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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2014-0095

SURREBUTTAL TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
April 2014**

**Certain Schedules Attached To This Testimony Designated “Highly Confidential”
Have Been Removed.**

SURREBUTTAL TESTIMONY

OF

TIM M. RUSH

Case No. EO-2014-0095

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: Are you the same Tim M. Rush who pre-filed Direct Testimony in this matter?**

5 A: Yes, I am.

6 **Q: What is the purpose of your Surrebuttal Testimony?**

7 A: The purpose of my testimony is to respond to certain Missouri Public Service
8 Commission (“MPSC” or “Commission”) Staff (“Staff”) witnesses and Barb
9 Meisenhimer of the Office of Public Counsel (“OPC”) regarding the Rebuttal Testimony
10 in response to Kansas City Power & Light Company’s (“KCP&L” or “Company”)
11 MEEIA filing.

12 **Q: How would you generally describe Staff’s position regarding KCP&L’s proposed**
13 **MEEIA filing?**

14 A: Staff is opposed to KCP&L’s MEEIA plan. They are opposed to the MEEIA plan for a
15 number of reasons. I would characterize those issues as follows:

16 1. Programs – Staff finds that many of the programs do not meet the standards they
17 believe are necessary for MEEIA programs. Kimberly H. Winslow will address the
18 programs and how the Company’s programs are achieving results and support the
19 plan.

1 2. Recovery – Staff believes that the proposed recovery mechanism submitted by the
2 Company is not appropriate, the tariff proposed by the Company is inadequate
3 because it does not have sufficient detail and that the requesting a rider to go into
4 effect June 1, 2015 violates the Stipulation and Agreement (“Stipulation”) made in
5 Case No. EO-2005-0329 (“Regulatory Plan”).

6 3. Timing – Staff opposed the Company’s recommendation that a rider proposed by the
7 Company could go into effect on June 1, 2015.

8 OPC has similar issues with KCP&L’s MEEIA plan and I will address those issues by
9 addressing Staff’s concerns.

10 **Q: Do you agree with Staff and OPC’s positions regarding the MEEIA filing?**

11 A: No. Staff’s filing can be characterized as somewhat misleading for a number of reasons.
12 First of all, the Company’s MEEIA filing was designed to bring together the programs of
13 both KCP&L Greater Missouri Operations Company (“GMO”) and KCP&L so as to
14 leverage the benefits of promotion, administration and branding. The GMO MEEIA
15 program plan (the Commission approved a Stipulation and Agreement in Case No. EO-
16 2012-0009) will be completed at the end of 2015 and the KCP&L MEEIA plan was
17 designed to complete at that same time. The KCP&L MEEIA plan is essentially the
18 GMO MEEIA plan updated to reflect the Market Potential Study results and bridge the
19 GMO and KCP&L MEEIA programs through 2015. For example:

20 A. The program design for the KCP&L MEEIA is identical to the GMO MEEIA
21 programs, with some limited exceptions to incorporate information learned from the
22 Market Potential Study; and the addition of a KCP&L residential lighting program.
23 Kimberly H. Winslow describes the similarity and differences of the KCP&L and

1 GMO MEEIA programs in her Direct Testimony. She also responds to Staff and
2 OPC concerns about program issues in her Surrebuttal Testimony.

3 As I mentioned, program changes as compared to GMO MEEIA, include the addition
4 of a residential lighting program for KCP&L. In order to conform the GMO MEEIA
5 plan to KCP&L's proposal in this case, GMO would agree to offer the same
6 residential lighting program in its service area if the KCP&L MEEIA is approved in
7 this case. Other changes include removing the Home Energy Improvement program,
8 which if designed identical to the GMO program, did not pass the total resource cost
9 test at KCP&L. This is further explained in Kimberly Winslow's testimony.

10 B. The recovery components contained in the KCP&L demand-side investment
11 mechanism ("DSIM") are identical to the GMO MEEIA filing. They include
12 program cost, throughput disincentive-net shared benefits ("TD-NSB"), and a
13 performance incentive. The GMO MEEIA Stipulation that included these same
14 components was supported by parties to the GMO MEEIA Stipulation, including
15 GMO, the Staff and OPC.

16 C. The utilization of of deemed savings in computing the TD-NSB are reflective of the
17 Market Potential Study recently completed and is consistent to the GMO MEEIA
18 filing program.

19 D. The measurements of the net-to-gross levels are identical to the GMO MEEIA plan.

20 The primary difference and what seems to cause a lot of issue with Staff is the fact that
21 the Company is requesting a rider go into effect on June 1, 2015, which incorporates an
22 amortization of the program costs over six (6) years. It appears that Staff has these two
23 primary issues:

1 First, Staff argues that the Company cannot request a rider before June 1, 2015, based on
2 Staff's interpretation of the Stipulation and Agreement entered into in Case No. EO-
3 2005-0329. I will discuss this issue further, but in general, while the plain language of
4 the Stipulation and Agreement states that the Company will not **seek to utilize** a rider
5 prior to June 1, 2015, Staff focuses on the word "seek" and not on the phrase "seek to
6 utilize" and therefore simply states in testimony a number of times that the agreement
7 states the Company will not seek a rider prior to June 1, 2015. (*See* John A. Rogers
8 Rebuttal Testimony p. 5, beginning on ll. 7-8 "Stipulation and Agreement in Case No.
9 EO-2005-0329 ("Regulatory Plan" prohibits KCPL from seeking a rider prior to June 1,
10 2015.)). The same out of context statement is made throughout other Staff members'
11 Rebuttal Testimony. This is addressed further in my Surrebuttal Testimony under the
12 heading **TIMING OF THE DSIM RIDER.**

13 The second issue Staff has issue with is KCP&L's MEEIA request for a six (6) year
14 amortization of program costs. Staff argues that recovery should be a much shorter
15 period. This is inconsistent with the recovery mechanism of the current energy efficiency
16 recovery mechanism at KCP&L which has a six (6) year amortization and previously had
17 been a ten (10) year amortization of program costs. It is the Company's belief that this is
18 consistent with the intent and the goals of the MEEIA legislation and is consistent with
19 the Commission rules. As Mr. Oligschlaeger states in his Rebuttal Testimony, "it shall
20 be the policy of the state to value demand-side investments equal to traditional
21 investments in supply and delivery infrastructure and allow recovery of all reasonable
22 and prudent costs of delivering cost-effective demand-side programs." MEEIA is
23 intended to balance demand and supply side recovery mechanisms. The DSIM proposed

1 by the Company is aligned with the policy of the state and spirit of the MEEIA legislation
2 and rules.

3 **Q: Do you think that the Company, during the technical conferences, addressed the**
4 **major issues presented by Staff and OPC in their Rebuttal Testimony?**

5 A: Yes. During the numerous technical conferences the Company held with the parties to
6 this case, the Company presented information that would answer nearly all of the issues
7 raised by Staff and OPC. The Company formally answered over 100 questions (plus
8 additional data requests) and provided additional documentation and analysis to aid
9 parties understanding (*see* Staff Schedule JAR for more information) of the Company's
10 MEEIA filing, which is nearly identical to the approved GMO MEEIA filing and based
11 upon an extensive DSM Market Potential Study. Additionally, the Company agreed to a
12 four week extension of the 120 days allowed in the MEEIA rules, in the hopes to reach an
13 agreement with stakeholders.

