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Issue: Renewable Energy Standard and Missouri  
Energy Efficiency Investment Act of 2009; Fuel  
Adjustment Clause; Rate Design; Fuel Switching  
Witness: Tim M. Rush  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: KCP&L Greater Missouri Operations Company  
Case No.: ER-2010-0356  
Date Testimony Prepared: January 12, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2010-0356**

**SURREBUTTAL TESTIMONY**

**OF**

**TIM M. RUSH**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
January 2011**

KCP&L Exhibit No. GMO 35  
Date 2/3/11 Reporter LMB  
File No. ER-2010-0356

**SURREBUTTAL TESTIMONY**

**OF**

**TIM M. RUSH**

**Case No. ER-2010-0356**

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.

10 **I. Fuel Adjustment Clause ("FAC")** - I will address the rebuttal testimony of Missouri  
11 Public Service Commission Staff ("Staff") witness John A. Rogers and the Office of the  
12 Public Counsel witness Ryan Kind testimonies.

13 **II. Missouri Energy Efficiency Investment Act of 2009 ("MEEIA")** - I will also  
14 address Mr. Rogers' recommendations found on page 2 of his surrebuttal testimony  
15 which recommends,

16 "a) filing with the Commission written documentation for each (current and  
17 planned) DSM program included in its last adopted preferred resource plan  
18 explaining how it plans to meet the MEEIA goal of achieving all cost-effective  
19 demand-side savings when it is curtailing its current programs and not adding the

1 new programs in its adopted preferred resource plan, or b) continuing to fund and  
2 promote, or implement, the DSM programs in its last adopted preferred resource”

3 **III. Rate Design** - I will address the testimonies of Staff witness Michael S. Scheperle,  
4 Ford, MEUA, MIEC, and Praxair witness Maurice Brubaker, and City of Lee’s Summit,  
5 Missouri witness Michael K. Park regarding rate design.

6 **IV. Fuel Switching Program** - I support Mr. Rogers’ position that the Commission  
7 should reject Missouri Gas Energy witness John J. Reed’s proposal to require KCP&L to  
8 implement a fuel switching program.

9 **V. Renewable Energy Standard (“RES”)** - I will address the rebuttal testimony of  
10 Michael E. Taylor of the Staff regarding the RES.

11 **I. FUEL ADJUSTMENT CLAUSE**

12 **John Rogers Rebuttal**

13 **Q: Would you summarize Mr. Rogers’ rebuttal on this matter?**

14 **A:** Mr. Rogers addresses three issues concerning the Fuel Adjustment Clause (FAC). He  
15 recommends that GMO’s proposed transmission expenses not be included in the FAC as  
16 they are not consistent with his interpretation of Commission Rule 4 CSR 240-  
17 20.090(1)(B); he recommends that GMO be compelled to re-base the FAC as part of this  
18 rate case, and he recommends the FAC recovery mechanism be changed from 95%/5% to  
19 75%/25%.

20 **Q: First, do you agree with Mr. Rogers’ interpretation of the Commission Rule?**

21 **A:** No. I believe the proposed transmission costs are transportation costs and are consistent  
22 with the rule.

1 **Q: Concerning the re-basing of FAC costs, do you agree with Mr. Rogers'**  
2 **recommendation?**

3 A: No. As stated in my rebuttal the Company elected to maintain the current base amount  
4 for both MPS and L&P. By electing to forgo increasing the FAC to reflect a re-base of  
5 the FAC, the Company essentially is agreeing to forgo the 5% increase above the base  
6 energy costs in fuel and purchased power expenses, net of off-system sales that could be  
7 included in the request if it had elected to re-base in the initial filing. In his rebuttal Mr.  
8 Rogers contends that re-basing is "critical" to the FAC (page 8, line 6), however in the  
9 last KCP&L case, it was agreed among the parties not to rebase. I do not find in the  
10 Commission rules any requirement to re-base the FAC as suggested by Mr. Rogers.

11 **Q: Do you have any comments concerning Mr. Rogers' recommendation to change the**  
12 **incentive sharing mechanism?**

13 A: Yes. I continue to stand behind my rebuttal testimony concerning this issue. The  
14 Company has been proven prudent in its application of the FAC, implementing the  
15 change will harm the Company, there are other methods to achieve the goals cited by  
16 Staff, and finally the mechanism is being inconsistently applied within the state.  
17 However, I noted one new concern in Mr. Rogers' rebuttal that I must add to my position.  
18 On page 10, line 18 Mr. Rogers states:

19 **Q: Should the Commission still re-base the Base Energy Costs if the**  
20 **Commission changes GMO's incentive sharing mechanism to the 75%/25%**  
21 **sharing mechanism Staff recommends?**

22 A: Yes. Re-basing is integral to Staff's recommendation and not dependent of  
23 Staff's proposed change of GMO's incentive sharing mechanism to 75%/25%. In  
24 fact, Staff's proposed change to GMO's incentive sharing mechanism is due, in  
25 part, to GMO's having chosen not to propose that the Base Energy Cost be re-  
26 based in this case. (emphasis added)

1 Having read this response, I am now concerned that the true purpose behind  
2 recommending the incentive mechanism change is to discipline the Company for its  
3 position. Taking this further, it would seem the mechanism change is not a fundamental  
4 element of a "good FAC mechanism" contemplated in advance, but a punitive measure  
5 developed late in the case in reaction to a position unsupported by the Staff.

