8</sup> Ex. 352, DE witness Hyman Rebuttal, p. 36 & 37 ll. 2-1

<sup>9</sup> Id at p. 37, ll. 1-12.

<sup>10</sup> Tr. Vol. 11, p. 569, ll. 16-22.

<sup>11</sup> Id. at p. 571, ll. 7-11.

specific cost-based rates.<sup>12</sup> Expenses related to the Clean Charge Network should be collected from those host sites and/or end use customers to whom service is provided.<sup>13</sup> The Company indicates that Nissan and the host sites with which the Company will partner will pay for the electricity consumed by end use customers at “standard tariff rates” during the Clean Charge Network’s pilot phase.<sup>14</sup> DE recommends that this method of cost recovery be allowed during the pilot phase of the Clean Charge Network. Additionally DE recommends the Commission require that, as a condition of approving the CCN pilot, the Company shall have tariffs approved to address the issue of how the cost of electric service at these charging stations will be recovered at the end of the pilot program, in the context of a rate case, with the resulting tariffs to be in effect in advance of the end of the pilot program.

### **Residential Customer Charge**

#### *At what level should the Commission set KCPL’s residential customer charge?*

DE recommends that the Commission approve the *Nonunanimous Stipulation and Agreement on Certain Issues*, which states that the Residential Customer Charge, for a residential general use customer, should remain at \$9.00, and that the Residential Customer Charges for the other residential customer rate schedules also remain the same as currently charged.<sup>15</sup> This stipulated agreement is consistent with DE’s filed position. The Company’s proposal to increase Residential Customer Charges in this rate case is inconsistent with the energy efficiency goals noted by the Commission in its Report and Order in both the Company’s last rate case and the recent Ameren Missouri rate case, as well as policy goals of

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<sup>12</sup> Ex. 532, DE witness Hyman Rebuttal, pp. 39-40, ll. 21-22 & 1-2.

<sup>13</sup> Id at p. 40, ll. 13-14.

<sup>14</sup> Id at p. 41, ll. 8-10.

<sup>15</sup> *Non-Unanimous Stipulation and Agreement on Certain Issues*, p. 2, filed 6/16/2015.

MEEIA. The Company's proposal also fails to adequately address potential impacts on low-income customers.

In the most recent Ameren Missouri rate case, part of the Commission's reason for not increasing the Customer Charge was that, "...the Commission is not bound to set the customer charges based solely on the details of the cost of service studies. The Commission must also consider the public policy implications of changing the existing customer charges."<sup>16</sup> As was the case with Ameren's request, here too there are strong public policy considerations in favor of not increasing the customer charge. One of these public policy considerations is that a higher fixed Customer Charge effectively lowers the variable energy charge, which decreases the incentive to engage in energy efficiency and lessens customers' control over their bills; however, a lower Customer Charge gives customers a greater incentive to engage in energy efficiency and conservation.<sup>17</sup> This conclusion is made by multiple witnesses in this case. Sierra Club's witness Mr. Woolf concurs that the current customer charge of \$9 provides a greater incentive for engaging in energy efficiency than the much higher customer charge proposed by KCPL.<sup>18</sup> Staff witness Ms. Robin Kliethermes also agrees that an increase in the customer charge would decrease a customer's incentive to invest in energy efficiency.<sup>19</sup> Even KCPL witness Mr. Tim Rush agrees that increasing the customer charge reduces a customer's ability to realize savings from energy efficiency.<sup>20</sup> There is a clear consensus that raising the customer charge will be detrimental to the public

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<sup>16</sup> Missouri Public Service Commission Case No. ER-2014-0258, Report and Order, page 76.

<sup>17</sup> Ex. 352, DE witness Hyman Rebuttal, p. 14, ll. 11-14.

<sup>18</sup> Tr. Vol. 11, p. 428, ll. 10-12.

<sup>19</sup> Tr. Vol. 11, p. 467, ll. 16-21.

