Exhibit No.:	
Issue:	*RES Retail Rate Impact*
Witness:	*Mark L. Oligschlaeger*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*ET-2014-0071*
Date Testimony Prepared:	*September 24, 2013*

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION
UTILITY SERVICES - AUDITING

REBUTTAL TESTIMONY

OF

MARK L. OLIGSCHLAEGER

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ET-2014-0071

Jefferson City, Missouri
September 2013

REBUTTAL TESTIMONY

OF

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KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ET-2014-0071

Q. Please state your name and business address.

A. Mark L. Oligschlaeger, P.O. Box 360, 200 Madison Street, Suite 440, Jefferson City, MO 65102.

Q. What is your present position with the Missouri Public Service Commission ("Commission")?

A. I am the Manager of the Auditing Unit, Utility Services Department, Regulatory Review Division.

Q. Are you a Certified Public Accountant (CPA)?

A. Yes, I am. In November 1981, I passed the Uniform Certified Public Accountant examination and, since February 1989, have been licensed in the state of Missouri as a CPA.

Q. Have you previously filed testimony before this Commission?

A. Yes, numerous times. A listing of the cases in which I have previously filed testimony before this Commission, and the issues I have addressed in testimony in cases from 1990 to current, is attached as Schedule MLO 1 to this rebuttal testimony.

Q. What knowledge, skills, experience, training and education do you have in the areas of which you are testifying as an expert witness?

A. I have been employed by this Commission as a Regulatory Auditor for over 31 years, and have submitted testimony on ratemaking matters numerous times before the Commission. I have also been responsible for the supervision of other Commission employees in rate cases and other regulatory proceedings many times. I have received continuous training at in-house and outside seminars on technical ratemaking matters since I began my employment at the Commission.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of this testimony is to respond to the direct testimony of Kansas City Power & Light Company (KCP&L or "Company") witnesses Tim M. Rush and Burton L. Crawford in this proceeding regarding KCP&L's position concerning the calculation of the retail rate impact (RRI) associated with the renewable energy standards rule.

EXECUTIVE SUMMARY

Q. Please summarize your rebuttal testimony.

A. I, along with Staff witness Claire M. Eubanks of the Energy Engineering Analysis Unit, provide and explain Staff's recommendation to the Commission concerning appropriate calculation of the retail rate impact percentage as that issue pertains to KCP&L's request to suspend payment of solar rebates beginning no later than November 9, 2013. Although it disagrees with KCP&L's calculation of the RRI percentage, Staff agrees with KCP&L that it should stop paying solar rebates in calendar year 2013.

RETAIL RATE IMPACT

Q. What are renewable energy standards (RES)?

A. RES are the requirements imposed upon electric utilities in Missouri to serve their load with increasing percentages of renewable generating resources over a period of time. In its current form, RES is mandated for the state's electric utilities through the passage of the Proposition C voter initiative in the general election of November 2008. Proposition C was later codified as Sections 393.1025 and 393.1030.2 RSMo. (Cum. Supp. 2012). The Commission later adopted 4 CSR 240-20.100, *Electric Utility Renewable Energy Standard Requirements*, ("RES Rule"), in compliance with Section 393.1030. The RES Rule was issued through the Revised Order of Rulemaking by the Commission in Case No. EX-2010-0169 on July 1, 2010, which was published as an Order of Rulemaking in the August 16, 2010 *Missouri Register* (Vol. 35, No. 16), pages 1183-1210.

Q. Does Proposition C require that electric utilities comply with RES regardless of the requirements' cost impact on customers?

A. No. Proposition C states that the Commission's rules promulgating the renewable energy standards "shall include: (1) a maximum average retail rate increase of one percent determined by estimating and comparing the electric utility's cost of compliance with least-cost renewable generation and the cost of continuing to generate or purchase electricity from entirely nonrenewable sources, taking into account future environmental regulatory risk including the risk of greenhouse gas regulation…" Section 393.1030.2(1).

Q. Did you personally participate in the Commission rulemaking to implement Proposition C?

A. Yes, I did. I participated in preparing Staff comments to the Commission submitted in the proceedings before the Commission for that rulemaking, which was assigned Case No. EX-2010-0169. I also testified in hearings before the Commission in that case. My primary assigned area of scope in Case No. EX-2010-0169 was the RRI calculation.

Q. Was calculation of the RRI a major issue in the RES Rule case?

A. Yes. The Commission stated in its Revised Order of Rulemaking that "the retail rate impact question, and how the one percent (1%) "cap" is meant to be applied, is clearly one of the most difficult and complicated tasks for the commission in this rulemaking" (pages 20-21; 35 *Mo Reg.* 16, page 1190).

