Exhibit No.:	
Issue:	Custom Rebate Program
Witness:	Kimberly H. Winslow
Type of Exhibit:	Direct Testimony in Support of Stipulation
Sponsoring Party:	Kansas City Power & Light Company KCP&L Greater Missouri Operations Company
Case No.:	EO-2015-0240 EO-2015-0241
Date Testimony Prepared:	December 11, 2015

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2015-0240
EO-2015-0241

DIRECT TESTIMONY IN SUPPORT OF STIPULATION

OF

KIMBERLY H. WINSLOW

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY
KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
December 2015

DIRECT TESTIMONY IN SUPPORT OF STIPULATION

OF

KIMBERLY H. WINSLOW

CASE NO.: EO-2015-0240
EO-2015-0241

Q: Please state your name and business address.

A: My name is Kimberly H. Winslow. My business address is 1200 Main Street, Kansas City, Missouri 64105.

Q: Are you the same Kimberly H. Winslow who sponsored the August 28, 2015 Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 2 2016-2018 report in this matter?

A: Yes, I am. I prepared portions of the report filed on August 28, 2015, on behalf of Kansas City Power & Light Company's ("KCP&L") and KCP&L Greater Missouri Operations Company's ("GMO") (collectively, the "Company").

Q: On whose behalf are you submitting this testimony?

A: I am submitting this Direct Testimony in Support of Stipulation before the Missouri Public Service Commission ("MPSC" or "Commission") on behalf of KCP&L and GMO.

Q: What is the purpose of your Direct Testimony in Support of Stipulation?

A: The purpose of my testimony is to provide support on behalf of KCP&L and GMO of the Non-Unanimous Stipulation and Agreement Resolving MEEIA Filings filed on November 23, 2015 in this docket ("Stipulation"). I will do so by responding to Brightergy, LLC's ("Brightergy") assertion that the Company's proposed change to the

Custom Rebate Program offered to its business customers will "drastically" lower participation and lower the Company's ability to meet overall savings goals.

Q: Please describe the existing Business Energy Efficiency Custom Rebate program ("Custom Rebate Program") under Cycle 1.

A: The Company has offered the Custom Rebate Program for nearly a decade, since approximately 2007. The Custom Rebate Program was put into place as a result of the Stipulation and Agreement in Case No. EO-2005-0329, which established the Company's Comprehensive Energy Plan ("CEP"). The rebate incentive structure for the program has essentially remained intact since its inception, with a few minor changes. Two specific changes that were introduced in Cycle 1 include: (1) increasing the cap, or maximum amount of rebates that a customer could receive in a year under the program, and (2) combining the new construction program and the retrofit program into one program – the Custom Rebate Program.

Consistent with the language provided for in the Cycle 1 tariff, the program provides a rebate for installing qualifying high efficiency equipment or systems, replacing or retrofitting HVAC (heating, ventilating, and air conditioning) systems, motors, lighting, pumps, or other qualifying equipment or systems with higher energy efficiency equipment of systems. Under the Cycle 1 tariff, both new construction and retrofit projects are eligible to apply. KCP&L/GMO requires that projects are pre-approved by the Company before the project start date to be eligible for a rebate. Upon approval, the customer may install the new equipment. The customer then submits final paperwork to receive the rebate.

Q: How is the rebate calculated under Cycle 1?

A: For the Custom Rebate Program, the rebate is calculated as the lesser of the buy down to a two year payback or 50 percent of the incremental cost of the higher efficiency equipment, system, or energy saving measure but only up to the customer annual maximum (cap). In Cycle 1, that maximum is limited to the greater of $250,000 per customer or up to two times the customer's projected annual Demand-Side Investment Mechanism ("DSIM") charge[1].

To demonstrate how this incentive structure works, I offer an example for the replacement of high pressure sodium ("HPS") lighting with LED lighting. It includes replacement of 400W HPS pole lighting with 200W LED units; replacement of 400W HPS building mounted floodlighting with 80W LED floodlighting; and replacement of 150W HPS soffit lighting with 42W LED soffit lighting.

Baseline Usage: 35,881 kWh
Proposed Usage: 12,649 kWh
Estimated Savings: 23,232 kWh
Rate Class: SGS
Avoided Cost (Annual): $2,668
Total Project Cost: $13,340
Buy Down to 2 year payback: $8,004
50% of Incremental Cost: $6,670
Total Allowable Rebate: $6,670

In this example, the customer would receive a $6,670 rebate, or 28.7 cents per kWh.

[1] The two times provision is available only in KCP&L-MO, not in GMO. However, the $250,000 annual maximum is available in both in KCP&L-MO and GMO.

Q: How successful has KCP&L/GMO's Custom Rebate Program been under this rebate structure?

