Exhibit No.:	
Issue:	Support of the Stipulation and Regulatory Flexibility
Witness:	Tim M. Rush
Type of Exhibit:	Direct Testimony in Support of Stipulation
Sponsoring Party:	Kansas City Power & Light Company KCP&L Greater Missouri Operations Company
Case No.:	EO-2015-0240 EO-2015-0241
Date Testimony Prepared:	December 11, 2015

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2015-0240
EO-2015-0241

DIRECT TESTIMONY
IN SUPPORT OF STIPULATION

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY
KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
December 2015

DIRECT TESTIMONY IN SUPPORT OF STIPULATION

OF

TIM M. RUSH

CASE NO.: EO-2015-0240
EO-2015-0241

Q: Please state your name and business address.

A: My name is Tim M. Rush. My business address is 1200 Main Street, Kansas City, Missouri 64105.

Q: Are you the same Tim M. Rush who sponsored the August 28, 2015 Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 2 2016-2018 report in this matter?

A: Yes, I am. I prepared portions of the Report filed on August 28, 2015, sponsoring Kansas City Power & Light Company's ("KCP&L") and KCP&L Greater Missouri Operations Company's ("GMO") (collectively, the "Company") Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 2 2016-2018 report filing.

Q: On whose behalf are you submitting this testimony?

A: I am submitting this Direct Testimony in Support of Stipulation before the Missouri Public Service Commission ("MPSC" or "Commission") on behalf of KCP&L and GMO.

Q: What is the purpose of your Direct Testimony in Support of Stipulation?

A: The purpose of my testimony is to provide support on behalf of KCP&L and GMO of the Non-Unanimous Stipulation and Agreement Resolving MEEIA Filings filed on November 23, 2015 in this docket ("Stipulation") and to address certain issues in opposition to this Stipulation brought up by Brightergy, LLC ("Brightergy"). I will do so by addressing:

- the overall MEEIA Cycle 2 plan addressed in the Stipulation and explaining the cost recovery mechanism for MEEIA;
- how the MEEIA Cycle 2 plan meets the goals of the 2008 legislation which established MEEIA;
- the transition between MEEIA Cycle 1 and MEEIA Cycle 2; and
- my understanding of the opposition brought by Brightergy regarding the provision of the Stipulation which provides regulatory flexibility.

Q: Can you describe in general the Company's overall MEEIA Cycle 2 plan?

A: Yes. The Company filed its application to implement its second MEEIA plan for both KCP&L and GMO on August 28, 2015. The plan set forth a demand-side management ("DSM") portfolio, which was consistent with the MEEIA and the rules of the MPSC. The plan outlined numerous programs and a recovery mechanism all designed to take effect on January 1, 2016. These programs were proposed to be implemented immediately following the conclusion of the MEEIA Cycle 1 plan.

Subsequent to the Company's filing of the Stipulation, numerous parties participated in an extensive review of both the programs and recovery mechanism for the MEEIA Cycle 2 plan. Those parties included: MPSC Staff ("Staff"), KCP&L, GMO, the Office of the Public Counsel, National Housing Trust, West Side Housing Organization, Natural Resources Defense Council, Earth Island Institute d/b/a Renew Missouri, Missouri Department of Economic Development – Division of Energy and

United for Missouri, Inc., Union Electric Company d/b/a Ameren Missouri, Missouri Industrial Energy Consumers and Brightergy.

Numerous modifications were made to the original plan filed by the Company in order to address many of the suggestions and recommendations made by various parties. As a result of extensive settlement discussions among all parties to the case, a Stipulation was entered amongst the parties which the Company believes meets the goals of the MEEIA.

Below is a summary of the key components of the Stipulation.

