Exhibit No.:	
Issues:	DM Investment Mechanism
	DM Management Program
Witness:	Michael L. Stahlman
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Rebuttal Testimony
Case No.:	EO-2014-0095
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

MICHAEL L. STAHLMAN

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. EO-2014-0095

Jefferson City, Missouri
March 2014

** **Denotes Highly Confidential Information** **

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish a Demand-Side Programs Investment Mechanism	)))))	Case No. EO-2014-0095

AFFIDAVIT OF MICHAEL L. STAHLMAN

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Michael L. Stahlman, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 37 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Michael L. Stahlman

Subscribed and sworn to before me this 28th day of March, 2014.

LAURA BLOCH
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914

Notary Public

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MICHAEL L. STAHLMAN

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. EO-2014-0095

Q. Please state your name and business address.

A. My name is Michael L. Stahlman, and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission") as a Regulatory Economist III in the Energy Rate Design & Tariffs Unit, Economic Analysis Section, of the Tariff, Safety, Economic and Engineering Analysis Department in the Regulatory Review Division.

Q. Please describe your educational and work background.

A. Please see Schedule MLS-1.

Q. Is your testimony consistent with Staff's overall recommendation to reject Kansas City Power and Light Company's ("KCPL") application made under the Commission's Missouri Energy Efficiency Investment Act ("MEEIA") rules?

A. Yes. For the reasons discussed by various Staff witnesses I recommend the Commission reject KCPL's MEEIA application.

Q. What is the purpose of your testimony?

A. My testimony will discuss KCPL's Demand-Side Investment Mechanism ("DSIM") proposal, KCPL's application for approval of the DSM portfolio, and respond to portions of the Direct Testimony of Tim M. Rush and Kimberly H. Winslow.

<u>EXECUTIVE SUMMARY</u>

Q. Please summarize your testimony.

A. As discussed further by Staff witness John A. Rogers, Staff recommends that the Commission reject KCPL's MEEIA filing. First, my testimony will demonstrate that, using KCPL's assumptions, the proposed DSIM does not result in customers receiving any benefits. The proposed mechanism does not balance the interests of the customers with those of KCPL; therefore, Staff does not recommend approval of KCPL's DSIM. Furthermore, KCPL's proposed DSIM is not contemplated by the Commission's MEEIA rules. KCPL's requests for variances have not demonstrated good cause and are not sufficient to have the proposed DSIM conform to the Commission's rules. Staff has identified over 30 variances that would be required to conform the Commission's MEEIA rules to KCPL's proposed DSIM.

Second, my testimony will demonstrate that KCPL's application for approval of the DSM portfolio failed to meet the filing requirements of Rule 4 CSR 240-3.164, failed to properly account for opt-out customers, and includes energy assumptions which fail to recognize a short 20-month program and/or are no longer appropriate due to changes in building codes and/or appliance efficiency standards.

Should the Commission not reject KCPL's application, my testimony will further discuss the extensive adjustments necessary for the Commission to even begin to modify

KCPL's proposed DSM portfolio and proposed DSIM to be consistent with MEEIA and the MEEIA rules.

Q. Please provide an outline of your testimony.

A. In part I., I discuss issues with KCPL's Proposed DSIM Mechanism. Part A. compares the components of a DSIM discussed in the Commission's MEEIA rules with the components of KCPL's proposed DSIM. Part B. highlights issues with conforming the Commission's MEEIA rules to KCPL's proposed Net Shared Benefits (TD-NSB) incentive component. Part C. discusses technical issues with KCPL's estimation of lost margins and calculation of the TD-NSB incentive. Part D. summarizes the variances needed to conform the Commission's MEEIA rules to KCPL's proposed DSIM. Part E. discusses some concerns with KCPL's other variance requests.

Part II. discusses KCPL's application for approval of the DSM portfolio. Part A. notes where KCPL failed to meet the filing requirements of Rule 4 CSR 240-3.164. Part B. discusses KCPL's proposed residential programs. Part C. discusses KCPL's proposed business programs. Part D. discusses additional topics concerning KCPL's filing. Part E. summarizes Staff's recommendation for KCPL's application.

I. KCPL'S PROPOSED DSIM MECHANISM

Q. What kind of mechanism does KCPL propose for recovering its Demand Side Program Costs and Incentives?

A. The Direct Testimony of Tim M. Rush, it is described as "a new mechanism."[1] This mechanism is not one mechanism, but two: a tracker and rider. Mr. Rush describes this

[1] P. 6 l. 1

mechanism as a "DSIM Tracker" on page 14; lines 14-16, and discusses the DSIM Charge as a rider, which is different than a tracker mechanism.

Q. Is KCPL allowed to seek a rider?

A. Not at this time. This issue is further discussed by Staff Witness Natelle Dietrich.

Q. Commission Rule 4 CSR 240-3.163(2)(J) states that the utility is to provide proposed DSIM rate adjustment clause tariff sheets if the utility proposes to adjust its DSIM rates (i.e. utilize a rider) between general rate cases. Were these sheets provided?

A. No. KCPL's filed tariff sheet does not describe the framework necessary to implement a DSIM tariff design. This issue is further discussed by Staff witness Sarah Kliethermes.

Q. Do the Commission's MEEIA rules contemplate using deferral accounting (i.e. a tracker) for the DSIM?

A. Yes. Rule 4 CSR 240-20.093(5) states "Once a DSIM is approved, modified, or discontinued by the commission, the utility may request deferral accounting using the utility's latest approved weighted average cost of capital until the utility's next general rate proceeding."

Q. Does Rule 4 CSR 240-20.093(5), which authorizes a tracker, contemplate adjusting the DSIM rate outside of a general rate proceeding?

A. No. Rule 4 CSR 240-20.093(5) further states "**At the time of filing the general rate proceeding subsequent to DSIM approval**, modification, or discontinuance, the commission shall use an interim rate adjustment order to implement the approved, modified, or discontinued DSIM" (emphasis added).

Q. Has KCPL requested a variance from that rule?

A. No.

Q. If a variance was approved for Rule 4 CSR 240-20.093(5), which would allow KCPL's DSIM mechanism to be a tracker that operates as a rider, or if the Commission authorized KCPL to utilize a rider, would KCPL'S proposed DSIM meet other applicable rules concerning rate adjustments between cases?

A. No. Rule 4 CSR 240-20.093(2)(I) requires that "If the DSIM proposed by the utility includes adjustments to DSIM rates between general rate proceedings, the DSIM **shall include** a provision to adjust the DSIM rates every six (6) months…" (emphasis added). Rule 4 CSR 240-20.093(4) establishes the "Requirements for Semi-Annual Adjustments of DSIM Rates Between General Rate Proceedings", with Rule 4 CSR 240-20.093(4)(A) requiring that "An electric utility with a DSIM **shall file** to adjust its DSIM rates once every six (6) months" (emphasis added). In contrast, KCPL proposes no changes until June 1, 2015[2], and KCPL's proposed tariff language in TMR-5 states that "adjustments to the DSIM Charge **may be made** on a semi-annual basis…" (emphasis added). It should be noted that although the proposed tariff language in TMR-5 states that "charges under this DSIM Charge shall begin at the conclusion of the MEEIA Plan period," Staff's understanding from technical conferences with KCPL is that this language is not correct. This issue would also need to be corrected.