A: For MEEIA Cycle 1, the Custom Rebate Program contributes the lion's share of energy efficiency savings to the Company's portfolio. For MEEIA Cycle 1 through November 30, 2015, the Custom Rebate Program represents 41% and 55% of the realized energy savings relative to the total portfolio in GMO and KCP&L-MO, respectively. It is a key program to the Company's success in MEEIA to reaching its energy savings targets. Because of this strong importance, changes to this program are reviewed and vetted internally with the Company and its implementer in great depth, discussed with external stakeholders as well, and any proposed changes are benchmarked with other utilities.

To further demonstrate the performance of the Custom Rebate Program, a historical summary of the energy savings and rebate incentives is presented in Table 1. While energy savings have generally trended upward, there has been a significant shift in the amount of the rebate incentive provided to customers. During the period 2011-2013, the rebate incentive level remained relatively constant at about 13 cents per kWh. Since 2013, the rebate incentive has increased nearly 70 percent from an average of 13 cents per kWh to 22 cents per kWh.

Table 1, Historical Summary of Custom Rebate Program Incentives and Savings for GMO/KCP&L-MO

	Incentives ($)	Energy Savings (kWh)	$/kWh
2007	271,129	6,050,574	0.09
2008	1,461,304	18,215,223	0.08
2009	1,539,940	13,975,953	0.11
2010	4,169,428	40,194,502	0.10
2011	5,090,377	38,170,165	0.13
2012	5,847,642	45,246,903	0.13
2013	6,416,043	49,345,931	0.13
2014	9,350,102	46,426,012	0.20
2015 (thru Nov.)	16,092,261	73,710,410	0.22

When the budgets for Cycle 1 for both GMO and KCPL-MO were developed and presented to the Commission for approval, the Company based its budget on the historical trend of 13 cents per kWh. Therefore, the actual higher rebate paid to customers of 20-22 cents per kWh significantly contributed to KCP&L exceeding its MEEIA Cycle 1 budget by greater than 120 percent in October 2015[2]. This increase to higher incentive levels has in turn had a negative impact on customers, who must then bear that additional cost.

Q: What has caused the significant shift in the higher rebate incentive levels from the historical levels of 13 cents per kWh to current levels of 20-22 cents per kWh?

A: There are three key factors that have driven the cost of the rebate higher, causing the Custom Rebate Program to transition to a higher cost per kWh from its initial program design than when the Company filed for programs under MEEIA Cycle 1 in GMO in 2011. First, in pre-MEEIA, there was a cap, or annual maximum, by rate classification. The cap limited the amount of the annual rebate to $7,299 for small customers, $11,853 for medium customers and $41,821 for large customers. However, the annual cap was

[2] KCP&L's Application for Approval of Modifications of Demand Side Programs in EO-2014-0095.

limiting for many customers seeking to implement larger projects and it was not aligned to incent larger customers to participate given the level of DSIM charge that they must pay. The Company proposed to increase the cap to $250,000 per customer, regardless of rate class. By so doing, an unexpected consequence of raising the cap was a resulting increase in the cost per kWh under the rebate incentive structure in many projects. Secondly, the cap increase allowed trade allies to pursue higher cost technologies, so many trade allies shifted lighting emphasis from fluorescents to LEDs. For 2015, LED projects account for approximately 80 percent of the projects in the Custom Rebate Program. Further, because the prescriptive program excluded LED lighting fixtures as a standard measure, customers were able to take advantage of the higher cost per kWh through the Custom Rebate Program.

Coupled with the higher per kWh cost for a rebate, the Company has also realized an increase in energy savings as the program matured over the 10 year period. Most significantly, this has been attributable to (1) the Company's strong emphasis on working with its largest customers, such as cities, industrials, school/universities, and hospitals, to participate in the Custom Rebate Program, (2) synchronization of KCP&L-MO and GMO programs in July 2014 when KCP&L-MO Cycle 1 programs were approved, and (3) increased dedication to trade ally outreach through the Company's program implementer (CLEAResult). These three coordinated activities have resulted in a significant increase in savings and program participation in 2015 relative to the historical period.

Q: What is the change that the Company proposed for the Custom Rebate Program for Cycle 2?

A: In the Stipulation, the Company proposes a flat rate incentive of 10 cents per first year kWh saved for all incentives and that rebates (Custom and Standard) are capped at $500,000 per customer per year.

Q: You mentioned earlier in your testimony that there is a substantial review process prior to making changes to the Custom Rebate Program. What review did the Company do prior to proposing the incentive structure change to the Custom Rebate Program for Cycle 2?