Q. What were the major areas of controversy regarding the RRI calculation in the RES Rule case?

A. While there were a number of issues involving this calculation for the Commission to resolve, in my opinion the two primary issues were: (1) use of an "incremental" approach versus a "cumulative" approach to make the calculation; and (2) application of the calculation on an annual basis versus an average (multi-year) basis.

Q. Please provide a brief explanation of the incremental vs. cumulative approach issue to calculation of the RRI.

A. The incremental approach assumes that the RRI should be structured as a limitation on the percentage that customer costs could increase due to RES requirements in a given year; i.e., a 1% per year maximum increase.

The cumulative approach assumes that the RRI should be structured as a limit on the total cost differential between a scenario assuming compliance with the RES requirements and a scenario assuming reliance upon a 100% nonrenewable generating portfolio. In other words, under the cumulative approach, costs could not be more than 1% higher after compliance with the RES requirements than they would have been if the utility used 100% nonrenewable generation to serve its load.

Q. Please provide a brief explanation of the annual vs. average approach to calculating the RRI.

A. The annual approach applies the one percent test independently to each year to which the RES applies. Under an *annual incremental* approach, rate increases due to the RES Rule would be capped at 1% in each and every year. Under an *annual cumulative* approach, the revenue requirement including the impact of the RES could not be more than one percent higher than the revenue requirement in any year using only nonrenewable resources.

Under the multi-year average approach, the RRI cap would be measured over a multi-year period, such as five or ten years, as opposed to every year. Under an *average incremental* approach, the RES rate impact could be greater than one percent in any given year, as long as the average annual rate impact over a longer period of time would be limited to one percent. Under an *average cumulative* approach, the revenue requirement including RES mandates can be more than one percent higher than the nonrenewable revenue requirement in a given year, as long as it is no more than an average of one percent higher than the nonrenewable revenue requirement as measured over the longer period of time.

Q. Did the Commission resolve these RRI calculation methodology issues during the RES rulemaking?

A. Yes. The Commission ordered use of a cumulative approach, applied on a ten-year average basis:

> After reviewing the arguments regarding the incremental versus cumulative approach, the commission finds that the cumulative approach with a ten (10)-year average as recommended by the public counsel is the most reasonable interpretation of the requirements of Proposition C….

(Revised Order of Rulemaking, page 21; 35 *Mo Reg* 16, page 1191).

Q. Were there any other issues raised to the Commission in its RES rulemaking regarding the RRI calculation that Staff believes are relevant here?

A. Yes. In the RES rulemaking, there was an issue regarding whether the nonrenewable revenue requirement portion of the RRI calculation should include or exclude renewable energy resources the electric utilities had prior to the effective date of the RES Rule.

Q. How did the Commission decide that issue?

A. The Commission stated in its Revised Order of Rulemaking that the nonrenewable revenue requirement component of the RRI calculation was hypothetical under the terms of Proposition C because any actual renewable generation resources relied upon by the utility are excluded from that calculation. The Commission stated at page 21:

> And the reason this is so is because the RRI as defined in the statute is a comparison between an actual revenue requirement compliant with the RES, and a hypothetical revenue requirement which assumes electricity comes from "entirely non-renewable sources." It is this hypothetical that troubles other commenters, like Mr. Wood and Mr. Fischer, and the way it appears to be internally conflicting. Regardless, of the internal conflict of the statute, the commission's rule must include the RRI cap to be calculated as the statute specifies.
>
> (35 *Mo Reg.* 16, page 1191).

Q. On pages 3 – 6 of his direct testimony, KCP&L witness Crawford explains the Company's calculation of the RRI. Does Staff believe KCP&L's calculation conforms to the Commission's RES Rule?

A. No, in several respects. The Staff's differences with KCP&L's calculation are addressed generally in the rebuttal testimony of Staff witness Claire M. Eubanks. I provide

Staff's perspective that underlies several of the Staff's positions on this matter in this case from my participation in the RES rulemaking proceedings before the Commission.

Q. What is the first difference Staff has with KCP&L regarding its RRI calculation?

A. Staff does not believe that KCP&L's approach utilizes an appropriate ten-year average for its RRI calculation that is consistent with what the Commission ordered in its RES rulemaking, Case No. EX-2010-0169. Staff believes that the RRI should be calculated using ten-year average results for both the RES and nonrenewable revenue requirement determinations. In contrast, KCP&L compares a one-year determination of the RES revenue requirement to a ten-year average nonrenewable revenue requirement. Failure to use a ten-year average for the RES component of the RRI calculation does not result in a true ten-year average RRI.