Q. Does Staff have any concerns with rules where KCPL has not requested a variance?

A. Yes. KCPL has not requested a variance from Rule 4 CSR 240-20.093(5)(A). This rule limits the term of a DSIM to 4 years. KCPL's current DSIM proposal seeks to defer program costs over a 6 year period.

[2] Direct Testimony of Tim M. Rush, p. 15 l. 5

Q. Does Staff have any recommendations regarding KCPL's proposed DSIM Mechanism?

A. Yes. Staff recommends that the Commission reject KCPL's DSIM mechanism.[3] In the alternative, Staff recommends that the Commission approve a tracker in accordance with Rule 4 CSR 240-20.093(5), as discussed by Staff witnesses Mark Oligschlaeger, Sarah Kliethermes, John Rogers and Natelle Dietrich.

A. KCPL Proposed DSIM Components

Q. Please provide an overview of the DSIM components contemplated in the MEEIA rules.

A. The MEEIA rules contemplate three kinds of components to make up a DSIM charge: a cost recovery component, a utility lost revenue component, and a utility incentive component.

The cost recovery component of the DSIM recovers the direct costs of the demand side programs, such as program incentives and evaluation costs, and indirect costs, such as utility market potential study costs and the utility's portion of a statewide technical resource manual.

The lost revenue component of the DSIM retrospectively recovers revenues lost, when actual annual billed system kWh is less than the system kWh used to calculate rates to recover revenues as ordered by the Commission in the utility's last general rate case, which are measured and verified through evaluation, measurement, and verification ("EM&V").

The utility incentive component of the DSIM recovers on a retrospective basis, a portion of the annual net share benefits achieved and documented through EM&V.

[3] Staff is also recommending the rejecting of KCPL's entire MEEIA application.

These components are what the Commission found to be sufficient to address a broad range of concerns of multiple parties in the MEEIA rulemaking case, File No. EX-2010-0368.

Q. Which DSIM components has KCPL proposed to include in its DSIM?

A. KCPL has included a cost recovery component, a utility incentive component, and a component that is not contemplated by the rules, a "Net Shared Benefits" component to recover lost margins. KCPL is not seeking the utility lost revenues component.

Q. Do the MEEIA rules contemplate addressing lost margins or lost revenues through a utility incentive component?

A. Yes. Rule 4 CSR 240-20.093(2)(G)4. states: "The commission may address lost revenues solely or in part, directly or indirectly with a performance incentive mechanism through a utility incentive component of DSIM."

B. MEEIA Rules Concerning KCPL's Net Shared Benefits Component

Q. Does KCPL's "Net Shared Benefits" component comply with the rules regarding a utility incentive component?

A. No. It appears that KCPL is attempting to use the utility incentive component rules in order to enact this mechanism, but KCPL has requested several variances for this component and would require additional variances that were not requested.

Q. With respect to the "Net Share Benefits" component, what variances has KCPL requested?

A. KCPL has requested "a variance of section C (net shared benefits) of 20.093 which requires that all energy and demand savings used to determine a DSIM utility incentive must be measured and verified through EM&V."[4] Through the technical

[4] Direct Testimony of Tim M. Rush, p. 23 ll. 10-12

conferences[5], Staff verified that this is intended to refer to Rule 4 CSR 240-20.093(1)(C). Additionally, KCPL has requested variances from Rules 4 CSR 240-3.163(1)(A), 4 CSR 240-20.093(1)(EE), 4 CSR 240-20.093(2)(H), 4 CSR 240-20.093(2)(H)3, 4 CSR 240-20.094(1)(C), and 4 CSR 240-20.094(1)(Z) since they refer to the requirement of being verified and measured with EM&V.

Q. Has KCPL shown good cause for these variances pursuant to Rules 4 CSR 240-20.093(13), 4 CSR 240-20.094(9), and 4 CSR 240-3.163(11)?

A. No. Staff requested an explanation of KCPL's good cause in a technical conference. Staff was provided with a response from KCPL which stated:

> Net Shared Benefits
> Variance 1 on Line 10, pg. 23 pertains to the company's need to utilize Net Shared Benefits based on actual performance tracked monthly and not based on EM&V results. Good cause exists for this variance request since KCP&L's financial performance would be negatively impacted by a delay in the recovery of the TD-NSB portion of MEEIA costs through the DSIM charge if it were to wait until EM&V results were available. Timely recovery of the TD-NSB is needed to remain earnings neutral. The company would utilize EM&V results to validate kW/kWh savings achieved and for determining if a performance incentive has been earned.[6]

Q. Did the Company provide Staff any information validating its assertion that "KCP&L's financial performance would be negatively impacted by a delay in the recovery?"[7]

A. No, and this point is inconsistent with other aspects of their filing. For example, KCPL requests to amortize the program costs (which are larger in value than the TD-NSB share) over a six year period.

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[5] Schedule JAR-6-38
[6] Schedule JAR-6-38
[7] Schedule JAR-6-38

Q. Has the Commission previously made a determination on whether it is appropriate to include a utility incentive component without EM&V, other than when stipulated by the parties?

A. Yes. The Commission rejected Missouri Energy Development Association's ("MEDA")[8] proposed language in the MEEIA rulemaking case, File No. EX-2010-0368, that "removes the requirements for evaluation measurement and verification (EM&V) of DSM program results prior to recovery of lost revenue and, therefore, allows for recovery of lost revenues on a prospective basis without any measurement and verification of DSM program results by an independent evaluator."[9]

Q. Would KCPL's proposed "Net Share Benefits" component meet all other applicable rules?

A. No. There are three broad categories of rules that the proposed component would still fail to meet.

First, Rule 4 CSR 240-20.093(4) states "Semi-annual adjustments to DSIM rates between general rate proceedings shall only include adjustments to the DSIM cost recovery revenue requirement and shall not include any adjustments to the DSIM utility lost revenue requirement or the DSIM utility incentive revenue requirement." Additionally, Rule 4 CSR 240-20.093(4)(B) only contemplates changes to the DSIM cost recovery revenue requirement. KCPL's DSIM will adjust the cost recovery component and the "Net Share Benefits" component.

Secondly, Rule 4 CSR 240-20.093(2)(H) states "Each utility incentive component of DSIM shall define the relationship between…annual energy savings achieved and

[8] The MEDA members include: KCPL, GMO, Empire and Ameren Missouri.
[9] EX-2010-0368, *4 CSR 240-20.093 Final Order of Rulemaking SOS Filing*, p. 5

documented through EM&V reports as a percentage of annual energy savings targets, and annual demand savings achieved and documented through EM&V reports as a percentage of annual demand savings targets." The Direct Testimony of Tim M. Rush defines the relationship between the "Net Shared Benefits" component and annual net shared benefits,[10] but does not define the relationship between annual energy or demand savings targets.

Finally, Rules 4 CSR 240-3.163(1)(E)5., 4 CSR 240-20.093(1)(M)5., and 4 CSR 240-20.094(1)(J)5. discuss the utility incentive as "based on the achieved performance level of approved demand-side programs." KCPL's proposed "Net Shared Benefits" component is based on prospective performance determined through deemed savings calculations.

