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Witness:	Patrick J Wilson
Sponsoring Party:	Renew Missouri
Type of Exhibit:	Rebuttal Testimony
Case No.:	ET-2014-0071
Date Testimony Prepared:	September 24, 2013

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ET-2014-0059.**

**REBUTTAL TESTIMONY**  
**OF**  
**PATRICK J. WILSON**  
**ON**  
**BEHALF OF**  
**RENEW MISSOURI**

**September, 2013**

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **PATRICK J WILSON**

4 **CASE NO. ET-2014-0071**

5 **Q. Please state your name and business address.**

6 A. My name is Patrick James (PJ) Wilson. My business address is 910 E. Broadway, Ste.  
7 205, Columba, MO 65201.

8 **Q. Please state the name of your employer and your job title?**

9 A. I am the Director of Earth Island Institute d/b/a Renew Missouri (“Renew Missouri”).

10 **Q. Please describe your educational background and employment experience.**

11 A. I graduated with a Bachelors of Science in Civil Engineering from the University of  
12 Southern California in August of 2001. I served as a volunteer water & sanitation engineer in the  
13 Peace Corps from February 2003 through April 2005, and worked at the Solar Living Institute  
14 for 6 months in 2005. I’ve worked as a solar installer, designer, and salesperson for Cromwell  
15 Environmental in 2006, and for Ozarks Energy Services in 2007.

16 From 2007-2009, I served as the Vice President of the Heartland Renewable Energy  
17 Society, which is the local chapter (over Kansas & Missouri) of the American Solar Energy  
18 Society. From 2008 to present, I have served as the Director of Renew Missouri, a nonprofit  
19 based in Columbia, MO whose mission is to transform Missouri into a leading state in renewable  
20 energy & energy efficiency by 2016.

21 As Director for Renew Missouri, I have been involved with virtually every stage of the  
22 drafting, passage, implementation, and enforcement of Missouri’s Renewable Energy Standard  
23 (“RES”) from 2008 to the present.

1 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

2 A. The purpose of my rebuttal testimony is to highlight deficiencies in the proposal of  
3 Kansas City Power & Light Company (“KCPL”) to suspend payment of solar rebates through  
4 responding to the Direct Testimony of Burton L. Crawford. I will also highlight alternatives  
5 available to KCPL which could be components of a course of action different from its current  
6 proposal.

7 **Q. Do you agree that the Commission should authorize KCPL to suspend payment of**  
8 **solar rebates?**

9 A. No, I do not.

10 **Q. What do you believe is wrong with KCPL’s approach in alleging they’ve hit their**  
11 **1% retail rate impact and proposing to suspend payment of solar rebates?**

12 A. A number of things. First, KCPL shows a continued misunderstanding or misapplication  
13 of the general retail rate impact determination itself.

14 **Q. What evidence do you have to support this assertion?**

15 A. Looking at the direct testimony of Burton Crawford, Mr. Crawford says (pg. 2, lines 18-  
16 20) that: “The major components of the RRI (“Retail Rate Impact”) calculation include  
17 establishing a baseline revenue requirement in which to compare the costs of RES compliance  
18 and the projected RES compliance costs.”

19 The retail rate impact calculation is not a comparison of “the costs of RES compliance”  
20 and “the projected RES compliance costs.” It’s unclear what Mr. Crawford is referring to with  
21 this statement, but his words demonstrate that KCPL’s entire process is beginning with some  
22 fundamentally incorrect assumptions.

23 **Q. What costs should be compared in calculating the retail rate impact?**

1 A. Section (5) of the Commission’s rule at 4 CSR 240-20.100 spells out the components of  
2 the 1% retail rate impact calculation. The fundamental concept in Section (5) is a comparison  
3 between the utility’s total costs including RES compliance and the utility’s total costs assuming  
4 an entirely nonrenewable portfolio.

