BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light	)	
Company's Demand Side Investment Mechanism	)	<u>File No. ER-2016-0325</u>
Rider Rate Adjustment and True-Up Required	)	Tracking No. JE-2016-0343
by 4 CSR 240-3.163(8)	)	

RESPONSE OF KANSAS CITY POWER & LIGHT COMPANY <u>TO STAFF'S RECOMMENDATION TO REJECT TARIFF SHEETS</u>

COME NOW Kansas City Power & Light Company ("KCP&L" or "Company") and provides its response to the Staff ("Staff") of the Missouri Public Service Commission's ("Commission") *Recommendation to Reject Tariff Sheets* ("Recommendation") filed with the Commission on July 1, 2016, and states as follows:

I. <u>STAFF'S RECOMMENDATION REGARDING RECOVERY OF CARRYING COSTS CONTRADICTS THE COMMISSION'S MEEIA RULES AND THE COMPANY'S TARIFFS</u>

1. Staff claims not to dispute that KCP&L is entitled to recover its prudently incurred program costs, including its TD-NSB amount. Yet Staff's recommendation to deny recovery of carrying costs on TD-NSB share amounts that were under-billed from customers would deny KCP&L recovery of the costs that it has incurred to offer MEEIA programs approved by the Commission. The carrying costs incurred by the Company are not a source of profit, or windfall, for KCP&L. By denying KCP&L recovery of these costs, Staff is recommending that KCP&L not recover all of its prudently incurred costs.

2. Moreover, Staff's recommendation ignores the Commission's MEEIA rules regarding the adjustment of MEEIA rates found at 4 CSR 240-20.093(4) and 4 CSR 240-3.163(8) as well as the Company's tariffs. Sheet 49 (attached as Exhibit A) provides that charges passed through the DSIM rider include reconciliations, **<u>with interest</u>**, to true-up for differences between the revenues billed under the DSIM rider and total actual monthly amounts

for Cycle 1 program costs and TD. The rules and tariffs require the recovery/crediting of revenue that was over-collected or under-collected through the most recent recovery period including interest at the electric utility's short term borrowing rate.

3. Staff's justification for disallowance of carrying costs is that the Company failed to use the agreed upon method of discounting MEEIA program costs. However, this inadvertent error does not change the applicability of the Commission's rules and the Company's tariffs which prescribe that carrying costs at the utility's short term borrowing rate will be recovered/paid on all revenue that was under- or over-recovered in the prior DSIM recovery period. Calculation errors are exactly the type of situation that an adjustment to a rider mechanism is supposed to address so that the utility or the ratepayers are made whole for any inadvertent under- or over-recovery. If the error had been made where a refund was due to the customer, the Staff would likely follow the rule and tariffs and would require that any refunded amounts include carrying costs. Staff's one-sided interpretation of the MEEIA rules and tariffs should be rejected.

II. THE RECOVERY PERIOD SHOULD BE EXTENDED TO MITIGATE CUSTOMER IMPACT

4. In its DSIM tariff filing, KCP&L proposed an adjustment to the non-residential DSIM rate by extending the recovery period from a 6-month period to an 18-month period. This adjustment is reasonable, appropriate, and necessary so that non-residential customers would not experience a sudden large rate increase due to the unprecedented increased participation in KCP&L's Business Energy Efficiency Rebates-Custom program. As explained in the Direct Testimony of Tim Rush, the increased participation results in an increase of over 100% in the DSIM rate, or over one cent per kWh, if the 6-month recovery period is applied. If the Commission rejects KCP&L's proposal to spread the recovery of the Cycle 1 carryover costs

over a period of 18 months versus 6 months, KCP&L calculates that a non-residential customer's bill would increase by 5.0-6.6 percent depending on usage during the 6-month recovery period (August 2016 through January 2017). By spreading this increase over a period of 18 months, the impact on the customer is mitigated significantly and the recovery period is similar to the GMO Cycle 1 recovery period of 24 months.

5. The Company discussed its proposal with Staff several months prior to filing the tariff and during several conference calls. The Company even proposed to Staff to extend the recovery period in its previous DSIM tariff filing. The Staff has been well aware of the adverse customer bill impact due to this unprecedented participation in the Custom Rebates program resulting from the carryover of Cycle 1 costs. The Company was not made aware of Staff opposition to its proposed extended recovery period prior to the filing of Staff's recommendation.

