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Witness: Adam Blake
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Brightergy, LLC
Case No.: ET-2014-0071
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MISSOURI PUBLIC SERVICE COMMISSION

File NO.: ET-2014-0071

REBUTTAL TESTIMONY

OF

ADAM BLAKE

ON BEHALF OF

BRIGHTERGY, LLC

**Kansas City, Missouri
September 2013**

REBUTTAL TESTIMONY

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File No. ET-2014-0071

1 **Q: Please state your name and business address.**

2 **A:** My name is Adam Blake. My business address is 1617 Main Street, 3rd Floor, Kansas
3 City, MO 64108.

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

5 **A:** I am the Chief Executive Officer of Brightergy, LLC (“Brightergy”), a solar design and
6 installation company with offices in Kansas City, Missouri and St. Louis, Missouri.

7 **Q: As Chief Executive Officer, what are your responsibilities at Brightergy?**

8 **A:** I manage the executive team that includes managers of sales, marketing, public affairs,
9 operations, accounting, and technology. I also oversee our relationships with financial
10 institutions and equity investors.

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

14 **A:** I submitted pre-filed Rebuttal Testimony in MPSC Case No. ET-2014-0059 on
15 September 16, 2013.

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

17 **A:** The purpose of my testimony is to respond to Kansas City Power & Light’s (“KCP&L”)
18 request to suspend payment of solar rebates beginning in 2013. Suspending solar rebate
19 payments upon only sixty days notice and without a clear transitional process will cause

1 substantial financial harm to Missouri ratepayers who have purchased or installed solar
2 generation systems. Such a suspension also has the potential to irreparably damage the
3 solar industry in Missouri.

4 In order to curtail much of the harm that will result from an immediate suspension of
5 solar rebate payments, my testimony includes support of an alternative proposal. As fully
6 described below, the alternative proposal would allow the solar industry and its
7 customers adequate transitional time and notice before suspending the payment of solar
8 rebates. Under the alternative proposal, recovery by KCP&L of any amounts ultimately
9 determined to have been paid over the 1% Retail Rate Impact (“RRI”) cap would not
10 adversely affect KCP&L rates to Missouri ratepayers, as costs that would impact rates
11 above the RRI cap would be deferred and used to offset the amount of solar rebates
12 available for inclusion in rates in later years.

13 **Q: To begin, please provide a general description of the solar industry in Missouri.**

14 **A:** The solar industry in Missouri has installed over 25 MW of renewable, distributed solar
15 generation since Missouri voters approved the statutory solar rebate. The Missouri solar
16 industry employs thousands of people, has created over sixty businesses, and has
17 attracted millions of dollars of investment into the state—all during one of the most
18 severe recessions in recent memory. Solar energy systems provide numerous benefits to
19 all ratepayers that include but are not limited to: reduction of peak demand, less stress on
20 transmission and distribution infrastructure, energy portfolio diversification, and emission
21 free electricity.

22 In Missouri, coal fired generation constitutes approximately 80% of the state’s total
23 generation capacity. As a result, Missouri is one of the least diversified energy portfolios

1 in the country. Solar energy systems currently provide less than 1% of the total energy
2 capacity in Missouri.

3 **Q: Please describe Brightergy and its presence in the state of Missouri.**

4 **A:** Brightergy employs over fifty employees between its two offices in Kansas City,
5 Missouri and St. Louis, Missouri. In addition, Brightergy contracts with six Missouri
6 electrical contractors who physically install Brightergy solar systems on its customers'
7 properties. Brightergy estimates that these contractors employ an additional seventy-five
8 employees whose jobs are primarily related to the installation of solar systems.

9 **Q: Please describe the business operations of Brightergy in the state of Missouri.**

10 **A:** Brightergy designs and installs commercial and residential facilities to generate and
11 utilize solar energy. Specifically, the services provided by Brightergy include: (i) site
12 evaluation, to determine the viability of solar energy applications; (ii) analysis, to provide
13 suggested solar system size, possible energy savings, financial analysis, and
14 environmental analysis; (iii) solar system design; (iv) permit and financial incentive
15 processing, including federal and state permitting, incentives, and utility interconnection;
16 (v) solar system installation; and (vi) service and ongoing support, including the
17 monitoring of solar system performance. Brightergy also provides various energy
18 efficiency products and services to help its clients more clearly understand their energy
19 usage.