A: The change was not an overnight decision. The Company had a considerable amount of deliberation with several parties and stakeholders and executed a series of steps over a period of time. The steps included (1) extensive research with the third party implementer, CLEAResult, on nationwide and regional trends on similar programs; (2) floating a trial balloon to the trade allies in July 2015 regarding the flat rate incentive structure; (3) discussions with the DSM Advisory Group during quarterly meetings in 2015; and (4) analyses and discussions with the consultant, Applied Energy Group (AEG), during the Company's program design for Cycle 2. In addition, the Company vetted the decision internally to ensure that even with all of these data points, the Company fully considered the ramifications of the change to the marketplace and customers.

Q: Please explain the research that CLEAResult performed on nationwide and regional trends for similar programs.

A: CLEAResult performed an analysis of other Midwestern utilities and recommended that the Company implement a rebate structure for custom projects that ties the rebate amount for a project to the amount of savings realized by the project in a straightforward manner. This would improve the program in three ways. First, it would simplify the rebate calculations, providing a clear message to the marketplace. Second, it would ensure that projects are rebated in an equitable manner since similar projects would receive similar rebates not influenced by contractor costs or customer rates. Finally, it would result in a custom rebate structure that is in better alignment with custom rebates in similar Midwest utility programs.

CLEAResult's nationwide, broad experience suggests that a custom program incentive structured around a unit rate per kWh savings is easier to implement and should assist in driving a greater level of savings. Rebates tied to the amount of energy saved would simplify messaging to customers and trade allies, provide more equity across projects, and better align the custom incentive structure with similar Midwest utility programs.

A clear message to the marketplace is essential to driving participation. Custom rebates which are directly proportional to energy savings provide a simple and transparent message to customers on rebate calculations. Both trade allies and customers can easily calculate the rebate. Currently, MEEIA Cycle 1 custom rebates are calculated as a function of annual energy savings, demand savings, electric rates, and contractor

costs. The process can lead to confusion on the rebate amount from the customer's perspective.

Aside from simplifying marketing strategy, computing rebates directly from energy savings also ensures that projects are compensated in an equitable manner. The Company would pay for energy savings regardless of the type of project undertaken to get those savings. Not only is this fair to customers, it would allow for better planning of incentive budgets required to reach targeted savings. To ensure that customers pay their fair share, rebates should still be limited to a specified percentage of the project costs.

Q: How does the flat rate incentive structure that the Company proposes compare to other Midwestern utilities?

A: This proposed incentive structure is not unusual or new. Rebates are commonly applied on a per kWh basis in electric utility custom rebate programs. Table 2 below shows a summary of Midwestern utilities that provide custom rebates in this manner. As demonstrated in the table, the proposed rate incentive of 10 cents per first year kWh saved is right in line with these other utilities with a similar program. The Company's Cycle 1 rebate structure of the lesser of the buy down to a two year payback or 50 percent of the incremental cost, which has resulted in a 22 cent per kWh rebate is an anomaly.

Table 2
Comparison of Custom Rebate Programs in the Midwest

Utility	Custom Rebate	Custom Rebate Limits
Ameren Missouri and Ameren Illinois	$0.06 / kWh (lighting), $0.07 / kWh (non-lighting)	50% of project cost (early replacement) or 100% of incremental cost (end of life replacement) $1,000,000 per year
ComEd	$0.07 / kWh	100% of incremental cost $2,000,000 per year
Indianapolis Power and Light	$0.07 / kWh	50% of incremental costs 30% of project costs $100,000 per project
Entergy Arkansas	$0.15 / kWh (increased for multiple projects)	75% of incremental cost
Kentucky Power	$0.08 / kWh	50% of incremental cost $20,000 per year
Vectren Energy Indiana	$0.12 / kWh	50% of project cost $100,000 (electric)

Based on their nationwide experience as an implementer, CLEAResult has found that significant savings can be achieved in custom programs when rebates are directly related to energy savings. They recommended that revising custom rebates would allow the Company the ability to communicate the program more effectively and apply incentives in a more equitable manner while keeping rebates in line with neighboring utilities.

Finally, there is flexibility in this approach for the Company to tailor custom rebates by project size or type. For example, in the Union Electric Company d/b/a Ameren Missouri ("Ameren") program, custom rebates for lighting are paid less than non-lighting projects, and less than the Company's proposed 10 cents per kWh.

The Company proposed to build in flexibility in its incentive structure for Cycle 2 by allowing for a range of incentives. This flexibility will enable the Company to change as the marketplace changes. Understanding that the Company's proposal will be a

change to the marketplace, the Company has proposed a minimum and maximum range that will allow the Company to "flex" the rebate as needed to further incent projects above or below the 10 cents per kWh, depending on participation.

Q: How successful has Ameren's Custom Rebate Program been using a flat rate incentive structure?

