

KCP&L-240

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Issues: Demand-Side Programs
Witness: John A. Rogers
Sponsoring Party: MO PSC Staff
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KANSAS CITY POWER & LIGHT COMPANY

FILE NO. ER-2010-0355

Jefferson City, Missouri

January 2011

Staff Exhibit No. KCP&L-240
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SURREBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KANSAS CITY POWER & LIGHT COMPANY

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, 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, and that filed rebuttal testimony in this case on December 8, 2010?

A. Yes, I am.

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

A. I address certain rebuttal testimony of Kansas City Power & Light Company's (KCPL) witness, Tim M. Rush, related to KCPL's position that an "appropriate" cost recovery mechanism under the Missouri Energy Efficiency Investment Act (MEEIA) must be in place for KCPL prior to its continuation of current demand-side management (DSM) programs and implementation of planned DSM programs.

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1 | Missouri Energy Efficiency Investment Act

2 | Q. Do you believe KCPL is committed to continuing its current DSM programs
3 | and implementing its planned DSM programs prior to receiving a demand-side investment
4 | mechanism (to recover program costs and to receive the opportunity to earn a performance
5 | incentive) through the soon-to-be effective MEEIA rules?

6 | A. No.

7 | Q. Why not?

8 | A. I state the rationale in my direct testimony in Staff's COS Report from page
9 | 127, line 20 through page 128, line 6:

10 | However, the Company formally advised the Commission on
11 | February 3, 2010 (File No. EE-2008-0034) that it has determined
12 | that "it is appropriate to scale back its demand-side programs in the
13 | earlier years of its adopted preferred resource plan due to a
14 | reduction in the Company's load forecast, primarily attributable to
15 | the unprecedented economic recession that has affected both
16 | customer growth and energy and demand growth in the Company's
17 | service territory." This "scale back" applies only to the new
18 | demand-side programs that were chosen as resources in the
19 | Company's most recent Chapter 22 Electric Utility Resource
20 | Planning compliance filing, but does not impact the current energy
21 | efficiency and demand response programs established in the
22 | Regulatory Plan. It is Staff's understanding that KCPL is not
23 | accepting new applications for its large customer MPower
24 | demand-response program.

25 | Q. In his rebuttal testimony, does Mr. Rush indicate that an "appropriate" cost
26 | recovery mechanism under MEEIA must be in place for KCPL prior to its continuation of
27 | current DSM programs and implementation of new planned DSM programs?

28 | A. Yes. Mr. Rush's rebuttal testimony includes the following:

29 | 1. At page 8, lines 1 through 10:

30 | Q. What is your position regarding MDNR's request to the
31 | Commission to require KCP&L continue their demand side
32 | management ("DSM") programs at the conclusion of the CEP?

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1 A.My primary concern regarding MDNR's proposal to
2 "require" the Company to implement DSM programs after the CEP
3 conclusion is that it does not address cost recovery mechanism. *It*
4 *is the Company's position that an appropriate cost recovery*
5 *mechanism must be in place to pursue the DSM programs.*
6 (emphasis added)

7 2. At page 8, line 17 through page 9, line 5:

8 Q. Why were DSM program tariffs structured this way?

9 A.As such, with uncertainty around: a.) the success of the
10 programs, b.) evolving technology, c.) energy policy overall and
11 d.) future cost recovery, it made sense to limit the life of the
12 programs in order *to revisit and determine the future direction of*
13 *DSM.* This is being addressed by this Commission in a number of
14 ways. First, the Commission has a number of rulemakings that
15 specifically address DSM, including the rulemaking on Integrated
16 Resource Planning and the rulemaking on the MEEIA. (emphasis
17 added)

18 Q. Has KCPL stated what it believes an appropriate cost mechanism would be?

19 A. Mr. Rush, in his rebuttal testimony stated on page 5, lines 20 through 23:

20 I would recommend that until the rulemaking process is completed,
21 that KCP&L's revenue recovery mechanism be consistent with the
22 recent Order approving the Stipulation and Agreement in the
23 AmerenUE rate case (ER-2010-0036).

24 When asked in Data Request No. 364 in Case No. ER-2010-0356 if this proposed cost
25 recovery mechanism was an appropriate cost recovery mechanism to pursue DSM programs,
26 Mr. Rush responded that it was not the appropriate cost mechanism. However, in that same
27 data request, Mr. Rush was asked to provide an explanation of what GMO believes the
28 appropriate mechanism would be and why GMO did not propose that mechanism. The
29 following response was received from KCPL on the day of the filing of this testimony:

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1 Answer: No. The appropriate mechanism is contained in the
2 comments filed by the Company and other Missouri utilities in the
3 rulemaking procedure for the MEEIA and consistent with the
4 Legislation. As previously commented by GMO, the appropriate
5 mechanism would include contemporaneous recovery of program
6 costs, and a deferral of all lost revenues, including carrying costs, to be
7 recovered at the beginning of the third year plus an incentive based on
8 program successes as evaluated through EM&V. This has previously
9 been provided to Staff and other parties in the context of the GMO IRP
10 discussions.

11 Q. Does this answer provide an explanation of an appropriate mechanism?

12 A. No.

13 Q. Why not?

14 A. The answer does not describe a mechanism and does not describe how the
15 mechanism would work. The answer only lists the components that KCPL believes would be
16 included in an appropriate mechanism.

17 Q. Does the MEEIA rulemaking specify the appropriate cost recovery
18 mechanism?

19 A. No, it does not. It only specifies the general parameters of the cost recovery
20 mechanisms that the utilities may request. Each utility will have to request what it believes
21 the appropriate cost recovery mechanism will be for it.

22 Q. Has KCPL filed an appropriate mechanism in this case?

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1 A. No. In his direct testimony, Mr. Rush states on page 24, lines 21 through 22:
2 "It is our hope that the rule will become effective prior to the conclusion of the case and will
3 be implemented as part of this case." In his rebuttal testimony, Mr. Rush states on page 5,
4 lines 8 through 10: "The timing of the rule will most likely coincide with the effective date of
5 rates from this case, but implementing a recovery mechanism consistent with the rule does not
6 seem feasible in this case."

7 Q. Could KCPL propose a different method of recovery regardless of whether
8 rules from the Commission's MEEIA rulemaking are in place?

9 A. Yes. The language of MEEIA allows KCPL to propose a different method of
10 recovery regardless of whether specific Commission rules are in place. However, KCPL
11 chose not to do so in this case at direct filing.

12 Q. Has the State of Missouri determined the future direction of DSM for Missouri
13 and is KCPL presently required by MEEIA to have a goal of achieving all cost-effective
14 demand-side savings?

15 A. The answer to both questions is: yes. I stated Staff's positions for these issues
16 in my rebuttal testimony on page 4, lines 3 through 35:

17 Q. Why do you believe KCPL is required by law to comply
18 with MEEIA regardless of when MEEIA rules are effective?

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

22 3. It shall be the policy of the state to value demand-side
23 investments equal to traditional investments in supply and
24 delivery infrastructure and allow recovery of all reasonable
25 and prudent cost of delivering cost-effective demand-side
26 programs. ...

27 4. The Commission shall permit electric corporations to
28 implement Commission-approved demand-side programs
29 proposed pursuant to MEEIA with a goal of achieving all cost-
30 effective demand-side savings. ...

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

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

10 Q. Does this conclude your surrebuttal testimony at this time?

11 A. Yes, it does.