

Exhibit No.:
Issue: Policy/Overview
Witness: Tim M. Rush
Type of Exhibit: Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ET-2014-
Date Testimony Prepared: September 10, 2013

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ET-2014-

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
September 2013**

“ [REDACTED] **” Designates “Highly Confidential” Information
Has Been Removed.**

DIRECT TESTIMONY

OF

TIM 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” or the “Company”)
6 as Director, 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”). I am also responsible for overseeing the regulatory reporting and
11 general activities as they relate to the Missouri Public Service Commission (“MPSC” or
12 “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 the Kansas Corporation
14 Commission.

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

16 A: I am testifying on behalf of KCP&L.

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 KCP&L to become effective November 9, 2013 (attached as Schedule
21 TMR-2),

22 2) provide background of the solar rebate program,

1 3) supporting the current payments made for the solar rebates (attached as Schedule
2 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 lead 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 (Cum.Supp. 2009) which
8 mandated, *inter alia*, that the “commission shall, in consultation with the department,
9 prescribe by rule a portfolio requirement for all electric utilities to generate or purchase
10 electricity generated from renewable energy resources. . .” Section 393.1030.1. RSMo
11 (Cum. Supp. 2009). Proposition C also stated that “Such rules shall include: (1) A
12 maximum average retail rate increase of one percent determined by estimating and
13 comparing the electric utility’s cost of compliance with least-cost renewable generation
14 and the cost of continuing to generate or purchase electricity from entirely nonrenewable
15 sources, taking into proper account future environmental regulatory risk including the
16 risk of greenhouse gas regulation. . .” Section 393.1030.2(1).

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 **KCP&L 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. 7, Second
9 Revised Sheet Nos. 46 and Second Revised Sheet No. 46A). On page 46A, the third
10 paragraph under the PROGRAM REBATE heading describes the method by which
11 applications and funding of the rebate is handled.

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

21 **RES Plan filing** - On May 28, 2013, KCP&L filed its 2013 Annual Renewable Energy
22 Standard Compliance Plan (2013 KCP&L Plan¹) in File No. EE-2013-0452², pursuant to
23 4 CSR 240-20.100. In the 2013 KCP&L Plan, the retail rate impact was calculated by
24 comparing a non-renewable generation and purchased power portfolio to a RES-
25 compliant portfolio with sufficient renewable resources to achieve the renewable
26 standards. This analysis showed that the retail rate impact would exceed the one percent
27 (1%) cap for the years 2013, 2014 and 2015, unless solar rebates were limited to maintain

¹ The 2013 KCP&L 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-2013-0452 and EO-2013-0504 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 KCP&L Plan was also filed in Case No. EO-2013-0504.

1 the 1% cap. Since KCP&L is projected to exceed the 1% retail rate impact in 2013,
2 2014, and 2015 due to solar rebates, solar rebate payment assumptions were limited to
3 maintain the 1% cap. (See also 2013 KCP&L Plan, pages 11-12). KCP&L believes that
4 by its calculation, the Company will exceed the 1% cap in November 2013, and as a
5 result, not all solar rebates will be honored this year in order to reduce the revenue
6 requirement associated with the RES program in 2013. Any solar rebates not honored in
7 a given year would be the first rebates considered for payment in the following year.

8 SOLAR REBATE PROGRAM PAYMENTS

9 **Q: What is the current forecast for solar rebates at KCP&L?**

10 A: KCP&L's current forecast is \$14 million in solar rebate payments by the end of 2013. I
11 have attached the latest forecast to my testimony as Schedule TMR-1. This forecast may
12 change based on many factors, but the Company believes that the actual solar rebate
13 payments will more than likely increase, rather than decrease when compared to the
14 forecast. As of July 2013, KCP&L has paid out over \$3 million in solar rebates.
15 KCP&L's 1% rate cap filed in its Company's RES Plan is slightly under \$11 million.
16 This is more fully described in the testimony of Company witness Burton Crawford.