20 **Q: How do solar customers finance the purchase and installation of independent solar
21 generation systems?**

22 **A:** While the cost of solar equipment continues to decrease, solar generation remains a large
23 capital investment for most customers. Many businesses borrow money to finance their

1 solar systems. Individual families who wish to generate renewable solar energy often take
2 out home equity loans to pay for solar systems.

3 **Q: Do statutory solar rebates affect a customer’s decision to purchase and install a**
4 **solar generation system?**

5 **A:** Yes. The availability of solar rebates is a substantial factor in a customer’s decision to
6 purchase and install a solar generation system. Solar rebates greatly help to offset the
7 capital costs of solar generation equipment. For many customers, solar rebates are the key
8 factor in their purchasing decision. Nearly every customer who has already purchased or
9 installed solar generation systems has done so in reliance on receiving a solar rebate.

10 **Q: Would the suspension of solar rebates, as proposed by KCP&L, harm these solar**
11 **customers?**

12 **A:** Yes, many solar customers would be harmed by the suspension of solar rebates upon only
13 sixty days notice. Due to the individualized needs of each installation, solar projects can
14 take from six to nine months to complete. As described above, many solar customers
15 have made substantial financial investments in reliance on the cost savings created by
16 solar rebates. If those rebates were cutoff, the expected economics of many solar
17 generation systems will materially change. Many solar customers will likely incur
18 substantial financial losses as a result.

19 **Q: Which solar customers are at risk of having their solar rebates suspended if the**
20 **Commission grants KCP&L’s Application?**

21 **A:** It is still not clear to the solar industry what the exact cutoff date would be under
22 KCP&L’s proposed suspension. This lack of clarity stems from the definition of the term
23 “operational date” as used in KCP&L’s proposed revision to Revised Sheet No. 46.

1 Under KCP&L’s proposal, Brightergy and its customers are not clear whether KCP&L
2 would continue to pay rebates for systems installed before November 3, 2013, or whether
3 KCP&L would just stop processing and sending rebate checks to customers on November
4 3, 2013. In Brightergy’s experience, there is a thirty to ninety day delay between the date
5 that KCP&L considers the “operational date” of a system and the date that the customer
6 actually receives a solar rebate check.

7 Moreover, KCP&L has never provided Brightergy or the solar industry with a clear
8 explanation of what is the exact KCP&L process for determining when a solar system
9 becomes “operational” and therefore eligible for a rebate. For example, if a single placard
10 is missing from an otherwise complete system or if KCP&L cannot access the customer
11 site, the “operational date” selected by KCP&L could be delayed by months. In these
12 circumstances the rebate check may also be delayed for an additional thirty to ninety
13 days.

14 **Q: Do you believe that the operational date of a solar system should be the date used to**
15 **determine solar rebate eligibility?**

16 **A:** No. I do not believe the operational date is a good metric on which to determine whether
17 a customer is eligible for a solar rebate. Solar projects are often started before an
18 interconnection application is approved or even submitted to the utility. Solar projects
19 can take from six to nine months to complete. Once complete, it typically takes thirty to
20 ninety days for KCP&L to declare a system “operational.” It may also take an additional
21 thirty to ninety days for KCP&L to issue a rebate check. As a result, the actual
22 “operational date” of a solar system is out of customers’ control and is very difficult to
23 predict.

1 **Q: What do you recommend as a more certain date to determine solar rebate**
2 **eligibility?**

3 **A:** If annual solar rebate funds are limited, and the order of payment is to be determined on a
4 first come, first-served basis, I believe customers should be provided with a more certain
5 and predictable date. I recommend that the date KCP&L receives a customer's
6 interconnection application (i.e., the KCP&L application receipt timestamp) be the date
7 used to determine rebate eligibility. The application date is a much more predictable
8 placeholder for determining solar rebate eligibility and will allow solar customers and
9 solar companies to better predict when a customer will receive a rebate payment.

10 **Q: Was Brightergy and the solar industry provided adequate notice that KCP&L was**
11 **at risk of reaching the one percent RRI cap and would have to suspend payment of**
12 **solar rebates?**

13 **A:** No. Brightergy was informed that KCP&L may reach the one percent RRI cap and may
14 have to suspend rebates only a short time ago.

15 During the 2012-13 legislative session, Brightergy and the solar industry worked with the
16 electric utilities located in Missouri, including KCP&L, to draft for consideration by the
17 Missouri Legislature, the recently enacted House Bill 142. During discussions with the
18 electric utilities, the solar industry was frequently reassured that the utilities were not
19 close to reaching the 1% RRI cap. Despite these assurances, a few weeks after the
20 approval of HB 142, Brightergy and the solar industry were completely blindsided when
21 KCP&L filed its initial request that the MPSC suspend KCP&L's solar rebate tariff.