MEEIA PROGRAMS

Non-Residential/Business Programs: Business Energy Efficiency Rebate-Custom; Business Energy Efficiency Rebate-Standard; Strategic Energy Management; Block Bidding; Online Business Energy Audit; Small Business Direct Install; Business Programmable Thermostat; Demand Response Incentive;

Residential Programs: Income-Eligible Weatherization (this is a GMO-only program and will be available only for 2016); Home Lighting Rebate; Home Appliance Recycling Rebate; Income-Eligible Home Energy Report (this is a KCP&L program only); Home Energy Report; Online Home Energy Audit; Whole House Efficiency; Income-Eligible Multi-Family; Residential Programmable Thermostat; and

A Research and Pilot Program.

Identification of Additional Energy Savings. The Company has agreed to a collaborative process with Signatories of the Stipulation, to address new, unserved, or underserved customer markets and identify cost-effective energy and demand savings strategies (a possible additional 200 GWh of savings) that could be considered for implementation for program years 2017 and 2018 if all customers within the customer class realize a benefit. The Company will seek Commission approval prior to adding any new programs identified in the collaborative process. If Commission-approved new programs are added in years 2017 and 2018, the Company may seek Commission approval to have the targets for the utility cap and the total cap adjusted proportionately to reflect the increase in annual energy and demand savings targets.

MEEIA CYCLE 2 TERM; ENERGY AND DEMAND SAVINGS TARGETS

The MEEIA Cycle 2 period for the Company will conclude 36 months following Commission tariff approval. The program budget for KCP&L is $50.4 million and $52.6 million for GMO. The overall benefits derived from the plan are $137 million for KCP&L and $139 million for GMO. The expected energy and demand savings are as follows:

	kWh	kW
KCP&L	198,097,872	66,328
GMO	184,549,652	105,855

MEEIA Cycle 2 will continue to build on the success of MEEIA Cycle 1 programs and leverage the learnings and experience gained from Cycle 1 to broaden the Company's DSM offerings, continue to improve customer participation, and enhance customer experience.

RECOVERY MECHANISM

The Company's MEEIA Cycle 2 cost recovery mechanism is similar to MEEIA Cycle 1 with some changes based on experience gained through stakeholder input; evaluation, measurement and verification ("EM&V") results; potential study review; secondary evaluations and research; baseline changes; and program processes.

The current demand-side investment mechanism ("DSIM") for KCP&L MEEIA Cycle 1 is a rider. The DSIM rate was established in EO-2014-0095 and the DSIM Rider tariffs became effective July 6, 2014. In this MEEIA Cycle 2 Stipulation, the rider mechanism will continue and recover the Cycle 2 program costs, throughput disincentive ("TD") and earnings opportunity ("EO"), and remaining Cycle 1 DSIM components.

The current DSIM recovery mechanism for GMO is a tracker that is specifically identified as a rate component of base rates for both residential and non-residential rates. It is not a rider similar to that which is currently in effect for KCP&L and which is proposed to continue for MEEIA Cycle 2. For GMO, the DSIM rate was established in Case No. ER-2012-0175 and implemented on January 26, 2013 as a result of that GMO rate case. Because the current identified DSIM charge for Cycle 1 is reflected in the base tariff amount and because only one DSIM charge should be reflected on the customer bill, the overall DSIM rate on this tariff sheet includes an offset equal to the amount currently in GMO's base rates. It is the intent of the Company to remove the DSIM charge from the base rates in GMO's next rate case. At such time as the DSIM charge in GMO's base rates is removed or modified, the DSIM charge shall continue under the DSIM tariff.

The DSIM addresses recovery of programs costs, recovery of the TD that is intended to recover lost margin revenues, and any EO award achieved during the term of MEEIA Cycle 2. The Company will begin recovery through a DSIM rider beginning at the implementation of MEEIA Cycle 2 or as soon as practical thereafter. An example of the TD calculation and the EO adjustments is provided in Appendix G in the Stipulation.

Program costs and TD will be recovered contemporaneously with implementation of MEEIA Cycle 2 and will continue until all program costs and TD are recovered.

Program Costs: MEEIA Cycle 2 includes program costs of $50,436,843 and $52,640,451, respectively for KCP&L and GMO, which are based on the planned budgets for the MEEIA Cycle 2programs to be delivered over the 36-month period following effective date of the tariff sheets. If Commission-approved new programs are added in years 2017 and 2018, program costs will also be included.