17 **Q: Parties have raised concerns about solar installer U.S. Solar. What actions has the**
18 **Company taken to address these concerns?**

19 A: U.S. Solar is primarily a solar installer in the GMO service territory, but has one
20 installation in the KCP&L service territory. The Company has taken these concerns very
21 seriously. KCP&L has audited several of U.S. Solar's installations. In addition, the
22 Company is in the process of auditing the top ten solar installation vendors in both GMO

1 and KCP&L service territories. As of today, all solar installation audits have been in the
2 GMO territory.

3 ** [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED] ** The audit of the remaining ten solar

10 installers is ongoing.

11 Q: ** [REDACTED]
12 [REDACTED]
13 [REDACTED] **

14 A: ** [REDACTED]
15 [REDACTED] **

16 Q: **Should this impact the overall 1% cap for KCP&L?**

17 A: No. ** [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 [REDACTED] ** In any event, the Company acted in good faith and in accordance with its
21 tariffs, when it provided solar rebates on the plans and certifications provided by
22 customers and installers.

1 **Q: Is the Company requesting recovery of the amount paid to solar vendors and all**
2 **other RES compliance costs in this case?**

3 A: No. This case is only dealing with the determination of whether the Company should
4 cease paying solar rebates in 2013 and the determination of the 1% cap as it is defined in
5 the Rules.

6 **1% CAP CALCULATION**

7 **Q: What is meant by the 1% cap?**

8 A: Section 5 of 4 CSR 240-20.100 sets out the retail rate impact of the RES rule and
9 describes the retail rate impact calculation:

10 **4 CSR 240-20.100 (5) Retail Rate Impact.**

11 (A) The retail rate impact, as calculated in subsection (5)(B), may not
12 exceed one percent (1%) for prudent costs of renewable energy resources
13 directly attributable to RES compliance. The retail rate impact shall be
14 calculated on an incremental basis for each planning year that includes the
15 addition of renewable generation directly attributable to RES compliance
16 through procurement or development of renewable energy resources,
17 averaged over the succeeding ten (10)-year period, and shall exclude
18 renewable energy resources owned or under contract prior to the effective
19 date of this rule.

20 (B) The RES retail rate impact shall be determined by subtracting the total
21 retail revenue requirement incorporating an incremental non-renewable
22 generation and purchased power portfolio from the total retail revenue
23 requirement including an incremental RES compliant generation and
24 purchased power portfolio. The non-renewable generation and purchased
25 power portfolio shall be determined by adding to the utility's existing
26 generation and purchased power resource portfolio additional non-
27 renewable resources sufficient to meet the utility's needs on a least-cost
28 basis for the next ten (10) years. The RES-compliant portfolio shall be
29 determined by adding to the utility's existing generation and purchased
30 power resource portfolio an amount of renewable resources sufficient to
31 achieve the standard set forth in section (2) of this rule and an amount of
32 least-cost non-renewable resources, the combination of which is sufficient
33 to meet the utility's needs for the next ten (10) years.

1 These renewable energy resource additions will utilize the most recent
2 electric utility resource planning analysis. These comparisons will be
3 conducted utilizing projections of the incremental revenue requirement for
4 new renewable energy resources, less the avoided cost of fuel not
5 purchased for nonrenewable energy resources due to the addition of
6 renewable energy resources. In addition, the projected impact on revenue
7 requirements by non-renewable energy resources shall be increased by the
8 expected value of greenhouse gas emissions compliance costs, assuming
9 that such costs are made at the expected value of the cost per ton of
10 greenhouse gas emissions allowances, cost per ton of a greenhouse gas
11 emissions tax (e.g., a carbon tax), or the cost per ton of greenhouse gas
12 emissions reductions for any greenhouse gas emission reduction
13 technology that is applicable to the utility's generation portfolio,
14 whichever is lower. Calculations of the expected value of costs associated
15 with greenhouse gas emissions shall be derived by applying the
16 probability of the occurrence of future greenhouse gas regulations to
17 expected level(s) of costs per ton associated with those regulations over
18 the next ten (10) years. Any variables utilized in the modeling shall be
19 consistent with values established in prior rate proceedings, electric utility
20 resource planning filings, or RES compliance plans, unless specific
21 justification is provided for deviations. The comparison of the rate impact
22 of renewable and non-renewable energy resources shall be conducted only
23 when the electric utility proposes to add incremental renewable energy
24 resource generation directly attributable to RES compliance through the
25 procurement or development of renewable energy resources.

