

Exhibit No.:
Issue: Policy/Overview
Witness: Tim M. Rush
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ET-2014-
Date Testimony Prepared: April 9, 2014

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ET-2014-

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
April 2014**

DIRECT TESTIMONY

OF

TIM M. RUSH

Case No. ET-2014-

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

2 A: My name is Tim Rush. My business address is 1200 Main Street, Kansas City, Missouri
3 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”) as Director,
6 Regulatory Affairs.

7 **Q: What are your responsibilities?**

8 A: My general responsibilities include overseeing the preparation of the rate case, class cost
9 of service and rate design of both KCP&L and KCP&L Greater Missouri Operations
10 Company (“GMO” or the “Company”). I am also responsible for overseeing the
11 regulatory reporting and general activities as they relate to the Missouri Public Service
12 Commission (“MPSC” or “Commission”).

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 fifteen years.

10 **Q: Have you previously testified in a proceeding before the MPSC or before any other**
11 **utility regulatory agency?**

12 A: I have testified on several occasions before the MPSC on a variety of issues affecting
13 regulated public utilities. I have additionally testified at the Federal Energy Regulatory
14 Commission and the Kansas Corporation Commission.

15 **Q: On whose behalf are you testifying?**

16 A: I am testifying on behalf of GMO.

17 **Q: What is the purpose of your Direct Testimony?**

18 A: The purpose of my Direct Testimony is to support:

- 19 1) the application and tariff the Company has filed to suspend payments of the solar
20 rebates for GMO to become effective June 9, 2014 (attached as Schedule TMR-
21 2),
22 2) provide background of the solar rebate program,

- 1 3) provide information supporting the current payments and commitments made for
2 the solar rebates (attached as Schedule TMR-1), and
3 4) address what actions the Company has taken in making this filing.

4 **BACKGROUND**

5 **Q: Please provide some background on this case and what has led up to this filing.**

6 **A: Proposition C** - On November 4, 2008, Proposition C was adopted by the voters of
7 Missouri and later codified as Section 393.1030 RSMo. which mandated, *inter alia*, that
8 the “commission shall, in consultation with the department, prescribe by rule a portfolio
9 requirement for all electric utilities to generate or purchase electricity generated from
10 renewable energy resources. . .” Section 393.1030.1. RSMo. Proposition C also stated
11 that “Such rules shall include: (1) A maximum average retail rate increase of one percent
12 determined by estimating and comparing the electric utility’s cost of compliance with
13 least-cost renewable generation and the cost of continuing to generate or purchase
14 electricity from entirely nonrenewable sources, taking into proper account future
15 environmental regulatory risk including the risk of greenhouse gas regulation. . .”
16 Section 393.1030.2(1) RSMo.

17 **4 CSR 240.20.100** - In compliance with Section 393.1030, the Commission adopted 4
18 CSR 240-20.100 Electric Utility Renewable Energy Standard Requirements (effective
19 September 30, 2010) which states, *inter alia*, that: “The retail rate impact . . . may not
20 exceed one percent (1%) for prudent costs of renewable energy resources directly
21 attributable to RES compliance.” 4 CSR 240-20.100(5). In addition, Subsection D of 4
22 CSR 240-20.100(5) states as follows:

23 For purposes of the determination in accordance with subsection
24 (B) of this section, if the revenue requirement including the RES-

1 compliant resource mix, averaged over the succeeding ten (10)-year
2 period, exceeds the revenue requirement that includes the non-renewable
3 resource mix by more than one percent (1%), the utility shall adjust
4 downward the proportion of renewable resources so that the average
5 annual revenue requirement differential does not exceed one percent (1%)
6 . . . (emphasis added)

7 **GMO Solar Rebate Tariff** - The Company has on file with the Commission, tariffs
8 which prescribe the Solar Photovoltaic Rebate Program (P.S.C. MO. No. 1, 2nd Revised
9 Sheet No. R-62.19, P.S.C. MO. No. 1, 2nd Revised Sheet No. R-62.20, and P.S.C. MO.
10 Original Sheet No. R-62.21). On page R-62.21, in the continuation of section D, the
11 paragraph describes the method by which applications and funding of the rebate is
12 handled.