Throughput Disincentive (TD): The kWh savings will be reflected in the TD by multiplying the kWh savings for each program for the respective month times the incremental rate for the respective class. A net to gross ("NTG") initial factor of 0.85 will be used for contemporaneous TD recovery. Annual kWh savings per measure will be updated prospectively in KCP&L/GMO's technical resource manual ("TRM") no later than 24 months after the commencement of the Plan based on EM&V ex-post gross adjustments determined for Year 1.

Earnings Opportunity (EO) Award:

a. KCP&L and GMO will perform a full EM&V including an ex post gross adjustment and NTG determination for EO with no NTG floor and no NTG cap. For purposes of the EO, the kWh and kW savings measurements will be determined through the annual EM&V including NTG with no floor or cap on the NTG factor, based on actual measures installed in that year annualized unless otherwise described in the EO matrix. The EO Award matrix is attached to the Stipulation as Appendix G. The EO awarded will be adjusted as follows:

(i) TD Ex Post Gross Adjustment – At the end of the three-year cycle, the annual ex-post gross measures for each program determined through the annual EM&V will be used to recalculate the TD as described above for each of the annual evaluation periods. The difference between the recalculated TD using ex-post gross measures and the TD using the deemed numbers, whether an increase or a decrease will be adjusted in the EO by applying carrying costs at the allowance for funds used during construction ("AFUDC") rate compounded semi-annually.

(ii) TD NTG Adjustment – At the end of the three-year cycle, if the portfolio EM&V NTG is greater or less than the initial factor of 0.85, the difference between TD at 0.85 NTG and the TD calculated using the EM&V NTG, subject to a NTG cap of 1.00 and a floor of 0.80, will be recovered through the EO, including carrying costs at the AFUDC rate compounded semi-annually.

b. The signatories to the Stipulation agree that the EO cannot go below zero. The EO target at 100% is $7,429,296 million for KCP&L and $10,383,855 for GMO. For KCP&L, the EO (before adjustments reflecting TD EM&V including NTG) cannot go above $10,495,620. For GMO, the EO (before adjustments reflecting TD EM&V including NTG) cannot go above $14,290,195. For KCP&L, the EO (including adjustments reflecting TD EM&V including NTG) cannot go above $15,500,000. For GMO, the EO (including adjustments reflecting TD EM&V including NTG) cannot go above $20,000,000. The caps are based on the current program levels. As previously stated, if Commission-approved new programs are added in years 2017 and 2018, the

Company may seek Commission approval to have the targets for the cap of the EO scale proportionately to the increase in savings targets.

The DSIM rider illustrative tariff sheets are attached as Appendix D to the Stipulation and reflect the recovery of Commission-approved program costs, TD and EO Award, including interest. The rate to be charged to residential and non-residential classes initially will be determined by including the estimated initial six month Program costs and the TD for Cycle 2 plus the unrecovered balances from Cycle 1 MEEIA programs for KCP&L and one-fourth of the unrecovered balances from GMO (GMO unrecovered balances from Cycle 1 will be recovered over a 24 month period).

Q: Can you describe how the proposed plan addresses the MEEIA legislation and rules of the Commission regarding energy efficiency?

A: Yes. As set out in the MEEIA legislation, there are three public policy goals for MEEIA. They are to:

1. Encourage more efficient energy use and cost-effective demand-side programs;
2. Have substantial justice between utilities and their customers;
3. Value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs and, in doing so:
   a. Provide timely cost recovery for utilities;
   b. Ensure that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers’ incentives to use energy more efficiently; and

c. Provide timely earnings opportunities associated with cost-effective, measurable and verifiable efficiency savings.

Q: How does this MEEIA plan for Cycle 2 of both KCP&L and GMO achieve those goals?