14 **Q: During the technical conferences, did the Company provide a presentation that**
15 **addressed the issues brought up by Staff in its Rebuttal Testimony?**

16 A: Yes. The Company presented a model of the changes precipitated by the Company, as
17 well as suggested by parties to address the issues raised. Those issues have been
18 addressed by Staff and OPC in their Rebuttal Testimony. These can be summarized as
19 follows:

- 20 1. Lighting – Staff (Michael Stallman's testimony) determined that the Company did not
21 include the Residential Lighting program in its computation of the TD-NSB
22 computation. Additionally, the Company adjusted the base energy savings for 2015
23 to a T8 light rather than a T12.

- 1 2. Analyzer – The Company determined in its filing that it overstated the budget for the
2 Analyzer programs and reduced this by approximately two-thirds.
- 3 3. OPower – The Company pointed out that the Energy Reports Program estimated
4 deemed savings used in the TD-NSB were potentially overstated based on further
5 information received from the vendor.
- 6 4. kWh going negative – Staff (Michael Stallman’s testimony) pointed out that the
7 revenue calculation did not reflect the turnaround in sales that is produced when
8 programs do not have persistence in the program cycle.
- 9 5. Average Rate – Staff pointed out that the revenues reflected an overstatement in the
10 TD-NSB recovery because it reflected rates that included the customer charge. This
11 is addressed later in my Surrebuttal Testimony.
- 12 6. Home Energy Improvements program – Excluded this program from the original
13 filing.
- 14 7. Net Present Value – The parties pointed out that the computation of the TD-NSB did
15 not reflect the net present value of revenues.
- 16 8.) M-Power –Revised the demand savings for the Demand Response Incentive
17 program. KCP&L has new information with regard to the number of existing
18 customers that have requested to exit the program due to Environmental Protection
19 Agency’s (EPA) RICE NESHAP Rule.

20 In addition to these changes, the parties requested the Commission extend the Rebuttal
21 Testimony due date by 30 days. Modifying the schedule resulted in changing the time
22 period in which programs could go into effect, and thus resulted in changing the overall
23 impact on energy and demand because programs would need to be delayed until approval

1 by the Commission. This schedule change has also been reflected in savings. These
2 changes are not due to any flaw in the Company's application or proposed plan, but have
3 resulted directly from the extension of time.

4 **Q: What were the results of the changes that the Company presented to the Staff and**
5 **stakeholders?**

6 A: As a result of the changes above, the Company offered to make modifications to the
7 original filing that had the following impacts:

8 Energy & Capacity Savings – Total targeted energy and capacity savings targets have
9 been adjusted to 110,973,357 kWh and 64,969 kW of incremental savings over the 18-
10 month plan period.

11 Program Costs – Program costs total approximately \$22 million.

12 Shared Benefits & TD-NSB – Using the latest approved weighted average cost of capital
13 rate of 6.961%, the Net Present Value of the Annual Net Shared Benefits (less program
14 costs) is now approximately \$35.6 million. The TD-NSB has also changed and is now
15 approximately \$12.9 million, which is approximately 36.22% of the Annual Net Shared
16 Benefits.

17 Performance Incentive – The following is the performance incentives table that coincides
18 with the changes outlined above.

Percent of KWh/Kw Target	2 Year Total (\$MM)	Percent of Net Benefits
60	\$0.00	0.00%
70	\$1.68	4.71%
80	\$1.99	5.60%
90	\$2.31	6.48%
100	\$2.62	7.36%
110	\$3.15	8.84%
120	\$3.67	10.31%
130	\$4.20	11.78%
140		11.78%

1 The Performance Incentive will still be based on EM&V results, the awarded incentive
2 will be weighted 80% for achieved energy savings and 20% capacity savings as
3 originally proposed by the Company, and the savings targets will be adjusted for
4 approved opt outs. *See* Schedule TMR-7 for more details.

5 **Q: Have there been any further proposed changes?**

6 A: While the Company has proposed changes to the original filing (see above), the original
7 DSIM framework proposed by the Company in its original filing still remains the same,
8 which is consistent with the GMO MEEIA filing in Case No. EO-2012-0009. Staff has
9 implied that their concerns and issues would require “extensive changes” and review.
10 The Company made exhaustive efforts to address and answer every single question and
11 concern raised by Staff and other stakeholders and all issues were thoroughly discussed.
12 All changes made above were discussed during the technical conferences and all
13 significant issues were supplemented with additional analysis/documentation that has
14 already been provided to stakeholders during those conferences.

1 **Q: Mr. Rogers suggests on page 16 of his Rebuttal Testimony that KCP&L will have to**
2 **“redo” much of its analysis to support the demand-side management (“DSM”)**
3 **programs and its DSIM recovery mechanism. Do you agree?**

4 A. No. The Company has already done the necessary analysis, and has made the necessary
5 changes to its DSM programs and its DSIM recovery mechanism. Analysis was
6 presented to the parties to the case during the technical conferences.

7 **Q: Mr. Rogers also argues that interested parties should be given the opportunity to**
8 **comment on the results of the “redo” before the Commission approves the**
9 **Company’s MEEIA plan. Do you agree?**

10 A. No. The Company has proposed a MEEIA plan and DSIM recovery mechanism that is
11 very similar to the MEEIA plan that has already been approved by the Commission for
12 GMO. It is unnecessary for the Commission to delay the process in order to allow the
13 Staff or other parties to further comment on the details of these proposals.

14 **Q: Mr. Rogers also suggests on page 16 of his Rebuttal Testimony that “The very short**
15 **duration of KCPL’s MEEIA plan after the additional time necessary for the ‘redo’**
16 **will result in a very short MEEIA plan period of about one year.” Do you agree?**

17 A: I agree that if the Commission orders the “redo” proposed by Staff that it will
18 substantially delay the benefits of the Company’s MEEIA plan from reaching our
19 customers. A needless delay for further analysis would shorten the plan period if it ends
20 at the same time as the GMO MEEIA plan. However, such a delay is unnecessary and
21 has the effect of thwarting most of the benefits of the Company’s proposed plan.

1 **Q: What DSM programs and annual energy savings target and annual demand savings**
2 **targets should be approved?**

3 A. The Company believes that the Commission should approve the DSM programs and
4 annual energy savings targets and annual demand savings targets as originally proposed
5 by the Company in this case with the changes as indicated above. The KCP&L MEEIA
6 plan results in over 110 million kWh's in savings in an 18 month period of time.

7 **RECOVERY**

8 **Q: Please address the Staff's issues with recovery.**

9 A: Staff witness Mark Oligschlaeger addresses the recovery mechanism in three areas.
10 First, Mr. Oligschlaeger testimony on page 8, lines 7-13 opposes the use of a six year
11 amortization method for recovering program costs. He implies that a rider is intended to
12 allow for quick recovery and reduce the regulatory lag that is associated with the costs for
13 a utility.

14 **Q: Do you agree with his statement?**

15 A: No. A rider allows for the timely recovery of costs on the front end as well as allowing
16 recovery so that the utility will not need to wait until a rate case before commencing
17 recovery of cost. The rider is analogous to a fuel adjustment mechanism. If the utility
18 did not have a fuel adjustment mechanism or something similar, it would expense the fuel
19 and purchased power expense as it happened and would not have an opportunity to
20 recover or return any imbalance from what is included in rates. The proposal presented
21 by the Company in this proceeding allows for collection of the costs of the program
22 through the initial tracker mechanism and then recovery through the DSIM charge.