<sup>20</sup> Tr. Vol. 11, pp. 374 & 375, ll. 23-1.



policy goal of valuing demand-side investments equal to traditional utility supply-side investments.<sup>21</sup>

It is particularly ironic that KCPL lists increased energy efficiency gains among its customers as one of the reasons for proposing a 178% increase in its Customer Charge since KCPL's Demand-Side Investment Mechanism ("DSIM") provides for the recovery of utility lost revenue related to Missouri Energy Efficiency Investment Act ("MEEIA") programs.<sup>22</sup> As of February 1, 2015, KCPL's MEEIA programs collected \$0.00115 per kWh from Residential customers for the Company, or 32.7% of the total Residential DSIM charge of \$0.00352 per kWh.<sup>23</sup> While a DSIM does not recover lost revenues for energy efficiency gains which are not attributable to a utility's MEEIA programs, it is still difficult to conceive of a reason for increasing the Residential Customer Charge in response to energy efficiency when KCPL's recent Integrated Resource Plan projects an increase in both annual energy consumption and the number of customers in the Company's Residential class from 2015 to 2035.<sup>24</sup>

An increase to the Residential Customer Charge would also have a larger than average impact on low-use customers relative to average or high-use customers. Staff witness Ms. Robin Kliethermes also notes this concern.<sup>25</sup> Company witness Rush acknowledges this problem as well.<sup>26</sup> This disproportionate impact is all the more relevant since there is a correlation between being a low-income customer and being a low-use customer, and most of the counties in KCPL's service territory suffer from poverty rates

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<sup>21</sup> Section 393.1075.3 RSMo.

<sup>22</sup> Ex. 352, DE witness Hyman Rebuttal, p. 21, ll. 1-7.

<sup>23</sup> Ex. 352, DE witness Hyman Rebuttal, p. 21, ll. 7-9; citing, Missouri Public Service Commission, JE-2015-0213, Kansas City Power & Light Company, Schedule of Rates for Electricity, Effective February 1, 2015. Sheet No. 49E.

<sup>24</sup> Ex. 353, DE witness Hyman Surrebuttal, p. 12, ll. 7-13; citing; Missouri Public Service Commission Case No. EO-2015-0254, Volume 3: Load Analysis and Forecasting, page 1.

<sup>25</sup> Tr. Vol. 11, p. 468, ll. 1-7.

<sup>26</sup> Tr. Vol. 11, p. 387, ll. 2-6.

between 15 and 20 percent.<sup>27</sup> While KCPL believes that low-income customers have similar electricity usage levels as the Residential class at large, DE has strong concerns with KCPL's assertion that Low Income Home Energy Assistance Program ("LIHEAP") aid recipients are representative of all low-income households; less than 25% of eligible households receive LIHEAP aid, according to information from a source cited by Company witness Rush.<sup>28</sup> In comparison, data from the U.S. Energy Information Administration's Residential Energy Consumption Survey indicates that the average low-income Midwestern household's electricity consumption was approximately 9% lower than that of the average non-low-income household and that the average LIHEAP aid recipient household's electricity consumption was approximately equal to that of the average non-low-income household.

The Commission determined in the last KCPL rate case that, "...because volumetric charges are more within the customer's control to consume or conserve, the volumetric rate is the more appropriate to increase."<sup>29</sup> Since raising the Residential Customer Charge will decrease the value of energy efficiency, frustrate the policy goals of MEEIA, and have a larger impact on low-use and low-income electric customers, DE recommends that the Commission approve the *Nonunanimous Stipulation and Agreement on Certain Issues*, which will maintain the current Residential Customer Charges.

### **Residential Time of Day, Two-Part Time of Use, & Real Time Pricing Tariffs**

*Should the time of day, two-part time of use, and real time pricing rates be frozen from the addition of future customers or should KCPL file modified time of day, two-part time of use, and real time pricing tariff provisions in its next rate case?*

DE recommends that the Commission approve the *Nonunanimous Stipulation and Agreement on Certain Issues*, which states that "...current residential and other special two

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<sup>27</sup> Ex. 304, OPC witness Dismukes Rebuttal, pp. 7-8, ll. 15-22 & 1-12.

<sup>28</sup> Ex. 352, DE witness Hyman Rebuttal, p. 25, l. 5.

<sup>29</sup> Missouri Public Service Commission Case No. ER-2012-0174, Report and Order, January 9, 2013, page 40.

part time of day or real time pricing tariffs remain available, and the Signatories would request that the Commission order Kansas City Power & Light Company to complete a study regarding these issues within two (2) years in which no party is obligated to support the findings of that study or any proposed tariff design as a result of that study.”<sup>30</sup> This stipulated agreement is consistent with DE’s filed position, which recommends that the Commission reject the Company’s proposal to freeze the availability of its time-differentiated rates from customers not currently using these rates.

