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Underutilized
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Vehicle Facilities
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Charge

Witness: Bradley D. Lutz
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Sponsoring Party: Kansas City Power &
Light Company,
KCP&L Greater
Missouri Operations
Company

Case Nos.: ER-2018-0145 and ER-
2018-0146

Date Testimony Prepared: September 4, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2018-0145 and ER-2018-0146

SURREBUTTAL TESTIMONY

OF

BRADLEY D. LUTZ

ON BEHALF OF

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

Kansas City, Missouri
September 2018

KCP&L Exhibit No. 151
Date 9/24/18 Reporter SH
File No. ER-2018-0145 & 0146

SURREBUTTAL TESTIMONY

OF

BRADLEY D. LUTZ

Case Nos. ER-2018-0145 and ER-2018-0146

1 **Q: Please state your name and business address.**

2 A: My name is Bradley D. Lutz. My business address is 1200 Main, Kansas City, Missouri
3 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L”) as Senior Manager
6 – Regulatory Affairs.

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

8 A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company
9 (“GMO”) (collectively, the “Company”).

10 **Q: Are you the same Bradley D. Lutz who filed Direct and Rebuttal Testimony in both**
11 **ER-2018-0145 and ER-2018-0146?**

12 A: Yes, I am.

13 **Q: What is the purpose of your testimony?**

14 A: The purpose of my Surrebuttal Testimony is to address issues presented by the Staff of the
15 Missouri Public Service Commission (“Staff”), the Office of Public Counsel (“OPC”),
16 Renew Missouri (“Renew”), and the Missouri Division of Energy (“DE”). Those issues
17 include:

18 I. Respond to testimony from Staff, OPC, DE, and Renew concerning the
19 Company’s proposed Solar Subscription Pilot Rider tariff;

- 1 II. Respond to testimony from Staff, OPC, DE, and Renew concerning the
2 Company’s proposed Renewable Energy Rider tariff;
- 3 III. Respond to testimony from Staff and DE concerning the Company’s
4 proposed Standby tariff;
- 5 IV. Respond to testimony from Staff, concerning how the Company’s proposed
6 language addresses Underutilized Infrastructure within its tariffs;
- 7 V. Respond to testimony from DE, in response to Staff’s proposal for “make
8 ready” line extensions for EV; and
- 9 VI. Respond to testimony from Staff and OPC concerning the Company’s
10 proposed Restoration charge.

11 **I. SOLAR SUBSCRIPTION PILOT RIDER TARIFF**

12 **Q: Please summarize the proposed Solar Subscription Pilot Rider.**

13 **A:** The Solar Subscription Pilot Rider (“Solar Program”) is a form of shared solar where one
14 or more solar generating units will be installed on the Company system and all customer
15 classes are eligible to participate, except for those accounts receiving Unmetered, Lighting,
16 Net Metering, or Time-of-Use Service, will be offered the opportunity to receive the output
17 through a subscription. The Program will be offered to both residential and commercial
18 customers. Initially, it will be composed of 10,000 five-hundred-watt capacity subscription
19 blocks for an expected solar generating unit of 5 MW-AC. Each customer will be allowed
20 to subscribe to the number of capacity blocks required to produce up to 50 percent of their
21 annual energy usage, which will be based on their previous 12 months of usage history.
22 More details about the Solar Program may be found in my Direct and Rate Design Rebuttal
23 testimony.

1 Q: **Have you reviewed the rate design rebuttal testimony offered concerning the Solar**
2 **Program?**

3 A: Yes. Staff, through witnesses Claire Eubanks and Sarah Lange, offers their assessment and
4 proposed changes to the proposed program. OPC, through witness Geoff Marke, speaks
5 to his preference to move consideration of this program outside of the rate case. DE,
6 through witness Martin Hyman, offers support for the positions offered by others. Lastly,
7 Renew, through witness Philip Fracica, reiterates the position that low income provisions
8 be added to the program and expresses concerns about the proposed rate.