Q. Why does Staff believe it to be important to use ten-year averages for both the RES and nonrenewable components of the RRI calculation?

A. This approach is necessary to allow reasonable accommodation of potential "spikes" in the amount of RES investment within Proposition C.

Q. Please explain why reasonable accommodation of investment "spikes" is important to RES compliance.

A. Under Proposition C, utilities are required to attain higher percentages of reliance upon renewable energy resources out of its total generation every three to four years over a period of time; i.e., 2% in 2011, 5% in 2014, 10% in 2018 and 15% in 2021. Staff expects that the increased cost of compliance with Proposition C for most electric utilities will be greatest in each initial year the higher RES mandate percentages becomes effective, with lesser increases (if any) in the follow-up years. In the RES Rule case, Staff and other parties expressed a concern that applying the RRI cap on an annual basis would have the potential impact of frustrating utility compliance with the various RES mandated percentages set forth in Proposition C, by not allowing sufficient expenditures be made to attain the higher required percentages in 2011, 2014, etc. Use of a multi-year average approach to application of the RRI was preferable, in Staff's view, in that it allows for the possibility of higher rate impacts in the initial years of compliance with higher RES mandates, as long as the RRI was determined to be no more than 1% measured over a multiple-year period.

Q. Did the Commission agree with this rationale for use of a multi-year average?

A. Yes. The Commission stated the following in its Revised Order of Rulemaking:

> Because the statute clearly calls for an average, the commission must put some meaning to that term and does so by averaging the retail rate impact over a ten (10)-year period. Thus, the averaging will smooth out some of the spikes in the compliance costs and recovery caused by new technology coming on-line in the beginning of implementation.
>
> (page 21; 35 *Mo Reg.* 16, page 1191).

Q. Is KCP&L's use of a one-year calculation of the RES revenue requirement in its RRI calculation consistent with the Commission's reasoning expressed in the portion of the Commission's Revised Order of Rulemaking you just quoted?

A. Staff thinks it is not.

Q. Why?

A. KCP&L's RRI calculation essentially limits its allowable RES expenditures each year to 1% of a forward-looking ten-year average nonrenewable revenue requirement estimate. By its nature, this approach allows for relatively small annual increases in the amount of utility RES expenditures, but does not allow for anywhere near the flexibility to accommodate the increased costs associated with the higher RES mandate percentages in the years 2014, 2018 and 2021 as Staff's recommended approach does.

Q. Did any party propose in the RES Rulemaking that the RRI be calculated as 1% of the electric utilities current revenue requirement as of the time of the RRI measurement?

A. Yes, but the Commission did not adopt this approach.

Q. How does the proposal made during the rulemaking compare to KCP&L's current recommended approach?

A. KCP&L's recommended RRI approach in this case is a variation of the proposal made during the rulemaking, differing from the earlier proposal only in that the RRI is calculated as 1% of the Company's forecasted ten-year average nonrenewable revenue requirement, and not its current revenue requirement. To Staff's knowledge, no party to the RES rulemaking advocated an RRI calculation approach in that proceeding that is consistent with the approach that KCP&L is recommending currently.

Q. Does KCP&L's approach comply with the Commission's RES Rule?

A. In Staff's opinion, not calculating the RES compliant revenue requirement component over a ten-year period is not consistent with the Commission's ordered ten-year average cumulative approach; therefore, it is not consistent with the Commission's RES Rule.

Q. At pages 7-8 of his direct testimony, Mr. Crawford identifies what he describes as a "potential problem" if Staff's methodology for the RRI calculation is adopted by the Commission. According to Mr. Crawford, that "potential problem" is that Staff's reliance upon ten-year forward projections to calculate the RRI could potentially lead to cost increases in excess of the 1% RRI cap percentage. What is Staff's response to this "potential problem?"

A. First, Staff's position on the RRI calculation in this matter is based upon its interpretation of the Commission's RES Rule. Electric utilities are required to calculate their RRI percentages consistently with the RES Rule. If KCP&L's proposed RRI calculation does not conform with the Commission's rule, and Staff believes that it does not, then it does not matter whether adoption of KCP&L's position avoids "potential problems" or not.

Second, Mr. Crawford's example of the potential problem with a forward-looking RES revenue requirement calculation is extreme and unrealistic, in that it seems to assume that KCP&L would repeatedly forecast zero dollars for RES expenditures one year out, but then in reality choose to expend in each calendar year the entire amount of the RRI cap as measured over a ten-year period.

Q. In Staff's view, what is the biggest "potential problem" if KCP&L's proposed approach for calculation of the RRI is adopted?

