

Exhibit No.:
Issue: Demand Side Investment Mechanism
Rider
Witness: Tim M. Rush
Type of Exhibit: Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2016-_____
Date Testimony Prepared: June 1, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-_____

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
June 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-2016-_____

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, for both
9 KCP&L and KCP&L Greater Missouri Operations Company (“GMO”). I am also
10 responsible for overseeing the regulatory reporting and general activities as they relate to
11 the Missouri Public Service Commission (“MPSC” or “Commission”), including
12 Missouri Energy Efficiency Investment Act (“MEEIA”) filings.

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

14 A: I received a Master of Business Administration degree from Northwest Missouri State
15 University in Maryville, Missouri. I did my undergraduate study at both the University
16 of Kansas in Lawrence and the University of Missouri in Columbia. I received a
17 Bachelor of Science degree in Business Administration with a concentration in
18 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 KCP&L to adjust
15 the Demand Side Investment Mechanism (“DSIM”) Rider. My testimony will explain
16 the change to the DSIM components based upon actual and estimated performance in the
17 six-month period ending June 2016, as well as, forecasted performance through
18 December 2016 for Program Costs and Throughput Disincentive (“TD”). This six-month
19 period is the first filing for Cycle 2 under the KCP&L MEEIA DSIM Rider approved by
20 the Commission in Case No. EO-2015-0240, with tariffs implemented on April 1, 2016.
21 The proposed change will result in a decrease to a residential customer’s rate from
22 \$0.00335 to \$0.00332 per kWh. In addition, with respect to the non-residential DSIM
23 rate, KCP&L is proposing to make an adjustment to the recovery period for the estimated

1 reconciled balances for MEEIA Cycle 1 program costs and TD-NSB from a six-month
2 recovery to an 18-month recovery period. This proposed change and updating for both
3 actual and forecasted costs, the non-residential rate would decrease from \$0.00550 to
4 \$0.00432 per kWh.

5 **Q: Why are you proposing to change the MEEIA Cycle 1 non-residential program costs**
6 **and TD-NSB balances from six months to 18 months?**

7 A: Because of the unprecedented increase in program participation by customers in the non-
8 residential class, KCP&L will have experienced a very large unrecovered balance by the
9 end of June 2016. This is primarily driven by the Business Energy Efficiency Rebates-
10 Custom program. As a result, the Company anticipates a June balance of approximately
11 \$16.2 million of program costs and approximately \$5.7 million of TD-NSB. If this
12 amount were added to the projected program costs and TD through December, it would
13 result in an increase of over 100% in the DSIM rate, or over one cent per kWh. KCP&L
14 feels such an increase is not reasonable and proposes to spread this amount over a period
15 which would balance the rate over an 18-month period to a more reasonable level.

16 **Q: Does a similar problem exist with KCP&L Greater Missouri Operations Company**
17 **(“GMO”)?**

18 A: No. While GMO saw the same unprecedented increased participation in the similar
19 GMO Business Energy Efficiency Rebates-Custom program and the unrecovered balance
20 for the period ending June is expected to be similar to KCP&L, the stipulation and
21 agreement for GMO in Case No. EO-2015-0241 spreads the balances from Cycle 1
22 MEEIA costs at the end of the Cycle 1 period over 24 months. As a result, this has
23 leveled the non-residential customer rate similar to what we are requesting for KCP&L.

1 **Q: Why did the Company select 18 months as the recovery period for the non-**
2 **residential class?**

3 A: Essentially, it is the period of time that the Company feels best levelizes the DSIM rate
4 for the non-residential class. As I mentioned above, if the Company were to recover the
5 balance over six months, as the tariff currently states, the rate for the non-residential class
6 would have been over one cent per kWh. If we had proposed to have moved to 12
7 months, the rate would have been generally higher in the first six months, but would have
8 substantially increased in the second six month period. This is attributable to recovery of
9 the performance incentive from MEEIA Cycle 1, which is currently being evaluated and
10 is expected to be reflected in February 2017. While we currently do not know what the
11 exact amount of the performance incentive will be, it will most likely result in an increase
12 in the DSIM beginning in February 2017.