A: As the plan pertains to achieving the above stated goals, the Company has been promoting energy efficiency for nearly a decade, well before the implementation of MEEIA. Both KCP&L and GMO have accomplished great strides toward improved energy efficiency in each service territory. The programs at the Company have all passed the scrutiny of the Commission regarding their cost effectiveness. In the MEEIA Cycle 2 plan, those same evaluations demonstrate that the programs presented in MEEIA Cycle 2 pass the TRC test and many other evaluation tests which demonstrate that they are cost effective. Appendix E to the Stipulation presents the individual program and total portfolio cost effectiveness for each of the five tests.

The second goal under the MEEIA statute addresses equity (“substantial justice”) between utilities and their customers. As demonstrated by the Utility Cost Test (“UCT”), Participant Cost Test (“PCT”), and Ratepayer Impact Measure net fuel (RIM, also formerly known as the non-participant cost test), the benefits exceed the costs of the programs to the Company, the participating customers, and the non-participating customers. Both the UCC and PCT tests demonstrate that the benefits exceed the costs by over two times for the Company and the participating customers. Non-participating are also benefiting as evidenced by the RIM (net fuel) test result of 1.07 for both KCP&L and GMO. The RIM (net fuel) test looks at the rate impacts of programs over the life of the programs and also accounts for reduced operational costs including net fuel savings.

The third goal addresses the utility valuation of demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs. This is accomplished in the MEEIA Cycle 2 plan through the recovery mechanism. Timely recovery of costs is accomplished by providing contemporaneous recovery of program costs. It is also balanced by providing contemporaneous recovery of TD. The utility financial incentives are derived from the EO plan that lays out an opportunity to receive a financial incentive if the Company is able to demonstrate both energy savings and demand savings through its programs.

EVALUATION, MEASUREMENT AND VERIFICATION

It is through the EM&V, that the Company will demonstrate the reduction in demand and energy achieved in the MEEIA Cycle 2 plan. Additionally, EM&V will be used to adjust the TD levels to reflect actual ex post gross demand and energy savings achieved in an adjustment reflected in the TD levels on a go forward basis, as well as in an adjustment in the EO to reflect any retrospective correction to the actual ex post gross savings. Additionally, while NTG in the TD level is initially set at 85%, it can be adjusted between the range of 80% to 100% NTG in the calculation of the EO adjustment. Further full EM&V, both ex post gross and NTG will be reflected in the EO Award with no floor or cap. This accomplishes many attributes that allows for a thorough review of the demand and energy savings.

Q: Would you describe the transition plan between Cycle 1 and Cycle 2?

A: As a result of the opposition to the Stipulation from Brightergy, the MEEIA Cycle 2 plan will not be able to be implemented immediately following the conclusion of Cycle 1. It was originally thought that MEEIA Cycle 2 could be implemented on January 1, 2016, where it would be a seamless transition with Cycle 1. However, because it is likely that the MEEIA Cycle 2 Stipulation is approved by this Commission, Cycle 2 programs will most likely not take effect any sooner than April 1, 2016, A number of programs will need to be continued in a maintenance mode in order to provide services to customers that previously took advantage of certain energy efficiency programs. Those programs include on-line energy analyzer programs, thermostat programs and home energy reports. These programs cannot be simply stopped without a significant amount of preparatory work. Because we plan to continue these programs in Cycle 2, it is more cost effective to continue maintenance than to terminate the programs and restart them.

Additionally, the Company offers a Commercial and Industrial ("C&I") Custom Rebate program in Cycle 1. A plan was developed in the Stipulation to address this program during the conclusion of payments for the plan in the first six months of 2016. The plan outline is addressed in the Stipulation. Essentially, the last day to submit an application for the Cycle 1 C&I Custom Rebate program is December 15, 2015. The last day for approval of an application for the Cycle 1 C&I Custom Rebate program is January 31, 2016. The last day for completion of customer projects and submission of complete paperwork by customers is June 30, 2016. The final payment by KCP&L/GMO of rebates for all Cycle 1 projects is July 31, 2016. KCP&L/GMO both made a tariff filing, on November 12, 2015 to modify tariff sheets to reflect the agreement.