A: From the Company's review of Ameren's evaluation, measurement and verification reports, it has been very successful. Ameren's 2013 Custom Program achieved an Ex Post Net kWh savings of around 43,875 MWh based on a Net to Gross ratio of 93 percent. This achieved 90 percent of their goal for the year. Ameren's 2014 Business Custom Program achieved an Ex Post Net kWh savings of around 80,379 MWh (or 138 percent of goal) based on a Net to Gross ratio of 92 percent. In both years, these savings were achieved with a custom incentive rate of $0.07 per kWh for non-lighting measures and $0.06 per kWh for lighting measures. Based on these data points, there is clear evidence that programs with a flat incentive rate structure can achieve savings targets and keep program free ridership low.

Q: You mentioned that you floated a trial balloon with trade allies. Can you further elaborate on what that means?

A: The Company had completed much of the analysis described above in early 2015 and realized a change in the incentive structure for Business Custom rebates would be beneficial to the marketplace and customers overall. Therefore, in April 2015, the Company sent a letter to business customers and trade allies announcing a change to a flat rate of $/kWh giving 60 days to finalize any applications based on the current incentive rate. Additionally, the Company hosted a Trade Ally forum with over 75

attendees to explain the change and receive any feedback on the business implications. The large majority of trade allies and large customers received the news without any negative feedback and in most cases appreciated a new, clearer and easier way to present the rebate opportunity to their customers and internal decision makers. Ultimately, the Company decided to not change the incentive rate in 2015 out of an abundance of caution for the customers who may have longer planning and lead times (than the 60 days provided) to apply for projects. By the Company communicating as early as July 2015 regarding the flat incentive rate proposal, the marketplace has had time to consider and adjust, as well as express concern over the change.

Q: How did the DSM Advisory Group advise you in this change?

A: During the quarterly DSM Advisory Group meetings on February 24, 2015 and May 21, 2015, the Company discussed the impacts of the incentive spend related to the kWh saved for the projects in the Custom program. The Company explained the trend that was occurring with incentive cost per kWh in the program and offered solutions related to managing the budget accordingly. Based on review of the tariffs and discussions with stakeholders, moving the incentive rate to a flat rate per kWh was determined to be a logical next step.

Q: During your program design, how did you incorporate feedback from your program design consultant, AEG?

A: AEG has nationwide knowledge of program best practices and designs based on their work as a consultant to many utilities such as Pacific Corp, NJ Board of Public Utilities and Indianapolis Power & Light. The Company worked with AEG on evaluating various programs in comparing with nationwide utility best practices, KCP&L/GMO market

feedback, potential study data and rigorous benefit/cost analysis to arrive at a portfolio of programs with specific designs focused on customer needs. For example, while deciding what the incentive rates would be for the Custom Rebate Program, AEG provided a range of options related to the flat rate and explained the impact to the benefit/cost tests for the program and portfolio.

Q: Do you agree with Brightergy's assertion that the Company's proposed change to the Custom Rebate Program will "drastically" lower participation and lower the Company's ability to meet overall savings goals?

A: No, I do not. Based on the research and feedback that the Company has thoughtfully considered, the Company does not believe that it will "drastically" lower participation and hinder the ability to meet the Company's savings goals. The Company does believe that there will be a market correction in 2016 for the Custom Rebate Program based on KCP&L/GMO's signal to the marketplace circa April 2015 that the current rebate structure was proposed to change. The Company has had a significant number of applications that have been coming in daily to review in anticipation of the program ending December 31, 2015. However, based on the strong participation and successful programs at other Midwestern utilities, the support that we have received from trade allies (excluding Brightergy), and the customer impact that would result from a higher budget, the Company believes that this is the right move for a sustainable program and all customers. In addition, the Company has incorporated flexibility to increase (or decrease) the flat rate incentive rebate level as included within the filing if the proposed 10 cents per kWh is not effective. And lastly, the Company has agreed to a collaborative process with signatories of the Stipulation to address new, unserved or underserved

customer markets and identify additional cost-effective energy and demand savings strategies for program implementation. This will allow the Company to continue to identify opportunities for customers.

Q: Does that conclude your Direct Testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2015-0240
In the Matter of KCP&L Greater Missouri Operations Company's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2015-0241

AFFIDAVIT OF KIMBERLY H. WINSLOW

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Kimberly H. Winslow, being first duly sworn on her oath, states:

1. My name is Kimberly H. Winslow. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Energy Solutions.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony in Support of Stipulation on behalf of KCP&L and KCP&L Greater Missouri Operations Company consisting of fourteen (14) pages, having been prepared in written form for introduction into evidence in the above-captioned dockets.

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.

Kimberly H. Winslow
Kimberly H. Winslow

Subscribed and sworn before me this 11th day of December, 2015.

Nicole A. Wehry

Notary Public

My commission expires: Feb. 4, 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200