

Exhibit No.:  
Issues: Demand-Side Programs  
Witness: Brad J. Fortson  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Direct Testimony  
Case Nos.: EO-2015-0240 and  
EO-2015-0241  
Date Testimony Prepared: December 11, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**BRAD J. FORTSON**

**DIRECT TESTIMONY**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. EO-2015-0240**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**CASE NO. EO-2015-0241**

*Jefferson City, Missouri  
December 2015*

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

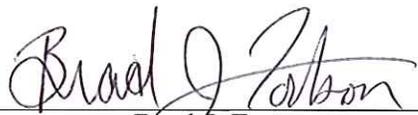
In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish a Demand-Side Programs Investment Mechanism )  
)  
) Case No. EO-2015-0240  
)  
)

**AFFIDAVIT OF BRAD J. FORTSON**

STATE OF MISSOURI )  
) ss  
COUNTY OF COLE )

**COMES NOW**, Brad J. Fortson and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Direct Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
Brad J. Fortson

Subscribed and sworn to before me this 9<sup>th</sup> day of December, 2015.

SUSAN L. SUNDERMEYER  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Callaway County  
My Commission Expires: October 28, 2018  
Commission Number: 14942086

  
\_\_\_\_\_  
Notary Public

1 **BRAD J. FORTSON**

2 **DIRECT TESTIMONY**

3 **KANSAS CITY POWER & LIGHT COMPANY**

4 **CASE NO. EO-2015-0240**

5 **KCP&L GREATER MISSOURI OPERATIONS COMPANY**

6 **CASE NO. EO-2015-0241**

7 Q. Please state your name and business address.

8 A. My name is Brad J. Fortson, and my business address is Missouri Public  
9 Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

10 Q. What is your present position at the Missouri Public Service Commission  
11 (“Commission”)?

12 A. I am a Regulatory Economist III in the Energy Resources Department of the  
13 Commission Staff Division.

14 Q. Please state your educational background and experience.

15 A. This is contained in Schedule BJJ-D-1.

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

17 A. I will provide support for the following provision within the Non-Unanimous  
18 Stipulation and Agreement (“Stipulation”) filed on November 23, 2015, in Case Nos.  
19 EO-2015-0240 and EO-2015-0241:

- 20
- 21 • Commission approval of Business Energy Efficiency Rebate – Custom (“Custom”)  
22 program incentive levels for Kansas City Power & Light Company (“KCP&L”)  
23 and KCP&L Greater Missouri Operations Company (“GMO”) (collectively  
24 “Company”).
- 25

1 Q. Are the Custom program incentive levels discussed explicitly in the  
2 Stipulation?

3 A. No. They are not explicitly discussed in the Stipulation, but they are included  
4 in Stipulation Appendix C<sup>1</sup> (page 3 of 3 under “C&I Custom”). The mid incentive level is  
5 also the incentive level in KCP&L – Missouri’s MEEIA<sup>2</sup> Cycle 2 filing and in GMO’s  
6 MEEIA Cycle 2 filing (collectively “MEEIA Cycle 2 Applications”) in Case Nos.  
7 EO-2015-0240 and EO-2015-0241, respectively, filed on August 28, 2015.

8 Q. What are the Custom program incentive levels recommended by the Company  
9 in the MEEIA Cycle 2 Applications?

10 A. \$0.10 per first-year kWh of deemed annual energy saving for all Custom  
11 program measures, up to 50% of the project cost.

12 Q. Does this Custom program incentive level differ from MEEIA Cycle 1 Custom  
13 program incentive levels?

14 A. Yes. In KCP&L’s and GMO’s MEEIA Cycle 1 Custom programs, the  
15 maximum amount of each incentive was calculated as the lesser of the buy down to a two-  
16 year payback or 50% of the incremental cost of the higher efficiency equipment, system, or  
17 energy saving measure.

18 Q. Why is Staff in support of the Company moving to a flat \$0.10/kWh incentive?

19 A. First, the Custom program, like most of the other programs proposed by the  
20 Company, was developed as part of the most recent<sup>3</sup> potential study performed by Navigant  
21 Consulting, Inc. (“Navigant”) on behalf of the Company. When the utility files for approval

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<sup>1</sup> The table in Appendix C presents three incentive options: low, mid, and high. The mid incentive is the incentive planned for the 2016-2018 period.

<sup>2</sup> Missouri Energy Efficiency Investment Act.

<sup>3</sup> August, 2013.