22

1 **Q: What has Brightergy and the solar industry been told in the past regarding the one**
2 **percent RRI cap?**

3 A: The solar industry has long been told that the electric utilities were unlikely to ever reach
4 the 1% RRI cost cap. The MPSC Staff in *Staff's Report on Company's RES Compliance*
5 *Plan*, filed in MPSC File No. EO-2012-0348, directly addressed KCP&L's failure to
6 perform the RES compliance cost calculation required by 4 CSR 240-20.100(7)(B)1.F. In
7 its report, Staff stated that the KCP&L RES retail rate impact limit "calculation would
8 serve no purpose in this instance."¹ (Attached as AB-1.) Staff went on to declare that
9 KCP&L's "costs for these compliance periods are significantly below the one percent
10 (1%) retail rate impact limit, [and] *performing the detailed netting calculation literally*
11 *serves no purpose.*" (emphasis added.)

12 If KCP&L had complied with the MPSC rules that require an annual RRI calculation as
13 part of the Company's RES Compliance Plan, we would not be in this current
14 predicament. It is likely that the issue would have been resolved long ago through a more
15 reasonably timed procedural schedule.

16 In addition, representatives with Ameren Missouri, as recently as January, 2013, have
17 been quoted by the St. Louis Post Dispatch as characterizing the RRI calculation as
18 merely "an academic calculation now because we're not up against the 1 percent limit."
19 (Attached as AB-2.)

20 **Q: Have you reviewed KCP&L's description of its Retail Rate Impact calculations and**
21 **Staff's position regarding KCP&L's calculation?**

22 A: Yes. I reviewed the public direct testimony filed by KCP&L witness Burton L. Crawford.
23 Mr. Crawford provides a detailed explanation of how KCP&L calculated the 1% RRI

¹ *Staff Report on Company's RES Compliance Plan*, File No. EO-2012-0348, at 2 (May 31, 2012).

1 cap. Mr. Crawford also summarizes what KCP&L believes to be Staff’s position
2 regarding the RRI calculation.

3 **Q: What concerns do you have regarding Staff’s position on the RRI calculation, as**
4 **described by KCP&L?**

5 A: Staff’s position, as described by Mr. Crawford, concerns me, as it seems to me to be
6 inconsistent with the requirements of the Renewable Energy Standard (“RES”). As
7 described by KCP&L, Staff’s position appears to require KCP&L’s RRI calculation to
8 include the capital and energy associated with a 2016 wind project that KCP&L plans for
9 Kansas—not Missouri—RES Compliance purposes. If this is indeed Staff’s position, it
10 seems to me to be contrary to the Missouri RES requirements and the requirement of 4
11 CSR 240-20.100(5)(B) that KCP&L use least-cost methods to comply with the RES.

12 **Q: Would you please expand your discussion on this point?**

13 A: KCP&L, in its 2013 Annual Update to its Integrated Resource Plan (“IRP”), indicated
14 that its Preferred Plan included the addition of 400 MW of wind energy over the twenty-
15 year planning period.² The Company went on to state: “It should be noted that solar and
16 *wind additions could be obtained from power purchase agreements (PPA), purchasing*
17 *of renewable energy credits (RECs), or utility ownership.”³*

18 Undoubtedly, the least-cost RES compliance portfolio would result from the purchase of
19 comparatively less expensive Renewable Energy Credits (“RECs”). The MPSC Staff has
20 previously approved RES plans in which a utility proposes the purchase of RECs for RES
21 compliance. Staff’s position, as described by Mr. Crawford, appears to overlook the least-
22 cost method of RES compliance required by 4 CSR 240-20.100(5)(B). Failure to consider

² *Kansas City Power & Light Company Integrated Resource Plan, 2013 Annual Update, Case No. EO-2013-0537, at 11.*

³ *Id.* (emphasis added.)

1 and utilize this least-cost alternative, especially when projecting long-term and uncertain
2 RES compliance costs, could have a substantial and negative effect on ratepayers, the
3 solar industry, and KCP&L's solar generating customers.

