

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-2018-_____
Date Testimony Prepared: June 1, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2018-_____

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
June 2018**

DIRECT TESTIMONY

OF

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Case No. ER-2018-_____

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 schedule 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 June 2018, as well as, forecasted performance through December
18 2018 for Program Costs and Throughput Disincentive (“TD”). The proposed change will
19 result in an increase to a residential customer’s rate from \$0.00394 to \$0.00443 per kWh.
20 The proposed non-residential rate would decrease from \$0.00832 to \$0.00348 per kWh.

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

22 A: The requirements for adjustment of DSIM rates are found in Commission rules 4 CSR
23 240-20.093(4) and 4 CSR 240-3.163(8). In summary, the requirements outline that the

1 update filing include applicable DSIM rate tariff sheets, supporting testimony, and
2 inclusion of the following:

- 3 A) Amount of revenue that was over-collected or under-collected through the most
4 recent recovery period by rate class.
- 5 B) Proposed adjustments or refunds by rate class.
- 6 C) Electric utility's short term borrowing rate.
- 7 D) Proposed adjustments to the current DSIM rates.
- 8 E) Complete documentation for the proposed adjustments to the current DSIM rates.
- 9 F) Annual report as required by 4 CSR 240-20.093(8).
- 10 G) Any additional information the Commission ordered to be provided.

11 As part of my Direct Testimony, I have included the information required for update of
12 the DSIM rate in the attached Schedules TMR-1 and TMR-2. In addition, GMO's 2017
13 Demand-Side Program Annual Report for MEEIA Cycle 1, referenced in Item F above,
14 was filed on March 28, 2018 in Case No. EO-2018-0261 and GMO's 2016 Demand-Side
15 Program Annual Report for MEEIA Cycle 2, referenced in Item F above, was filed on
16 June 30, 2017 in Case No. EO-2017-0356 and later corrected on July 25, 2017.

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

18 A: Yes, I am.

19 **Q: Please explain why GMO has filed an adjusted DSIM rate schedule at this time?**

20 A: The Commission's rule governing DSIM filings and submission requirements for electric
21 utilities, specifically 4 CSR 240-20.093(4) and 4 CSR 240-3.163(8), require GMO to
22 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.

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

5 A: As the DSIM tariff describes, the DSIM rate components consist of projected Program
6 Costs and projected TD associated with Cycle 2 for July 2018 through December 2018
7 and the reconciliation of actual and expected Program Costs and actual and expected
8 TD/TD-NSB for both Cycles 1 and 2 through June 2018. The performance incentive
9 from Cycle 1 will continue to be recovered over a two-year period, so essentially one-
10 fourth of the performance incentive is reflected in the DSIM rate in this filing. These
11 amounts are divided by the projected retail sales, excluding opt-out sales from customers,
12 for August 2018 through January 2019, to develop a rate to be used in the DSIM rate. All
13 of this is separately distinguished between Residential and Non-Residential classes.

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

16 A: At this time, based on actual performance experienced through April 2018 and forecasts
17 through December 2018, the residential DSIM rate will be higher than the current rate of
18 \$0.00394 per kWh and will become \$0.00443 per kWh. For a residential customer using
19 1,000 kWh's, this would mean an increase of \$0.49 per month. The DSIM rate will
20 decrease for the non-residential class from \$0.00832 per kWh to \$0.00348 per kWh. For
21 a non-residential customer, for every 1,000 kWh's used, this would mean a decrease of
22 \$4.84. This large decrease is primarily the result of a decrease in program costs from the

1 level recovered in the current recovery period ending July 31, 2018 related to a surge in
2 participation in the Business Standard program in 2017.

3 **Q: If the rate schedule filed by GMO is approved, what safeguards exist to ensure that**
4 **the revenues the Company bills to its customers do not exceed actual DSM Program**
5 **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.

22 **Q: Has GMO been subject to any prudence reviews by MPSC Staff?**

1 A: Yes, GMO has been through two prudence reviews: Case No. EO-2015-0180 and Case
2 No. EO-2017-0210. In both cases, Staff found no instances of imprudence on the part of
3 GMO.

4 **Q: What action is GMO requesting from the Commission with respect to the rate**
5 **schedule that the Company has filed?**

6 A: The Company requests the Commission approve the rate schedule to be effective as of
7 August 1, 2018.

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

9 A: Yes, it does.