1 of demand-side programs, it is required to file or provide a current market potential study.<sup>4</sup> In  
2 the most recent potential study, Navigant developed the Custom program offering incentives,  
3 paid on a fixed kWh basis, based on the project's first year energy savings.<sup>5</sup> Navigant  
4 explains in great detail its methodology when setting the incentive levels.<sup>6</sup> Second, along  
5 with the existing demand-side management ("DSM") programs, the most recent potential  
6 study was used as the starting point for the scenarios evaluated by Applied Energy Group  
7 ("AEG") in the demand-side resource analysis section of the Company's most recent  
8 Integrated Resource Plans<sup>7</sup> ("IRP"). The IRP is a 20-year plan<sup>8</sup> that considers demand-side  
9 resources, renewable energy, and supply-side resources on an equivalent basis. AEG used the  
10 same methodology that Navigant used in the potential study and modeled the Custom  
11 program as offering incentives on a fixed kWh<sup>9</sup> basis. Furthermore, the MEEIA Cycle 2  
12 Applications rely heavily on both the most recent potential study and IRPs for program design  
13 purposes. Therefore the Company understandably relied on the studies supplied by its  
14 consultants and proposed incentives on a fixed kWh basis (\$0.10/kWh incentive level) in its  
15 MEEIA Cycle 2 Applications.

16 Q. Will the change from a two-year payback buy down to a flat \$0.10/kWh  
17 incentive in the Custom programs hinder achievement of the MEEIA goal of achieving all  
18 cost-effective demand-side savings in a way that is beneficial to all customers in the customer

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<sup>4</sup> 4 CSR 240-3.164(2)(A).

<sup>5</sup> Demand-Side Resource Potential Study Report, Prepared for the Companies, August 2013, pg. 67.

<sup>6</sup> Demand-Side Resource Potential Study Report, Prepared for the Companies, August 2013, pg. 40-46.

<sup>7</sup> File Nos. EO-2015-0254 and EO-2015-0252 for KCPL and GMO, respectively, submitted on April 1, 2015.

<sup>8</sup> The most recent IRP is for the 20-year period from 2016 through 2034.

<sup>9</sup> \$0.07 per first-year kWh saved for lighting incentives and \$0.10 per first-year kWh saved for non-lighting incentives.

1 class in which the programs are proposed, regardless of whether the programs are used by all  
2 customers?

3 A. Absolutely not. As illustrated in the direct testimony of Staff witness  
4 John A. Rogers, the individual MEEIA Cycle 2 programs, as well as the MEEIA Cycle 2  
5 portfolios, are not only cost-effective<sup>10</sup>, but provide benefits to all customers, even to  
6 customers who do not participate directly in programs.

7 Q. Has the Company given any additional support for changing the incentive level  
8 in the Custom program?

9 A. In response to Staff Data Request No. 0015 in Case No. EO-2015-0241 and  
10 Staff Data Request No. 0016 in Case No. EO-2015-0240, the Company not only lists a  
11 number of Midwestern utilities that utilize similar incentive structures for their commercial  
12 and industrial custom rebate programs, but also provides great detail as to the appropriateness  
13 of adopting the flat \$/kWh incentive level. These Data Requests are contained in Schedules  
14 BJF-D-2 and BJF-D-3, respectively.

15 Q. Does this conclude your Direct Testimony?

16 A. Yes.

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<sup>10</sup> Demand-side programs targeted to low-income customers or general education campaigns do not have to have a total resource cost (“TRC”) test ratio greater than one (1).

**Brad J. Fortson**

**Education and Employment Background**

I am a Regulatory Economist in the Energy Resources Department, Commission Staff Division of the Missouri Public Service Commission. I have been employed at the Missouri Public Service Commission as a Regulatory Economist from December 2012 through March 2015 and August 2015 through current.

I received an Associate of Applied Science degree in Computer Science in May 2003, Bachelor of Science degree in Business Administration in May 2009, and Master of Business Administration degree with an emphasis in Management in May 2012, all from Lincoln University, Jefferson City, Missouri.

Prior to first joining the Commission, I worked in various accounting positions within four state agencies of the State of Missouri. I was employed as an Account Clerk II for the Inmate Finance Section of the Missouri Department of Corrections; as an Account Clerk II for the Accounts Payable Section of the Missouri Department of Health and Senior Services; as a Contributions Specialist for the Employer Accounts Section of the Missouri Department of Labor and Industrial Relations; and as an Accountant I for the Payroll Section of the Missouri Office of Administration. From April 1 through July 31, 2015, I worked for the Missouri Office of Public Counsel before joining the Commission once again.

