

Exhibit No.:
Issue: Demand Side Investment Mechanism
Rider
Witness: Tim M. Rush
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri Operations
Company
Case No.: ER-2017-0166
Date Testimony Prepared: December 1, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2017-0166

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
December 2016**

**Certain Schedules Attached To This Testimony Contain Highly Confidential Information.
All Such Information Should Be Treated Confidentially
Pursuant To 4 CSR 240-2.135.**

DIRECT TESTIMONY

OF

TIM M. RUSH

Case No. ER-2017-0166

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: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L” or “Company”) as
6 Director, Regulatory Affairs.

7 **Q: What are your responsibilities?**

8 A: My general responsibilities include overseeing the preparation of rate cases, class cost of
9 service (“CCOS”) and rate design for both KCP&L and KCP&L Greater Missouri
10 Operations Company (“GMO”). I am also responsible for overseeing the regulatory
11 reporting and general activities as they relate to the Missouri Public Service Commission
12 (“MPSC” or “Commission”), including Missouri Energy Efficiency Investment Act
13 (“MEEIA”) filings.

14 **Q: Please describe your education, experience and employment history.**

15 A: I received a Master of Business Administration degree from Northwest Missouri State
16 University in Maryville, Missouri. I did my undergraduate study at both the University
17 of Kansas in Lawrence and the University of Missouri in Columbia. I received a
18 Bachelor of Science degree in Business Administration with a Concentration in
19 Accounting from the University of Missouri in Columbia.

1 **Q: Please provide your work experience.**

2 A: I was hired by KCP&L in 2001 as the Director, Regulatory Affairs. Prior to my
3 employment with KCP&L, I was employed by St. Joseph Light & Power Company
4 (“Light & Power”) for over 24 years. At Light & Power, I was Manager of Customer
5 Operations from 1996 to 2001, where I had responsibility for the regulatory area, as well
6 as marketing, energy consultant and customer services area. Customer services included
7 the call center and collections areas. Prior to that, I held various positions in the Rates
8 and Market Research Department from 1977 until 1996. I was the Manager of that
9 department for 15 years.

10 **Q: Have you previously testified in a proceeding before the MPSC?**

11 A: I have testified on many occasions before the MPSC on a variety of issues affecting
12 regulated public utilities.

13 **Q: What is the purpose of your testimony?**

14 A: The purpose of my testimony is to support the rate schedules filed by GMO to adjust the
15 Demand Side Investment Mechanism (“DSIM”) Rider. My testimony will explain the
16 change to the DSIM components based upon actual and estimated performance in the six-
17 month period ending December 2016, as well as, forecasted performance through June
18 2017 for Program Costs and Throughput Disincentive (“TD”). Additionally, I will
19 explain the inclusion of the performance incentive (“PI”) for Cycle 1. The proposed
20 change will result in a decrease to residential customers’ rate from \$0.00162 to \$0.00139
21 per kWh. The proposed change will result in an increase to non-residential customers’
22 rate from \$0.00589 to \$0.00751 per kWh.

1 **Q: What are the MEEIA rule requirements for adjustments of DSIM rates?**

2 A: The requirements for adjustment of DSIM rates are found in Commission Rules 4 CSR
3 240-20.093(4) and 4 CSR 240-3.163(8). In summary, the requirements outline that the
4 update filing include applicable DSIM rate tariff sheets, supporting testimony, and
5 inclusion of the following:

6 A) Amount of revenue that was over-collected or under-collected through the most
7 recent recovery period by rate class.

8 B) Proposed adjustments or refunds by rate class.

9 C) Electric utility's short term borrowing rate.

10 D) Proposed adjustments to the current DSIM rates.

11 E) Complete documentation for the proposed adjustments to the current DSIM rates.

12 F) Annual report as required by 4 CSR 240-20.093(8).

13 G) Any additional information the Commission ordered to be provided.

14 As part of my Direct Testimony, I have included the information required for update of
15 the DSIM rate in the attached Schedules TMR-1 through TMR-4. In addition, GMO's
16 2015 Demand-Side Program Annual Report, referenced in Item F above, was filed on
17 March 31, 2016 in Case No. EO-2016-0251.