9 Q: **What is Staff's position concerning the Solar Program?**

10 A: Two witnesses, Claire Eubanks and Sarah Lange, provide Staff's position concerning the
11 Solar Program. Numerous issues are raised and I will respond to each. To begin, I would
12 like to speak to concerns about using a shared solar generating resource for the Solar
13 Program and changes already offered by the Company.

14 Q: **What changes have been recommended for the plan to share the solar generating**
15 **resource?**

16 A: As noted on page 10, line 1 of my rate design rebuttal testimony and reflected by Schedule
17 BDL-6, the Company recognizes the need to clarify the treatment of subscriptions and
18 renewable energy credits between the jurisdictions and has proposed tariff language that
19 would assign specific amounts of the solar generating resource to the jurisdictions,
20 removing the proposed dynamic allocation. This was not available to Staff at the time of
21 their rate design rebuttal and the Company believes it would alleviate many of these
22 jurisdictional concerns

1 **Q: Staff reiterates their recommendation that the Company offer a separate program in**
2 **the KCP&L and GMO jurisdictions. Is your position unchanged from your rebuttal**
3 **position?**

4 **A:** Yes. I continue disagree with the recommendation. The primary purpose of the combined
5 resource is to minimize the cost of the program by capturing the benefit of larger scale
6 renewable systems. Dividing the program will reduce the size of the renewable system
7 used to support the subscriptions and would increase the subscription cost.

8 **Q: Staff recommends the Solar Program remain as a pilot and include specific elements**
9 **for evaluation. What is your response to that recommendation?**

10 **A:** I support these terms as they are consistent with our objectives.

11 **Q: Staff recommends the Company impute revenues to equal a 50% subscription level if**
12 **the overall subscription level falls below 50% of the available Solar Blocks. What is**
13 **your response to that recommendation?**

14 **A:** I disagree with this recommendation. This provision was established as part of a
15 Stipulation and Agreement, settling contested issues in Case No. EA-2016-0207 involving
16 Ameren. To apply those terms to the Company proposal without full consideration of all
17 issues is not reasonable. It is expected that there were “gives and takes” associated with
18 the Ameren acceptance of this provision and those considerations have not been offered
19 with this proposal.

1 **Q: Staff witness Sarah Lange recommends the Company refile the sheets bearing the**
2 **Solar Block charge as the program develops and include not to exceed values. What**
3 **is your response to that recommendation?**

4 A: This recommendation is largely consistent with the proposal originally offered by the
5 Company and is reasonable.

6 **Q: Staff further recommends renaming the “Facilities” charge and changing the basis**
7 **for updating that charge included in the Solar Program tariff. What is your response**
8 **to that recommendation?**

9 A: I believe this recommendation is misplaced. The Company does not use the term
10 “Facilities”. The tariff notes the charge as an “interconnection service cost” and defines
11 the nature of the cost within the tariff. On its face, this appears consistent with the alternate
12 naming proposed by Staff. Concerning the method to update the interconnection service
13 cost, the Company would accept either approach. It is our intent to allow this portion of
14 the Solar Block charge to fluctuate over time, reflecting changes to cost of service. Either
15 approach provides for a level of adjustment.

16 **Q: Finally, Staff recommends a modified tariff under Schedule SLKL-r3. Do you**
17 **support the changes recommended within this schedule?**

18 A: As Schedule SLKL-r3 includes a number of changes not sufficiently supported in the
19 testimony, I recommend the Commission reject the schedule as a definitive example of the
20 tariff. For example, Staff introduces additional language for term minimums (page 1),
21 establishes a provision for banking of credits (page 3) and expectations for renewable
22 energy credit tracking (page 4). Instead the Commission should consider each issue and

1 instruct the Company to offer an updated tariff as part of the compliance filing reflecting
2 only those changes approved by the Commission.