Q. Has the Commission previously made a determination concerning the semi-annual adjustment of DSIM rates requirement that only adjustments to the DSIM cost recovery revenue requirement be made outside of a stipulated agreement?

A. Yes. The Commission, in response to MEDA stakeholder concerns that the semi-annual adjustments of DSIM "should be modified to apply not only to the cost recovery component of the DSIM, but also to all components of the DSIM, i.e. cost recovery, lost margins or lost revenues and incentive"[11] stated, "The commission will not modify the language in 4 CSR 240-20.093(4) to allow adjustments to the DSIM utility lost revenue requirement or to the DSIM utility incentive revenue requirement during the semi-annual adjustment to DSIM rates."[12]

Q. Has the Commission previously made a determination concerning including a utility incentive component that is recovered prospectively outside of a stipulated agreement?

[10] Direct Testimony of Tim M. Rush p. 20 ll. 9-10
[11] EX-2010-0368, *4 CSR 240-20.093 Final Order of Rulemaking SOS Filing*, p. 13
[12] EX-2010-0368, *4 CSR 240-20.093 Final Order of Rulemaking SOS Filing*, p. 13

A. Yes. As mentioned previously, the Commission rejected MEDA proposed language in the MEEIA rulemaking case, File No. EX-2010-0368, that "removes the requirements for evaluation measurement and verification (EM&V) of DSM program results prior to recovery of lost revenue and, therefore, allows for recovery of lost revenues on a prospective basis without any measurement and verification of DSM program results by an independent evaluator."[13]

Q. Does Staff have additional concerns with the rule variance requests concerning the DSIM?

A. Yes. Rule 4 CSR 240-20.093(2)(J) states, "If the commission approves [a] utility incentive component of a DSIM, such utility incentive component shall be binding on the commission for the entire term of the DSIM, and such DSIM shall be binding on the electric utility for the entire term of the DSIM, unless otherwise ordered or conditioned by the commission when approved." Staff is concerned about the specificity required to properly condition the utility incentive components in a Commission Order. For instance, KCPL has requested deferral accounting using the utility's weighted average cost of capital, but has made no mention of the interest to be applied after transitioning to a rider. Additionally, many of these variance requests are based on allowing the proposed "Net Shared Benefits" component, but because KCPL has not shown good cause, the requests lack the specificity to understand if these variances exclude KCPL from meeting the rule or varying the manner of meeting the rule.

Q. Can you provide an example of what you mean?

A. Yes. Mr. Rush, in his direct testimony "requests a variance from 4 CSR 240-20.093(8) which requires filing of the annual report within 60 days of the end of the calendar

[13] EX-2010-0368, *4 CSR 240-20.093 Final Order of Rulemaking SOS Filing,* p. 5

year."[14] The annual report is required by statute.[15] It is unclear whether Mr. Rush is proposing to not file an annual report or requesting to file an annual report within a different number of days of the end of the calendar year. Staff asked for clarification of this issue in a technical conference and received the following response:

> With the exception of the EM&V report and any EM&V dependent information (cost effectiveness by program and market transformation data), the company will provide the annual report and all other requirements within 90 days of the end of the calendar year. EM&V reports and EM&V dependent data will be available based on the EM&V calendar that is yet to be established/finalized.[16]

Q. Does Staff support this variance request?

A. If the Commission does not reject KCPL's MEEIA filing Staff supports a Commission finding that KCPL has demonstrated good cause to allow the annual report to be filed within 90 days rather than 60 days.

<u>C. Calculation and Design of KCPL's Proposed Throughput Disincentive - Net Shared Benefits (TD-NSB) Component</u>

Q. Does KCPL's request of 38.54% of the sum of annual Net Shared Benefits reflect the total percentage of lost margins that KCPL will recover?

A. No. KCPL has two methods to recover lost margins: the DSIM TD-NSB incentive mechanism and rate cases. The percentage of lost margins recovered through the TD-NSB is derived by assuming rate cases ** ______________________________ **. However, this calculation leaves out the lost margins that would be recovered by energy efficiency reducing the kWh sales used for billing determinates. A more true measure of the percentage of lost margins that the company seeks to recover is obtained by assuming that no rate cases occur. By changing this assumption in KCPL's as-filed workpaper,

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[14] Direct Testimony of Tim M. Rush p. 24, ll. 8-10
[15] Section 393.1075.12
[16] Schedule JAR-6-38

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"LoadShapes_33", Staff has estimated the true lost margin recovery collected in the TD-NSB incentive and through rate cases to be $73.7 million, or 166.86% of the sum of annual net share benefits. In other words, if all of KCPL's assumptions and calculations hold in their lost margin calculation, the resulting DSIM would be a large detriment KCPL's customers.

Q. Do the energy and demand targets attached in Schedule KWH-2 correspond to the energy and demand savings of KCPL's workpaper "LoadShapes_33"?

A. No. Staff is still attempting to reconcile the differences.

Q. Are there issues with the calculation and assumptions in KCPL's "LoadShapes_33" workpaper of the proposed "Net Shared Benefits" component?

A. Yes. First, as discussed by Staff witness Sarah Kliethermes, KCPL has included the customer charge components and other components that are not at risk in its lost margin rate, which increases KCPL's calculated lost margins. Secondly, KCPL did not consider the impact of its participation in the Southwest Power Pool ("SPP") in its workpapers. In particular, the calculation that determines the percentage of net shared benefits does not consider that the impacts of a reduction in customer load will either increase the amount of off system sales or reduce the amount of purchased power in a regional trading organization environment. Since KCPL does not have a fuel adjustment clause, KCPL would be able to keep all of these benefits. By not factoring this into its lost margin calculation, KCPL has increased its estimate of lost margins. Thirdly, KCPL's calculations excluded the savings of the Residential Lighting program, one of the largest residential programs. This is an error which greatly reduces KCPL's estimate of lost margins. Finally, KCPL did not net present value the lost margins (i.e. transform anticipated future losses into present (2014) dollars).

In determining the impacts of future rate cases on the TD-NSB percentage, KCPL has overestimated its lost margins by truncating its calculation of lost margins at zero (i.e. only factoring the losses due to energy efficiency programs and not including gained margins) and did not include the impact of the proposed Home Energy Reports Pilot Program in setting billing determinates in future rate cases.

Finally, Staff has a concern with the lost margins of all customer classes being pooled together and then the lost margin percentage being allocated across all classes. This may result in certain classes paying for the lost margins of other classes. This issue may or may not be significant depending on how the savings correlates with the lost margins calculation.

Q. Did Staff ask KCPL to estimate the increase in off system revenue?

A. Yes. Staff Data Request No. 0007 asked, "Please provide in a fully executable Excel spreadsheet KCPL's estimated "Increased OSS Revenue" by month for 2014 through 2018. If the calculation differs from the method used in GMO's MEEIA filing ("Load ShapesR22 08_16_2012", RES LR tab column Q and BUS LR tab column AC), please state the difference and provide justification for the difference."

In response, KCPL stated, "No Excel spreadsheet containing estimated OSS Revenue exists and therefore cannot be provided. The calculation method for lost margins/TD-NSB utilized in the GMO MEEIA filing does not differ from the methodology used in the KCPL-MO MEEIA filing."