13 Rebates will be paid on a first-come, first served basis, as
14 determined by the Solar Electric Systems operational date. Any rebate
15 applications that are received in a particular calendar year but not
16 approved due to Program funding limitations will be the first applications
17 considered in the following calendar year. Applications accepted by the
18 Company will expire 12 months after receipt if the Customer has not
19 satisfied the terms of this tariff or if the Solar Electric System has not
20 become operational. All Application forms may be obtained from the
21 Company's website www.KCPL.com.

22 **RES Plan filing** - On May 28, 2013, GMO filed its 2013 Annual Renewable Energy
23 Standard Compliance Plan (2013 GMO Plan¹) in File No. EE-2013-0453², pursuant to 4
24 CSR 240-20.100. This analysis showed that the retail rate impact would exceed the one
25 percent (1%) cap for the years 2013, 2014 and 2015, unless solar rebates were limited to
26 maintain the 1% cap.

¹ The 2013 GMO Plan is incorporated herein by reference.

² On May 29, 2013, the Commission issued its *Order Closing Case, Order Directing Notice And Order Setting Filing Deadline* in File Nos. EE-2013-0453 and EO-2013-0505 directing that notice and establishing a deadline for Staff to file a report and for other interested entities to file comments by July 12, 2013. The 2013 GMO Plan was also filed in File No. EO-2013-0505.

1 **GMO Solar Rebate Tariff Suspension filing** - In a motion and tariff filed by GMO on
2 July 5, 2014 in File No. ET-2014-0026, GMO requested that the Commission authorize
3 GMO to suspend solar rebate payments. On September 4, 2013, GMO withdrew its tariff
4 in this case and the Commission opened a new case, File No. ET-2014-0059, to consider
5 a similar tariff filing GMO made on September 4, 2013. The parties to the case met to
6 discuss the application and related matters and ultimately agreed to a Non-Unanimous
7 Stipulation and Agreement (“Stipulation”). The Stipulation established, among other
8 terms, the following terms applicable to this filing:

- 9 1) GMO will not suspend payment of solar rebates in 2013 and beyond
10 unless the solar rebate payments reach an aggregate level of \$50
11 million incurred subsequent to August 31, 2012.
- 12 2) The Signatories also agree to cooperate in the development of all
13 aspects of an orderly process to cease or conclude the solar rebate
14 payments to solar customers, including updating KCP&L’s website for
15 applied for applications, the level of solar rebate payments, and
16 approved applications for both KCP&L and GMO.

17 The Commission’s October 30, 2013 order approved the Stipulation.

18 **Q: Who were the parties in File No. ET-2014-0059?**

19 A: KCP&L, GMO, the Staff of the Commission, the Office of the Public Counsel, The
20 Missouri Division of Energy, Earth Island Institute d/b/a Renew Missouri, Missouri Solar
21 Energy Industry Association, Brightergy, LLC, and Missouri Industrial Energy
22 Consumers.

23 **Q: Has GMO made solar rebate payments that equal the aggregate level of \$50**
24 **million?**

25 A: Not yet. However, the Company has provided commitments to applicants for solar
26 rebates, that when paid, will reach the \$50 million level. As the solar systems associated
27 with the applications are completed, the Company will make the solar rebate payments.

1 As GMO cannot know when customers will complete their solar systems, it is making the
2 required filings now. This commitment-based process was the result of the process
3 established through the cooperative effort with parties to the case.

4 **Q: Please describe the cooperative effort utilized by GMO.**

5 A: GMO held a number of conference calls with the parties to discuss the rebate process and
6 establish a method that cease payments under the established aggregate levels while
7 providing customers the most information and certainty about rebate availability.
8 Through the course of the conference calls GMO received significant input and
9 established a new process based on rebate commitments.

10 **Q: Please describe the pre-existing rebate method.**

11 A: At the origination of the solar rebate, GMO made rebate offers at the time of application
12 and paid the rebates in the order in which the solar systems were completed. The process
13 was built around the concept that each customer who successfully applied would
14 ultimately receive a solar rebate. If the rebate was not received in the current year, it was
15 expected it would be at some point in the future. Net Metering applications would
16 seldom be rejected. Instead, the Company would work with the applicant to correct
17 errors, clarify designs, and do what it took to get the system interconnected and a rebate
18 paid. Time constraints were not as important since the rebate amount was assured, only
19 the date of payment would vary depending on the when the system was installed and
20 money was available under the 1% RES cap. This process was followed until the passage
21 of House Bill 142 and the settlement of ET-2014-0059.