KCPL’s rationale for its proposal is that its current time-differentiated rates are under subscribed and that the relevant tariffs need to be redesigned.<sup>31</sup> While DE agrees that these rates need to be reviewed and redesigned so that they complement the goals of MEEIA, freezing these rates without new tariffs ready to take their place and no definite time frame for replacement is a concern. It is possible that the Company’s time-differentiated tariffs will languish without a definitive time frame for review, redesign and proposal. These tariffs are far too integral a part of meeting the goals of MEEIA and providing consumer choices for meeting energy efficiency and total bill savings in general to leave them to an uncertain promise of a future redesign. Consequently, DE recommends that the Commission approve the *Nonunanimous Stipulation and Agreement on Certain Issues* because the stipulated agreement will maintain the availability of the current time-differentiated rates for new customers interested in realizing energy efficiency gains based on detailed energy price signals while simultaneously giving the Company a path to improving the tariffs.

### **Economic Development Rider/Urban Core Development Rider**

*Should the Commission approve DE’s proposal to link MEEIA participation to receipt of EDR and UCD incentives?*

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<sup>30</sup>*Non-Unanimous Stipulation and Agreement on Certain Issues*, pp. 2-3, filed 6/16/2015.

<sup>31</sup> Ex. 134, KCPL witness Rush Direct, p. 59, l. 14; p. 66, ll. 8-9.

DE recommends the Commission approve its proposal to link MEEIA participation to receipt of EDR and UCD incentives. The MEEIA statute states that “[i]t shall be the policy of the state to value demand-side investments equal to traditional investments...In support of this policy the Commission shall ensure that utility financial incentives are aligned with helping customers use energy more efficiently”.<sup>32</sup> Commission rules cite the MEEIA statute and reinforce implementation of the state policy to encourage energy efficiency. Economic development riders create incentives that have not yet been aligned with the state and Commission policy to encourage energy efficiency. DE’s recommendation provides the Commission with the opportunity to establish that alignment. DE has changed its proposal since filing direct testimony in this case to exempt customers who qualify for opt-out under Commission rules 4 CSR 240-20.094(6)(A)(1) and 4 CSR 240-20.094(6)(A)(3).<sup>33</sup> Additionally, if a new customer or an existing customer that have not previously opted-out can document that they are implementing all possible energy efficiency measures and none of the MEEIA Programs offerings are applicable and cost effective, they would still be eligible for an EDR or UCD.<sup>34</sup> DE made this change to its proposal due to concerns raised by other parties in this proceeding. DE believes that this is a modest change as opt-out eligible customers are not the main focus of the EDR and UCD initiatives and that the modified proposal will still allow the Commission to support the policy goals of encouraging energy efficiency, economic development and job growth in the KCPL service territory.

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<sup>32</sup> 393.1075.3 RSMo.

<sup>33</sup> Ex. 355, DE witness Lohraff Surrebuttal, p. 5, ll. 16-23.

<sup>34</sup> Id at p. 6 ll. 1-6.

Prior to DE’s modification in its proposal, Missouri Industrial Energy Consumers (“MIEC”) filed testimony opposed to DE’s proposal. MIEC witness Mr. Brubaker incorrectly asserts that DE’s proposal would, “require participation in a program without any demonstration that energy efficiency measures offered by the utility are applicable to and would be cost-effective”.<sup>35</sup> However, as stated in the DE witness Ms. Lohraff’s direct testimony, “only those measures that are both applicable and have an incremental payback of five years or less would become part of the EDR/UCD. If there are no applicable measures identified, or the identified measures cannot meet the payback criteria, no energy efficiency measures would be required to receive EDR/UCD benefits.”<sup>36</sup> KCPL’s witness Mr. Rush believes requiring EDR and UCD recipients to implement all cost effective energy efficiency measures would be nearly impossible to police. This is simply not the case. The only additional requirement would be for KCPL to determine whether any of the demand-side measures offered under its Business Energy Efficiency Programs were applicable to the customer’s facility and would have a payback period of five years or less.<sup>37</sup>

KCPL’s MEEIA portfolio includes energy efficiency programs applicable to commercial and industrial customers—the same customers targeted for the EDR and UCD. While there is no current prohibition on an EDR or UCD recipient from taking advantage of KCPL’s MEEIA programs, EDR and UCD recipients may not assign the same value as the Commission in ensuring that new or expanded load is achieved efficiently, thus benefiting all customers. DE’s recommendation simply connects existing KCPL energy efficiency programs to existing KCPL efforts to incent economic

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<sup>35</sup> Ex. ???, MIEC witness Brubaker Rebuttal, p. 22, ll. 3-5.

