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Consumer Disclaimer

Marke/Direct

Public Counsel

ER-2016-0285

DIRECT TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of
The Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

Case No. ER-2016-0285

November 30, 2016

OPC Exhibit No. 308
Date 2.6.17 Reporter MB
File No. ER-2016-0285

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

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service)
)
)
)

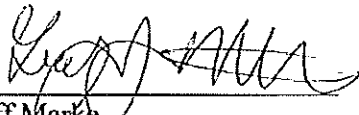
Case No. ER-2016-0285

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Regulatory Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




Geoff Marke
Regulatory Economist

Subscribed and sworn to me this 30th day of November 2016.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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DIRECT TESTIMONY
OF
GEOFF MARKE
KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2016-0285

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Economist, Office of the Public Counsel (OPC or Public Counsel), P.O.
4 Box 2230, Jefferson City, Missouri 65102.

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

6 A. I am employed by the OPC as a Regulatory Economist.

7 **Q. Please describe your education and employment background.**

8 A. I received a Bachelor of Arts Degree in English from The Citadel, a Masters of Arts Degree
9 in English from The University of Missouri, St. Louis, and a Doctorate of Philosophy in
10 Public Policy Analysis from Saint Louis University ("SLU"). At SLU, I served as a graduate
11 assistant where I taught undergraduate and graduate course work in urban policy and public
12 finance. I also conducted mixed-method research in transportation policy, economic
13 development and emergency management.

14 I have been in my present position with OPC since April of 2014 where I have been
15 responsible for economic analysis and policy research in electric, gas and water utility
16 operations. Prior to joining OPC, I was employed by the Missouri Public Service
17 Commission as a Utility Policy Analyst II in the Energy Resource Analysis Section, Energy
18 Unit, Utility Operations Department, Regulatory Review Division. My primary duties were
19 reviewing, analyzing and writing recommendations concerning integrated resource planning,
20 renewable energy standards, and demand-side management programs for all investor-owned
21 electric utilities in Missouri. I have also worked for the Missouri Department of Natural

1 Resources (later transferred to the Department of Economic Development), Energy Division
2 as a Planner III and was the lead policy analyst on electric cases. My private sector work
3 includes Lead Researcher for Funston Advisory in Detroit, Michigan, where I did a variety of
4 specialized consulting engagements for both private and public entities.

5 **Q. Have you been a member of, or participate in, any work groups, committees, or other**
6 **groups that have addressed electric utility regulation and policy issues?**

7 A. Yes. I am currently a member of the National Association of State Consumer Advocates
8 (NASUCA) Distributed Energy Resource Committee which shares information and
9 establishes policies regarding energy efficiency, renewable generation, and distributed
10 generation, and considers best practices for the development of cost-effective programs that
11 promote fairness and value for all consumers. I am also a member of NASUCA's Electricity
12 Committee and NASCUA's Water Committee which are tasked with analyzing current
13 issues affecting residential consumers.

14 **Q. Have you testified previously before the Missouri Public Service Commission?**

15 A. Yes. A listing of the cases in which I have previously filed testimony and/or comments
16 before this commission is attached in GM-1.

17 **Q. What is the purpose of your rebuttal testimony?**

18 A. The purpose of this testimony is to sponsor consumer disclaimer language and consent in
19 regards to large capital investments in rooftop solar and energy efficiency.

1 **II. CONSUMER DISCLAIMER**

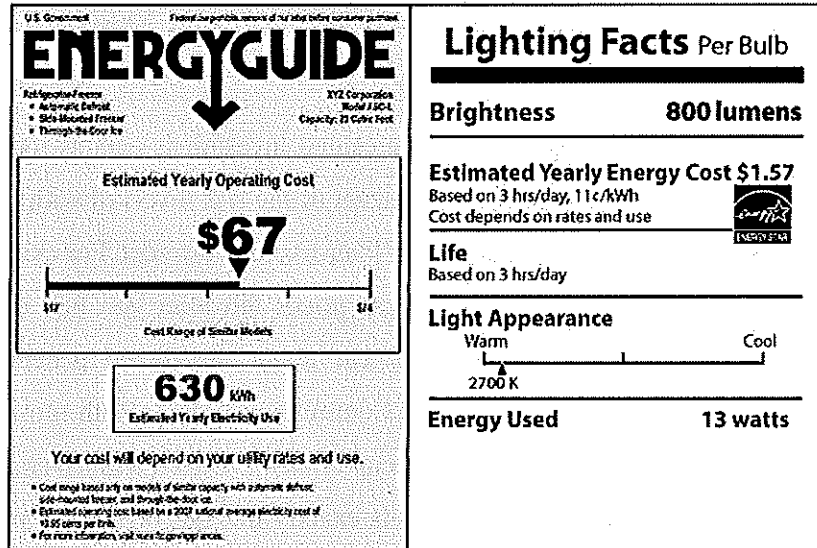
2 **Consumer Protection Regarding Fixed Charge Increases and Capital Investments**