1 **Q: How did House Bill 142 change the process?**

2 A: House Bill 142 (HB142) became law on August 28, 2013 and began a phase out of the
3 solar rebate. The solar rebate amount would decrease incrementally beginning on July 1,
4 2014 until July 1, 2020 when the solar rebate would be eliminated. The rebate amount
5 paid to the customer would be based on the date when the solar system was
6 interconnected to the Company electrical system. Additionally, HB142 included
7 provisions to require application for solar rebates up to 182 days prior to the July 1
8 transition date. Finally, HB142 contained provisions to transfer the solar renewable
9 energy credits (S-RECs) to the utility as a condition of receiving the solar rebate. Each
10 one of these requirement represented a change from the pre-existing process and new
11 requirements on the customer. In particular, HB142 created additional deadlines around
12 the solar rebate amount that would drive customers to apply by certain dates.

13 **Q: How did the settlement change the process?**

14 A: Under the Stipulation, since there is a finite amount (\$50 million) of rebate money
15 available, the Company could no longer allow an open ended rebate offer. It would
16 create a potential scenario where customers able to build their solar system faster than
17 others would get the money first. To avoid this, the parties to File No. ET-2014-0059
18 devised a more orderly method where GMO maintains a queue of all applications
19 received and provides a rebate commitment at the time of application. The customer is
20 then provided up to a year to complete their solar installation. If the customer is
21 successful in completing and interconnection their system, they would be assured a rebate
22 based on the rebate amount in effect at the time as defined by HB142. If the customer
23 does not complete the installation or for some reason cancels the application, the solar

1 rebate dollars would be offered to other customers in the queue based on the order the
2 applications were received. To help customers understand the queue and their position in
3 the queue, special email communications, a rebate status graph posted on KCP&L's
4 website, and a detailed queue spreadsheet have been made available to customers and/or
5 solar vendors.

6 **Q: Has the new method provided an orderly process to manage the solar rebate
7 payments?**

8 A: Yes. Numerous, new solar applications were received in the period following the
9 communication of the \$50 million aggregate rebate level. Additionally, the HB142
10 requirement to have an application filed by December 31, 2013 in order to receive the \$2
11 per watt rebate contributed to an additional surge at the end of the year. Through that
12 surge of applications the process has provided customers and solar vendors with formal
13 points of communication concerning rebate status, particularly at the application and pre-
14 approval stages. The new process also defined expectations around allowable changes
15 that might occur during the construction of the system. A similar process was established
16 for KCP&L and I understand that a similar process was established at Ameren to manage
17 its solar rebate program as well.

18 **SOLAR REBATE PROGRAM PAYMENTS**

19 **Q: What is the current total of solar rebates paid or committed at GMO?**

20 A: GMO has currently received approximately \$60 million in solar rebate applications. I
21 have attached the latest summary to my testimony as Schedule TMR-1. Of that total, \$37
22 million has already been paid to customers through April 2, 2014. On November 15,
23 2013 at 10 AM Central Standard Time (CST), the Company believed that it had received

1 solar net metering applications that, if successfully completed, reached the aggregate
2 rebate level of \$50 million. At that point, the Company subsequently informed all
3 applicants who submitted applications received after November 15, 2013 at 10 AM CST
4 that the aggregate rebate level had been reached. All rebate commitments are to be paid
5 to qualified customers as the solar systems become operational. As this is dependent on
6 the action of the customer, GMO does not know definitively when the payments will
7 reach the \$50 million aggregate level. Also GMO does not know how many customers
8 might fail to successfully install their solar system to claim their rebate, making those
9 rebate dollars available to others.

10 **Q: Parties have raised concerns about solar rebates paid to customers of solar installer**
11 **U.S. Solar. What actions has the Company taken to address these concerns?**

12 A: The Company has taken these concerns very seriously. The Company has audited U.S.
13 Solar's installations to determine the scope of any potential overpayments. The
14 Company has been cooperating with law enforcement in the investigation of this matter.
15 The audit of U.S. Solar showed that at the audited sites there was a discrepancy between
16 the number of solar panels and wattage listed in the customers' applications and what was
17 actually installed by U.S. Solar at the customers' locations on 74 projects. Of these 74,
18 approximately half have discrepancies that have not been explained by U.S. Solar.