6 **Ryan Kind Rebuttal**

7 **Q: Would you summarize Mr. Kind's rebuttal on this matter?**

8 A: Mr. Kind is supporting the Staff's position that the FAC mechanism should be modified  
9 to incorporate the 75%/25% recovery method. Additionally, Mr. Kind believes that the  
10 FAC should incorporate a mechanism to allow the Company to pass through revenues  
11 from the sale of RECs.

12 **Q: You have filed rebuttal testimony on the Staff's position regarding the FAC and**  
13 **Staff's recommendation to change the percent recovery of costs above the base.**  
14 **Does the same rebuttal testimony that you previously filed apply to the filing by Mr.**  
15 **Kind regarding his support of the Staff's position?**

16 A: Yes. Each and every point would apply. I filed rebuttal testimony on the Staff's proposal  
17 for re-basing and the recovery mechanism in both the Revenue Requirements and Rate  
18 Design filings. It appears that OPC has gotten on the bandwagon with Staff in an attempt  
19 to somehow discipline the Company in the appearance of "incenting the Company". The  
20 following is taken from my Rate Design rebuttal testimony addressing Mr. Rogers'  
21 recommendation and I can apply the same statement to Mr. Kind by substituting "OPC"  
22 for "Staff":

23 Staff's proposal goes in the opposite direction to economic logic and the real-  
24 world examples of the applications of incentive provisions. Staff takes one utility

1 cost element that is least under the control of utilities, most volatile, and most  
2 critical to providing reliable service and simply asks the utility to absorb 25% of  
3 all costs above the base levels. Yet there is absolutely no evidence in theory,  
4 literature, or utility practice that indicates that this level of automatic disallowance  
5 is necessary to provide the utility stronger incentives to do what little it can to  
6 reduce fuel costs than it already has through its 5% automatic disallowance, the  
7 Commission's continuous and unquestioned prudence oversight, and the high  
8 visibility into fuel costs versus transparent market benchmarks. In short, the Staff  
9 is not gaining any greater Company efforts at cost saving through this  
10 disallowance, it is only disallowing expenses it has already decided are prudent.

11 **Q: Mr. Kind also is recommending the addition of a provision in the FAC to pass**  
12 **through revenues from the sale of REC's. Do you have a response to his**  
13 **recommendation?**

14 **A:** The Company did not recommend a pass through provision for REC's in its filing.  
15 Because of the current renewable legislation, it would not be prudent to establish a pass  
16 through mechanism in the FAC unless it became apparent that the Company would  
17 regularly have additional credits available for sale.

18 **II. MISSOURI ENERGY EFFICICENCY INVESTMENT ACT OF 2009**

19 **John A. Rogers Surrebuttal**

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

22 **A:** Yes, I do.

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

25 **A:** Not as of yet.

26 **Q: Do you agree with Mr. Rogers' recommendation that the Commission should direct**  
27 **GMO to file a) filing with the Commission written documentation for each (current**  
28 **and planned) DSM program included in its last adopted preferred resource plan**

1 explaining how it plans to meet the MEEIA goal of achieving all cost-effective  
2 demand-side savings when it is curtailing its current programs and not adding the  
3 new programs in its adopted preferred resource plan, or b) continuing to fund and  
4 promote, or implement, the DSM programs in its last adopted preferred resource  
5 plan;

6 A: No, I do not. The Company believes that it is in compliance with the current legislation,  
7 as well as the Integrated Resource Plan (IRP) rule regarding DSM. The Company is  
8 active with many parties, including the Staff in addressing the Company's IRP, as well as  
9 the KCP&L Greater Missouri Operations Company Advisory Group ("Advisory Group")  
10 in addressing planning and status of all DSM programs and any changes, additions or  
11 deletions of programs. The Company's last IRP was filed August 5, 2009 in Case No.  
12 EE-2009-0237. The Company has met with Stakeholders consisting of Staff, OPC,  
13 MDNR, and Dogwood Energy many times since that filing. An examination of the Case  
14 Documents shows the Company has made three Supplemental filings documenting the  
15 April, May, and June Stakeholders meetings. Throughout this process the Company has  
16 supplied the Stakeholders with any information they requested. Per the Stipulation and  
17 Agreement approved by the Commission in this case, the Company is preparing yet  
18 another filing, a revised integrated analysis, using scenarios requested by the  
19 Stakeholders. The Company has agreed to future Stakeholder meetings regarding the  
20 revised integrated analysis if there is a desire to do so. The Company's DSM tariffs are a  
21 matter of public record. The requests for approval of these tariffs included a business  
22 case and any documentation asked for in support of the filing. As recently as December  
23 22, 2010, GMO filed a request to change its DSM tariff, "Home Performance with