3 **Q: Turning to the rebuttal and primary recommendation from OPC, how do you**
4 **respond to the suggestion that the Company withdraw the tariff?**

5 A: I am certainly sympathetic to the concerns of Mr. Marke. There are a number of issues to
6 be considered in this case, however I do not support withdrawal at this time. Other than
7 the volume of issues, OPC raises concerns about the interplay of this program with a
8 possible Time of Use (“TOU”) rate design. Given there are varying TOU approaches
9 before the Commission, there is opportunity for the program to be harmonized with the
10 approach ordered. If the Commission adopts the TOU pilots proposed by the Company,
11 no change to the Solar Rider is needed. If the Commission adopts a mandatory TOU, the
12 Commission could order that the TOU limitation within the Solar Program be removed.
13 Although the Company purposefully offered the Solar Program design, modification can
14 be managed, allowing the program to be considered in this proceeding.

15 **Q: Mr. Marke offers a number of secondary recommendations. Do you have any**
16 **response to those suggestions?**

17 A: Yes. I note five secondary recommendations in the rate design rebuttal testimony. First is
18 a recommendation that the solar generating system for this Solar Program be included in
19 the solar investment required by the recently enacted Senate Bill 564. I do not believe this
20 inclusion is necessary or would result in noticeable benefit. First, establishing separate
21 resources to serve the two initiatives would help isolate costs and ensure the costs of the
22 Solar Program are borne by participants as designed. Further, we believe there is little

1 additional economies of scale to be gained from a system larger than the 5MW system
2 already proposed.

3 **Q: What is the next recommendation?**

4 A: Second, Mr. Marke recommends only one site be selected for the Missouri-side of the
5 operations. This recommendation is predicated on the position taken by OPC that KCP&L
6 and GMO should consolidate services. As numerous steps must be addressed before
7 consolidation could reasonably be achieved, this recommendation should be rejected. The
8 Company has experience with shared generation resources and can apply that knowledge
9 here. The benefit to be gained from allowing the system as proposed will help keep the
10 participation cost at a reasonable level. Further, the Company prefers to have the flexibility
11 to place the solar generating system where it provides the most economic and operational
12 benefit. Limitations will only increase the risk of higher cost for the program.

13 **Q: What is the third recommendation?**

14 A: Mr. Marke recommends that any unsubscribed solar costs should not be flowed through
15 the fuel adjustment clause ("FAC"). This recommendation is misplaced as the Company
16 does not anticipate any costs of the Solar Rider to be included in the FAC.

17 **Q: What is the fourth recommendation?**

18 A: Mr. Marke recommends the size of the solar generating system deployed for the Solar
19 Program be limited to 1MW and that the Company demonstrate full subscription at 1MW
20 for a minimum of three years before additional solar subscriptions are offered. I respect
21 the spirit of this recommendation and given the uncertainty of the customer response this
22 recommendation could have merit. However, I would point out that the smaller systems
23 will increase the cost of the program. Company analysis estimates that a 5MW solar

1 generating system could be deployed at approximately \$0.01 per kWh less than a 1MW
2 system. If a solar generating system in our area is expected to produce approximately 8
3 million kWh per year, this saving would approximate \$80,000 per year. Since one of the
4 primary goals for the Solar Program is to provide the renewable resource at a reasonable
5 price, the Company would oppose this recommendation in favor of the more economic
6 alternative.

7 **Q: What is the final recommendation?**

8 A: Mr. Marke recommends the Company adopt recommendations similar to those agreed to
9 by stakeholders in Ameren Missouri's EA-2016-0207 case regarding details of marketing
10 and administrative costs, quarterly reporting, and specific details for customer education.
11 I oppose these recommendations. As noted in response to Staff recommendation similarly
12 related to Ameren, these provisions were established as part of a Stipulation and
13 Agreement, settling contested issues in that filing. To apply those terms to the Company
14 proposal without full consideration of all issues is not reasonable. It is expected that there
15 were "gives and takes" associated with the Ameren acceptance of this provision and those
16 considerations have not been offered with this proposal. The Company traditionally
17 provides updates concerning programs of this sort, particularly as they are initially
18 deployed, and expects to provide that visibility independent of these recommendations.