1 **Q: In general, how does the Company make money for its shareholders?**

2 A: It makes money for its shareholders by earning a return on its investments. As the
3 Company presented in testimony, the “investment” in energy efficiency programs is
4 through investment in program costs. One of the disagreements the Company has with
5 Mr. Oligschlaeger’s position is that the investment by the Company should be recovered
6 in a short period because by doing so, it will be transparent to the customer. The
7 investment we are making in energy efficiency is designed for the “long-haul”. The
8 investment we are making in customer programs will produce savings for 20-25 years,
9 not just one year. It is akin to the capital investment in a power plant that will produce
10 benefits for many years into the future. As quoted on page 9, lines 16-17, Mr.
11 Oligschlaeger states that DSM program costs are treated as expenses in this jurisdiction.
12 While it is an expense, the treatment has traditionally been to recover over a period of
13 time.

14 **Q: What is Mr. Oligschlaeger’s position on the carrying costs the Company should be**
15 **allowed?**

16 A: Mr. Oligschlaeger states that the proposed DSIM program costs should include a carrying
17 cost valued at KCP&L’s short-term debt rate. KCP&L recommended using the weighted
18 average cost of capital as the determinant for carrying costs. He also argues that
19 KCP&L’s proposal to accrue carrying charges on the “net shared benefits” component be
20 rejected.

21 **Q: Do you agree with his position?**

22 A: No. The Company does not agree with using the short-term debt and does not agree with
23 a shorter recovery period. Mr. Oligschlaeger is recommending the short-term debt rate in

1 conjunction with his position that recovery of the program costs should be over a much
2 shorter time than the period recommended by the Company. The logical extension of his
3 argument is that if a longer period of recovery were approved, as suggested by the
4 Company, then the carrying costs for this longer period should be based on the weighted
5 average cost of capital rate rather than a short-term debt cost. The weighted cost of
6 capital is the rate that the Company is authorized to earn for its investments in longer-
7 lived assets, including its generation, transmission and distribution assets (i.e. supply-side
8 investments).

9 **Q: Mr. Oligschlaeger, at page 13, beginning on line 13, points out that the Company**
10 **did not reflect the income tax consequences in determining in the overall rate**
11 **adjustment mechanism. How do you respond?**

12 A: The Company agrees and has provided information to the parties, including Staff on how
13 this income tax effect should be reflected in its calculations.

14 **Q: Mr. Oligschlaeger also recommends the Commission reject KCP&L's proposal to**
15 **include any unrecovered balances of program costs and net shared benefits in its**
16 **rate base in general rate cases subsequent to establishment of a DSIM. Do you**
17 **agree with this position?**

18 A: No. Because of the proposed recovery of program costs occurs over six years, it is
19 appropriate to allow rate base recovery. Not allowing rate base treatment denies the
20 Company a return on its investment in energy efficiency programs. Rate base recovery is
21 currently in place for all pre-MEEIA costs at KCP&L and GMO. Both KCP&L and
22 GMO program costs are currently being recovered over a six year period.

1 **MARGIN RATE CALCULATION**

2 **Q: In the Rebuttal Testimony of Sarah Kliethermes beginning at page 13, she indicates**
3 **that the Company improperly calculated the margin earnings (i.e. profit above**
4 **variable costs) to develop the Throughput Disincentive - Net Shared Benefits**
5 **requested by the Company. She indicates that the requested recovery is overstated**
6 **by roughly \$4.4 million. How do you respond?**

7 A: I disagree. The calculation the Company made in determining the lost margin analysis is
8 nearly identical to the computation agreed to by all the parties in the GMO MEEIA
9 Stipulation and Agreement.

10 **Q: What is her issue with the computation?**

11 A: I believe that she disagrees with how the rate used in determining the lost margin is
12 computed. The Company used an average rate for both residential and non-residential
13 classes for purposes of calculating lost margins. These average rates came from the
14 Company's last rate case. This is identical to how it was done in the GMO MEEIA case.
15 Ms. Kliethermes argues two points. First, she argues that the customer charges included
16 in the average rate calculation should be excluded for purposes of determining the rate
17 used in calculating lost margins. After considering what was previously done in the
18 GMO MEEIA filing, I agree with her position on this point.

19 Second, she argues that because the Company has declining block rates and she believes
20 that the last rate block should be the only rate used in calculating lost margins. I disagree
21 with her on this issue. Her position is flawed by the fact that not all customers on a
22 specific rate schedule reach the last rate block. In fact, the distribution is somewhat
23 equally distributed. I have attached Schedule TMR-8, Sheets 1-4, which looks at one

1 month of data from a detailed bill frequency. It shows the number of bills at various
2 usage blocks. On sheet 1, in the table the residential general use rate RESA shows that
3 42% of the bills end in the first energy block, 28% in the second block and 31% in the tail
4 block. Clearly using the last rate block for purposes of calculating the lost margins would
5 understate the rate. This distribution is similar for the non-residential rates, Sheets 2-4.

6 I believe the appropriate rate would be based on the average rate excluding the customer
7 charge. Below is a table that shows what the appropriate marginal rate should be for
8 purposes of calculating the lost margins. This was reflected in the goals stated above.

	Summer	Winter
Residential:	.102897	.067867
Non-Residential (C&I)	.068337	.053667

9 **TARIFF ISSUES**

10 **Q: Staff witness Sarah Kliethermes indicates that the tariff filed by the Company in**
11 **January does not “describe the framework necessary to calculate applicable costs**
12 **and balances, nor does it describe the mechanism by which those costs and balances**
13 **would be used to determine a charge applicable to its customers.” How do you**
14 **respond?**

15 **A:** I disagree. The tariff provided in the January filing provides sufficient detail in order to
16 calculate the DSIM charge and to provide an opportunity for review and approval by this
17 Commission.

18 **Q: Was this addressed by Staff during the technical conferences?**

19 **A:** Yes. In fact, the Company, based on suggestions by Staff, provided a rewrite of the tariff
20 attempting to expand the tariff to address concerns by Staff. The rewrite is attached as
21 Schedule TMR-9. I have changed the tariff to reflect the program changes as described

1 in my Surrebuttal Testimony. This would include the percentage to be applied to the net
2 shared benefit and the performance incentive table. I also included in the tariff that the
3 first date the Company will file to establish the DSIM charge rate will be made on or
4 before April 1, 2015.

5 **Q: Did Staff respond to the rewrite?**

6 A: Yes. Essentially the response by Staff addressed Staff's position that the recovery
7 mechanism should not include an amortization of program costs over six years and
8 should not recover the weighted average cost of capital or allow rate base recovery.
9 Numerous other changes were made.

10 **TIMING OF THE DSIM RIDER**

11 **Q: Several witnesses (Dietrich, Oligschlaeger, Meisenheimer) make the claim that**
12 **KCP&L's request for a rider mechanism violates the Regulatory Plan Stipulation.**
13 **Do you agree?**

14 A: No. KCP&L's rider request is consistent with the Regulatory Plan Stipulation because
15 the tariff implementing the rider will not become effective until June 1, 2015. Prior to
16 that date, KCP&L seeks to utilize a DSIM tracker mechanism to become effective on
17 July 7, 2014.

