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Issue: Program Design
Witness: Paul Snider
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Sponsoring Party: Brightergy, LLC
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MISSOURI PUBLIC SERVICE COMMISSION

Docket No.: EO-2015-0055

REBUTTAL TESTIMONY

OF

PAUL SNIDER

ON BEHALF OF

BRIGHTERGY, LLC

Kansas City, Missouri

July 15, 2015

Brightergy Exhibit No. 1501
Date 7-15 Reporter _____
File No. EO-2015-0055

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a)
Ameren Missouri's 2nd Filing to Implement)
Regulatory Changes in Furtherance of Energy)
Efficiency as allowed by MEEIA)

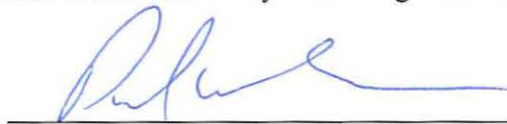
Docket No. EO-2015-0055

AFFIDAVIT OF PAUL SNIDER

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Paul Snider, being first sworn on his oath, states:

1. My name is Paul Snider. I am Vice President of Policy and Government Affairs of Brightergy, LLC.
2. Attached hereto and made part hereof for all purposes is my Rebuttal Testimony.
3. I hereby swear and affirm that my statements contained in this affidavit and in the attached Rebuttal Testimony are true and correct to the best of my knowledge and belief.



Paul Snider

Subscribed and sworn to me this 15th day of July, 2015.



Notary Public

My Commission expires

5-12-17



1 Strategies, Inc., as an in-house public affairs consultant for Southwestern Bell and AT&T, and in
2 public affairs and government affairs roles for Missouri Gas Energy.

3 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
4 **Commission (“MPSC” or “Commission”) or before any other utility regulatory agency?**

5 **A:** I have not previously testified.

6 **Q: What is the purpose of your Rebuttal Testimony?**

7 **A:** My testimony is a rebuttal to recent filings following the stipulations filed in this docket.
8 Specifically, Brightergy encourages the Commission to adopt certain specific program design
9 changes as set forth below.

10 **Q: Brightergy’s CEO, Adam Blake, previously filed Rebuttal Testimony in this docket.**
11 **Do you adopt this testimony?**

12 **A:** Yes, I adopt Mr. Blake’s Rebuttal Testimony and I can testify as to its contents.

13 **Q: Do you have any changes to the Adam Blake’s Rebuttal Testimony?**

14 **A:** No. As noted in Mr. Blake’s testimony, Brightergy supports Ameren’s efforts to improve
15 its energy efficiency programs. The suggestions I make in this Rebuttal Testimony are meant to
16 assist the with company’s program design with perspective from an implementor of energy
17 efficiency.

18 **Q: Does Brightergy take a position on either of the stipulations recently filed in this**
19 **docket?**

20 **A:** No. Brightergy’s position is that the stipulations each have merit, and will advance the
21 goals of improving Missouri’s energy efficiency efforts.

22 **Q: In his testimony, Mr. Blake noted that more program specifics would improve**
23 **Ameren’s proposal. In its recent filings, has Ameren set out those specifics?**

1 A: Not yet. Ameren's proposal improves upon its record from MEEIA Cycle I, but could be
2 improved with further specifics.

3 **Q: What issue are the program changes intended to address?**

4 A: A persistent issue in efficiency programs is free ridership. Some customers will spend
5 money on efficiency projects regardless of the level of incentives. When incentives become
6 available, those customers are "free riders." The incentives must be high enough to encourage
7 customers who would not invest in the programs but for the incentives.

8 **Q: Please provide a brief outline of Brightergy's proposal to address free ridership.**

9 A: Essentially, Ameren needs to provide incentives to consumers to pay for efficiency
10 upgrades in which they would otherwise not invest. Specifically, Brightergy proposes that
11 projects be funded at either the lower of 50% of the project cost, or a buy-down to a two-year
12 payback. Ameren's current structure provides for a flat kWh rebate structure, which has a longer
13 payback period, and consequently encourages fewer consumers to invest.