5 **Q. Does Mr. Crawford’s continued testimony clear this up?**

6 A. No, it does not. Mr. Crawford goes on to state (starting at pg. 2, line 20 – pg. 3, line 2):  
7 “The projected RES compliance costs include: Net cost of renewable generation and/or  
8 Renewable Energy Credit (REC) costs directly attributable to meeting RES energy targets; Solar  
9 rebate costs; Other costs such as REC registration fees and renewable resource registration fees”

10 The first thing that’s important to understand is that there is no such thing as “net cost” of  
11 RECs. When a utility purchases a REC, there exist no financial benefits for themselves or their  
12 customers. Thus any money utilities spend on purchasing RECs are simply “costs.”

13 Furthermore, as spelled out in great detail in the complaint filed in Case No. EC-2013-  
14 0377, et al., Renew Missouri and co-complainants do not agree that a utility’s purchase of any  
15 RECs should count toward RES compliance at all, unless such RECs are associated with  
16 electricity actually delivered to Missouri customers.

17 Next, Mr. Crawford lists simply “solar rebate costs,” failing to take into account the vast  
18 amount of financial benefits resulting to the utility, and to its ratepayers, that occur as a direct  
19 result of payment of “solar rebate costs.” At a minimum, Mr. Crawford should have stated: “Net  
20 solar rebate costs,” and KCPL’s methodology should account for not only the actual costs of  
21 solar rebate payments and associated administrative costs, but also an acknowledgement and  
22 quantification of the actual financial benefits resulting from such solar rebate payments. Only  
23 the “net solar rebate costs” should be included in this calculation.

1 **Q. What else is incorrect about KCPL’s approach?**

2 A. Another fundamental problem with KCPL’s approach is that it attempts to make two  
3 incompatible assumptions. On one hand, on pg. 3, lines 7-10, Mr. Crawford refers to “Future  
4 wind and solar additions that were directly attributable to RES compliance.” On the other hand,  
5 on pg. 5, lines 11-12, Mr. Crawford states that “KCPL is currently meeting the RES solar energy  
6 requirements through the purchase of solar RECs (“S-RECs”).” This statement in and of itself  
7 highlights KCPL’s incompatible and conflicting positions. If KCPL considers itself to be under  
8 obligation to meet “RES solar energy requirements,” then its purchase of S-RECs unassociated  
9 with any solar energy delivered to Missouri customers cannot be ineligible for RES compliance,  
10 and thus those costs should not be included in its retail rate impact calculation. Conversely, if  
11 KCPL believes it can comply solely by using RECs and S-RECs unrelated to power delivered to  
12 Missouri customers, then Mr. Crawford’s statement about “future wind and solar additions...  
13 directly attributable to RES compliance” is completely incompatible with this view.

14 Renew Missouri’s position on this matter is simple and straightforward: Missouri’s RES  
15 applies only to power sold to Missouri customers. If KCPL agrees, then it should plan to comply  
16 only with RECs representing power sold to Missouri customers, and it should include the cost of  
17 new generation in its retail rate impact calculation when appropriate. KCPL could not include  
18 the costs of purchasing RECs or S-RECs unassociated with power sold to Missouri customers,  
19 since these costs are of no benefit to ratepayers and have no relation to any power or services  
20 provided to customers by their utility. Such costs should be excluded from current and future  
21 forecasts of RES compliance costs. If KCPL instead believes it can comply using unassociated  
22 RECs and SRECs (as indicated by KCPL’s own compliance filings), then it cannot claim future  
23 wind and solar projects as being directly attributable to RES compliance. Such investments in

1 renewable generation in or around Missouri would likely be seen as imprudent if simply  
2 purchasing unassociated RECs were a viable alternative. KCPL cannot have it both ways.

3 **Q. What else is incorrect about KCPL's approach?**

4 A. Mr. Crawford states on pg. 3, lines 16-20:

5 Since the wind resources removed from the Preferred Plan provide little capacity  
6 to the Company's portfolio, no additional non-renewable resources were added to  
7 the Preferred Plan. Generation that would have been provided by the renewable  
8 resource removed would generally be replaced with Company owned resources  
9 and increased purchased power.