1 **Q: Have there been any other concerns offered about solar rebates paid or committed?**

2 A: Yes. Issues have been raised concerning rebates paid or committed to KCP&L Solar, an
3 unregulated affiliate of GMO performing solar installations for customers. Some parties
4 believe those rebates should not be included in the \$50 million aggregate rebate level.
5 GMO does not agree with this assertion.

6 **TARIFF FILING**

7 **Q: Has the Company filed a tariff supporting this application?**

8 A: Yes. Simultaneous with this filing, the Company has filed a tariff to suspend the solar
9 rebates with an effective date of June 9, 2014. This tariff is attached to my testimony as
10 Schedule TMR-2.

11 **Q: Please provide an overview of the proposed tariff?**

12 A: The tariff revision proposes a modification to the Availability of the Solar Photovoltaic
13 Rebate Program, Sheet R-62.19. The revision adds the following paragraph:

14 The Company will pay solar rebates for all valid applications received by
15 the Company by November 15, 2013 at 10 AM CST, which are
16 preapproved by the Company and which result in the installation and
17 operation of a Solar Electric System pursuant to the Company's rules and
18 tariffs. Applications received after November 15, 2013 at 10 AM CST
19 may receive a solar rebate payment if the total amount of solar rebates
20 paid by the Company for those applications received on or before
21 November 15, 2013 at 10 AM CST are less than \$50,000,000.

22 The addition incorporates the key provision of the Stipulation. Further, this language will
23 provide GMO with the authority to suspend rebate payments without requiring a forecast
24 of the precise date the payment levels will be reached and timing a tariff filing to coincide
25 with this date. The tariff has an effective date of June 9, 2014, to comply with Section
26 393.1030.3. As noted previously, since customer action is required, the date the

1 payments would reach the aggregate rebate level is unknown, but is estimated to occur in
2 June, 2014.

3 **Q: Does that conclude your testimony?**

4 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of KCP&L Greater Missouri)
Operations Company's Application) File No. ET-2014-
For Authorization To Suspend Payment)
of Certain Solar Rebates)

AFFIDAVIT OF TIM M. RUSH

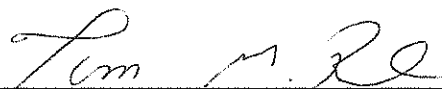
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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 as Director, Regulatory Affairs.

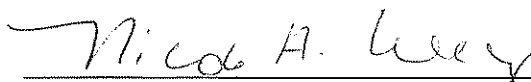
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of eleven (11) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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.