18 **Q: Please explain.**

19 A: Staff argument is based upon a misinterpretation of when the rider is allowed to become
20 effective. In Missouri, public utilities file tariff sheets with a specific date that
21 determines when the rates or programs contained on the tariff sheet may be utilized. The
22 approved effective date of the tariffs determines the first day that the new rates and
23 programs contained on those tariff sheets may be utilized by the public utility. Thus,

1 there is no violation of the language contained in the Regulatory Plan because prior to
2 June 1, 2015, the Company is not seeking to use the DSIM rider mechanism.

3 **Q: On page 6 of her testimony, Staff witness Natelle Dietrich, cites to your testimony in**
4 **Case No. ER-2012-0174 for the proposition that the Company had previously agreed**
5 **with Staff's interpretation of the Regulatory Plan. Does your testimony in that case**
6 **contradict the Company's position on a rider in this case?**

7 A: No it does not. In my response to questions, I state that the Company's ability to request
8 a fuel adjustment clause is authorized. KCP&L is following the language of the
9 Regulatory Plan Stipulation by making June 1, 2015 as the effective date of the rider
10 tariff.

11 **Q: On page 7 of her Rebuttal Testimony, Staff witness Natelle Dietrich cites the**
12 **Company's response to a data request in an IRP case as being inconsistent with the**
13 **Company's current rider request. Do you agree?**

14 A: No. The response indicates that a rider could not become effective before June 1, 2015
15 but does not state that the Company could not file a tariff with a June 1, 2015 effective
16 date.

17 **Q: On page 7 of her Rebuttal Testimony, Natelle Dietrich also cites an exchange**
18 **between Mr. Jim Fischer, Company's counsel, and Regulatory Law Judge Daniel**
19 **Jordan in KCP&L's last rate case regarding the fuel adjustment clause ("FAC"),**
20 **and concludes her discussion by stating: "It appears that even KCPL recognizes**
21 **that the Regulatory Plan limits its ability to request a rider prior to June 1, 2015."**
22 **How do you respond?**

1 A: Ms. Dietrich has misinterpreted this discussion. Mr. Fischer was not discussing the
2 timing or logistics of filing tariffs to implement a fuel adjustment clause for KCP&L. He
3 was observing that he expected that KCP&L would seek to have a fuel adjustment clause
4 approved when it was eligible to utilize an FAC in 2015. He was not suggesting, and
5 KCP&L does not believe, that the Regulatory Plan Stipulation limits its ability to file
6 tariff sheets containing a MEEIA or FAC rider as long as the effective date of the tariff
7 sheet is on or after June 1, 2015. To re-iterate, KCP&L is not seeking to utilize a MEEIA
8 rider in this case prior to June 1, 2015. The Company is seeking to utilize a tracker
9 mechanism upon approval of the MEEIA plan, with the DSIM charge becoming effective
10 June 1, 2015.

11 **Q: Staff witnesses Dietrich and Oligschlaeger both emphasize that the definition of the**
12 **word “seek” prohibits the Company from requesting a rider before June 1, 2015.**
13 **How do you respond?**

14 A: Staff focuses on one word and ignores other terms in the Regulatory Plan Stipulation.
15 According to the Merriam-Webster online dictionary, while “seek” means to try to get or
16 achieve something, “utilize” means to use something for a particular purpose. Using
17 these definitions, the disputed phrase would read: “KCP&L agrees that prior to June 1,
18 2015; it will not try to use for a particular purpose any mechanism . . . that would allow
19 riders or surcharges of changes in rates outside of a general rate case based upon a
20 consideration of less than all relevant factors.” As explained above, KCP&L is not trying
21 to use the DSIM rider at this time but instead the rider will become effective on June 1,
22 2015. Therefore, there is no violation of the Regulatory Plan Stipulation.

1 **Q: Staff witness Dietrich mentions that all of the parties to the Regulatory Plan**
2 **Stipulation are not present in this case. What effect should this have on Staff's**
3 **position?**

4 A: None that I can think of. Staff's position should not be dependent upon the views of
5 other parties.

6 **STAFF'S "NO RATE CASE" ASSUMPTION**

7 **Q: On page 12 of his Rebuttal Testimony, Staff witness Michael Stahlman states that a**
8 **"more true measure of the percentage of lost margins that the company seeks to**
9 **recover is obtained by assuming that no rate cases occur." Is this a valid**
10 **assumption?**

11 A: No. First, the Commission's MEEIA rules require that once a DSIM is approved and
12 implemented, the electric utility must file a rate case in four years. *See* 4 CSR 240-
13 20.093(5)(B). Staff is criticizing the Company for doing the very thing that the
14 Commission's rules require. Stahlman's "no rate case" assumption is not consistent with
15 the process that the Commission has set up concerning the rebasing of MEEIA costs
16 recovered through a DSIM through a rate case. Moreover, Mr. Stahlman's analysis, as
17 shown below, assumes a 5% escalation in KCP&L rates, even though he assumes there
18 are no rate cases where an increase could occur.

19 **Q: Staff witness Stahlman, on page 13 of his testimony, indicates that by assuming that**
20 **no rate cases occur, the lost recovery margin recovery collected in the TD-NSB**
21 **incentive through rate cases is \$73.7 million. What is your opinion of this figure?**

1 A: Mr. Stallman is assuming a 5% escalation in rates which is why Staff's number is so
2 high. If you did not include this escalation rate, the benefits would exceed the costs as
3 supported by the Company's filing and the changes reflected in Schedule TMR-7.

4 VARIANCES

5 **Q: Has the Company requested any variances in this proceeding?**

6 A: Yes. The Company has requested several variances in this case pertaining to "Annual
7 Net Shared Benefits" and non-utilization of EM&V results for purposes of calculating the
8 TD-NSB only. This same variance was agreed to by all signatories to the GMO MEEIA
9 Stipulation and Agreement and was approved by the Commission in Case No. EO-2012-
10 0009.

11 **Q: Has the Staff and OPC addressed other variances that are required for the KCP&L
12 MEEIA filing?**

13 A: Yes. While Staff and OPC's list of variances appears voluminous and significant, the list
14 is generally comprised of repeated and duplicative references to the same
15 terms/definitions that appear in multiple sections of the rules in an effort to make the list
16 appear substantial and to give the impression that new separate issues are being
17 introduced when in most cases it is simply a repeated definition or reference to "Annual
18 Net Shared Benefits", for which the Company has already requested a variance included
19 in its original filing. In the following section of my testimony, I will explain why a
20 variance is needed (and was already included in the Company's MEEIA filing made on
21 January 7, 2014) or why a variance is not needed.

1 **1) 4 CSR 240-3.163(1)(A) – allow annual net shared benefits to be based on**
2 **prospective analysis rather than EM&V for purposes of calculating the TD-NSB.**

3 Response: The proposed DSIM included in the KCP&L MEEIA filing includes
4 calculation of the TD-NSB that will be based on ACTUAL demand and energy savings
5 achieved.

6 The MEEIA “rule” referenced here is not a rule at all, but the definition section of the
7 rules defining “Annual Net Shared Benefits”. Through an abundance of caution, KCP&L
8 did request a variance to section 4 CSR 240-20.093(1)(C) which is the exact same
9 definition of “Annual Net Shared Benefits” referenced above. The variance request
10 included in the original MEEIA filing did include clarification that the variance requested
11 pertained to non-utilization of Evaluation, Measurement, & Verification (EM&V) results
12 for purposes of calculating the Throughput-Disincentive Net Shared Benefits (TD-NSB)
13 only. Good cause was outlined in Kevin Bryant’s and Tim Rush’s testimony on page (8-
14 9) and pages (22) respectively. The Annual Net Shared Benefits will still be based on
15 actual achieved performance and will function identically to the TD-NSB included in the
16 approved GMO MEEIA DSIM under Case No. EO-2012-0009. The Company’s original
17 filing already included this request for variance to the EM&V portion of this definition to
18 ensure timely recovery and keep the Company whole, since the TD-NSB is not a return
19 on the DSM investment.