<sup>36</sup> Ex. 354, DE witness Lohraff Direct, p. 6, ll. 10-13.

<sup>37</sup> Ex. 355, DE witness Lohraff Surrebuttal, p. 8, ll. 3-5 & 9-12.

development in its service territory. KCPL's EDR and UCD tariff sheets should be modified to include participation in applicable Business Energy Efficiency Programs as an eligibility requirement for taking service under the special rate. KCPL's EDR and UCD tariffs are voluntary and provide significant rate savings to recipients; therefore, the Commission has the authority to and should require participation in MEEIA as a prerequisite to receiving an EDR or UCD tariff rate.

### **Standby Service**

*Should KCPL be required to establish a working group to review its Standby Service Tariff to ensure that its rates are cost-based and reflect best practices?*

DE recommends that the Commission approve the *Nonunanimous Stipulation and Agreement on Certain Issues*, which states that “a working group should be formed to review KCPL's Standby Service Tariff for the purposes of 1) ensuring that the design of standby rates and the terms and conditions of service are consistent with best practices and 2) to develop recommendations on cost-based rate levels. Signatories request that the Commission order KCPL to file a new Standby Service Tariff in its next general rate case.” Properly designed standby rates can allow customers to deploy distributed generation including Combined Heat and Power (“CHP”) technology that can produce 60 percent to 80 percent higher efficiency levels than traditional units.<sup>38</sup> Additionally, parties have agreed to review stand-by rates in the most recent Ameren Missouri and Empire District Electric Company rate cases. Concurrent review of standby rates may result in a better end product and consistency of rate design. KCPL is opposed to this proposal because KCPL believes that a working group to review KCPL's Standby Service Tariff would be duplicative with the current MEEIA cycle review process. DE disagrees.

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<sup>38</sup> Ex. 354, DE witness Lohraff Direct, p. 13, ll. 5-7.

Reviewing standby rates in the context of a general rate proceeding allows for consideration of all relevant factors, not just those related to the MEEIA statute, and ensures that tariffs are cost-based and reflect current best practices.

On site generation offers customers, including manufacturers, hospitals and universities, some level of energy independence and enables business decisions to be made that can lower energy costs by reducing or shifting load served by the utility.<sup>39</sup> Up-front investments in CHP technologies can range from about \$1,200 /kWe installed cost for a 40 MW gas turbine to \$4,300/kWe installed cost for a .03 MW microturbine unit.<sup>40</sup> Poorly constructed standby rates can function as a direct deterrent to the implementation of CHP projects.<sup>41</sup> On the other hand, cost-based stand-by rates allow the customer to take and pay for service according to the customer's need and provide clear price signals allowing the customer to minimize operating costs when possible.<sup>42</sup> The design and structure of standby rates have a direct effect on a customer's ability to deploy CHP or other distributed generation. It's in Missouri's best interest for utility regulations to reflect the best available information on cost based standby service rates, to increase consumer choice of their electricity needs and respond to potential economic development opportunities.<sup>43</sup>

DE recommends that the Commission require KCPL to establish a working group to review its Standby Service Tariff to ensure that its rates are cost-based and reflect best

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<sup>39</sup> Ex. 354, DE witness Lohraff Direct, p. 13, ll. 11-13.

<sup>40</sup> Id. at ll. 17-19; citing, Schedule JEL-3. U.S. Environmental Protection Agency (2015) Catalog of CHP Technologies. p 1-6 [http://www.epa.gov/chp/documents/catalog\\_chptech\\_full.pdf](http://www.epa.gov/chp/documents/catalog_chptech_full.pdf)

<sup>41</sup> Id. at p. 14, ll. 3-4.

<sup>42</sup> Id. at ll. 10-12.