3 **Q. Is OPC concerned with the frequency of requests to increase the residential customer**
4 **charge and other fixed charge increases?**

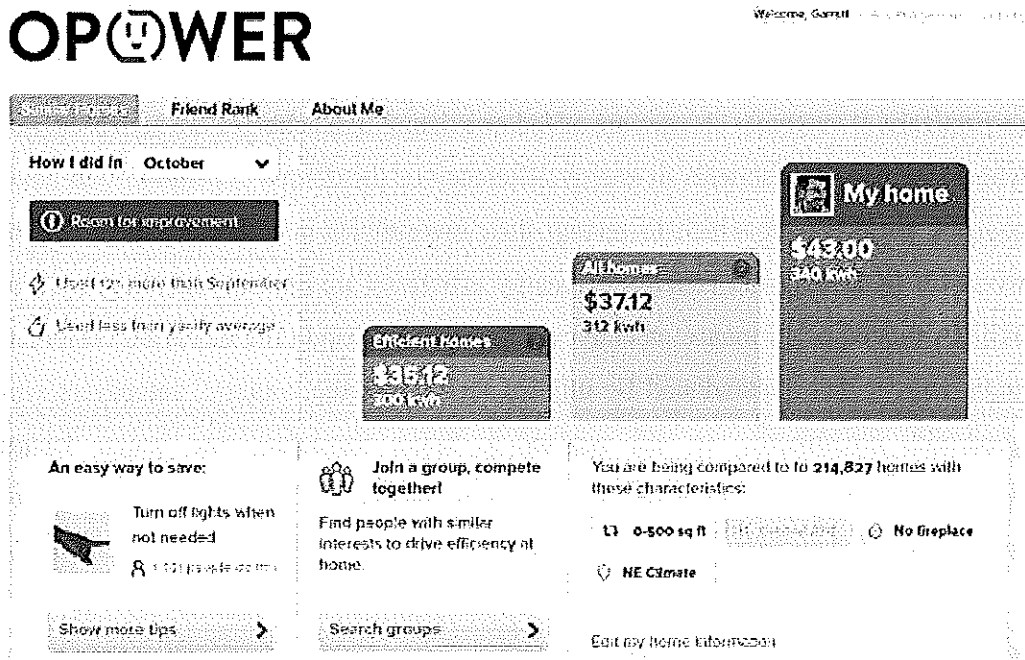
5 **A.** Yes. OPC strongly believes that the customer charge should not be a conduit to address the
6 Company's perceived external threats and certainly not at the expense of those who can least
7 afford to lose further control over their financial lives such as low-income and fixed-income
8 ratepayers. To that end, much has already been stated in previous cases—and and will be
9 expounded on in rebuttal. However, beyond low and fixed-income ratepayers, the next
10 obvious subset of ratepayers unfairly penalized by an increased customer charge are those
11 who have invested time and money in being efficient, conservative and environmentally
12 responsible. This is because increased customer charges offset the financial savings of any
13 previous efficiency actions and erode the incentive to improve appliances or better insulate
14 their home moving forward.

15 Ratepayers who just made capital investments or are considering making investments in
16 energy efficiency measures will have much longer payback periods over which to recoup
17 their investments. This can be illustrated by looking at the U.S. Department of Energy's,
18 EnergyGuide and Lighting Facts labels placed on appliances and lighting as well as on the
19 Opower Home Energy Report (a MEEIA-sponsored program where usage comparisons are
20 mailed to select KCPL residents to induce energy efficiency actions) as seen in Figures 1 and
21 2 respectively.

1 Figure 1: Example of The EnergyGuide and Lighting Facts label for new appliances and lighting¹



2
3 Figure 2: Example of Opower Efficient Homes Price Signal²



4
¹ U.S. Department of Energy (2013) Comparing appliance and lighting energy costs online just got easier. <http://energy.gov/energysaver/articles/comparing-appliance-and-lighting-energy-costs-online-just-got-easier>
² Fehrenbacher, K. (2014) Report: Opower has quietly filed for its long-awaited IPO. <https://gigaom.com/2014/02/12/report-opower-has-quietly-filed-for-its-long-awaited-ipo>

1 Increasing the customer charge distorts these pricing estimates and would cancel out the
2 energy saved by KCPL's energy efficiency programs to date. This same logic applies to
3 distributive generation such as rooftop solar.