4 Finally, even assuming the wind farms identified in the KCP&L IRP are constructed
5 (which is still uncertain), it is unclear at this time whether or not these wind generation
6 assets would be considered "economic." The determination as to whether future wind is
7 "economic" would be made at the time of consideration and purchase commitment, and
8 by comparison to other alternatives that are reasonably available.

9 **Q: Do you have any other concerns regarding Staff's position on the RRI calculation,**
10 **as described by KCP&L?**

11 A: Yes. Staff's RRI calculation includes the costs of the planned 2016 KCP&L wind project
12 that the Company identified in its companywide 2012 IRP. I firmly believe that the 2016
13 wind project should be excluded from the current RRI because it is not planned or
14 intended to be used for Missouri RES compliance purposes. Instead, the 2016 wind
15 project will only be used to comply with Kansas RES requirements for the foreseeable
16 future. KCP&L witness, Burton Crawford, states in his Direct Testimony that "[t]he 2016
17 wind resource addition is being driven by the Kansas renewable portfolio requirements."⁴
18 Mr. Crawford goes on to state that KCP&L "has sufficient resources to meet the RES in
19 2016 without additional resources."⁵ The inclusion of the 2016 wind project in Staff's
20 RRI calculation assumes a heightened level of RES compliance that is not required by the
21 RES requirements. This unnecessarily heightened compliance is improper and
22 inappropriately reduces the limited funds available for solar rebates.

⁴ Direct Testimony of Burton L. Crawford, File No. ET-2014-0071, at 11.

⁵ Id. at 12.

1 **Q: Does Brightergy support KCP&L’s method of calculating the one percent Retail**
2 **Rate Impact?**

3 A: Brightergy generally supports KCP&L’s method of calculating the one percent Retail
4 Rate Impact with one notable exception: Brightergy strongly believes solar rebates
5 should be amortized over a period of 10 years. Recently enacted House Bill No.142 of
6 2013, 393.1030.3 states:

7 As a condition of receiving a rebate, customers shall transfer
8 to the electric utility all right, title, and interest in and to the
9 renewable energy credits associated with the new or
10 expanded solar electric system that qualified the customer for
11 the solar rebate for a period of ten years from the date the
12 electric utility confirmed that the solar electric system was
13 installed and operational.”
14

15 KCP&L is making investments via solar rebates for the purpose of procuring Solar
16 Renewable Energy Credits (S-RECs) for ten years; therefore, to be consistent
17 economically, the rate impact of this S-REC procurement should be similarly spread over
18 ten years.

19 Brightergy does not support and believes it would be highly damaging to KCP&L’s solar
20 customers and the solar industry to suspend the payment of solar rebates upon sixty days
21 notice. The solar industry depends on cost-certainty and would be substantially harmed if
22 rebates were suspended this year and during every year for the near future. Therefore,
23 while I support the KCP&L RRI calculation formula with the aforementioned exception,
24 I recommend the Commission approve the alternative to immediate suspension that I
25 describe below as a reasonable compromise.
26

1 **Q: Why is KCP&L’s request to immediately suspend solar rebates following November**
2 **9, 2013 unreasonable?**

3 A: Limiting the amount of solar rebate funds available to customer-generators each year as
4 KCP&L proposes is simply not workable in the current environment. Solar customers
5 require a high level of financial certainty when making solar investment decisions. In his
6 Direct Testimony, KCP&L witness Tim Rush states that the Company estimates that it
7 will pay \$14 million of solar rebate payments by the end of 2013.⁶ This estimate exceeds
8 the Company’s 2013 RRI cap by approximately \$3 million.⁷ As described above, the
9 solar industry was not provided notice that KCP&L was going to reach its interpretation
10 of the 2013 RRI cap until only a short time ago. Many customers have borrowed money
11 against their homes to install solar generation units in reliance on the availability of a
12 solar rebate. Solar companies, such as Brightergy, have hired employees and have
13 borrowed millions of dollars to install customers’ generation systems. Under KCP&L’s
14 proposal, Missouri residents and businesses could be forced to wait for nearly a year for
15 rebates that were vital to their recent investment decisions. Such a delay may cause
16 substantial financial harm to ratepayers and the solar industry, the possibility of lengthy
17 and expensive litigation, and other significant hardships.

18 **Q: Please describe the alternative to immediate solar rebate suspension that you**
19 **recommend the Commission adopt in this case.**

20 A: I have attached a copy of the proposed alternative to immediate solar rebate suspension
21 (“Compromise Proposal”) to this testimony as Exhibit “AB-3”. Brightergy strongly
22 believes the attached Compromise Proposal is a lawful and reasonable solution that will

⁶ Direct Testimony of Tim M. Rush, File No. ET-2014-0071, at 5.