14 **Q: What evidence is there to support your assertion that this program change will
15 address free ridership?**

16 A: The program change we propose is substantially similar to the structure KCP&L has had
17 in place for the past few years. Ameren's Cycle II proposal is close to its previous program in
18 regard to free ridership. Put succinctly, Brightergy's experience is that the program proposed in
19 this testimony tends to "move the needle" and incentivize customers who would not otherwise
20 invest in efficiency measures. Customers are looking for a quick payback on their energy
21 efficiency investments. While increasing the per-kWh incentive rate reduces this payback time to
22 a degree, Brightergy's proposal will reduce the payback time to a level that will be more
23 attractive to potential investors.

1 **Q: Ameren claims high participation in their current program. Does Brightergy**
2 **dispute this?**

3 **A:** Brightergy's position is that the money could be better spent. Some of the customers
4 participating under the current program design would likely invest in efficiency measures
5 without the incentives. These investors are the so-called "free riders." This is laudable for those
6 businesses, but the program should be better targeted to promote investment among consumers
7 who otherwise would not participate.

8 **Q: Will this proposal increase the overall costs of Ameren's MEEIA efforts?**

9 **A:** No. The result should not be an increase in spending. It should be a redirection of
10 spending. Therefore there should be no impact to consumer rates.

11 **Q: Please explain this proposal.**

12 **A:** The framework is similar to how KCP&L has successfully set up their custom rebate
13 program for business customers. Many business have a two-year break-even threshold for
14 deploying capital. KCP&L recognized this and initially formatted their programs with it in
15 mind. The utility does not provide an incentive for projects that payoff on their own, without
16 incentives, within two years.

17 **Q: Please provide an example using a hypothetical project.**

18 **A:** Yes. If hypothetical Company A is considering investing \$10,000 in energy efficiency
19 measures, it will consider how long it will take for that investment to pay off. Assuming that
20 investment will save the Company 20,000 kWh/yr over 10 years, under Ameren's filed plan,
21 assuming the investment would be eligible for a \$0.10/kWh first-year savings incentive, which is
22 higher than the \$.06 incentive currently offered, the payment to Company A would be \$2,000.

1 This, along with the annual energy savings, assuming a cost of energy of \$0.09/kWh, would
2 result in a payback period of 4.4 years to recoup that original investment.

3 **Q: Would Brightergy's change reduce that payback period?**

4 **A:** Yes. With the same initial investment and energy savings, our proposed program
5 structure would provide Company A with an incentive equal to 50% of the project cost, meaning
6 the incentive payment would be \$5,000 instead of \$2,000. This would bring the payback down to
7 2.8 years.

8 **Q: Please explain the two-year buydown provision.**

9 **A:** If Company B planned to make the same investment as Company A, but had twice the
10 run-hours (for a lighting project, for example), its rebate would be limited by the two-year
11 buydown so as not to over-incentivize that investment. If Company B saved 40,000 kWh/yr, its
12 annual savings would be \$3,600. With a \$10,000 project cost, Company B's investment would
13 be paid back in a bit more than two and a half years, before any incentives. An incentive of 50%
14 of the up-front project cost would over-incentivize this investment. Instead of the up-front rebate,
15 Ameren would pay the project cost above what would result in a two-year payback. At \$3,600
16 annual energy savings, for a \$10,000 project cost to have a two-year payback the incentive
17 would thus be limited to \$2,800.

18 **Q: In Brightergy's experience, is this incentive structure sufficient to incentive business
19 to invest in energy efficiency?**

20 **A:** Yes. Potential efficiency investors tend to look at how quickly their investment will pay
21 off when making investment decisions.

22 **Q: Does Brightergy propose any tariff language to implement this program change?**

1 A: Yes. Proposed tariff language is included with this Testimony as Appendix A, KCP&L's
2 current tariff, which accomplishes the goal of cutting down on free ridership.

3 **Q: How do these proposals address free ridership?**

4 A: For many customers, the proposed kWh rebate, based on the first-year of energy savings,
5 is not high enough to provide an incentive to do a project and more specifically, isn't enough to
6 compel a customer to invest in high-quality, long-lasting energy measures. Rather, it's enough
7 to provide a gentle push to someone already considering projects.