Q. Is the Company's response to Staff Data Request 0007 accurate?

A. No. **

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Screen shot is deemed HC in its entirety.

Q. Has Staff been able to estimate the impacts of its first three issues?

A. Yes, to a limited extent. In the absence of better information from KCPL, Staff estimated new margin rates, as discussed by Staff witness Sarah Kliethermes, removed the future rate case impacts, included the Residential Lighting program savings, included an estimate of the market value of off system sales, and adjusted the lost margins to reflect a present value. Staff estimates that the lost margins are $27.1 million, or 61.29% of the sum of net share benefits. If a "Net Shared Benefits" component was developed with the assumption that much of the lost margin will be captured through rate cases and correcting for the Home Energy Reports Pilot Program and truncation calculation issues as discussed above, the estimated TD-NSB would be $8.7 million, or 19.75% of the sum of annual net share benefits. This is about a 50% decrease from KCPL's request for a TD-NSB of $17 million or 38.54% of the sum of annual net share benefits.

Q. Would Staff recommend a TD-NSB incentive of 14.93% of Net Share Benefits?

A. Absolutely not. The design of the incentive assumes a Net-to-Gross Ratio of 1.00, with the exception of the Home Appliance Recycling Rebate Program. This assumption shifts the risk of free riders onto customers and gives KCPL an incentive to target customers who would have installed a measure even if the program did not exist. This issue will be further discussed in the section on the Home Lighting Program. Additionally, Staff is recommending that the portfolio be rejected, as discussed later in this testimony and by Staff witness Randy Gross. Without a final portfolio for the Commission to approve, neither the Staff nor KCPL would be able to estimate annual net share benefits or lost margins.

Q. Should the fact that annual net share benefits and lost margins are not able to be estimated until after program approval be a concern to the Commission?

A. Yes. Rule 4 CSR 240-20.093(2)(H)2. states: "The commission shall order any utility incentive component of a DSIM simultaneously with the programs approved in accordance with 4 CSR 240-20.094 Demand-Side Programs." Rule 4 CSR 240-20.094(3)(E) states: "The commission shall simultaneously approve, approve with modification acceptable to the utility, or reject the utility's DSIM proposed pursuant to 4 CSR-20.093."

D. Summary of Variances Needed for KCPL's DSIM

Q. Please summarize what rules KCPL would need a variance from and how the variance would need to be ordered if the Commission were to approve KCPL's proposed DSIM.

A. Staff, without identifying good cause, has identified at least 30 variances needed for KCPL's DSIM:

- **<u>4 CSR 240-3.163(1)(A) – allow annual net shared benefits to be based on prospective analysis rather than EM&V for purposes of calculating the TD-NSB.</u>**
- **<u>4 CSR 240-3.163(1)(E)5. – allow the TD-NSB incentive to be based on prospective analysis rather than achieved performance.</u>**
- **<u>4 CSR 240-3.163(1)(J) – allow the TD-NSB incentive to be based on net shared benefits rather than annual net shared benefits.</u>**
- **<u>4 CSR 240-20.093(1)(A) – to allow the TD-NSB incentive to be based on net shared benefits and not on annual demand savings targets.</u>**
- **<u>4 CSR 240-20.093(1)(B) – to allow the TD-NSB incentive to be based on net shared benefits and not on annual energy savings targets.</u>**
- **<u>4 CSR 240-20.093(1)(C) - allow the TD-NSB incentive to be based on prospective analysis rather than achieved performance.</u>**
- **<u>4 CSR 240-20.093(1)(M)5. – allow the TD-NSB incentive to be based on prospective analysis rather than achieved performance.</u>**
- **<u>4 CSR 240-20.093(1)(Q) - allow the TD-NSB incentive to be based on net shared benefits rather than annual net shared benefits.</u>**
- **<u>4 CSR 240-20.093(1)(EE) - allow the TD-NSB incentive to be based on prospective analysis rather than EM&V.</u>**
- **<u>4 CSR 240-20.093(2)(H) – 1) allow the TD-NSB incentive to be based on prospective analysis rather than performance achieved</u>**

<u>and documented through EM&V reports. 2) allow the TD-NSB incentive to be defined on net shared benefits rather than annual net shared benefits. 3) allow the TD-NSB incentive to not have a defined relationship with annual energy savings targets. 4) allow the TD-NSB incentive to not have a defined relationship with annual demand savings targets.</u>

- **<u>4 CSR 240-20.093(2)(H)3. – 1) allow the TD-NSB incentive to be implemented on prospective basis. 2) allow the TD-NSB incentive to be based on prospective analysis rather than EM&V.</u>**
- **<u>4 CSR 240-20.094(1)(A) – to allow the TD-NSB incentive to be based on net shared benefits and not on annual demand savings targets.</u>**
- **<u>4 CSR 240-20.094(1)(B) – to allow the TD-NSB incentive to be based on net shared benefits and not on annual energy savings targets.</u>**
- **<u>4 CSR 240-20.094(1)(C) - allow the TD-NSB incentive to be based on prospective analysis rather than achieved performance.</u>**
- **<u>4 CSR 240-20.094(1)(J)5. – allow the TD-NSB incentive to be based on prospective analysis rather than achieved performance.</u>**
- **<u>4 CSR 240-20.094(1)(Z) – 1) allow the TD-NSB incentive to be based on net shared benefits rather than annual net shared benefits. 2) allow the TD-NSB incentive to be based on prospective analysis rather than EM&V.</u>**

If the Commission approves a rider mechanism:

- **4 CSR 240-20.093(2)(I) – to allow the utility to file to adjust DSIM rates annual with an option of a semi-annual adjustment.**
- **4 CSR 240-20.093(4) – 1) to allow the utility to file to adjust DSIM rates annual with an option of a semi-annual adjustment. 2) allow adjustments to DSIM rates for the TD-NSB DSIM utility incentive revenue requirement as well as the DSIM cost recovery revenue requirement.**
- **4 CSR 240-20.093(4)(A) – allow the utility to file to adjust DSIM rates annual with an option of a semi-annual adjustment.**
- **4 CSR 240-20.093(4)(B) – for DSIM rates to reflect a comprehensive measurement of both increases and decreases to the DSIM cost recovery revenue requirement and TD-NSB DSIM utility incentive revenue requirement.**

If the Commission approves KCPL's proposed tracker mechanism:

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

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

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

General variances required:

- **4 CSR 240.093(2)(C) – to allow the utility to have demonstrate program benefits to a non-residential class rather than specific customer classes.**
- **4 CSR 240.093(2)(K) – to allow the utility to apportion the DSIM revenue requirement by residential and non-residential class rather than each customer class.**

Q. Does Staff have an alternative plan that would resolve these issues?

A. Yes. The issues concerning all the variance requests made without good cause or not made at all, and with the estimation and calculation of Net Share Benefit incentive would be irrelevant if the Commission rejects KCPL's MEEIA filing or if it approves a Lost Revenues mechanism per Rule 4 CSR 240-20.093(2)(G) and a tracker mechanism per Rule 4 CSR 240-20.093(5), as discussed by Staff witnesses Mark Oligschlaeger and Sarah Kliethermes.