Recovery of all Cycle 1 DSIM costs including all program costs, all TD and any performance incentive for Cycle 1 C&I Custom Rebate program projects will be achieved through the Cycle 1 DSIM subject to prudence review for Cycle 1 DSIM costs. As the result of the agreements in this Stipulation, KCP&L and GMO shall use their respective Cycle 1 2015 DSMore files to calculate the Cycle 1 gross benefits to determine the TD-NSB for projects completed under the C&I Custom Rebate program between January 1, 2016 and June 30, 2016. These projects will be modeled in DSMore with a completion date of December 31, 2015. The Cycle 1 performance incentive amounts will result from full retrospective EM&V.

REGULATORY FLEXIBILITY

Q: Did Brightergy file an objection to the Stipulation?

A: Yes. On November 30, 2015 Brightergy filed its objection. Brightergy listed as one of its two objections, the ability of the Company to discontinue all approved MEEIA Cycle 2 programs as provided in Section 13 of the Stipulation.

Q: Is Brightergy's objection to the regulatory flexibility provision valid?

A: No. Brightergy argues that the Company must either commit to having an energy efficiency program or it must decline to implement an efficiency program and once the Commission approves an energy efficiency program, the Company must continue that program. Brightergy's argument misses the important point that energy efficiency programs are voluntary on the part of the utility.[1] The Commission has no authority to order a utility to undertake energy efficiency programs without the utility's consent. The regulatory flexibility language simply recognizes that the MEEIA programs are voluntary.

Q: Why did the Company insist upon including the regulatory flexibility provision in the Stipulation?

A: The entire MEEIA process is new and there is much that the Company does not know about it. For example, the Company does not know how the Commission will administer the MEEIA Cycle 1 performance incentive award. If the Company is not compensated for making MEEIA 1 investments, it needs to be able to discontinue the MEEIA 2 investments. In addition, there is much uncertainty regarding the Clean Power Plan and how that will impact the Company's energy efficiency programs. If the Clean Power Plan rules give a utility an advantage for establishing energy efficiency programs in a certain year, then the Company needs the flexibility to discontinue the programs so they can be re-established in an optimal year.

Q: Is the Company's ability to discontinue programs unlimited?

A: No. The language of the Stipulation provides that the Company has the ability to discontinue MEEIA programs if it determines that implementation of the programs is no longer reasonable due to changes factors or circumstances that have materially negatively impacted the economic viability of such programs as determined by the Company upon no less than 30 days' notice to the Commission. The Company cannot discontinue its MEEIA programs on a whim or for a nonmaterial reason. Moreover, the Stipulation provides that in the event that the Company terminates its MEEIA programs, the Company forfeits any recovery of the earnings opportunity in connection with the programs. Thus, the Company's discretion to discontinue its MEEIA programs is limited since termination of the programs comes with a significant financial consequence. The bottom line is that the Company fully expects to implement and deliver its MEEIA Cycle 2 programs for the entirety of the three-year term, but if developments in the future materially and negatively impact the economic viability of MEEIA Cycle 2 programs,

[1] See 4 CSR 240-20.094(3).

then the Company must have the right to terminate MEEIA Cycle 2 programs upon 30 days' notice without the necessity of obtaining Commission approval because that can be a lengthy, contentious and uncertain process.

Q: Does that conclude your 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 Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2015-0240
In the Matter of KCP&L Greater Missouri Operations Company's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2015-0241

AFFIDAVIT OF TIM M. 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 ("KCP&L") as Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony in Support of Stipulation on behalf of KCP&L and KCP&L Greater Missouri Operations Company consisting of fourteen (14) pages, having been prepared in written form for introduction into evidence in the above-captioned dockets.

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

Tim M. Rush

Subscribed and sworn before me this 11th day of December, 2015.

Nicole A. Wehry

Notary Public

My commission expires: Feb. 4 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200