4 If a ratepayer considers making a large-scale capital investment such as rooftop solar or an
5 efficient HVAC system, they should be cognizant of the risk involved with that purchase. In
6 some ways, this is no different than any other long-lived investment. For example, if you pay
7 extra for an electric car, you run the risk gas prices fall after you buy the car and your
8 investment will not pay off. What's different about distributed generation or energy
9 efficiency is much of the risk is subject to Commission orders. With most financial risks,
10 there's a chance the underlying prices will go up or down 5% but a much smaller chance that
11 they'll change by over 50%. However, this is exactly the sort of risk ratepayers who have
12 elected to become more efficient are faced with whenever a rate case docket is opened.

13 In the past four electric rate cases before this Commission, utilities have proposed fixed
14 monthly customer charge increases of 50%,³ 178%,⁴ 21%,⁵ 52%,⁶ and now 11%⁷
15 respectively. If customer charges are added or existing fixed charges are increased, ratepayers
16 who have made investments in energy efficiency or distributed generation will have longer
17 payback periods over which to recoup their investments and all ratepayers will be made
18 worst off by having the benefits of energy efficiency minimized and the costs (including
19 MEEIA-related performance incentives) maximized. Despite the increased customer charge
20 tactic largely being abandoned by utilities throughout the country,⁸ ratepayers who made
21 good-faith investments are still exposed to future regulatory rate design departures or
22 rulemaking decisions that could have an adverse impact on their past decisions to proactively
23 take control of their bills.

³ ER-2014-0351 Direct Testimony of W. Scott Keith p. 14, 8.

⁴ ER-2014-0370 Direct Testimony of Tim Rush p. 65, 9.

⁵ ER-2016-0023 Staff's Rate Design and Class Cost-of-Service Report p. 3, 5.

⁶ ER-2016-0156 Direct Testimony of Bradley D. Lutz p.32, 10.

⁷ ER-2016-0285 Direct Testimony of Marisol E. Miller, schedule MEM-3 p. 6.

⁸ Trabish, H.K. (2015) Beyond fixed charges: 'Disruptive Challenges' author charts new utility path. Utilitydive.
<http://www.utilitydive.com/news/beyond-fixed-charges-disruptive-challenges-author-charts-new-utility-pat/408971/>

1 **Q. Could you provide an example of this threat in another state?**

2 A. Yes. Recently, the Public Utilities Commission of Nevada (“PUCN”) ordered that ratepayers
3 with installed solar would have their fixed charges tripled from \$12.75 to almost \$40.00 over
4 the next four years. In addition, the PUCN changed the netting to hourly rather than monthly
5 and instituted a low rate for sales to the grid.⁹ These changes will be applied retroactively to
6 Nevada’s 18,000 existing solar customers, in addition to any new customers.¹⁰

7 **Q. Does OPC have a consumer protection proposal for rooftop solar?**

8 A. Yes. OPC has drafted disclaimer language to alert potential buyers that their PV systems are
9 subject to possible future rules and/or rate changes which could have an impact on the
10 economic assumptions behind their purchase. OPC’s proposed language to be included as a
11 disclaimer is included in Figure 3.

⁹ 15-070401 & 15-07042. Application of the Nevada Power Company and Sierra Pacific Power Company d/b/a NV Energy for approval of a cost-of-service study and net metering tariffs.

http://pucweb1.state.nv.us/PDF/AxImages/DOCKETS_2015_THRU_PRESENT/2015-7/9692.pdf

¹⁰ Pyper, J. (2016) Does Nevada’s controversial net metering decision set a precedent for the Nation? Greentechmedia. <http://www.greentechmedia.com/articles/read/nevada-net-metering-decision>

1 Figure 3: Proposed disclaimer language for future rooftop solar purchases

2 Disclaimer: Possible Future Rules and/or Rate Changes

3 Affecting Your Photovoltaic (PV) System

- 4
- 5 1. Your PV system is subject to the current rates, rules and regulations by the Missouri
- 6 Public Service Commission (“Commission”). The Commission may alter its rules and
- 7 regulations and/or change rates in the future. If this occurs, your PV system is subject to
- 8 those changes and you will be responsible for paying any future increases to electricity
- 9 rates, charges or service fees from Kansas City Power & Light Company.
- 10 2. Kansas City Power & Light Company’s electricity rates, charges and service fees are
- 11 determined by the Commission and are subject to change based upon the decision of the
- 12 Commission. These future adjustments may positively or negatively impact any potential
- 13 savings or the value of your PV system.
- 14 3. Any future electricity rate projections which may be presented to you are not produced,
- 15 analyzed or approved by Kansas City Power & Light’s Company or the Commission.
- 16 They are based on projections formulated by external third parties not affiliated with
- 17 Kansas City Power & Light’s Company or the Commission.