10 There are two problems with this statement. First, the addition of wind resources does add some  
11 amount of capacity to the Company's portfolio; this added capacity should be taken into  
12 consideration, regardless of whether the added capacity is "little," "big," or any other size.

13 Second, Mr. Crawford's statement appears to indicate that the costs associated with replacing  
14 renewable resources with "Company-owned resources and increased purchased power" have not  
15 been taken into account either. Even if there were no additional capacity needed, there would  
16 still be fuel costs, operational costs, environmental compliance costs, and other costs associated  
17 with increased nonrenewable generation, as well as the hard costs of increased purchased power.

18 Those costs should be included in the retail rate impact calculation as well.

19 **Q. What else is incorrect about KCPL's approach?**

20 A. On Page 4, lines 1-9, Mr. Crawford's testimony seems to indicate that adding a 50MW  
21 gas-fired plant would increase KCPL's revenue requirement. On lines 10-23, he seems to  
22 indicate that adding a 50MW wind farm would also increase KCPL's revenue requirement.

1           It's unclear what conclusion Mr. Crawford is trying to arrive at here, since building any  
2 form of new generation generally involves an increase in a utility's revenue requirement. What's  
3 important, and what's missing from his testimony, is the *comparison* of the cost of non-  
4 renewables compared with renewables. In many instances around the nation, utilities are finding  
5 that the cost of investing in wind is on-par with, or cheaper than, other forms of new generation.  
6 If this is the case for KCPL as well, then the net costs of building new wind, as compared to non-  
7 renewables, could very well be zero, or even a net benefit to KCPL's customers.

8   **Q.     What else is incorrect about KCPL's approach?**

9   A.     The RES statute includes the restriction of "A maximum *average* retail rate increase of  
10 one percent." § 393.1030.2.1, RSMo (emphasis added).

11           Mr. Crawford's testimony seems to indicate that KCPL has an incorrect understanding of  
12 how the word "average" should be applied. Starting on pg. 5, line 21, Mr. Crawford states: "...a  
13 10-year average revenue requirement was calculated for each of three separate time periods."  
14 Then on pg. 8, lines 3-5, Mr. Crawford states: "Given the forward-looking RRI calculation  
15 required by the RES rule, each year's RES compliance costs need to be closely aligned with the  
16 1% cap to ensure that actual RES compliance costs don't exceed 1% in any given 10-year  
17 period."

18           First, if KCPL's position is that the RRI calculation is entirely forward-looking in nature,  
19 then the actual amount of money spent and/or charged to its ratepayers would be irrelevant; i.e.  
20 the Company could spend a theoretically infinite amount of money on RES compliance, just so  
21 long as its forecasts (which, in the case of solar rebate expenditures, have proven to be very  
22 different from actual expenditures) show that the Company is within 1%.

1           If, on the other hand, the statutory “maximum average retail rate increase” refers to actual  
2 rate impacts on KCPL’s customers, then surely the word “average” applies to the “retail rate  
3 increase.” And although the forward-looking calculation itself is meaningful for planning  
4 purposes, the measurement of the “average retail rate increase” is something that can only be  
5 determined by looking backward in time. Looking backward in time necessarily involves  
6 differences between projected expenditures and actual expenditures. Given that this is the case,  
7 there should be latitude for KCPL to make “lumpy” expenditures, spending more than 1% in  
8 some years and less in others, so long as the actual “average retail rate increase” over a given 10-  
9 year period is no more than 1%.

10           In any case, it’s unclear whether Mr. Crawford is indicating on his testimony, at pg. 8,  
11 lines 3-5, that KCPL believes there is no averaging allowed at all, i.e. costs should be strictly  
12 limited to no more than 1% in each and every year, or if “average retail rate increase” means  
13 “average retail rate increase,” providing flexibility for the rate impact to be sometimes greater  
14 than 1%. If KCPL’s view is the latter, then it’s unclear why they don’t simply continue offering  
15 and honoring solar rebate requests, and carry forward any costs deemed to be above 1% on to  
16 future years.