E. Other Variance Concerns

Q. Does Staff have concerns with other variance requests in the Direct Testimony of Tim M. Rush?

A. Yes. In the Direct Testimony of Tim M. Rush, on page 24; lines 13 through 15, KCPL requests a variance from Rule 4 CSR 240-14.030 pursuant to Rule 4 CSR 240-

20.093(13) rather than Rule 4 CSR 240-14.010(2). Staff requested clarification in a technical conference if KCPL intended to request a variance from Chapter 14 rules using the variance provision in Chapter 14 and if it "show[ed] proof of service of a copy of the application on each public utility providing the same or competing utility service in all or any portion of the service area of the filing utility" as required.

In response, KCPL stated, "The Company requested the variance due to the offering of rebates to customers and the requested flexibility outlined in the applicable tariffs. The Company did not request the variance pursuant to 4 CSR 240-14.010(2) as it does not believe there is a public utility providing the same or competing utility service in KCP&L's service area."[17]

Q. Did KCPL provide good cause as required per either Rule 4 CSR 240-14.010(2) or Rule 4 CSR 240-20.093(13)?

A. No. KCPL has stated what it wants, but not why it is needed.

Q. Do you have an additional concern with the other variance requests in the Direct Testimony of Tim M. Rush?

A. Yes. KCPL requested a variance from Rule 4 CSR 240-20.093(7)(E) which requires that an "Electric utility's EM&V contractors shall use, if available, a commission-approved statewide technical resource manual when performing EM&V work." KCPL is concerned that a TRM is currently not available. This requirement is qualified by the words "if available;" therefore, Staff believes a variance request is not necessary.

[17] Schedule JAR-6-39

II. KCPL'S APPLICATION FOR APPROVAL OF THE DSM PORTFOLIO

A. Filing Requirements

Q. Did KCPL meet the filing requirements of Rule 4 CSR 240-3.164?

A. No. Specifically:

- **KCPL failed to provide a *detailed* description of "any market transformation elements included in the program and an EM&V plan for estimating, measuring, and verifying the energy and capacity savings that the market transformation efforts are expected to achieve."[18]**
- **KCPL failed to provide a *detailed* description of strategies used to minimize free riders and maximize spillover per Rule 4 CSR 240-3.164(2)(C)15. and Rule 4 CSR 240-3.164(2)(C)16.**

Q. Does Staff have other concerns about KCPL's compliance with the requirements of Rule 4 CSR 240-3.164?

A. Yes. Rule 4 CSR 240-3.164(2)(A)(4) requires the current market potential study to have a "[d]iscussion of the treatment of all of the utility's customers who have opted out;"[19] however, KCPL did not discuss the treatment of opt-out customers in its filing.

Q. Did KCPL perform a market potential study?

A. Yes, KCPL did perform a market potential study, but the market potential study assumed no opt-out customers.

Q. Does KCPL have any opt-out customers?

[18] Rule 4 CSR 240-3.164(2)(C)12.
[19] Rule 4 CSR 240-3.164(2)(A)4.A.

A. Yes.

Q. What is an opt-out customer?

A. An opt-out customer is a large commercial or industrial customer that has either elected to operate its own demand-side or energy efficiency program or has 5,000 kW of demand.[20] Opt-out customers are not subject to a utility's MEEIA charge.

Q. How would changing the assumption of opt-out customer affect this filing?

A. The projected savings targets and program budgets listed in KHW-2 would be different if opt-out customers were not assumed to be zero. As an example, the energy savings on page 3 of Schedule KHW-2 would need to be modified for the opt-out of any large customer.

B. Residential Programs

Q. What residential programs does KCPL propose?

A. KCPL proposes seven (7) residential programs: Air Conditioning Upgrade Rebate Program, Home Appliance Recycling Rebate Program, Home Energy Analyzer Program, Home Energy Improvements Program, Home Energy Reports Pilot Program, Home Lighting Rebate Program, and the Programmable Thermostat Program. In addition, KCPL is proposing to include its Income-Eligible Weatherization Program in its MEEIA portfolio. Staff witness Randy S. Gross discusses the Programmable Thermostat Program. For purposes of this testimony, I will discuss the Business Energy Analyzer Program with the Home Energy Analyzer Program due to their similarities.

1. KCPL's Smaller Scale Programs

Q. What are KCPL's smaller scale programs?

[20] Rule 4 CSR-240.20.094(6)(A)1.

A. For purposes of this testimony, I refer to the Air Conditioning Upgrade Rebate Program, Home Appliance Recycling Rebate Program, and Home Energy Improvements Program as KCPL's smaller scale programs due to the small energy savings contribution of these programs relative to KCPL's overall portfolio.

Q. What are the smaller scale programs' contributions to the overall portfolio?

A. The programs' contributions are 4% of the energy savings target, 2% of the demand savings target, and 9% of the proposed portfolio budget.

Q. Does Staff have concerns with any of these smaller scale programs?

A. Staff is generally concerned with the limited scope of the Home Energy Improvement Rebate Program. This program has a limited number of incentives and includes measures, such as windows, that can reduce the overall program effectiveness. There are a number of creative ways to package measures, work with trade allies, and market this program that could make it more attractive.

This is an example of why Staff recommends the Commission reject KCPL's MEEIA filing. KCPL needs to continue to work on all of the small scale programs and discuss modifications with the stakeholders to determine how to better design and promote these programs.

2. KCPL's Low Income and Educational Programs

Q. What are KCPL's low income and educational programs?

A. These programs are the Income-Eligible Weatherization Program and the Home Energy Analyzer Program. The MEEIA rules do not require low income programs or general education campaigns to be cost-effective (e.g. achieve a total resource cost test of 1.0 or greater) for the Commission to approve the program as part of a utility's portfolio, but a utility can claim energy savings from the low income program(s) for purposes of incentive calculation and lost revenue recovery. For purposes of this testimony, I will discuss the Business Energy Analyzer Program with the Home Energy Analyzer Program due to their similarities.

Q. Does Staff have concerns with the Home Energy Analyzer and Business Energy Analyzer Programs?

A. Yes. KCPL proposes to spend roughly ** ______________ ** over two years on a website that is rarely used. To compound these concerns, KCPL cannot identify the number of individual customers that used it to determine its overall outreach. These programs are educational in nature, but they lack the promotional efforts that might make them more of an outreach effort.

Q. Could you briefly explain the education programs and how they are different from other programs in the portfolio?

A. The Home Energy Analyzer and the Business Energy Analyzer Programs are websites on the KCPL home page—one for residential customers and another for commercial and industrial customers. Customers access the page by putting in their zip code. Each customer proceeds to perform a self-audit based on the selection of a series of drop down boxes of various inputs (e.g., age of home, etc…). The end result is a report of the customer's energy efficiency capability and suggestions on how to improve energy efficiency.

The Analyzer programs are different than other programs in the MEEIA portfolio because they are classified as "informational." This means that KCPL will not claim any energy or demand savings on these programs nor has it included a performance incentive cost for program implementation. However, these types of programs still represent KCPL expenditures that KCPL will seek to recover in program costs from its ratepayers, with interest.