1 **2) 4 CSR 240-3.163(1)(E)5. – allow the TD-NSB incentive to be based on**
2 **prospective analysis rather than achieved performance.**

3 Response: The proposed DSIM included in the KCP&L MO MEEIA filing includes
4 calculation of the TD-NSB that will be based on ACTUAL demand and energy savings
5 achieved.

6 The MEEIA “rule” referenced above is not a rule at all, but the definition section of the
7 rules defining “Demand-side Program”. The Company asserts that no variance is needed
8 pertaining to the definition of Demand-side Program and it is unclear what Staff is
9 referencing above.

10 **3) 4 CSR 240-3.163(1)(J) – allow the TD-NSB incentive to be based on net**
11 **shared benefits rather than annual net shared benefits.**

12 Response: The calculation of the TD-NSB will be based on Annual Net Shared Benefits
13 that are directly linked to achieved performance against savings targets.

14 The MEEIA “rule” referenced above is not a rule at all, but the definition section of the
15 rules defining “DSIM utility incentive revenue requirement”. While the Company did
16 request a variance of 4 CSR 240-20.093(1)(C) that includes a request for non-utilization
17 of EM&V results for the purposes of the calculating the TD-NSB, the DSIM will
18 function virtually the same as outlined in the MEEIA rules and the TD-NSB will be
19 based on annual net shared benefits (with requested variance for non-utilization of
20 EM&V results for TD-NSB only). The proposed DSIM includes a TD-NSB that will be
21 based on actual measures installed (achieved performance)/ demand and energy savings
22 achieved and calculated using the utility’s avoided costs less program costs, consistent
23 with the definition for “annual net shared benefits” and the “DSIM utility incentive

1 revenue requirement. It appears Staff is confused regarding the proposed DSIM.
2 However, the Company asserts that no variance is needed for this definition.

3 **4) 4 CSR 240-20.093(1)(A) – to allow the TD-NSB incentive to be based on net**
4 **shared benefits and not on annual demand savings targets.**

5 Response: The calculation of the TD-NSB will be based on Annual Net Shared Benefits
6 that are directly linked to achieved performance against savings targets.

7 The MEEIA “rule” referenced above is not a rule at all, but the definition section of the
8 rules defining “Annual Demand Savings target”. The Company asserts that no variance
9 is needed pertaining to the definition of Annual Demand Savings target, since the DSIM
10 proposed by the Company includes a TD-NSB that is based on actual performance and
11 achievement of savings, based upon achievement of annual demand savings targets.

12 **5) 4 CSR 240-20.093(1) (B) – to allow the TD-NSB incentive to be based on net**
13 **shared benefits and not on annual energy savings targets.**

14 Response: The calculation of the TD-NSB will be based on Annual Net Shared Benefits
15 that are directly linked to achieved performance against savings targets.

16 The MEEIA “rule” referenced above is not a rule at all, but the definition section of the
17 rules defining “Annual Energy Savings target”. The Company asserts that no variance is
18 needed pertaining to the definition of Annual Energy Savings target, since the DSIM
19 proposed by the Company includes a TD-NSB that is based on actual performance and
20 achievement of savings, based upon achievement of annual energy savings targets.

1 **6) 4 CSR 240-20.093(1)(C) - allow the TD-NSB incentive to be based on**
2 **prospective analysis rather than achieved performance.**

3 Response: This is a duplicate reference already listed above by Staff. Please see
4 response for 1) 4 CSR-240-3.163(A) outlined above.

5 **7) 4 CSR 240-20.093(1) (M)5. – allow the TD-NSB incentive to be based on**
6 **prospective analysis rather than achieved performance.**

7 Response: The proposed DSIM included in the KCP&L MO MEEIA filing includes
8 calculation of the TD-NSB that will be based on ACTUAL demand and energy savings
9 achieved.

10 4 CSR 240-20.093(1)(M)5 references the DSIM definition and requirement that an
11 incentive be based on achieved performance. Since the TD-NSB will be based on actual
12 performance achieved, the Company asserts that no variance is needed. Please see above
13 response under 1) 4 CSR 240.3.163(A) and 3) 4 CSR 240-3.163(1)(J) that further
14 explains how the Company will utilize actual demand/energy savings achieved to
15 calculate TD-NSB.

16 **8) 4 CSR 240-20.093(1)(Q) - allow the TD-NSB incentive to be based on net**
17 **shared benefits rather than annual net shared benefits.**

18 Response: This is a duplicate reference already listed above by Staff. Please see
19 response outlined above under 3) 4 CSR 240-3.163(1)(J).

1 **9) 4 CSR 240-20.093(1)(EE) - allow the TD-NSB incentive to be based on**
2 **prospective analysis rather than EM&V.**

3 Response: The proposed DSIM included in the KCP&L MO MEEIA filing includes
4 calculation of the TD-NSB that will be based on ACTUAL demand and energy savings
5 achieved.

6 This definition for “Utility incentive component of a DSIM” includes a reference to
7 “Annual Net Shared Benefits” and EM&V. This variance request was already included
8 in the original filing. TD-NSB will still be based on annual net shared benefits (with
9 requested variance for non-utilization of EM&V results for TD-NSB only). The
10 Company asserts that no variance is needed for this definition. Please see response
11 outlined above under 4 CSR 240-3.163(1)(A).

12 **10) 4 CSR 240-20.093(2)(H) – 1) allow the TD-NSB incentive to be based on**
13 **prospective analysis rather than performance achieved and documented through**
14 **EM&V reports. 2) allow the TD-NSB incentive to be defined on net shared benefits**
15 **rather than annual net shared benefits. 3) allow the TD-NSB incentive to not have a**
16 **defined relationship with annual energy savings targets. 4) allow the TD-NSB**
17 **incentive to not have a defined relationship with annual demand savings targets.**

18 Response: The proposed DSIM included in the KCP&L MO MEEIA filing includes
19 calculation of the TD-NSB that will be based on ACTUAL demand and energy savings
20 achieved.

21 This variance request was already included in the original filing. Please see response
22 outlined above under 4 CSR 240-3.163(1)(A).

1 **11) 4 CSR 240-20.093(2)(H)3. – 1) allow the TD-NSB incentive to be**
2 **implemented on prospective basis. 2) allow the TD-NSB incentive to be based on**
3 **prospective analysis rather than EM&V.**

4 Response: The proposed DSIM included in the KCP&L MO MEEIA filing includes
5 calculation of the TD-NSB that will be based on ACTUAL demand and energy savings
6 achieved.

7 This variance request was already included in the original filing. Please see response
8 outlined above under 4 CSR 240-3.163(1)(A).

9 **12) 4 CSR 240-20.094(1)(A) – to allow the TD-NSB incentive to be based on net**
10 **shared benefits and not on annual demand savings targets.**

11 Response: This is a duplicate reference already listed above by Staff. Please see
12 response outlined above under 4) 4 CSR 240-20.093(1)(A).