13 **Q: During the recent audit by the Commission Staff of KCP&L's MEEIA programs, it**
14 **was discovered that an error had occurred in the calculation of the Throughput**
15 **Disincentive – Net Shared Benefit (“TD-NSB”) for Cycle 1. Can you explain the**
16 **error and what you have reflected in this filing?**

17 A: Yes. During the audit by the Staff, it was discovered that the calculation of the TD-NSB
18 for Cycle 1 did not discount the program costs for the 2015 TD-NSB back to the first
19 plan year in the calculation. It was agreed in the stipulation and agreement in Case No.
20 EO-2014-0095 that both the program costs and benefits were to be discounted back to the
21 first year of the plan. The benefits were correctly discounted in the TD-NSB calculation.
22 However, by not discounting the program costs, the net benefits were understated, which
23 resulted in understating the TD-NSB. The correction of this results in an increase in the

1 unrecovered balance at the end of December 2015 of \$369,831 plus carrying costs of
2 \$2,280, for a total of \$372,111.

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

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

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

10 B) Proposed adjustments or refunds by rate class.

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

12 D) Proposed adjustments to the current DSIM rates.

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

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

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

16 As part of my Direct Testimony, I include the information required for update of the
17 DSIM rate in the attached Schedules TMR-1 through TMR-2.

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

19 A: Yes, I am.

20 **Q: Please explain why KCP&L has filed adjusted DSIM Rider rate schedules at this
21 time?**

22 A: The Commission's rule governing DSIM filings and submission requirements for electric
23 utilities, specifically 4 CSR 240-20.093(4) and 4 CSR 240-3.163(8), require KCP&L to

1 make semi-annual adjustments of DSIM rates that reflect the amount of revenue that has
2 been over/under collected. Based upon actual and estimated performance during the six-
3 month time period(s), DSIM rates may be adjusted up or down.

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

6 A: As the DSIM tariff describes, the DSIM rate components consist of projected Program
7 Costs and projected TD associated with Cycle 2 for July 2016 through December 2016
8 and the reconciliation of expected Program Costs and expected TD/TD-NSB for both
9 Cycles 1 and 2 through June 2016. These amounts are divided by the projected retail
10 sales, excluding opt-out sales from customers for August 2016 through January 2017, to
11 develop a rate to be used in the DSIM rate. All of this is separately distinguished
12 between Residential and Non-Residential. The only adjustment to this calculation is that
13 the Reconciliation of the expected Cycle 1 and 2 Program Costs and TD-
14 NSB for the non-residential class only includes one-third of the balance so as to reflect an
15 18-month recovery of this balance.

16 **Q: Please describe the impact of the change in costs and how it will affect KCP&L**
17 **customers.**

18 A: At this time, based on actual performance experienced through April 2016 and forecasts
19 through December 2016, the residential DSIM rate will be lower than the current rate of
20 \$0.00335 per kWh and will become \$0.00332 per kWh. For a residential customer using
21 1,000 kWh's, this would mean a decrease of \$0.03 per month.

1 The DSIM rate will also decrease for the non-residential class from \$0.00550 per kWh to
2 \$0.00432 per kWh. For a non-residential customer, for every 1,000 kWh's used, this
3 would mean a decrease of \$1.18.

4 **Q: If the rate schedules filed by KCP&L are approved, what safeguards exist to ensure**
5 **that the revenues the Company bills to its customers do not exceed actual DSM**
6 **Program Costs and TD/TD-NSB incurred?**

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

1 **Q: What action is KCP&L 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 August 1, 2016.

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 Kansas City Power & Light)
Company's Demand Side Investment) Case No. ER-2016-_____
Mechanism Rider Rate Adjustment and True-Up)
Required by 4 CSR 240.3.163(8))

AFFIDAVIT OF TIM RUSH

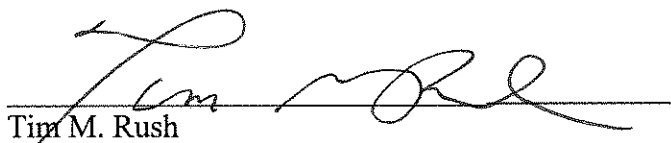
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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 Kansas City Power & Light Company as Director, Regulatory Affairs.

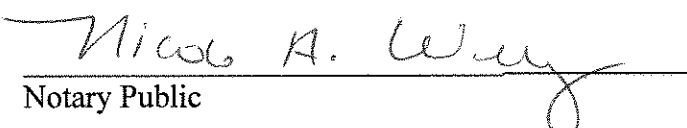
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of eight (8) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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 1st day of June 2016.



Notary Public

My commission expires: Feb. 4, 2019