Q. Are the benefits of informational programs measurable?

A. Informational programs can be understood as “good will” programs. They help move customers toward actions that are measurable (e.g., buying a CFL). The programs themselves, however, are difficult to measure. For example, in reviewing the analyzer programs, Staff and other stakeholders cannot verify that a customer’s visit on the website results in energy efficient actions. Furthermore, neither Staff nor KCPL can determine how many unique visitors have gone through this process by either visiting the website or taking energy efficient actions. The former is not a concern because the programs are classified as “informational”, but the latter is a concern from a cost-effectiveness standpoint.

Q. What did Staff determine by analyzing the history of these programs?

A. Staff determined that it is a very costly program even assuming that each view is a unique customer and is becoming less cost-effective over time.

Q. How did Staff make this determination?

A. Staff took the actual participation amount listed on KHW-1 and divided it by the actual expenditure listed on that same page. For example:

<u>Home Energy Analyzer (2005-2013)</u>

** ______________________ — __________ **

<u>Business Energy Analyzer (2005 – 2013)</u>

** ____________________________________ **

Data specifically for 2013 lends a better understanding of whether or not customers are currently utilizing the programs and shows the following information:

NP

Home Energy Analyzer (2013)

** ______________________________ **

Business Energy Analyzer (2013)

** ______________________________ **

Looking at the eight-year average for the two programs compared against the 2013 average shows that these programs are trending in the wrong direction. Ratepayers are paying the same amount for a program that, over the years, customers have utilized less and less.

Q. How did Staff analyze these programs prospectively?

A. Staff considered KCPL's proposed budgets for both programs:

** ____ **

** ____ **

There is more money being allocated to both programs on a per year basis moving forward. Even if customer views doubled from 2013 for each website, it is very difficult to justify the increased costs of the programs. For example:

Home Energy Analyzer (2014 budget)

** ______________________________ **

Business Energy Analyzer (2014 budget)

** ______________________________ **

In this scenario, where views doubled, the Business Energy Analyzer costs also doubled because of the increased expenditures for the program.

Q. Does Staff have any recommendations for these programs?

A. Yes. Staff recommends the Commission reject these programs.

Q. Does Staff have concerns with the Income-Eligible Weatherization Program?

A. Yes. KCPL failed to meet Rule 4 CSR 240.20.094(3)(B)1. which requires the utility to "state how the electric utility will assess the expected and actual effect of the [low-income] program on the utility's bad debt expenses, customer arrearages, and disconnections." However, the Commission approved this program in KCPL's most recent rate case, File No. ER-2012-0174,[21] and the program is currently operating in the same manner as proposed in this MEEIA filing. KCPL does not propose any changes to the program design other than to change the name and transfer it to its MEEIA portfolio. 3.

3. Home Energy Reports Pilot Program

Q. Does Staff have concerns with the proposed Home Energy Reports Pilot Program?

A. Yes. The proposed Home Energy Reports Pilot Program is a behavioral modification program that targets high usage customers and provides customer-specific information with the intent of motivating them into being more efficient. However, Staff is concerned that the proposed 20-month time period is not sufficient to allow for the program to ramp up and capture a sufficient amount of data to evaluate the program's cost effectiveness. Staff is also concerned that the savings estimates, which were developed for a longer time period, are overstated when used in a 20-month period, especially in 2014.

Q. Has there been any research on programs similar to the proposed Home Energy Reports Pilot Program that has informed Staff's review?

A. Yes. The work of economist Hunt Alscott and Todd Rogers reviewed five years' worth of OPower data and program designs. OPower is a market leader in behavioral

[21] Non-Unanimous Stipulation and Agreement Regarding Low-Income Weatherization and Withdrawal of Objection and Request for Hearing, dated October 26, 2012., treated as unanimous per Commission rule.

modification programs similar to the one proposed by KCPL. Alscott and Rogers found a remarkable pattern where customers would reduce electricity consumption within days upon receiving reports, but the effect would disappear without additional intervention.[22] Additionally, the energy savings would increase fairly rapidly over the program's first year, after which they would slow.[23] They concluded that an optimal program design needs to be long enough to allow for people to purchase new energy efficiency equipment in order to maintain persistence in energy savings.[24]

4. Home Lighting Rebate Program

Q. Does Staff have concerns with the Home Lighting Program?

A. Yes. The main thrust of this program is an upstream (or midstream) discount lighting program, meaning, for example, that any person will be able to purchase a $2.00 CFL for $0.50 from a number of big box stores in KCPL's service territory.[25] It also assumes that every bulb purchased immediately gets installed into a socket (no shelf storage), and that no participant would have purchased a CFL without the program (i.e. net-to-gross ("NTG") = 1.0), but would have instead purchased a 60 W incandescent.

Q. What is NTG?

A. The NTG ratio is the percentage of total energy efficiency gains that directly result from a particular energy efficiency program. For example, a program with an NTG ratio

[22] Allcott, H. and T. Rogers (2012). "The Short-Run and Long-Run Effects of Behavioral Interventions: Experimental Evidence from Energy Conservation." NBER Working Paper No. 18492. http://www.nber.org/papers/w18492. (28MAR2014). p. 3

[23] Allcott, H. and T. Rogers (2012). "The Short-Run and Long-Run Effects of Behavioral Interventions: Experimental Evidence from Energy Conservation." NBER Working Paper No. 18492. http://www.nber.org/papers/w18492. (28MAR2014). p. 19

[24] Allcott, H. and T. Rogers (2012). "The Short-Run and Long-Run Effects of Behavioral Interventions: Experimental Evidence from Energy Conservation." NBER Working Paper No. 18492. http://www.nber.org/papers/w18492. (28MAR2014). p. 32

[25] The actual magnitude of incentives vary.

of 90 percent indicates that, on average, 90 percent of the gross energy efficiency savings are directly attributed to the program.

The NTG ratio is used to adjust the cost-effectiveness results "so that they only reflect those energy efficiency gains that are attributed to, and are the direct result of, the energy efficiency program in question."[26] The NTG ratio helps evaluators accurately estimate energy (kWh) and demand (kW) savings achieved as a direct result of demand-side management (DSM) program expenditures "by removing savings that would have occurred even absent a conservation program."[27]

Q. Why should the Commission be concerned about NTG ratios?

A. The NTG ratio provides important information about whether a utility is receiving a timely earnings opportunity associated with cost-effective measurable and verifiable efficiency savings. The NTG ratio is used to calculate the utility's net shared benefits. A high NTG is good for both the utility and the ratepayer—the higher the NTG, the more the utility will recover, and the more benefits the ratepayer will receive from the demand-side programs. Assuming an artificial NTG ratio based on prospective estimates (rather than calculating a NTG ratio based on retrospective results) eliminates the incentive for KCPL to minimize free riders[28] and maximize spillover[29], which can result in the actual NTG ratio being lower than the assumed ratio.

[26] National Action Plan for Energy Efficiency (NAPEE). (2008). "Understanding Cost- Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers." http://www.epa.gov/cleanenergy/documents/suca/costeffectiveness.pdf, pp 4-9.

[27] National Action Plan for Energy Efficiency (NAPEE). (2008). "Understanding Cost- Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers." http://www.epa.gov/cleanenergy/documents/suca/costeffectiveness.pdf, pp 4-9.

[28] "Free riders" are customers who take advantage of the incentives available through energy efficiency programs even though they would have installed the efficient equipment on their own without the program incentives.