**Brad J. Fortson**

**Case Participation History**

| <b>Case Number</b> | <b>Company</b>                               | <b>Issue</b>                     | <b>Exhibit</b>         |
|--------------------|--|----------------------------------|------------------------|
| HT-2013-0456       | KCP&L Greater Missouri Operations Company    | Quarterly Cost Adjustment        | Staff Memorandum       |
| HR-2014-0066       | Veolia Energy Kansas City                    | Revenue by Class and Rate Design | Staff Report           |
| HR-2014-0066       | Veolia Energy Kansas City                    | Staff Recommendation             | Staff Memorandum       |
| GR-2014-0086       | Summit Natural Gas of Missouri, Inc.         | Large Volume Service Revenue     | Staff Report           |
| HT-2014-0286       | KCP&L Greater Missouri Operations Company    | Quarterly Cost Adjustment        | Staff Memorandum       |
| ER-2015-0132       | Union Electric Company d/b/a Ameren Missouri | Staff Recommendation             | Staff Memorandum       |
| ER-2014-0258       | Union Electric Company d/b/a Ameren Missouri | Revenue by Class and Rate Design | Staff Report           |
| ER-2014-0258       | Union Electric Company d/b/a Ameren Missouri | Revenue by Class and Rate Design | Rebuttal & Surrebuttal |
| ER-2014-0351       | The Empire District Electric Company         | Revenue by Class and Rate Design | Staff Report           |
| ER-2014-0351       | The Empire District Electric Company         | Revenue by Class and Rate Design | Rebuttal               |

KCPL GMO  
Case Name: GMO MEEIA DSIM  
Case Number: EO-2015-0241

Response to Berlin Bob Interrogatories - MPSC\_20150918  
Date of Response: 09/25/2015

Question:0015

**Issue:** MEEIA - DSM - Program Design

**Description:** For the Business Energy Efficiency Rebates – Custom Program, why is moving to a flat \$/kWh incentive rate appropriate when different measures can and will produce different kWh savings? \* DR requested by Brad Fortson ([brad.fortson@psc.mo.gov](mailto:brad.fortson@psc.mo.gov))

Response:

In MEEIA Cycle 1, rebates in the custom program are structured to provide a two-year payback up to a maximum amount of 50% of the project cost. The Company proposes a change in the incentive structure so that Custom Program rebates are paid according to kWh saved. Rebates tied to the amount of energy saved would simplify messaging to customers and trade allies, provide more equitability across projects, and better align the Custom incentive structure with similar Midwestern utilities (see table below).

| Utility                             | Custom Rebate  | Custom Rebate Limits  |
|-------------------------------------|--|---|
| Ameren Missouri and Ameren Illinois | \$0.06 / kWh (lighting), \$0.07 / kWh (non-lighting) | 50% of project cost (early replacement) or 100% of incremental cost (end of life replacement)<br>\$1,000,000 per year |
| ComEd                               | \$0.07 / kWh   | 100% of incremental cost<br>\$2,000,000 per year  |
| Indianapolis Power and Light        | \$0.07 / kWh   | 50% of incremental costs<br>30% of project costs<br>\$100,000 per project   |
| Entergy Arkansas                    | \$0.15 / kWh (increased for multiple projects)       | 75% of incremental cost   |
| Kentucky Power                      | \$0.08 / kWh   | 50% of incremental cost<br>\$20,000 per year  |
| Vectren Energy Indiana              | \$0.12 / kWh   | 50% of project cost<br>\$100,000 (electric)   |

Moving to a flat \$/kWh rate is the best solution to properly manage program costs to budget while ensuring program participants are equitably incented based on the level of energy savings rather than incentives being determined based on project payback and total project costs. Moving to a flat \$/kWh approach will also drive more comprehensive projects as the level of incentive is tied directly to energy efficiency.

Aside from simplifying marketing strategy, computing rebates directly from energy savings also ensures that projects are compensated in an equitable manner. GMO would pay for energy savings regardless of the type of project undertaken to get those savings. Not only is this fair to participants, it would allow for better planning of incentive budgets required to

reach targeted savings. To ensure that participants pay their fair share, rebates would still be limited to a specified percentage of the project costs.

Information provided by Kevin Brannan

Attachment:

Q0015\_Verification.pdf

KCPL MO  
Case Name: 2015 KCPL MEEIA DSIM  
Case Number: EO-2015-0240

Response to Berlin Bob Interrogatories - MPSC\_20150918  
Date of Response: 09/25/2015

Question:0016

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Aside from simplifying marketing strategy, computing rebates directly from energy savings also ensures that projects are compensated in an equitable manner. KCP&L would pay for energy savings regardless of the type of project undertaken to get those savings. Not only is this fair to participants, it would allow for better planning of incentive budgets required to

reach targeted savings. To ensure that participants pay their fair share, rebates would still be limited to a specified percentage of the project costs.

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