16 This disclaimer would not regulate the financial contents of the solar provider’s offer. It

17 would require all residential customers who are considering rooftop solar to be aware that the

18 price and payback assumptions seen today are not static and, in part, subject to considerable

19 regulatory oversight.

20 The disclaimer would be placed in KCPL’s tariff right before the applicant’s signature in the

21 Solar Photovoltaic Rebate Program tariff sheet 46C and in the Net Metering Interconnection

22 Application Agreement tariff sheet 34T.

1 Q. Is OPC proposing similar language for energy efficiency investments?

2 A. Yes. The same logic applies equally to all energy efficiency products. However, OPC has
3 elected to limit the disclaimer to measures/actions requiring a third-party installer on the
4 ratepayers premise as well as KCPL's behavioral response program. This would include the
5 following programs currently in place in KCPL's Commission-approved MEEIA portfolio:

6 **Non-Residential/Business Programs:**

- 7 • Business Energy Efficiency Rebate-Custom
- 8 • Business Energy Efficiency Rebate-Standard
- 9 • Strategic Energy Management
- 10 • Block Bidding
- 11 • Small Business Direct Install

12 **Residential Programs:**

- 13 • Whole House Efficiency
- 14 • Home Energy Report (OPower Report)

15

16 OPC's proposed language to be included as a disclaimer is included in Figure 4 below:

1 Figure 4: Proposed disclaimer language for energy efficiency investment

2
3 **Disclaimer: Possible Future Rules and/or Rate Changes**
4 **Affecting Your Energy Efficiency Investment**

- 5 4. Your energy efficiency investment is subject to the current rates, rules and regulations by
6 the Missouri Public Service Commission ("Commission"). The Commission may alter its
7 rules and regulations and/or change rates in the future. If this occurs, your energy efficient
8 investment is subject to those changes and you will be responsible for paying any future
9 increases to electricity rates, charges or service fees from Kansas City Power & Light's
10 Company.
- 11 5. Kansas City Power & Light's Company's electricity rates, charges and service fees are
12 determined by the Commission and are subject to change based upon the decision of the
13 Commission. These future adjustments may positively or negatively impact any potential
14 financial savings or the value of your energy efficient investment.
- 15 6. Any future electricity rate projections which may be presented to you are not produced,
16 analyzed or approved by Kansas City Power & Light's Company or the Commission.
17 They are based on projections formulated by external third parties not affiliated with
18 Kansas City Power & Light's Company or the Commission.

18 This disclaimer would require all residential and business customers who are considering
19 making a large energy efficient investment to be made aware the price and payback
20 assumptions seen today are not static and, in part, subject to considerable regulatory
21 oversight.

22 The disclaimer would be placed following each of the aforementioned programs description
23 in KCPL's tariff as follows:

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12

Non-Residential/Business Programs Tariff Sheet No.:

- Sheet No. 2.02 Business Energy Efficiency Rebate-Custom
- Sheet No. 2.03 Business Energy Efficiency Rebate-Standard
- Sheet No. 2.04 Block Bidding
- Sheet No. 2.05 Strategic Energy Management
- Sheet No. 2.06 Small Business Direct Install

Residential Programs Tariff Sheet No.:

- Sheet No. 2.26 Whole House Efficiency
- Sheet No. 2.27 Home Energy Report

Q. Does this conclude your testimony?

A. Yes.

CASE PARTICIPATION OF
GEOFF MARKE, PH.D.