The 2008 National Action Plan for Energy Efficiency ("NAPEE") guide, *Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers*, states, "Establishing the NTG [ratio] is critical to understanding overall program success and identifying ways to improve program performance."[30] In addition, the 2007 NAPEE guide, Model Energy Efficiency Program Impact Evaluation Guide, at page 5-1, states:

> Generally speaking, net savings are of most interest for regulated government and utility programs: the responsible party (for example, a city council or utility regulator) wants to know if the use of public or ratepayer funded programs are actually having an influence.

These studies agree that it is important to examine the components of the NTG ratio[31] in order to properly evaluate the effectiveness of program design and implementation.

Q. Are there other factors that make a participant more likely to purchase a CFL without the program (i.e. be a free rider and lower the NTG)?

A. Yes. The Energy Independence and Security Act of 2007[32] ("EISA") has essentially made the CFL the default product. Table 1 shows the transition dates under EISA and the bulbs that are affected. Although there are still some 60 W incandescent light bulbs available, the CFL market has largely matured. Stores and manufacturers have had several years to make this transition, and their inventories reflect this reality. The issues related to a

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[29] The "spillover effect" is customers who adopt efficiency measures because they are influenced by program-related information and marketing efforts, but they do not actually take the incentives and are thus not participating directly in the program.
[30] pp. 4 - 9
[31] The 2008 NAPEE guide identifies six key components addressed through NTG ratios: free riders, spillover, installation rate, persistence/failure, rebound effect, and take back effect. However, the number of key components addressed in the NTG ratio and the definition of those components is not consistent from study to study. For instance, the 2007 NAPEE guide, cited by the 2008 NAPEE guide above, cites only three primary components mentioned in the 2008 NAPEE guide-free riders, spillover and rebound, and a fourth component not mentioned, transmission and distribution losses.
[32] 42 USC 17001 (2007) as amended

mature market are also related to Staff's concern that KCPL failed to meet Rule 4 CSR 240-3.164(2)(C)15 and Rule 4 CSR 240-3.164(2)(C)16 as discussed above.

Table 1: EISA Transition Dates and Coverage

Tier	Effective Date	EISA-Rated Lumen Ranges	Efficacy Requirement	Major Incandescent Wattage Categories Affected (W)
1	2012	1,490 -2,600	Maximum wattage: 72 W~21-36 lumens/W	100 and 150
	2013	1,050 -1,489	Maximum wattage: 53 W~20-28 lumens/W	75
	2014	750 -1,049	Maximum wattage: 43 W~17-24 lumens/W	60
	2014	310-749	Maximum wattage: 29 W~11-26 lumens/W	40
2	2020	All	No less than 45 lumens/W*	All

* EISA Tier 2 will require all lamps to have an efficacy of at least 45 lumens/W unless higher standards are otherwise determined by DOE.

Note: For more information, see http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ140.110.pdf

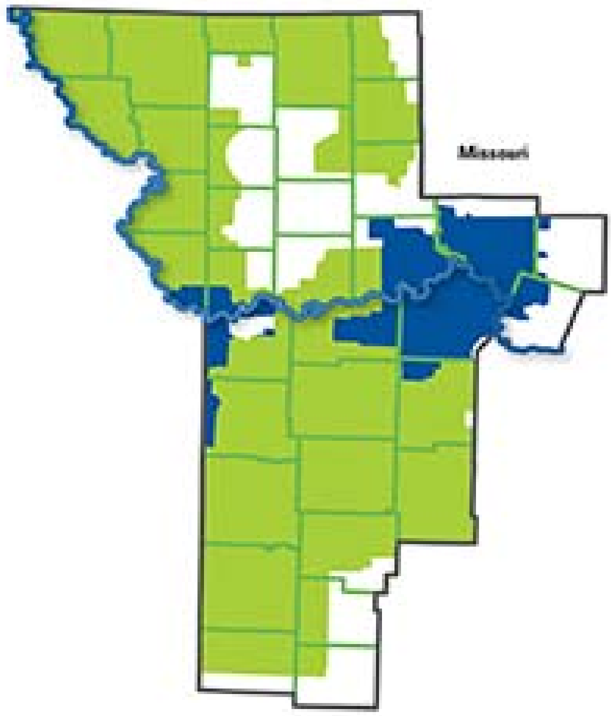
Q. Does Staff have another concern with the Home Lighting Program?

A. Yes. The program savings are overestimated because the potential study assumes that every participant in this program is a KCPL Missouri (and not a GMO, co-op, municipal, or KCPL Kansas) customer. This concept is known as "leakage".

Q. Please explain.

A. Leakage occurs when a non-ratepayer purchases a discounted measure. A look at KCPL's service territory map can show why that would be an issue.

KCPL Service Territory:



The dark shaded area is the territory section that would be included in an offering of the discounted CFLs. Everybody outside that territory would also be able to buy these CFLs, but not share in the costs of the program. In other words, KCPL ratepayers would be shouldering the burden of costs associated with CFLs purchased outside their territory.

Q. Please summarize Staff concerns with EM&V and deemed energy savings for the Home Lighting Program.

A. KCPL mentions market transformation in its evaluation plan, yet fails to provide any detailed information of these elements as required in Rule 4 CSR 240-3.164(2)(C)12, and as discussed earlier. KCPL may not have an accurate picture of the saturation of energy efficient light bulbs in its service territory. During technical conferences Staff requested information concerning whether a socket saturation study has been performed for KCPL's service territory. Staff has not received clarification. Also, Staff is not aware of any best practice to evaluate market transformation.

KCPL is proposing to collect lost margins, through the Net Share Benefits incentive, on these deemed savings as discussed above. The estimates of deemed savings are overestimated for the reasons discussed above. To the extent the actual energy savings are less than the deemed savings, KCPL's proposed Net Share Benefits incentive will make KCPL more than whole; it provides KCPL with an undue incentive to push CFLs that would have been purchased without the program.

Q. Does Staff have other concerns about this incentive program?

A. Yes. A CFL is not necessarily the most efficient bulb available. LEDs are becoming less expensive and can operate on less electricity for an even longer amount of time than CFLs. Incentivizing CFLs at $0.50 acts as a disincentive for customers to select LEDs, which means that the Home Lighting Program could actually decrease energy efficiency.

C. Business Programs

Q. What business programs (i.e. programs for Commercial and Industrial ("C&I") customers) does KCPL propose?

A. KCPL proposes five programs: Building Operator Certification Program, Business Energy Analyzer Program, Business Energy Efficiency Rebate – Custom Program, Business Energy Efficiency Rebate – Standard Program, Demand Response Incentive Program (MPower). The MPower program will be discussed by Staff Witness Randy Gross.

1. Building Operator Certification Program

Q. Does Staff have concerns with the Building Operator Certification program?

A. No.

2. Business Energy Analyzer Program

Q. Does Staff have concerns with the Business Energy Analyzer Program?

A. Yes. These concerns were discussed with the Home Energy Analyzer Program above.

3. Business Energy Efficiency Rebate Programs

Q. What are KCPL's Business Energy Efficiency Rebate Programs?

A. These programs are the proposed Business Energy Efficiency Rebate – Custom Program and Business Energy Efficiency Rebate – Standard Program.