19 **Q: What is your response to the rate design rebuttal of Phillip Fracica with Renew?**

20 A: Mr. Fracica address two topics in his rebuttal, he reiterates his position concerning addition
21 of a low-income element to the program and then explores concerns about the pricing of
22 the Solar Subscription. Beginning with his proposals concerning low-income elements, the
23 Company position offered in the rate design rebuttal testimony of Kimberly Winslow

1 would still apply. Additional rebuttal comments Mr. Fracica offered referencing Docket
2 No. EW-2019-0002 relating to solar rebates, are premature. Numerous comments have
3 been offered in that Docket addressing concerns about the statutory support for low-income
4 provisions and the matter remains open as of the time of this testimony. Unless the
5 Commission accepts Staff's draft rule and the language passes legislative review, this
6 proposal should not carry any weight within this case. Finally, I note witnesses for both
7 Staff and OPC do not support the inclusion of low-income provisions at this time.

8 **Q: How do you respond to Mr. Fracica's concern about the proposed Solar**
9 **Subscription price?**

10 A: First, I would direct the Commission to my Direct testimony. Beginning on page 11, line
11 8 and extending to page 12, line 8, I explain that the proposed rate included on the tariff is
12 based on a projected cost and that the Solar Subscription rate will be recalculated when the
13 actual project is built and the tariff rate updated if the projected cost is not reflective of the
14 actual cost. Also on page 11 and line 16, I would reiterate that "To ensure the cost of the
15 Program is borne by participants, the Solar Block cost will include all construction,
16 operations, maintenance, and assignable administrative costs related to the solar resource."
17 Turning to the specific projects provided as a comparison, I urge the Commission to
18 exercise caution in accepting these examples. First, Mr. Fracica postulates that because
19 the Company system is larger than a system deployed by Boone Electric Cooperative
20 ("Boone"), the economies of scale should cause the Company rate to be less. This is an
21 overly simplistic comparison that does not account for the many other variables that enter
22 into the cost of deploying renewables. Also, the comparison does not account for the

1 potential impact of Shelter Insurance participation in the Boone project. According to the
2 Boone web page, Shelter Insurance,

3 “was a key component to the successful construction and installation
4 of the solar farm. As the co-op's tax equity investor, Shelter
5 Insurance made a significant financial investment and is our partner
6 in the project. "In finding a local partner to share in the costs of our
7 new solar facility, we are able to offer the electricity it creates at a
8 reasonable cost," says Culley. "In fact, for less than a fancy cup of
9 coffee.”¹

10 It is reasonable to expect that this partnership was able to reduce the total project cost and
11 in turn, reduce the cost to be paid by Boone participants. Renew also references the
12 Independence Power & Light (“IPL”) community solar program, offering that the IPL rates
13 are lower. Again, I urge caution if considering this comparison. In an August 23rd meeting,
14 IPL presented an analysis to the Independence Public Utilities Advisory Board showing
15 the City is projected to lose more than \$15 million dollars over the course of 25 years
16 through the program.² It is reasonable to expect this loss would not occur or at least, would
17 not be as extreme if the participation price were higher.

18 **Q: Are these and other program comparisons offered by Renew useful to judge the**
19 **Company proposal?**

20 **A:** Only somewhat. Program design can vary and contain significant nuance. These
21 differences can result in very different prices and experiences for customers. Renew
22 attempts to compare the Company program to the Ameren program. Suggestions
23 concerning the potential of an up-front charge for participation carries some merit, but later
24 suggestions that the “KCPL and GMO should consider lowering their premium to be at an

¹ <https://www.booneelectric.coop/content/community-solar-project>

² <http://www.ci.independence.mo.us/userdocs/agendas/PUAB/20180823%20-%20Agenda%20Packet.pdf> (Page 130)

1 equivalent rate or at a comparatively lower rate to Ameren's premium charge"³ is
2 misplaced. The statement implies the Solar Block charge includes some non-cost factor
3 that can be revised at will by the Company. The Company took great care to establish a
4 price that represents our best determination of the cost of the program, helping to ensure
5 participants pay the proper amount and limit any unintended impacts to non-participants.
6 As designed, the Solar Block charge is reflective of cost. Unsubstantiated changes to the
7 charge could distort that design and have negative impacts for participants or for the
8 Company.