26 (C) Rebates made during any calendar year in accordance with section (4)
27 of this rule shall be included in the cost of generation from renewable
28 energy resources.

29 (D) For purposes of the determination in accordance with subsection (B)
30 of this section, if the revenue requirement including the RES-compliant
31 resource mix, averaged over the succeeding ten (10)-year period, exceeds
32 the revenue requirement that includes the non-renewable resource mix by
33 more than one percent (1%), the utility shall adjust downward the
34 proportion of renewable resources so that the average annual revenue
35 requirement differential does not exceed one percent (1%). In making this
36 adjustment, the solar requirement shall be in accordance with subsection
37 (2)(F) of this rule. Prudently incurred costs to comply with the RES
38 standard, and passing this rate impact test, may be recovered in
39 accordance with section (6) of this rule or through a rate proceeding
40 outside or in a general rate case.

41 (E) Costs or benefits attributed to compliance with a federal renewable
42 energy standard or portfolio requirement shall be considered as part of
43 compliance with the Missouri RES if they would otherwise qualify under
44 the Missouri RES.

1 **Q: Are there alternative views in how the 1% cap is to be calculated?**

2 A: Yes. Company witness Burton Crawford describes in his Direct Testimony the
3 calculation performed by the KCP&L and addresses some of the differences between the
4 Staff's positions that was previously expressed in File No. ET-2014-0026. KCP&L
5 requests that the Commission resolve these differences in this case and issue its order
6 within sixty (60) days of this filing as required by statute.

7 **Q: When the Company became aware that it expected to reach the 1% retail rate**
8 **impact, what did it do?**

9 A: The Company set up a meeting with solar installers to inform them that the Company
10 believed that based on current information, that it would reach the cap in July for the
11 GMO service territory and November for the KCP&L service territory. A meeting was
12 held at the Company's offices in Kansas City on June 20 and nearly all installers were
13 present. At that meeting, installers were informed that KCP&L anticipated reaching the
14 1% cap and intended to make a filing with the Missouri Public Service Commission to
15 suspend the payment of rebates. It was expected that GMO would hit the 1% cap much
16 sooner than KCP&L. Rather than shutting down the rebate program for GMO the moment
17 the cap was reached, the Company told installer it would follow the spirit of the recently
18 passed House Bill 142 ("HB 142") and make the tariff filing with an effective date of 60
19 days, rather than the traditional 30 day effective date. GMO indicated that it would
20 continue paying rebates during that 60 day period. This was to provide the installers time
21 to address current projects and give them ample time to plan for the suspension. KCP&L
22 was in a much different position in that it anticipated reaching the 1% cap in November
23 and time was available for an orderly suspension.

1 **TARIFF FILING**

2 **Q: What authority did the Company have to suspend the rebates once it reached the**
3 **1% cap?**

4 A: The Company’s Rules and Regulations, Sheet Nos. 46 and 46A, Solar Photovoltaic
5 Rebate Program, outlines the Purpose and the Program Rebates and provides the
6 authority to suspend rebate payments. In addition, the Company is under the recently
7 enacted House Bill 142, which became law on August 28th.