Q. Does Staff have concerns with these programs?

A. Yes. In addition to the savings targets as they relate to opt-out issues mentioned earlier, much of the savings in these programs are due to lighting upgrades. Staff is concerned with the incentive range and baseline assumptions for calculating energy efficiency and deemed savings. Additionally, like the Home Lighting Program for residential customers discussed above, Staff is concerned that KCPL has an undue incentive to push less efficient bulbs (T-12) in 2014 to capture more savings. Another similar concern shared with the Home Lighting Program for residential customers is that KCPL mentions market transformation in its evaluation plan, yet fails to provide any detailed information of these elements as required in Rule 4 CSR 240-3.164(2)(C)12., and as discussed earlier.

D. Additional Topics

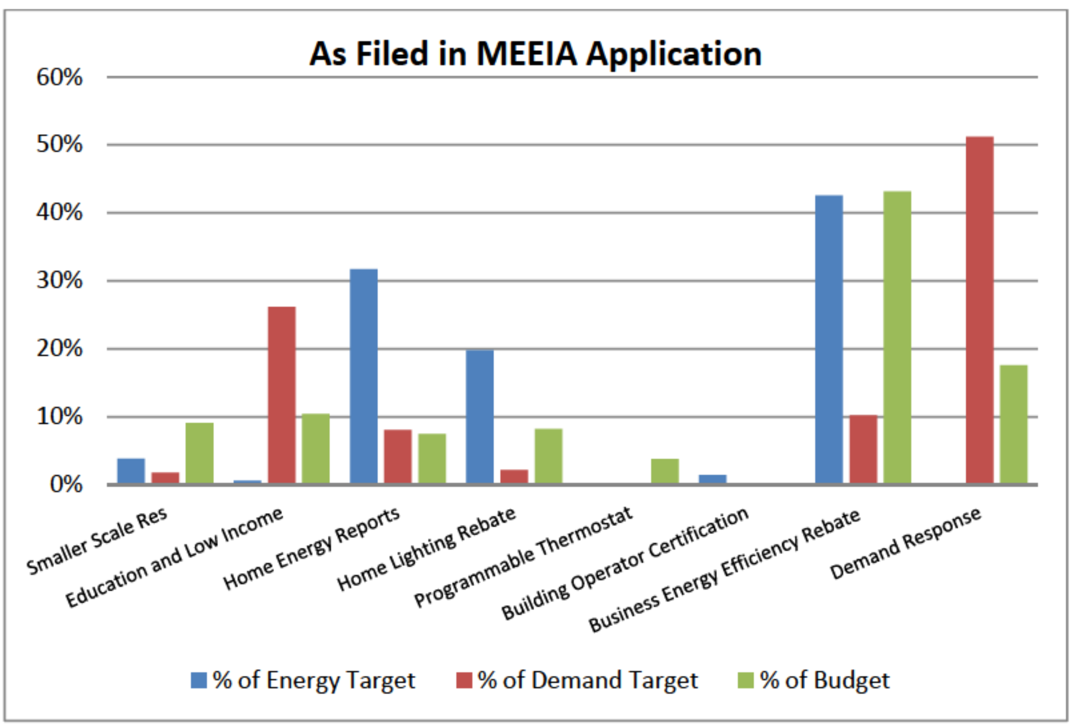
Q. Did KCPL provide appropriate plans for EM&V per section 4 Rule CSR 240-20.094(3)(A)2.?

A. No. KCPL's application fails to provide a *detailed* description of "any market transformation elements included in the program and an EM&V plan for estimating, measuring, and verifying the energy and capacity savings that the market transformation efforts are expected to achieve."[33] The evaluation of market transformation is merely mentioned in all of KCPL's proposed programs with the exception of the Business Energy Analyzer and Demand Response Incentive programs. Staff is not aware of any best practice to measure market transformation; thus, Staff is concerned that these savings would not be measurable and verifiable.

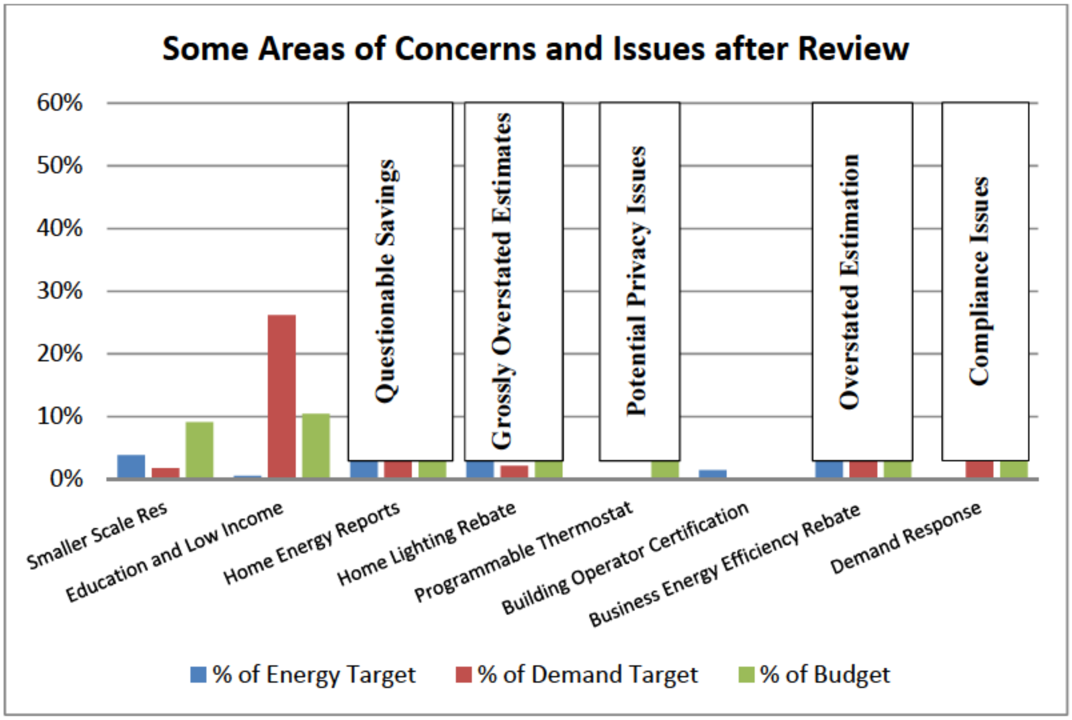
E. Staff's Recommendation

Q. What is Staff's recommendation?

A. A visual of the portfolio as filed by KCPL in Schedule KWH-2 compared to Staff's review and conclusions of the portfolio after two and a half months of portfolio reviews, technical conferences and data request responses is provided below:



[33] Rule 4 CSR 240-3.164(2)(C)12.



As can be seen above, the savings of any modified portfolio would be much smaller and questions whether it represents progress toward achieving the State's MEEIA goal of all cost effective demand-side savings.[34]

Therefore, Staff recommends that the Commission reject KCPL's proposed portfolio. Staff does not take this recommendation lightly, but bases its recommendation on KCPL failing to meet the minimum filing requirements, failing to properly account for opt-out customers, and overstating the deemed savings for the two largest residential programs. The recommendation on demand-response programs is discussed in the testimony of Staff witness Randy Gross.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

[34] Chapter 393.1075.4.