9 II. RENEWABLE ENERGY PROGRAM TARIFF

10 **Q: Please summarize the proposed Renewable Energy Program.**

11 **A:** The Renewable Energy Program ("Renewable Program") is a renewable subscription
12 program where the Company executes one or more Power Purchase Agreements ("PPA")
13 to supply renewable energy to participating Customers. The Renewable Program will be
14 offered to non-residential Customers except for those receiving Unmetered, Lighting, Net
15 Metering, or Time-of-Use Service. The first procured renewable resource will be limited
16 to a minimum capacity of 100 MW and will not exceed 200 MW. The Company plans to
17 consolidate all subscriptions from its three jurisdictions (KCP&L-Missouri, KCP&L-
18 Kansas, and GMO) and serve them through this single renewable PPA. More details about
19 the Renewable Program may be found in my Direct and Rebuttal testimony.

³ Fracica rebuttal testimony. Page 8. Line 3.

1 **Q: Have you reviewed the rate design rebuttal testimony offered concerning the**
2 **Renewable Program?**

3 A: Yes. Staff, through witnesses Cedric Cunigan, Catherine Lucia, Brooke Richter, and Sarah
4 Lange, offers their assessment and proposed changes to the proposed program. OPC,
5 through witness Geoff Marke, speaks to his preference to move consideration of this
6 program outside of the rate case. Lastly, DE, through witness Martin Hyman, offers
7 support for the positions offered by others.

8 **Q: What is Staff's position concerning the Renewable Program?**

9 A: Cedric Cunigan and Sarah Lange provide Staff's position concerning the Renewable
10 Program. Catherine Lucia and Brooke Richter provide Staff's position concerning
11 treatment of the Renewable Program with the Company's Fuel Adjustment Cost ("FAC").
12 Numerous issues are raised and I will respond to each. To begin, I would like to speak to
13 concerns about using a shared solar generating resource for the Renewable Program and
14 changes already offered by the Company.

15 **Q: What changes have been recommended for the plan to share the PPA?**

16 A: As noted on page 12, line 1 of my rate design rebuttal testimony and reflected by Schedule
17 BDL-7, the Company recognizes the need to clarify the treatment of subscriptions and
18 renewable energy credits between the jurisdictions and has proposed tariff language that
19 would assign specific amounts of the PPA to the jurisdictions, removing the proposed
20 dynamic allocation. This was not available to Staff at the time of their rate design rebuttal
21 and the Company believes it would alleviate many of these jurisdictional concerns.

1 **Q: Staff reiterates their recommendation that the Company offer a separate program in**
2 **the KCP&L and GMO jurisdictions. Is your position unchanged from your rebuttal**
3 **position?**

4 A: Yes. I continue disagree with the recommendation. The primary purpose of the combined
5 PPA is to minimize the cost of the program by capturing the benefit of larger PPAs.
6 Dividing the program will reduce the size of the PPA used to support the subscriptions and
7 would increase the subscription cost.

8 **Q: Staff recommends a number of revisions offered to “protect” non-participants. What**
9 **is your response to that recommendation?**

10 A: First, I question the perspective that non-participants have any new exposure that requires
11 special protections. To explain, the Renewable Program is based on the processes and
12 methodologies currently used by the Company to establish a PPA. Further, performance
13 risks and exposure to negative market prices can occur with other generation resources,
14 particularly those owned by the Company. The expectation is that renewable resources
15 will deliver positive value over time, particularly over the commitment term of the PPA.