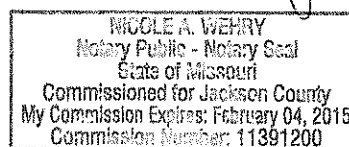
Tim M. Rush

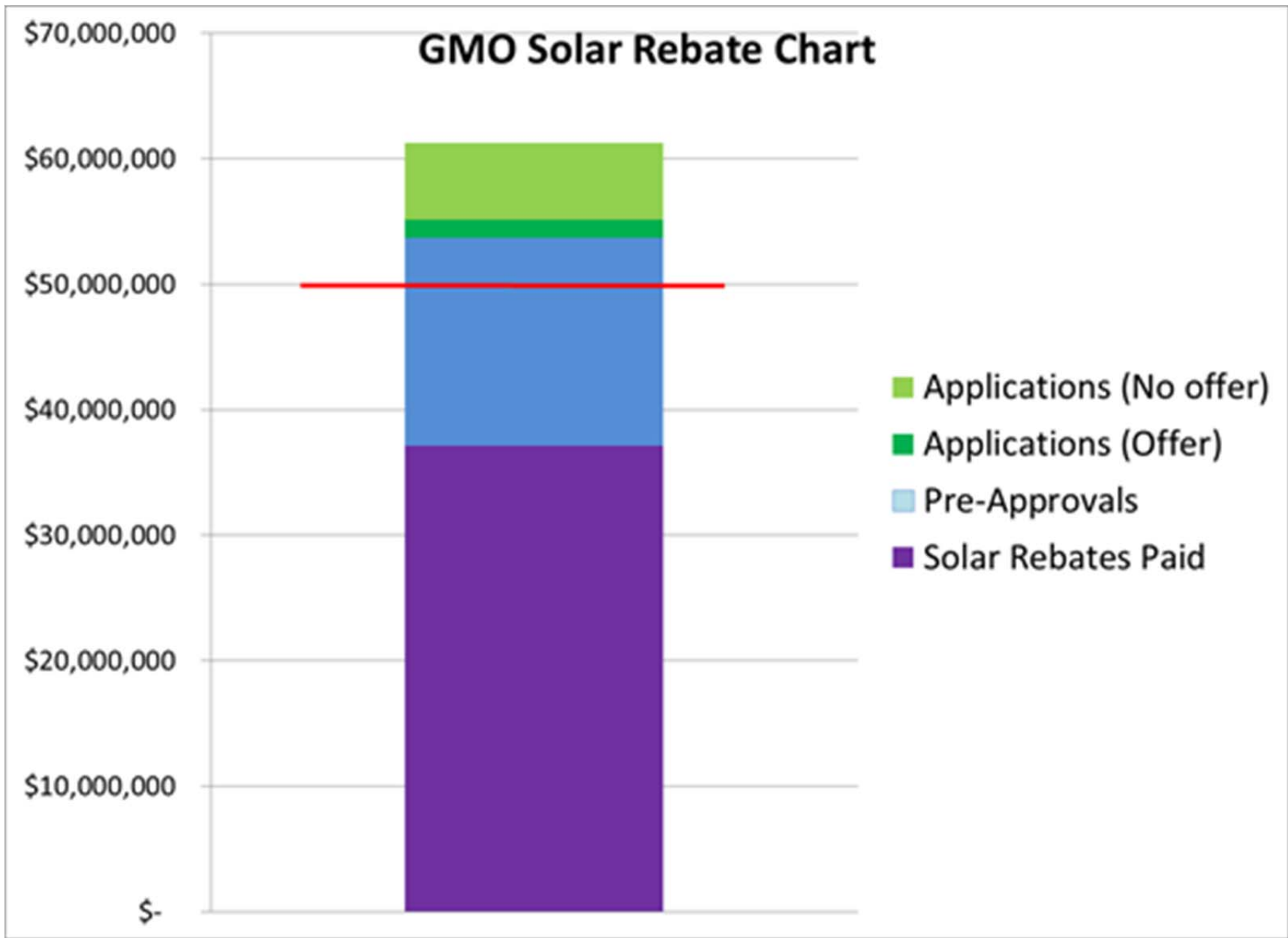
Subscribed and sworn before me this 9th day of April, 2014.



Notary Public

My commission expires: Feb 4 2015





KCP&L Greater Missouri Operations Company
KANSAS CITY, MO

For Territory Served as L&P and MPS

<p>RULES AND REGULATIONS ELECTRIC</p>

9.18 Solar Photovoltaic Rebate Program

A. PURPOSE:

The Solar Photovoltaic Rebate Program (SPRP or Program) provides rebates to Missouri electric utility retail customers, pursuant to §393.1030, RSMo, who install new or expanded Solar Electric Systems that become operational after December 31, 2009.

B. AVAILABILITY:

The Program is available to any Customer that:

- Qualifies as a Customer-Generator under the Company's Net Metering Rider Electric tariff;
- Is currently receiving service under any generally available retail rate schedule;
- Is not delinquent or in default on account at the time of rebate processing; and
- Has completed the required rebate application.

The Company will pay solar rebates for all valid applications received by the Company by November 15, 2013 at 10 AM CST, which are preapproved by the Company and which result in the installation and operation of a Solar Electric System pursuant to the Company's rules and tariffs. Applications received after November 15, 2013 at 10 AM CST may receive a solar rebate payment if the total amount of solar rebates paid by the Company for those applications received on or before November 15, 2013 at 10 AM CST are less than \$50,000,000.

C. DEFINITIONS:

Solar Electric System – a permanently installed, new or expanded system, interconnected and operated in parallel phase and synchronization with an electric utility that has been approved for interconnection by said electric utility, which uses solar modules to convert light into electricity. As installed, the Solar Electric System shall be situated in a location where a minimum of eighty-five percent (85%) of the solar resource is available to the system as verified by the Customer or the Customer's installer at the time of installation. Systems are declared by the Customer to remain in place on the Customer's premises for the duration of its useful life which shall be deemed to be ten (10) years unless determined otherwise by the Commission. The system must consist of equipment that is commercially available and factory new when installed on the Customer's premises and the principal system components (i.e. photovoltaic modules and inverters and excluding battery components) shall be covered by a functional warranty from the manufacturer for a minimum period of ten (10) years.