17 **Q. Do you think KCPL could continue payment of solar rebates under the current**  
18 **relevant laws and rules?**

19 A. Yes, I do.

20 **Q. What, in KCPL’s application for a tariff revision or its supporting testimony, does**  
21 **KCPL say about amortization of solar rebate costs?**

22 A. It does not say anything about amortization of solar rebate costs. KCPL appears to be  
23 both “counting” all solar rebate costs in a calendar year toward RES compliance costs in that



1 same year, and also booking those costs as an immediate expense as opposed to an amortized  
2 cost like any other generating asset.

3 **Q. What should KCPL do regarding amortization of solar rebate costs?**

4 A. Since payment of solar rebates results in a significant amount of rooftop solar coming  
5 online on its own power grid, and since solar rebate recipients are committed by law to keeping  
6 that power online for at least 10 years, KCPL should be required to amortize any solar rebate  
7 costs incurred in a given calendar year, over the life of the asset.

8 Evidence tells us that net-metered solar systems will likely be interconnected for over 25  
9 years, and the RES rules require customers to keep their systems online for at least 10 years.  
10 Thus, since KCPL will enjoy lasting benefits from the distributed solar resulting directly from  
11 solar rebate payments, in any given year it should only count an amortized portion of any solar  
12 rebate costs towards RES compliance in that year, and only book an amortized portion of those  
13 costs to its customers as well.

14 **Q. Do you have any other suggestions or approaches that you would advocate KCPL  
15 take?**

16 A. I would encourage KCPL, the Commission, and other stakeholders to consider the  
17 concept of “front-loading” solar rebate payments, described in the Rebuttal Testimony of Ezra D.  
18 Hausman in the related Case No. ET-2014-0059. As Dr. Hausman explained in his testimony at  
19 pg. 11-12, this “front-loading” concept would allow GMO to pay solar rebates in excess of the  
20 average 1% RRI limit for any given year, provided that the total amount of solar rebates paid out  
21 by 2019 doesn’t exceed the aggregate RRI limit amount for the same period (2013-2019). Such  
22 front-loading of solar rebate costs would be available to the utility even if the Commission  
23 decided that solar rebate costs shouldn’t be amortized. In addition, allowing front-loading would

1 acknowledge the statutory step-down of the \$/watt solar rebate amount through 2019, recently  
2 put in place by HB 142.

3 **Q. Does this conclude your rebuttal 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-2014-0071  
For Authorization to Suspend Payment )  
of Certain Solar Rebates )

**AFFIDAVIT OF PATRICK J. WILSON**

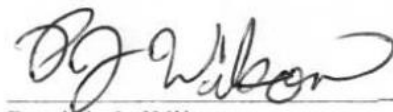
STATE OF MISSOURI )  
 ) ss.  
CITY OF COLUMBIA )

Patrick J. Wilson, being first duly sworn on his oath, states:

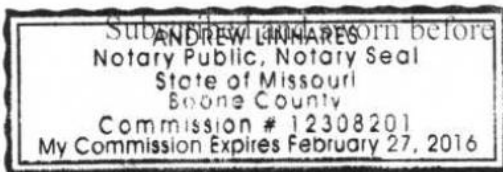
1. My name is Patrick J. Wilson. My business address is 910 E Broadway, Ste. 205, Columbia, MO 65201. I am employed by Earth Island Institute, d/b/a. Renew Missouri ("Renew Missouri"), as Director.

2. Attached hereto and made part hereof for all purposes is my Rebuttal Testimony on behalf of Renew Missouri consisting of 10 pages, having been prepared in written form for introduction into evidence in the above captioned docket.

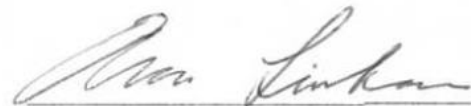
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Patrick J. Wilson



Subscribed and sworn before me this 24<sup>th</sup> day of September, 2013.



Notary Public

My Commission expires: Feb. 27<sup>th</sup> 2016