Company Name	Employed Agency	Case Number	Issues
Kansas City Power & Light	Office of Public Counsel (OPC)	ER-2016-0156	Direct: Consumer Disclaimer
Union Electric Company d/b/a Ameren Missouri	OPC	ET-2016-0246	Rebuttal: EV Charging Station Policy
KCP&L Greater Missouri Operations Company	OPC	ER-2016-0156	Direct: Consumer Disclaimer Rebuttal: Regulatory Policy / Customer Experience / Historical & Projected Customer Usage / Rate Design / Low-Income Programs Surrebuttal: Rate Design / MEEIA Annualization / Customer Disclaimer / Greenwood Solar Facility / RESRAM / Low-Income Programs
Empire District Electric Company, Empire District Gas Company, Liberty Utilities (Central) Company, Liberty Sub-Corp.	OPC	EM-2016-0213	Rebuttal: Response to Merger Impact Surrebuttal: Resource Portfolio / Transition Plan
Working Case: Polices to Improve Electric Regulation	OPC	EW-2016-0313	Comments on Performance-Based and Formula Rate Design
Working Case: Electric Vehicle Charging Facilities	OPC	EW-2016-0123	Comments on Policy Considerations of EV stations in rate base
Empire District Electric Company	OPC	ER-2016-0023	Rebuttal: Rate Design, Demand-Side Management, Low-Income Weatherization Surrebuttal: Demand-Side Management, Low-Income Weatherization, Monthly Bill Average
Missouri American Water	OPC	WR-2015-0301	Direct: Consolidated Tariff Pricing / Rate Design Study Rebuttal: District Consolidation/Rate Design/Residential Usage/Decoupling

			Rebuttal: Demand-Side Management (DSM)/ Supply-Side Management (SSM) Surrebuttal: District Consolidation/Decoupling Mechanism/Residential Usage/SSM/DSM/Special Contracts
Working Case: Decoupling Mechanism	OPC	AW-2015-0282	Memorandum: Response to Comments
Rule Making	OPC	EW-2015-0105	Missouri Energy Efficiency Investment Act Rule Revisions, Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0084	Triennial Integrated Resource Planning Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0055	Rebuttal: Demand-Side Investment Mechanism / MEEIA Cycle II Application
The Empire District Electric Company	OPC	EO-2015-0042	Integrated Resource Planning: Special Contemporary Topics Comments
KCP&L Greater Missouri Operations Company	OPC	EO-2015-0041	Integrated Resource Planning: Special Contemporary Topics Comments
Kansas City Power & Light	OPC	EO-2015-0040	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0039	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0029	Ameren MEEIA Cycle I Prudence Review Comments
Kansas City Power & Light	OPC	ER-2014-0370	Direct (Revenue Requirement): Solar Rebates
Rule Making	OPC	EX-2014-0352	Net Metering and Renewable Energy Standard Rule Revisions, Comments
The Empire District Electric Company	OPC	ER-2014-0351	Rebuttal: Rate Design/Energy Efficiency and Low-Income Considerations
Rule Making	OPC	AW-2014-	Utility Pay Stations and Loan

		0329	Companies, Rule Drafting, Comments
Union Electric Company d/b/a Ameren Missouri	OPC	ER-2014-0258	Direct: Rate Design/Cost of Service Study/Economic Development Rider Rebuttal: Rate Design/ Cost of Service/ Low Income Considerations Surrebuttal: Rate Design/ Cost-of-Service/ Economic Development Rider
KCP&L Greater Missouri Operations Company	OPC	EO-2014-0189	Rebuttal: Sufficiency of Filing Surrebuttal: Sufficiency of Filing
KCP&L Greater Missouri Operations Company	OPC	EO-2014-0151	Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) Comments
Liberty Natural Gas	OPC	GR-2014-0152	Surrebuttal: Energy Efficiency
Summit Natural Gas	OPC	GR-2014-0086	Rebuttal: Energy Efficiency Surrebuttal: Energy Efficiency
Union Electric Company d/b/a Ameren Missouri	OPC	ER-2012-0142	Direct: PY2013 EM&V results / Rebound Effect Rebuttal: PY2013 EM&V results Surrebuttal: PY2013 EM&V results Direct: Cycle I Performance Incentive
Kansas City Power & Light	Missouri Public Service Commission Staff	EO-2014-0095	Rebuttal: MEEIA Cycle I Application <u>testimony adopted</u>
KCP&L Greater Missouri Operations Company	Missouri Division of Energy (DE)	EO-2014-0065	Integrated Resource Planning: Special Contemporary Topics Comments
Kansas City Power & Light	DE	EO-2014-0064	Integrated Resource Planning: Special Contemporary Topics Comments
The Empire District Electric Company	DE	EO-2014-0063	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	DE	EO-2014-0062	Integrated Resource Planning: Special Contemporary Topics Comments
The Empire District Electric Company	DE	EO-2013-0547	Triennial Integrated Resource Planning Comments