13 **13) 4 CSR 240-20.094(1)(B) – to allow the TD-NSB incentive to be based on net**
14 **shared benefits and not on annual energy savings targets.**

15 Response: This is a duplicate reference already listed above by Staff. Please see
16 response outlined above under 5) 4 CSR 240-20.093(1)(B).

17 **14) 4 CSR 240-20.094(1)(C) - allow the TD-NSB incentive to be based on**
18 **prospective analysis rather than achieved performance.**

19 Response: This is a duplicate reference already listed above by Staff. Please see
20 response for 1) 4 CSR-240-3.163(A) that is outlined above.

1 **15) 4 CSR 240-20.094(1)(J)5. – allow the TD-NSB incentive to be based on**
2 **prospective analysis rather than achieved performance.**

3 Response: This rule reference is nearly identical to many already listed by MPSC Staff.
4 The TD-NSB will be based on achieved savings; therefore, the Company asserts that no
5 variance is necessary. Please see above response under 1) 4 CSR 240-3.163 (A) for
6 further explanation.

7 **16) 4 CSR 240-20.094(1)(Z) – 1) allow the TD-NSB incentive to be based on net**
8 **shared benefits rather than annual net shared benefits. 2) allow the TD-NSB**
9 **incentive to be based on prospective analysis rather than EM&V.**

10 Response: This is a duplicate reference already listed above by Staff. Please see
11 response for 9) 4 CSR-240-20.093(1)(EE) that is outlined above.

12 **17) 4 CSR 240-20.093(2)(I) – to allow the utility to file to adjust DSIM rates**
13 **annual with an option of a semi-annual adjustment.**

14 Response: The Company asserts that no variance is needed. The rule states that “*the*
15 *DSIM shall include a provision to adjust the DSIM rates every six months*”. Since the
16 Company’s filing includes a DSIM Charge tariff (Schedule TMR-5) that outlines those
17 adjustments may be made on a semi-annual basis for true-up, this requirement has been
18 met. Furthermore, prior to the effective date of this DSIM Charge tariff of June 1, 2015,
19 the Company will utilize a tracker mechanism that will not include a DSIM rate on
20 customers’ bill and therefore, no adjustment of DSIM rate would be possible or
21 applicable.

22 **18) 4 CSR 240-20.093(4) – 1) to allow the utility to file to adjust DSIM rates**
23 **annual with an option of a semi-annual adjustment. 2) allow adjustments to DSIM**

1 **rates for the TD-NSB DSIM utility incentive revenue requirement as well as the**
2 **DSIM cost recovery revenue requirement.**

3 Response: As stated in the company's response to #17 above, the Company asserts that
4 no variance is needed for semi-annual adjustments since the tariff included in the MEEIA
5 filing submission (Schedule TMR-5) included a provision for semi-annual adjustments.

6 For the allowance of adjustments to include TD-NSB, the Company acknowledges that if
7 a Rider mechanism was allowed to go into effect June 1, 2015, that a variance would be
8 required for this section of 4 CSR 240-20.093(4). Therefore, the Company respectfully
9 requests this variance. Good cause includes the negative financial impact of lost TD-
10 NSB, as outlined in the Direct Testimonies of Tim Rush and Kevin Bryant (page 22 and
11 pages 8-9 respectively).

12 Based on Staff's proposal for inclusion of a TD-NSB recovery component in SLK-3 and
13 the approval of the Ameren Rider tariff in Case No. EO-2014-0075, it would appear that
14 in general, Staff is not opposed to inclusion of a TD-NSB recovery/true-up being made to
15 a DSIM rate in between general rate proceedings.

16 **19) 4 CSR 240-20.093(4)(A) – allow the utility to file to adjust DSIM rates annual**
17 **with an option of a semi-annual adjustment.**

18 Response: This is a rule reference that repeats the same issue already outlined in #17 and
19 #18. Please see those responses above.

20 **20) 4 CSR 240-20.093(4)(B) – for DSIM rates to reflect a comprehensive**
21 **measurement of both increases and decreases to the DSIM cost recovery revenue**
22 **requirement and TD-NSB DSIM utility incentive revenue requirement.**

23 Response: The Company asserts that no variance is needed.

1 The DSIM Charge Tariff (Schedule TMR-5) includes a provision for comprehensive
2 true-up of Rider recovery components.

3 **If the Commission approves KCP&L's proposed tracker mechanism:**

4 **21) 4 CSR 240-20.093(5) – allow the utility to adjust DSIM rates outside a**
5 **general rate proceeding.**

6 Response: The Company asserts that no variance is needed.

7 Since utilization of a tracker will not include a DSIM rate on customers' bill, no
8 adjustment of a DSIM rate would be possible or applicable.

9 **22) 4 CSR 240-20.093(5)(A) – 1) allow the utility to have a DSIM in effect for not**
10 **more than six (6) years. 2) Allow the utility to file to adjust DSIM rates annual with**
11 **an option of a semi-annual adjustment.**

12 Response: This is a rule reference that repeats the same issue already outlined in #17 and
13 #18. Please see those responses above with respect to semi-annual adjustments.
14 Additionally, because we are proposing a DSIM Charge that extends beyond four years,
15 the Company now believes that a variance is necessary and would respectfully request
16 the Commission approve a variance from 4 CSR 240-20.093(5)(A). Good cause exists as
17 the variance is consistent with current KCP&L energy efficiency recovery plan and
18 allows KCP&L to treat energy efficiency investments like supply side resource
19 investments.

20 **If the Commission approves a DSIM mechanism that transitions between a tracker**
21 **and a rider:**

22 **23) 4 CSR 240.093(2)(J) – to allow the TD-NSB incentive component to not be**
23 **binding on the commission or utility for the entire term of the DSIM.**

1 Response: This rule references that a DSIM shall be binding on the utility and
2 Commission for entire term of the DSIM, unless otherwise noted by the Commission
3 when approved.

4 The Company asserts that since the proposed DSIM includes a clear path to transition
5 from Tracker to Rider, from the Company's perspective, there is no need for variance.

6 **24) 4 CSR 240.093(2)(C) – to allow the utility to have demonstrate program**
7 **benefits to a non-residential class rather than specific customer classes.**

8 Response: The Company asserts that no variance is needed.

9 This rule does not require a break out of benefits by customer class, only that programs
10 are beneficial to all customers in the customer class in which the programs are proposed.
11 MEEIA Program benefits included in the Company's filing demonstrate significant
12 benefits for residential and commercial customers, inclusive of all customer classes
13 within those customer groups.

14 **25) 4 CSR 240.093(2)(K) – to allow the utility to apportion the DSIM revenue**
15 **requirement by residential and non-residential class rather than each customer**
16 **class.**

17 Response: The Company asserts that no variance is needed.

18 This rule outlines a requirement and expectation of the Commission, not the utility.
19 However, included in the company's original filing (Schedule TMR-2) is a break out of
20 the DSIM revenue requirement by residential and non-residential customers. Program
21 costs, TD-NSB, and Performance Incentive are allocated across the rate classes, based
22 upon kWh, to calculate a residential and non-residential DSIM rate. If needed, this same
23 information could also be used to generate similar information by customer class.

1 MISCELANEOUS
2 CUSTOMER BILL LANGUAGE

3 **Q: In Sarah Kliethermes Rebuttal Testimony, she recommends that the language**
4 **identifying the MEEIA rider be identified on the customer bill as “Energy**
5 **Efficiency Investment Charge” or “Energy Efficiency Program Charge”. How do**
6 **you respond?**

7 **A:** The Company recommended using the phrase “DSIM Charge”. This is consistent with
8 the language used at GMO. It is not our preference to have the similar charges at GMO
9 and KCP&L have two separate identifiers on the bill for the same purpose. It would
10 cause confusion for communications with customers.