6. While Staff claims it appreciates the Company's concern for customer impact, it argues that KCP&L's proposal to reduce the non-residential DSIM rate would send the wrong price signal to C&I customers.[1] Staff's argument does not make sense as the Cycle 1 C&I custom rebate program is no longer offered and is therefore closed to new participants. Therefore, there are no improper price signals that result from the extension of the recovery period, since customers can no longer participate in the Cycle 1 C&I custom rebate program. KCP&L's proposal is the best way to mitigate customer impact due to a one-time increase in customer participation that is not anticipated to occur again.

7. Staff also claims that KCP&L's proposal could result in the "pancaking" of MEEIA Cycle 1 costs with MEEIA Cycle 2 costs. While some MEEIA Cycle 1 costs will be recovered during Cycle 2 under the Company's proposal, this is a normal result of the two

[1] Staff Recommendation, p. 5.

MEEIA plans having overlapping availability. In fact, GMO has a 24 month recovery period and Staff does not argue in the GMO case that pancaking is a problem for GMO ratepayers.

8. The Company anticipates that large customers will exit MEEIA if the Commission accepts Staff's recommendation of a 6-month recovery period, which will result in a 5.0-6.6 percent bill increase depending on usage during the 6-month period. Customers are not anticipating a large increase and have not had an opportunity to budget for such a large impact. Customers understand rate impact; they do not understand pancaking of costs. Adopting the 6-month recovery period would only encourage customers to opt out from energy efficiency and it would adversely affect the Company's goal of increasing participation in energy efficiency programs. Staff is concerned that the slight reduction in the current non-residential DSIM charge of $0.0055 per kWh to $0.00432 per kWh would "provide a pointedly wrong price signal to C&I customers". The Company urges the Commission to consider the wrong short term price signal that a 5.0-6.6% increase in customer bills would provide to a customer.

WHEREFORE, KCP&L requests the Commission consider the above opposition by KCP&L to Staff's Recommendation and approve KCP&L proposed tariffs as submitted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 7th day of July, 2016, to all parties of record.

/s/ Roger W. Steiner
Roger W. Steiner

DEMAND SIDE INVESTMENT MECHANISM RIDER (CYCLE 1)
Schedule DSIM

APPLICABILITY:

This rider is applicable to all non-lighting kilowatt-hours (kWh) of energy supplied to customers under the Company's retail rate schedules, excluding kWh of energy supplied to "opt-out" customers.

Charges* passed through this DSIM Rider reflect the charges approved to be collected from the implementation of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 1 Plan. Those charges include:

1) Program Costs, TD-NSB Share, and Performance Incentive Award (if any) for the MEEIA Cycle 1 Plan,
2) Reconciliations, with interest, to true-up for differences between the revenues billed under this DSIM Rider and total actual monthly amounts for:
   i) Program Costs incurred,
   ii) TD-NSB Share incurred, and
   iii) Amortization of any Performance Incentive Award ordered by the Missouri Public Service Commission (Commission)
3) Any Ordered Adjustments. Charges under this DSIM Rider shall continue after the anticipated December 31, 2015 end of MEEIA Cycle 1 Plan until such time as the charges described in items i), ii) and iii) in the immediately preceding sentence have been billed.

Charges arising from the MEEIA Cycle 1 Plan that are the subject of this DSIM Rider shall be reflected in one "DSIM Charge" on customers' bills in combination with any charges arising from a rider that is applicable to post-MEEIA Cycle 1 Plan demand-side management programs approved under the MEEIA.

*This will include any/all MEEIA Cycle 1 Program Costs and TD-NSB Share for Commission approved programs extended beyond the end of the program plan period, as outlined in Stipulation & Agreements in Case No. EO-2015-0240.

DEFINITIONS:

As used in this DSIM Rider, the following definitions shall apply:

"Company's TD-NSB Share" means 26.36% of the TD-NSB multiplied by the Time-Value Adjustment Factor.

"Effective Period" (EP) means the six (6) months beginning with the month of July 2014, and each six month period there-after.

"Evaluation Measurement & Verification - Net Shared Benefits" (EM&V-NSB) means the 2014 present value of the lifetime avoided costs (i.e., avoided energy, capacity, transmission and distribution, and probable environmental compliance costs) for the MEEIA Cycle 1 Plan using the EM&V results determined pursuant to the Stipulation, less the 2014 present value of Program Costs.

"Incentive" means any consideration provided by the Company, including buy downs, markdowns, rebates, bill credits, payments to third parties, direct installation, giveaways, and education, which encourages the adoption of program measures.

EXHIBIT A