18 **Q: Are you sponsoring this information?**

19 A: Yes, I am.

20 **Q: Please explain why GMO has filed adjusted DSIM Rider rate schedules at this time?**

21 A: The Commission's rule governing DSIM filings and submission requirements for electric
22 utilities, specifically 4 CSR 240-20.093(4) and 4 CSR 240-3.163(8), require GMO to
23 make semi-annual adjustments of DSIM rates that reflect the amount of revenue that has

1 been over/under collected. Based upon actual and estimated performance during the six-
2 month time period(s), DSIM rates may be adjusted up or down. We are also including
3 the results of the performance incentive for Cycle 1 in this filing. Cycle 1 ended in
4 December 2015 with an extension for certain programs extended through June 2016. The
5 Evaluation, Measurement and Verification (“EM&V”) process was completed for Cycle
6 1 in late 2016. This DSIM filing includes the recognition of the performance incentive
7 award that is the result of this EM&V for Cycle 1.

8 **Q: How did you develop the various DSIM rate components that make up the proposed**
9 **DSIM rate?**

10 A: As the DSIM tariff describes, the DSIM rate components consist of projected Program
11 Costs and projected TD associated with Cycle 2 for January 2017 through June 2017 and
12 the reconciliation of expected Program Costs and expected TD/TD-NSB for both Cycles
13 1 and 2 through December 2016. Additionally, in this DSIM filing are the results of the
14 performance incentive from Cycle 1. The performance incentive is to be recovered over
15 a two year period, so essentially one-fourth of the performance incentive is reflected in
16 the DSIM rate in this filing. These amounts are divided by the projected retail sales,
17 excluding opt-out sales from customers, for February 2017 through July 2017, to develop
18 a rate to be used in the DSIM rate. All of this is separately distinguished between
19 Residential and Non-Residential.

20 **Q: Would you describe how the performance incentive for Cycle 1 was calculated?**

21 A: The Performance Incentive was calculated using the detailed EM&V Report Appendix E.
22 The results of the EM&V and the avoided energy and demand costs were loaded and run
23 in the DSMore batch tools in order to calculate the Gross Benefits. Inputs in DSMore for

1 energy savings, demand savings, measure life, participation, and net-to-gross (“NTG”)
2 were updated with evaluated results. The avoided energy and demand costs came from
3 each of the Integrated Resource Plan (“IRP”) filings for the respective periods and were
4 adjusted to reflect the probability weighted energy and demand costs for all scenarios in
5 each of the IRPs which is detailed in Schedule TMR-4. Since the IRP is updated around
6 April 1 of each year, the annual participation for each measure was separated into two
7 periods: the first three months and the last nine months. The only exception to this is the
8 IRP that was filed in 2013 as it was updated in late June of that year.

9 For the Home Energy Reports, MPower, and Optimizer programs, the
10 calculations were performed in separate DSMore spreadsheets outside of the batch tool.

11 Discounted Program Costs are then subtracted from the Gross Benefits calculated
12 in the DSMore runs to determine Net Shared Benefits. The overall PI Percent of Savings
13 Earned was determined based on actual EM&V savings results compared to targets net of
14 Opt Outs weighted 80% on the kWh achievement level and 20% on the kW achievement
15 level. The performance incentive award percentage is determined by the Performance
16 Incentive table in the stipulation and agreement and the resulting percentage was applied
17 to the Net Shared Benefits in order to compute the Performance Incentive for GMO
18 MEEIA Cycle 1.

19 **Q: What was the result of performance incentive for Cycle 1?**

20 **A:** The performance incentive for Cycle 1 before interest is \$5,461,153.

1 **Q: How is the performance incentive award allocated between the residential and non-**
2 **residential classes?**

3 A; The performance incentive award was allocated between the residential and non-
4 residential classes based on the EM&V verified energy savings attributed to those
5 classes. Residential energy savings represented 39.91% of the overall savings and non-
6 residential contributed 60.09%.

7 As described in the Non-Unanimous Stipulation and Agreement resolving Case
8 No. EO-2012-0009, the performance incentive award accrues carrying costs at GMO's
9 short-term borrowing rate from the end of the three-year plan period until recovery
10 begins.