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

12 **A:** Yes, it does.

SCHEDULE TMR-7
THIS DOCUMENT CONTAINS
HIGHLY CONFIDENTIAL
INFORMATION NOT AVAILABLE
TO THE PUBLIC

**Distribution of Energy Blocking
KCP&L-MO
Billing Frequency Data - January 2011**

Residential - RESA - General Use

KWH Blocking	End of Block	No Of Cust With KWH Ending In Block *	Cumulative No Of Cust With KWH Ending In Block	Block % No Of Cust With KWH Ending In Block	Cumulative Block % No Of Cust With KWH Ending In Block	Incremental % by tariff block
<0		0	0	0.0%	0.0%	
0	0	2865	2865	1.5%	1.5%	
1-50	50	4504	7369	2.4%	3.9%	
51-100	100	4196	11565	2.2%	6.1%	
101-200	200	9885	21450	5.2%	11.3%	
201-300	300	12648	34098	6.7%	17.9%	
301-400	400	14361	48459	7.6%	25.5%	
401-500	500	15626	64085	8.2%	33.7%	
501-600	600	15915	80000	8.4%	42.1%	42.1%
601-700	700	15282	95282	8.0%	50.1%	
701-800	800	13568	108850	7.1%	57.2%	
801-900	900	11862	120712	6.2%	63.5%	
901-1000	1000	10150	130862	5.3%	68.8%	26.7%
1001-1100	1100	8505	139367	4.5%	73.3%	
1101-1500	1500	21676	161043	11.4%	84.7%	
1501-2000	2000	12693	173736	6.7%	91.4%	
2001-3000	3000	9451	183187	5.0%	96.3%	
3001-4000	4000	3430	186617	1.8%	98.1%	
4001-5000	5000	1701	188318	0.9%	99.0%	
5001-10000	10000	1688	190006	0.9%	99.9%	
10001-20000	20000	146	190152	0.1%	100.0%	
>20000		4	190156	0.0%	100.0%	31.2%
Total	Total	190156	190156	100.0%		

**Distribution of Energy Blocking
KCP&L-MO
Billing Frequency Data - January 2011**

Small General Service - SGSS - Secondary Voltage

HU (KWH/KW) Blocking	End of Block	No Of Cust With HU Ending In Block *	Cumulative No Of Cust With HU Ending In Block	Block % No Of Cust With HU Ending In Block	Cumulative Block % No Of Cust With HU Ending In Block	Incremental % by tariff block	
0		0	1646	1646	7.0%	7.0%	
1-25		25	1176	2822	5.0%	12.0%	
26-50		50	950	3772	4.0%	16.0%	
51-75		75	979	4751	4.2%	20.2%	
76-100		100	1159	5910	4.9%	25.1%	
101-150		150	2446	8356	10.4%	35.5%	
151-180		180	1587	9943	6.7%	42.3%	42.3%
181-200		200	1105	11048	4.7%	47.0%	
201-250		250	2578	13626	11.0%	57.9%	
251-300		300	2144	15770	9.1%	67.0%	
301-360		360	1904	17674	8.1%	75.1%	32.9%
361-400		400	1107	18781	4.7%	79.8%	
401-450		450	1319	20100	5.6%	85.4%	
451-500		500	1018	21118	4.3%	89.8%	
501-600		600	1247	22365	5.3%	95.1%	
601-720		720	792	23157	3.4%	98.4%	
721-760		760	125	23282	0.5%	99.0%	
>760			246	23528	1.0%	100.0%	
Total	Total		23528	23528	100.0%	100.0%	24.9%

Distribution of Energy Blocking
KCP&L-MO
Billing Frequency Data - January 2011

Medium General Service - MGSS - Secondary Voltage

HU (KWH/KW) Blocking	End of Block	No Of Cust With HU Ending In Block *	Cumulative No Of Cust With HU Ending In Block	Block % No Of Cust With HU Ending In Block	Cumulative Block % No Of Cust With HU Ending In Block	Incremental % by tariff block	
0		0	27	27	0.6%	0.6%	
1-25		25	11	38	0.2%	0.8%	
26-50		50	24	62	0.5%	1.3%	
51-75		75	36	98	0.8%	2.0%	
76-100		100	59	157	1.2%	3.3%	
101-150		150	194	351	4.0%	7.3%	
151-180		180	191	542	4.0%	11.3%	11.3%
181-200		200	160	702	3.3%	14.7%	
201-250		250	490	1192	10.2%	24.9%	
251-300		300	604	1796	12.6%	37.5%	
301-360		360	790	2586	16.5%	54.0%	42.7%
361-400		400	504	3090	10.5%	64.5%	
401-450		450	526	3616	11.0%	75.5%	
451-500		500	479	4095	10.0%	85.5%	
501-600		600	510	4605	10.6%	96.1%	
601-720		720	162	4767	3.4%	99.5%	
721-760		760	16	4783	0.3%	99.8%	
>760			8	4791	0.2%	100.0%	
Total	Total		4791	4791	100.0%	100.0%	46.0%

**Distribution of Energy Blocking
KCP&L-MO
Billing Frequency Data - January 2011**

Large General Service - LGSS - Secondary Voltage

HU (KWH/KW) Blocking	End of Block	No Of Cust With HU Ending In Block *	Cumulative No Of Cust With HU Ending In Block	Block % No Of Cust With HU Ending In Block	Cumulative Block % No Of Cust With HU Ending In Block	Incremental % by tariff block
0		0	2	2	0.3%	0.3%
1-25		25	2	4	0.3%	0.6%
26-50		50	3	7	0.4%	1.0%
51-75		75	3	10	0.4%	1.4%
76-100		100	3	13	0.4%	1.8%
101-150		150	11	24	1.6%	3.4%
151-180		180	6	30	0.8%	4.2%
181-200		200	9	39	1.3%	5.5%
201-250		250	38	77	5.4%	10.9%
251-300		300	56	133	7.9%	18.8%
301-360		360	78	211	11.0%	29.9%
361-400		400	81	292	11.5%	41.4%
401-450		450	94	386	13.3%	54.7%
451-500		500	104	490	14.7%	69.4%
501-600		600	128	618	18.1%	87.5%
601-720		720	84	702	11.9%	99.4%
721-760		760	4	706	0.6%	100.0%
>760			0	706	0.0%	100.0%
Total	Total		706	706	100.0%	100.0%

**Demand Side Investment Mechanism (DSIM) Charge
MEEIA Plan Period**

APPLICABILITY:

The DSIM Charge (“DSIM Charge”) is applicable to all kilowatt-hours (kWh) of energy supplied to customers served by Kansas City Power & Light Company (“KCP&L” or “Company”), for residential and non-residential classes, excluding the lighting rate classes and applicable "opt-out" customers from Missouri Energy Efficiency Investment Act (“MEEIA”). The DSIM Charge covers the MEEIA Plan (“Plan”) filed by the Company and approved by the Missouri Public Service Commission (“Commission”) in Case No. EO-2014-0095.

PROCESS:

Charges passed through this DSIM Charge reflect the charges approved to be collected from the implementation of the MEEIA Plan.