1 Energy Star". That change allows the Company to work with MGE and leverage  
2 resources for this program. The Company meets frequently with the Advisory Group,  
3 informing them of the status of existing programs and discussing future programs. In  
4 short, the Company is perplexed as to why the Staff believes more is needed from the  
5 Company.

6 **Q: Do you understand why Staff is concerned about the future of DSM at GMO?**

7 A: In my opinion, the source of their concern stems from GMO's candid conversations with  
8 both the Advisory Group and the IRP Stakeholder group regarding DSM cost recovery.

9 **Q: Please explain.**

10 A: In the spirit of open communication, the Company has consistently expressed its concern  
11 about cost recovery for DSM initiatives. In short, the Company cannot continue to  
12 pursue DSM resources given the current cost recovery mechanism, and has made that  
13 clear to both the Advisory Group and the IRP Stakeholder group, as well as in my  
14 testimony filed in this case.

15 **Q: Has GMO discontinued its DSM programs?**

16 A: At this time, the Company is continuing its DSM programs as outlined in the tariffs on  
17 file with the Commission. GMO has continued its DSM programs in good faith that the  
18 Commission will implement rules that provide for adequate cost recovery of DSM  
19 expenditures.

20 **III. RATE DESIGN**

21 **Michael S. Scheperle Rebuttal**

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

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

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

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

13 **Maurice Brubaker Rebuttal**

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

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

20 **Michael Park Rebuttal**

21 **Q: Would you summarize Mr. Park's rate design rebuttal?**

22 A: Mr. Park directs his rebuttal at the MPS lighting rates and their representation in the class  
23 cost of service studies prepared by Staff and the Company. He contends that absent some

1 validation or support the lighting rates should not be adjusted as part of any commission-  
2 approved rate increase.

3 **Q: Do you agree with Mr. Park's recommendation?**

4 A: No. First, the validation or support cited by Mr. Park is provided in the filing by the  
5 Company for this rate increase. Specific increases in the lighting area are contained in  
6 the books and records supporting the filing. Further, the Company has requested that the  
7 any Commission-approved rate increase be applied to the existing rates on an equal basis.  
8 The existing lighting rates reflect a single rate for a given item and are not subdivided to  
9 the components as expressed by Mr. Park. To gain the level of detail as suggested by Mr.  
10 Park would require a specific study of the lighting rates.

11 **IV. MGE proposal on Fuel Switching**

12 **John Rogers Rebuttal**

13 **Q: Mr. Roger's testimony on behalf of the Staff addressing its position against the fuel**  
14 **switching program suggested by Mr. Reed. Do you agree?**

15 A: Yes. I agree and support Mr. Rogers's position that the Commission should reject  
16 Missouri Gas Energy witness John J. Reed's proposal to require KCP&L to implement a  
17 fuel switching program.

18 **V. Renewable Energy Standard (RES)**

19 **Michael E. Taylor Rebuttal**

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

21 A: Yes. Mr. Taylor addresses the RES issues filed in the Company's case. He addresses the  
22 solar purchases initially addressed in the Company's filing. He also discusses the  
23 recovery mechanisms available to the Company.

1 **Q: Do you agree that GMO has not entered into any solar purchased power contracts?**

2 A: Yes. Any change to this will most likely be addressed in the true-up portion of the case.

3 **Q: Has the Company incurred any costs associated with solar rebates and**  
4 **administrative tracking costs?**

5 A: Yes. As I previously addressed in my rebuttal, the Company recommends to include the  
6 2010 RES costs in cost of service as an estimate of the ongoing expenditures and the  
7 expenses incurred in 2010 be amortized over a 2-year period beginning with the  
8 implementation of rates in this case.

9 **Q: Mr. Taylor addresses an alternative recovery mechanism as set out in 4 CSR 240-**  
10 **20.100(6), Electric Utility Renewable 14 Energy Standard Requirements—Cost**  
11 **Recovery and Pass-through of Benefits. Do you have a comment regarding this**  
12 **method of recovery?**

13 A: We did not explore this method of recovery in this proceeding. This is one way to  
14 address recovery. At some point in the future, we may request the utilization of a pass-  
15 through provision as contained in the code of state regulations.

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

17 A: Yes, it does.