11 As a result of this allocation and the accrual of carrying costs, residential will be
12 allocated \$2,220,695 to be recovered equally over four DSIM recovery periods
13 (\$555,174 each period). The non-residential class will similarly reflect an allocation,
14 including carrying costs, of \$3,343,854 to be recovered equally over four DSIM recovery
15 periods (\$835,963 each period). A summary of the Cycle 1 PI calculation has been
16 included as Schedule TMR-3.

17 **Q: Please describe the impact of the change in costs and how it will affect GMO**
18 **customers.**

19 A: At this time, based on actual performance experienced through September 2016 and
20 forecasts through June 2017, the residential DSIM rate will be lower than the current rate
21 of \$0.00162 per kWh and will become \$0.00139 per kWh. For a residential customer
22 using 1,000 kWh's, this would mean an decrease of \$0.23 per month. The DSIM rate
23 will increase for the non-residential class from \$0.00589 per kWh to \$0.00751 per kWh.

1 For a non-residential customer, for every 1,000 kWh's used, this would mean an increase
2 of \$1.62.

3 **Q: If the rate schedules filed by GMO are approved, what safeguards exist to ensure**
4 **that the revenues the Company bills to its customers do not exceed actual DSM**
5 **Program Costs and TD/TD-NSB incurred, as well as the earnings opportunity or**
6 **performance incentive?**

7 A: GMO's DSIM Rider mechanism and the Commission's rules provide two mechanisms to
8 ensure that amounts billed to customers do not exceed GMO's actual, prudently incurred
9 DSM Program Costs and TD/TD-NSB and earnings opportunity or performance
10 incentive. First, at the end of each recovery period, the Company is required to true up
11 amounts billed to customers through the DSIM Rider based upon Program Cost and
12 TD/TD-NSB actually incurred during that six-month period. Per MEEIA rule 4 CSR
13 240-20.093(4), these adjustments will be supported by complete documentation and
14 workpapers that demonstrate the need for DSIM rate adjustment. All proposed
15 adjustments and supporting documentation is subject to review by MPSC Staff and all
16 MEEIA stakeholders. Second, per MEEIA rule 4 CSR 240-20.093(10), GMO's DSIM is
17 subject to periodic prudence reviews by MPSC Staff to ensure that only prudently
18 incurred Program Costs and TD/TD-NSB are billed to customers through GMO's DSIM.
19 These two mechanisms serve as checks to ensure that the Company's customers pay only
20 the prudently incurred, actual Program Costs and TD/TD-NSB resulting from
21 implementation of MEEIA DSM programs.

1 **Q: What action is GMO requesting from the Commission with respect to the rate**
2 **schedules that the Company has filed?**

3 A: The Company requests the Commission approve the rate schedule to be effective as of
4 February 1, 2017.

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

6 A: Yes, it does.

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

In the Matter of KCP&L Greater Missouri Operations)
Company's Demand Side Investment) Case No. ER-2017- 0166
Mechanism Rider Rate Adjustment and True-Up)
Required by 4 CSR 240.3.163(8))

AFFIDAVIT OF TIM RUSH

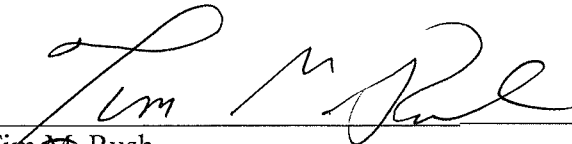
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Tim M. Rush, being first duly sworn on his oath, states:

1. My name is Tim M. Rush. I work in Kansas City, Missouri, and I am employed by KCP&L Greater Missouri Operations Company as Director, Regulatory Affairs.

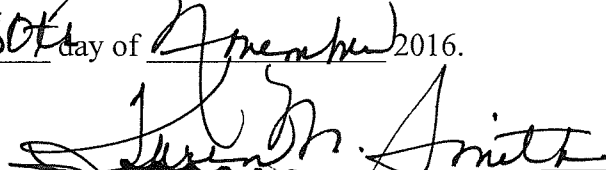
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of eight (8) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Tim M. Rush

Subscribed and sworn before me this 30th day of December 2016.



Karen M. Smith

My commission expires April 16, 2020