⁷ Id.

1 benefit all stakeholders. I am confident that the Compromise Proposal will adequately
2 mitigate the substantial harm to ratepayers and the solar industry that would result if
3 KCP&L abruptly suspended solar rebates.

4 **Q: What are the terms of the attached Compromise Proposal?**

5 A: Essentially, the Compromise Proposal provides for the “front loading” of all solar rebate
6 funds available under KCP&L’s 1% RRI calculation for the period 2013 through 2024.
7 Under the Compromise Proposal, the payment of solar rebates will not immediately be
8 suspended. Instead, all solar rebates will be paid by KCP&L until the total rebate funds
9 dispersed equal the total rebate funds available under the Company’s RRI calculation for
10 the period 2013 through 2024.

11 **Q: How will KCP&L recover the “front loaded” rebate funds paid under the
12 Compromise Proposal in its electric rates?**

13 A: In order to ensure the payment of solar rebates does not have greater than a 1% impact on
14 KCP&L retail rates in any given year, Paragraph 4 of the Compromise Proposal sets forth
15 the maximum amount of rebate funds KCP&L may recover in their next rate case
16 attributable to each annual period from 2013 through 2024. While I am not aware of the
17 exact amounts set forth in Paragraph 4, I assume, based on KCP&L’s public statements,
18 that a range of approximately \$10 million to \$12 million is available each year for solar
19 rebates until 2024.

20 To the extent that rebate amounts paid by KCP&L in a given year exceed the amount set
21 forth in Paragraph 4 for that year, the excess amount paid will be included in a regulatory
22 asset of KCP&L and will be recovered in rates in successive annual periods. KCP&L
23 would be granted a carrying cost on this regulatory asset. Any excess rebate funds

1 included within the regulatory asset (as well as the total carrying costs) would be
2 recovered against the total pool of rebate funds available for recovery from 2013 through
3 2024. In no event would the total solar rebate funds paid by KCP&L exceed the total
4 funds available under Paragraph 4.

5 **Q: Why should the Commission approve the Compromise Proposal you have attached**
6 **to this testimony?**

7 **A:** The Compromise Proposal is a very reasonable compromise and protects the interests of
8 all affected parties—namely, KCP&L, KCP&L ratepayers, the solar industry and its
9 customers, and the wind industry. The Compromise Proposal enables the development of
10 solar generation in the early years of the RES, while still acknowledging that wind energy
11 additions must be added to KCP&L’s Missouri RES portfolio in the future. The
12 Compromise Proposal also ensures KCP&L complies with the RES and remains at or
13 below the 1% RRI cap.

14 There are numerous opinions on how to perform the RRI calculation. The Compromise
15 Proposal is a reasonable solution that would be relatively simple to adopt because it is
16 very similar to KCP&L’s existing calculation.

17 **Q: How does the Compromise Proposal protect the interests of the wind industry?**

18 **A:** The Compromise Proposal is based on KCP&L’s calculation of its RRI cap. Accordingly,
19 the annual and total funds available for solar rebates allow for the allocation of KCP&L’s
20 planned 2016 wind project when necessary for Missouri RES compliance. Essentially,
21 the Compromise Proposal provides a pool of funds for the payment of solar rebates until
22 2024. Following 2024, no funds will be allocated for solar rebates, and any costs
23 associated with wind development may consume the entire 1% RRI calculation. Under

1 the Compromise Proposal, the same amount of wind could be built (or allocated), as
2 proposed by KCP&L in its IRP.

3 **Q: What are the overall benefits of the Compromise Proposal?**

4 **A:** The attached Compromise Proposal allows for a gradual reduction of the solar rebate
5 program without payment delay to customers. The Compromise Proposal also will not
6 affect the funds available for the future allocation of wind generation. A front-loaded,
7 more predictable reduction in the solar rebate program will cause substantially less harm
8 to the solar industry and its customers than an abrupt suspension of rebates this year and
9 at some point each year for the near future.

10 Under the Compromise Proposal, the solar customers who purchased and installed solar
11 systems in reliance on a solar rebate will avoid substantial financial harm. Further, the
12 Compromise Proposal affords the solar industry and its customers adequate time to
13 account for the elimination of solar rebates.

14 **Q: Does this conclude your testimony?**

15 **A:** Yes.