A. As previously discussed, KCP&L's approach would constrain the ability of an electric utility to expend dollars in each individual year, in contrast to Staff's recommended approach that applies the cap amount over a more flexible multi-year period of time. If the most cost-effective way for a utility to meet its RES requirements is to make a relatively large investment in renewable resources in one or more years over a ten-year period of time, with no or minimal investment in other years within the same period, the Company's interpretation of the RRI would not allow that approach to be taken.

Q. What is the second RRI calculation issue you will address?

A. On pages 8-9 of his direct testimony, Mr. Crawford discusses his disagreement with Staff's contention that renewable energy resources used by KCP&L prior to 2013 should be excluded from the nonrenewable revenue requirement component of the RRI. KCP&L argues that these renewable energy resources were not added as a direct result of Proposition C, and that "economic" renewable generation resources should be treated in the same manner as economic nonrenewable generation resources for purposes of the RRI calculation.

Q. Does Staff agree with this point?

A. Again, the current starting and ending point in this discussion is what the RES Rule states regarding exclusion of all renewable resources from the nonrenewable revenue requirement. Proposition C states that this component of the RRI calculation should consist of "entirely nonrenewable" generation sources. The plain meaning of those words is that all of a utility's renewable resources, whether they were added to KCP&L's system as a result of Proposition C or not, should be excluded from the nonrenewable component of the RRI calculation.

Q. In its Revised Order of Rulemaking in File No. EX-2010-0169, did the Commission agree with this interpretation of how the nonrenewable component of the RRI should be calculated under Proposition C?

A. Yes, as previously discussed.

Q. Does Staff have a third issue regarding KCP&L's proposed calculation of the RRI?

A. Yes, concerning whether KCP&L appropriately used inputs from its preferred integrated resource plan scenario to develop its future renewable generation addition assumptions within the RRI calculation. Staff witness Eubanks addresses this issue in her rebuttal testimony in this proceeding.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Application For Authorization To Suspend Payment of Certain Solar Rebates	)))	Case No. ET-2014-0071

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 12 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Mark L. Oligschlaeger
Mark L. Oligschlaeger

Subscribed and sworn to before me this 24th day of September, 2013.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070

D. Suzie Mankin
Notary Public

CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER

Company Name	Case Number	Issues
Western Resources	GR-90-40 and GR-91-149	Take-Or-Pay Costs
Missouri-American Water Company	WR-91-211	True-up; Known and Measurable
Missouri Public Service	EO-91-358 and EO-91-360	Accounting Authority Order
Generic Telephone	TO-92-306	Revenue Neutrality; Accounting Classification
Generic Electric	EO-93-218	Preapproval
Western Resources & Southern Union Company	GM-94-40	Regulatory Asset Transfer
St. Louis County Water	WR-95-145	Policy
Union Electric Company	EM-96-149	Merger Savings; Transmission Policy
St. Louis County Water	WR-96-263	Future Plant
Missouri Gas Energy	GR-96-285	Riders; Savings Sharing
The Empire District Electric Company	ER-97-82	Policy
Missouri Public Service	ER-97-394	Stranded/Transition Costs; Regulatory Asset Amortization; Performance Based Regulation
Western Resources & Kansas City Power & Light	EM-97-515	Regulatory Plan; Ratemaking Recommendations; Stranded Costs
United Water Missouri	WA-98-187	FAS 106 Deferrals
Laclede Gas Company	GR-99-315 (remand)	Depreciation and Cost of Removal
Missouri-American Water	WM-2000-222	Conditions
UtiliCorp United & St. Joseph Light & Power	EM-2000-292	Staff Overall Recommendations
UtiliCorp United & The Empire District Electric Company	EM-2000-369	Overall Recommendations
Green Hills Telephone	TT-2001-115	Policy
IAMO Telephone Company	TT-2001-116	Policy
Ozark Telephone Company	TT-2001-117	Policy

CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER

Company Name	Case Number	Issues
Peace Valley Telephone	TT-2001-118	Policy
Holway Telephone Company	TT-2001-119	Policy
KLM Telephone Company	TT-2001-120	Policy
Missouri Gas Energy	GR-2001-292	SLRP Deferrals; Y2K Deferrals; Deferred Taxes; SLRP and Y2K CSE/GSIP
The Empire District Electric Company	ER-2001-299	Prudence/State Line Construction/Capital Costs
Ozark Telephone Company	TC-2001-402	Interim Rate Refund
Gateway Pipeline Company	GM-2001-585	Financial Statements
Missouri Public Service	ER-2001-672	Purchased Power Agreement; Merger Savings/Acquisition Adjustment
Union Electric Company	EC-2002-1	Merger Savings; Criticisms of Staff's Case; Injuries and Damages; Uncollectables
Laclede Gas Company	GA-2002-429	Accounting Authority Order Request
Aquila, Inc., d/b/a Aquila Networks-MPS-Electric and Aquila Networks-L&P-Electric and Steam	ER-2004-0034 and HR-2004-0024 (Consolidated)	Aries Purchased Power Agreement; Merger Savings
Missouri Gas Energy	GR-2004-0209	Revenue Requirement Differences; Corporate Cost Allocation Study; Policy; Load Attrition; Capital Structure
Empire District Electric	ER-2006-0315	Fuel/Purchased Power; Regulatory Plan Amortizations; Return on Equity; True-Up
Missouri Gas Energy	GR-2006-0422	Unrecovered Cost of Service Adjustment; Policy
Laclede Gas Company	GR-2007-0208	Case Overview; Depreciation Expense/Depreciation Reserve; Affiliated Transactions; Regulatory Compact
Missouri Gas Utility	GR-2008-0060	Report on Cost of Service; Overview of Staff's Filing

CASE PARTICIPATION OF

MARK L. OLIGSCHLAEGER

Company Name	Case Number	Issues
The Empire District Electric Company	ER-2008-0093	Case Overview; Regulatory Plan Amortizations; Asbury SCR; Commission Rules Tracker; Fuel Adjustment Clause; ROE and Risk; Depreciation; True-up; Gas Contract Unwinding
KCP&L Greater Missouri Operations Company	EO-2008-0216	**Rebuttal:** Accounting Authority Order Request
Missouri Gas Energy, a Division of Southern Union	GR-2009-0355	**Staff Report Cost of Service: Direct** Report on Cost of Service; Overview of the Staff's Filing; **Rebuttal:** Kansas Property Taxes/AAO; Bad Debts/Tracker; FAS 106/OPEBs; Policy; **Surrebuttal:** Environmental Expense, FAS 106/OPEBs
The Empire District Electric Company, The-Investor (Electric)	ER-2010-0130	**Staff Report Cost of Service: Direct** Report on Cost of Service; Overview of the Staff's Filing; Regulatory Plan Amortizations; **Surrebuttal:** Regulatory Plan Amortizations
The Empire District Electric Company	ER-2011-0004	**Staff Report on Cost of Service: Direct:** Report on Cost of Service; Overview of the Staff's Filing, **Surrebuttal:** SWPA Payment, Ice Storm Amortization Rebasing, S02 Allowances, Fuel/Purchased Power and True-up
Missouri-American Water Company	WR-2011-0337	**Surrebuttal:** Pension Tracker
Missouri Gas Energy, A Division of Southern Union	GU-2011-0392	**Rebuttal:** Lost Revenues **Cross-Surrebuttal:** Lost Revenues
KCP&L Greater Missouri Operations Company	EO-2012-0009	**Rebuttal:** DSIM
Union Electric Company d/b/a Ameren Missouri	EU-2012-0027	**Rebuttal:** Accounting Authority Order **Cross-Surrebuttal:** Accounting Authority Order
Union Electric Company d/b/a Ameren Missouri	EO-2012-0142	**Rebuttal:** DSIM

CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER

Company Name	Case Number	Issues
Union Electric Company d/b/a Ameren Missouri	ER-2012-0166	**Responsive:** Transmission Tracker
Kansas City Power & Light Company	ER-2012-0174	**Rebuttal:** Flood Deferral of off-system sales **Surrebuttal:** Flood Deferral of off-system sales, Transmission Tracker conditions
KCP&L Greater Missouri Operations Company	ER-2012-0175	**Surrebuttal:** Transmission Tracker Conditions
The Empire District Electric Company	ER-2012-0345	**Direct (Interim):** Interim Rate Request **Rebuttal:** Transmission Tracker, Cost of Removal Deferred Tax Amortization; State Income Tax Flow-Through Amortization **Surrebuttal:** State Income Tax Flow-Through Amortization
KCP&L Greater Missouri Operations Company	ET-2014-0059	**Rebuttal:** RES Retail Rate Impact

Cases prior to 1990 include:

COMPANY NAME	CASE NUMBER
Kansas City Power and Light Company	ER-82-66
Kansas City Power and Light Company	HR-82-67
Southwestern Bell Telephone Company	TR-82-199
Missouri Public Service Company	ER-83-40
Kansas City Power and Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power and Light Company	EO-84-4
Kansas City Power and Light Company	ER-85-128 & EO-85-185
KPL Gas Service Company	GR-86-76
Kansas City Power and Light Company	HO-86-139
Southwestern Bell Telephone Company	TC-89-14