The first filing to establish the DSIM Charge rate will be filed on or before April 1, 2015, and will become effective June 1, 2015 and shall include: 1.) actual program costs incurred from July 6, 2014 through February 28, 2015 and projected program costs from March 1, 2015 through December 31, 2015, 2.) actual computed throughput disincentive - net shared benefits (“TD-NSB”) as calculated by multiplying 36.22% times the actual net shared benefits (“net benefits”) as determined from the present value of the lifetime avoided costs (i.e., avoided energy, capacity, transmission and distribution, and probable environmental compliance costs) for the Plan for the period July 6, 2014 through February 28, 2015, and projected TD-NSB as calculated by multiplying 36.22% times the projected net shared benefits for the period from March 1, 2015 through December 31, 2015, and 3.) Interest applied on the unrecovered amount using the Company’s last authorized weighted cost of capital rate.

Recovery of the Program Costs for residential and non-residential shall each be recovered over a 6 year period by dividing the program costs for residential and non-residential by six and then dividing that amount by the projected energy (kWh retail sales) for each class. The TD-NSB will be recovered over a two year period and determined by dividing the TD-NSB amounts for residential and non-residential by two and then dividing that amount by the projected energy (kWh retail sales) for residential and non-residential. Non-residential class shall be adjusted for opt-outs.

The first adjustment to the DSIM Charge will be filed on April 1, 2016, and will become effective within 60 days and will reflect the true-up of the program costs and TD-NSB for the MEEIA Plan less the billed revenues from the DSIM Charge. Interest will be applied on the unrecovered amount using the Company’s last authorized weighted cost of capital rate.

The second adjustment to the DSIM Charge will be filed on or before November 1, 2016, and will become effective within 60 days and will reflect any further true-up of the program costs and TD-NSB for the MEEIA Plan less the billed revenues from the DSIM charge. This filing will also reflect the proposed recovery of the Performance Incentive Award based on the results of the EM&V which will be performed during 2016 and after the completion of the MEEIA Plan Period. Interest will be applied on the unrecovered amount using the Company’s last authorized weighted cost of capital rate.

Thereafter, semi-annual filings to reflect true-up of program costs, TD-NSB, program incentive awards less billed revenues from the DSIM Charge will be made until full recovery of the Plan is completed. Interest will be applied on the unrecovered amount using the Company's last authorized weighted cost of capital rate.

Charges arising from the Plan that are the subject of this DSIM Charge shall be reflected as "DSIM Charge" on customers' bills.

DEFINITIONS:

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

- A.) "TD-NSB Share" means 36.22% multiplied by the net shared benefits. The TD-NSB for the MEEIA Plan Period will be recovered over a two year period.
- B.) "EP" (Effective Period) means the MEEIA Plan Period beginning with the July 6, 2014 and ending with the December 31, 2015.
- C.) "EM&V" (Evaluation, Measurement & Verification) means the evaluation, measurement and verification of each programs performance during the MEEIA Plan period in order to determine, among other things, the energy and demand savings achieved by program. The results of the EM&V will be used as in calculating the Performance Incentive.
- D.) "MEEIA Plan Period" for programs beginning July 6, 2013 and ending with the December 31, 2015.
- E.) "kWh Target" the kWh goal for all programs set in the MEEIA Plan to achieve over the Plan period, adjusted for opt-out customers.
- F.) "kW Target" – the kW goal for all programs set in the MEEIA Plan to achieve over the Plan period, adjusted for opt-out customers.
- G.) "NSB" (Net Shared Benefits) - The present value of the lifetime avoided costs (i.e., avoided energy, capacity, transmission and distribution, and probable environmental compliance costs) for the MEEIA Plan using the deemed savings values set out in the plan.
- H.) "PC" (Program Costs) -The program expenditures, including such items as program design, administration, delivery, end-use measures and incentive payments, evaluation, measurement and verification, market potential studies and work on the Technical Resource Manual (TRM). Program Costs of the MEEIA Plan Period will be recovered over 6 year period.
- I.) "PIA" (Performance Incentive Award) - The results of the EM&V as measured against the kWh and kW targets over the MEEIA Plan Period adjusted for opt-out customers to determine an overall performance incentive award. The kWh measure is weighted 80% and the kW measure is weighted 20% in the overall calculation of the performance incentive award. The following table is the performance incentive award table.

Percent of kWh/kW Target	MEEIA Plan Period (\$MM)	Percent of EM&V-NSB*
<60	\$0.00	0.00%
70	\$1.68	4.71%
80	\$1.99	5.60%
90	\$2.31	6.48%

100	\$2.62	7.36%
110	\$3.15	8.84%
120	\$3.67	10.31%
>130	\$4.20	11.78%

*Includes income taxes (i.e. results in revenue requirement without adding income taxes). The percentages are interpolated linearly between the performance levels.

- K.) "TD-NSB" (Throughput Disincentive - Net Shared Benefits) is the annualized value of the MEEIA Plan period (July 6, 2014 through December 31, 2015) annuity of 38.54% ¹of the actual pre-tax NSB.
- L.) "OA" (Ordered Adjustment) - Ordered Adjustment is the amount of any adjustment to the DSIM Charge ordered by the Commission as a result of prudence reviews and/or corrections under this DSIM Charge. Such amounts shall include monthly interest at the Company's last authorized weighted cost of capital.
- M.) "PE" (Projected Energy) - The kWh forecasted to be delivered to the residential and non-residential non-lighting customers to which the DSIM Charge will be applied during the twelve month period following the effective date of the rates. Non-residential class shall exclude projected opt-out sales.
- N.) "Rec" (Reconciliation) - Reconciliation is equal to the cumulative difference, if any, between the revenues billed resulting from the application of the DSIM Charge and the actual Program Costs, TD-NSB, Performance Incentive Award and any ordered adjustment as ordered by the Commission over the recovery period. Such amounts shall include monthly interest charged at the Company's last authorized weighted cost of capital.
- O.) "REV" (Revenues) – Revenues billed under the DSIM Charge for the recovery of the MEEIA plan.

DSIM Charge (DSIM) DETERMINATION

The DSIM during each applicable EP is a dollar per kWh rate for residential and non-residential non-lighting classes calculated separately as follows:

$$\text{DSIM Charge} = [(PC/6) + (TD-NSB/2) + (PIA/2) + \text{Rec} + \text{OA} - \text{Rev}]/\text{PE}$$

The DSIM Charge applicable to the residential and non-residential non-lighting classes shall be rounded to the nearest \$0.00001. This DSIM Charge shall not be applicable to customers that have satisfied the opt-out provisions contained in Section 393.1075.7, RSMo.

FILING

The Company shall make a DSIM Charge filing prior to April 1st of each year to be effective with beginning with the June billing month. The Company is allowed or may be ordered by the Commission to make one other DSIM Charge in each calendar year with such subsequent filing

¹ The 38.54% is calculated using an assumed combined marginal federal/state tax rate of 38.39%.

to be effective beginning with either the October or February billing month. DSIM charge filings shall be made at least sixty (60) days prior to their effective dates.

PRUDENCE REVIEWS

A prudence review shall be conducted no less frequently than at twenty-four (24) month intervals in accordance with 4 CSR 240-20.093(10). Any costs which are determined by the Commission to have been imprudently incurred or incurred in violation of the terms of this DSIM Charge shall be addressed through an adjustment in the next DSIM Charge determination and reflected in factor OA above.

DSIM Charge:

Residential - rate per kWh	\$0.00000
Non-Residential - rate per kWh	\$0.00000