8 **Q: How do the proposed programs differ from the Ameren's current proposal?**

9 A: The main difference is that Brightergy's proposal is a more robust tool that will result in
10 higher quality and longer lasting energy efficiency measures. The Ameren proposal is easy to
11 administer but rewards customers for first-year energy savings that may not be available and
12 beneficial following the first few years after an investment. If customers are rewarded for first
13 year savings, it's likely customers will develop projects with that in mind and seek to reduce the
14 cost of the project by reducing the cost and quality of the materials and installation.

15 **Q: How would effectiveness of these programs be verified?**

16 A: All custom incentive projects will be subject to Commission-approved cost benefit tests.

17 **Q: How will the adequacy of individual projects be verified?**

18 A: Ameren can perform due diligence and verify effectiveness by paying the incentives only
19 after the post-project verification of all measures is complete.

20 **Q: Two stipulations have been filed in this docket. Would your proposal be better
21 suited for either stipulation?**

1 **A:** No. Brightergy's proposal will help the Commission address the free ridership issue,
2 regardless of which stipulation the Commission chooses to implement, or if the Commission
3 orders a different program implementing elements from each stipulation.

4 **Q:** Overall, do you see Ameren moving in a positive direction in its efficiency efforts?

5 **A:** Yes. As a trade ally, we support Ameren's efforts to comply with MEEIA. The
6 suggestions I have made in this testimony are meant to improve a successful program.

7 **Q:** Does this conclude your rebuttal testimony?

8 **A:** Yes.

APPENDIX A

**To Rebuttal Testimony of Paul Snider
EO-2015-0055**

KANSAS CITY POWER & LIGHT COMPANY

P.S.C. MO. No. 2 Original Sheet No. 1.79
 Revised
Cancelling P.S.C. MO. No. _____ Original Sheet No. _____
 Revised
For Missouri Retail Service Area

GENERAL RULES AND REGULATIONS APPLYING TO ELECTRIC SERVICE

22.04 BUSINESS ENERGY EFFICIENCY REBATES – CUSTOM

PURPOSE:

The Business Energy Efficiency Rebates - Custom program is designed to encourage more effective utilization of electric energy through Energy Efficiency improvement opportunities which are available at the time of new equipment purchases, facility modernization, and industrial process improvement. This program provides rebates for Energy Efficiency measures that are not specifically covered under the Business Energy Efficiency Rebates – Standard program. A “Custom Incentive” is a direct payment or bill credit to a participant for installation of Measures that are part of projects that have been pre-approved by the Program Administrator.

AVAILABILITY:

This program is available during the Program Period, and is available to all customers in the classes identified in the Commercial & Industrial Demand-Side Management section that also meet Custom Rebate Program Provisions below.

PROGRAM PROVISIONS:

This program provides a rebate for installing qualifying high efficiency equipment or systems, or replacing or retrofitting HVAC systems, motors, lighting, pumps or other qualifying equipment or systems with higher energy efficiency equipment or systems. Both new construction projects and retrofit projects are eligible to apply. To become a Participant in the program customers must request a rebate for a project by submitting an application through the KCP&L website (www.kcpl.com) or on paper. Projects must be pre-approved by the Program Administrator before the project start date to be eligible for a rebate. Customer applications will be evaluated and the rebates will be distributed on a first-come basis according to the date of the customer's application.

Rebate applications for different energy saving measures at the same facility may be submitted. An entity with multiple facilities may participate for each facility by submitting an application for each facility. The maximum amount of each rebate will be calculated as the lesser of the buy down to a two-year payback, 50% of the incremental cost of the higher efficiency equipment, system, or energy saving measure, up to the customer annual maximum. The total amount of program (Business Energy Efficiency Rebate – Custom and Standard) rebates that a Participant can receive during a program year is limited to the greater of \$250,000 per customer or up to two-times the customer's projected annual Demand-Side Investment Mechanism (DSIM) charge. The rebate for the measure will be issued upon completion of the project.

After KCP&L reviews projects approved and/or paid during the first six months of a program year, KCP&L may approve application for additional rebates if the customer has reached its maximum and if Program funds are available.

By applying for the Custom Rebate Program, the customer agrees that the project may be subject to random on-site inspections by the Program Administrator.

DATE OF ISSUE: June 6, 2014 DATE EFFECTIVE: July 6, 2014
ISSUED BY: Darrin R. Ives Vice President Kansas City, MO