<sup>43</sup> Id. at p. 15, ll. 1-4.

practices and to develop recommendations on cost-based rate levels to be filed in its next general rate case.

### **Low-income Weatherization**

*Should the low-income weatherization program costs be collected in base rates on a going forward basis, or should it be collected as part of KCPL's MEEIA recovery mechanism?*

DE recommends that KCPL's low-income weatherization program costs be collected in base rates at the conclusion of the Company's current MEEIA cycle in December 2015. Having program costs included in KCPL's base rates assures ongoing funding on an annual basis regardless of whether KCPL has a Commission approved MEEIA portfolio. KCPL however prefers costs associated with low-income weatherization be recovered through its MEEIA recovery mechanism and erroneously asserts that Staff does too.<sup>44</sup> Rather Staff is indifferent on whether these costs are recovered through MEEIA or base rates.<sup>45</sup> Additionally, OPC supports DE's recommendation to collect low-income weatherization costs through base rates.<sup>46</sup>

KCPL also states that DE's recommendation does not provide any value.<sup>47</sup> This could not be further from the truth. Low-income weatherization programs provide value above and beyond just energy efficiency. Weatherization provides a cost effective means to help low-income individuals and families pay their energy bills year after year for the life of the weatherization product, ratepayers benefit from reduced collection costs and through the greater sharing of fixed system costs across more customers. Taxpayers benefit from low-income weatherization because it

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<sup>44</sup> Ex. 135, KCPL witness Rush Rebuttal, p. 42, ll. 12-14.

<sup>45</sup> Tr. Vol. 20, p. 1948, ll. 2-4.

<sup>46</sup> Ex. 351, DE witness Buchanan Surrebuttal, p. 3, ll. 15-17.

<sup>47</sup> Ex. 135, KCPL witness Rush Rebuttal, p. 42, ll. 12-14.



reduces the amount of state and federal assistance needed to pay higher utility bills, and utility providers benefit from weatherization programs through reductions in working capital expense, uncollectible accounts as well as credit and collection expenses. Low-income weatherization programs also represent job training for a number of community action agencies. These agencies need the assurance that they are going to have those jobs moving forward.<sup>48</sup> Having low-income weatherization programs funded through base rates provides that assurance. Notably, the Commission addressed the issue of low-income weatherization expense recovery in its Report and Order in the Empire District rate case where it stated, “[g]oing forward, the low-income weatherization program is not a demand side measure or program for purposes of MEEIA, subsection 7 and 19. Costs for this program are built into and will be recovered through the agreed-upon revenue requirements.” This language illustrates that low-income weatherization programs provide additional value to that provided by demand side measures offered under MEEIA, and therefore, should be protected from MEEIA’s volatility.

KCPL’s first MEEIA cycle ends in December 2015. While KCPL states that it intends to continue MEEIA, there is no requirement that it do so. Additionally, any MEEIA portfolio must also first be approved by the Commission. When considering recent MEEIA cases the possibility of KCPL not having a MEEIA in place by the end of December becomes all the starker. Empire District Electric’s MEEIA application has been suspended due to unresolved issues with its application. Also, as of the date of this filing Ameren Missouri’s MEEIA cycle two application has not been approved and has been opposed by both Staff and OPC. DE hopes that KCPL will submit a

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<sup>48</sup> Tr. Vol. 20, p. 1973, ll. 5-10.

second cycle of MEEIA programs which the Commission will find acceptable; however, low-income weatherization is far too important of a program to be subject to the volatility of MEEIA.

DE recommends the Commission require KCPL to recover low-income weatherization program costs through base rates at the conclusion of KCPL's current MEEIA cycle. Additionally, KCPL should be allowed to recover any outstanding program costs, throughput disincentive and incentive components for the period that the program was under MEEIA through its DSIM; and, authorize KCPL to recover customer contributions to annual low-income weatherization service program expenses in base rates, consistently and in keeping with the Commission's funding approval for weatherization services provided by all other Missouri regulated investor-owned electric and natural gas utilities, with the exception of KCPL and GMO.

WHEREFORE, the Missouri Division of Energy respectfully files its *Initial Post-Hearing Brief*.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 22nd day of July, 2015.

*/s/ Alexander Antal* \_\_\_\_\_

Alexander Antal