8 The last sentence under the Purpose states: “Funds for the Program will be limited by the
9 Company based on the limits of §393.1030, RSMo, 4 CSR 240-20.100, or the Company’s
10 Net Metering Rider. Further, in the last paragraph under Program Rebates on page 46A,
11 it states:

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

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

22 A: Yes. Simultaneous with this filing, the Company has filed a tariff to suspend the solar
23 rebates with an effective date of November 9, 2013. Attached to my testimony as
24 Schedule TMR-2 is the tariff that was filed today.

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

26 A: Yes, it does.

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

In the Matter of Kansas City Power & Light Company's)
Application for Authorization to Suspend Payment of) File No. ET-2014-
Certain Solar Rebates)

AFFIDAVIT OF TIM M. RUSH

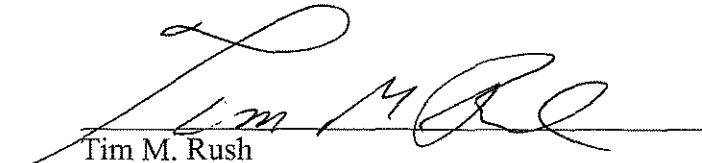
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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.

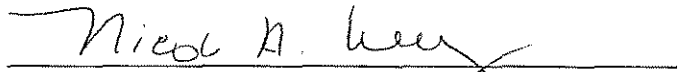
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of ten (10) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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.



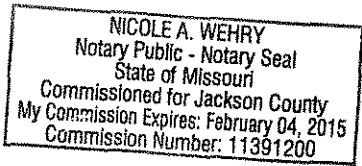
Tim M. Rush

Subscribed and sworn before me this 10th day of September, 2013.



Notary Public

My commission expires: Feb. 4, 2015



Kansas City Power & Light Company

2013 Solar Rebate Forecast

	Monthly Rebates Paid \$	Cumulative Rebates YTD \$
January	232,628	232,628
February	471,700	704,328
March	783,360	1,487,688
April	659,900	2,147,588
May	288,390	2,435,978
June	494,010	2,929,988
July	250,080	3,180,068
<i>August</i>	<i>2,117,888</i>	<i>5,297,956</i>
<i>September</i>	<i>2,292,362</i>	<i>7,590,318</i>
<i>October</i>	<i>2,194,576</i>	<i>9,784,894</i>
<i>November</i>	<i>2,126,968</i>	<i>11,911,862</i>
<i>December</i>	<u><i>2,161,139</i></u>	<i>14,073,001</i>
<i>Total</i>	<i>14,073,001</i>	

NOTE: Values in *Italic* are forecasted values.

KANSAS CITY POWER & LIGHT COMPANY

P.S.C. MO. No. 7 Third Original Sheet No. 46
 Revised
Cancelling P.S.C. MO. No. 7 Second Original Sheet No. 46
 Revised
For Missouri Retail Service Area

Deleted: Second

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SOLAR PHOTOVOLTAIC REBATE PROGRAM Schedule SR

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.

AVAILABILITY:

The Program is currently suspended as funding limits established by §393.1030, RSMo and 4 CSR 240-20.100 have been reached. The Company will continue to accept applications for Net Metering under the Net Metering Rider, but rebates for Solar Electric Systems will not be available until a subsequent calendar year. Rebates will be paid in order, based on the operational date of the Solar Electric System.

The Program is available to any Customer that qualifies as a Customer-Generator under Schedule NM, the Company's Net Metering Interconnection Agreement tariff, is currently receiving service under any generally available retail rate schedule, with an account that is not delinquent or in default at the time of rebate processing, and has completed the required rebate application. Funds for the Program will be limited by the Company based on the limits of §393.1030, RSMo, 4 CSR 240-20.100, or Schedule NM.

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.

DATE OF ISSUE: September 10, 2013 DATE EFFECTIVE: November 9, 2013
ISSUED BY: Darrin R. Ives, Vice President Kansas City, Mo.

Deleted: December 6, 2012

Deleted: January 7

Deleted: Senior Director