16 **Q: With this in mind, are the recommendations concerning unsubscribed portions of the**
17 **Renewable Program beneficial?**

18 A: In order to be beneficial, you would need to presume that a significant portion of the
19 Renewable Program is unsubscribed. It is our position that this condition is unlikely. First,
20 we will not begin the program until subscriptions would support a minimum of 100MW
21 capacity. By aligning procurement of the PPA with enrollment we expect to minimize
22 unsubscribed amounts. Next, our proposed tariff includes provisions to keep the Program
23 whole if customer termination leads to additional cost by setting the potential for a

1 termination fee equal to any cost. We include an allowance that if other customers are
2 available to take the subscription made available from the termination, these fees may be
3 adjusted. Staff offers concerns about this provision, believing the termination fees should
4 only occur if the Renewable Program is fully subscribed. I disagree. If a customer
5 termination results in a cost, that additional cost should be applicable to the customer
6 causing that cost. If that cost may be mitigated in some way, only then should the cost and
7 related termination fee be adjusted. This should be considered independent of the
8 subscription levels at the time.

9 **Q: Staff further expresses an issue with the treatment of unsubscribed portions of the**
10 **Program through the FAC. Do you share these concerns?**

11 **A:** No. Consistent with the other discussions about the unsubscribed portions, the Company
12 believes adequate mechanisms are in place to limit the size of the unsubscribed portion.
13 Further, presuming the Company seeks economic PPAs, there would be value to the
14 Company even if the unsubscribed condition would exist. In the testimony of Brooke
15 Richter and Catherine Lucia, both recommend that all Renewable Program costs be
16 excluded from the FAC. Exclusion of the subscribed portions is reasonable and addressed
17 by the Company proposal. The unsubscribed portions do not align with the Company
18 proposal and appear to be a concern because of the potential for negative values. While it
19 is possible that negative values can occur due to real time market conditions it is unlikely
20 that the Renewable Program would deliver negative value across the life of the agreement.
21 As stated earlier, these conditions are not unique and could occur with all generation,
22 including generation that currently flows through the FAC. In the design of the Renewable
23 Program all participants, subscribers and the Company are exposed equally to these market

1 conditions. Treating the participant groups differently adds significant complexity to the
2 program and is not reasonable, particularly if, in the long term, positive value is expected.
3 With that I fully reject the Staff proposal to accumulate positive revenues and allow those
4 in the FAC. To me this allowance shows the FAC treatment is not the core of the issue, it
5 is simply the perceived risk of negative value. A risk that is not unique or likely to be
6 meaningful over the life of the PPA.

7 **Q: Staff also expresses concern with aggregation occurring across jurisdictions. How do**
8 **you respond to that concern?**

9 A: I agree. It was the intent of the Company to limit aggregation within the jurisdiction.
10 Clarifying language has been proposed in Schedule BDL-7 of my Rebuttal testimony.

11 **Q: Finally, Staff recommends modified tariffs, dependent on FAC treatment scenarios,**
12 **under Schedule SLKL-r1 and SLKL-r2. Do you support the changes recommending**
13 **within this schedule?**

14 A: As Schedule SLKL-r1 and SLKL-r2 include a number of changes not sufficiently
15 supported in the testimony, I recommend the Commission reject the schedules as definitive
16 examples of the tariff. For example, in SLKL-r2 Staff introduces additional language for
17 PPA format restrictions and introduction of a reservation charge (both on page 1). The
18 Company does not support these recommendations. Instead the Commission should
19 consider each issue and instruct the Company to offer an updated tariff as part of the
20 compliance filing reflecting only those changes approved by the Commission.

1 **Q: Turning to the rate design rebuttal and primary recommendation from OPC, how do**
2 **you respond to the suggestion that the Company withdraw the tariff?**

3 A: Consistent with my testimony concerning these similar recommendations for the Solar
4 Rider, I again am sympathetic to the concerns of Mr. Marke. Again, there are a number
5 of issues to be considered in this case, however I do not support withdrawal at this time.

6 **Q: Mr. Marke offers a number of secondary recommendations. Do you have any**
7 **response to those suggestions?**

8 A: Yes. I note three secondary recommendations in the rebuttal testimony. First is a
9 recommendation that only one site be selected for the Missouri-side of the operations. This
10 recommendation is predicated on the position taken by OPC that KCP&L and GMO should
11 consolidate services. As numerous steps must be addressed before consolidation could
12 reasonably be achieved, this recommendation should be rejected. The Company has
13 experience with shared generation resources and can apply that knowledge here. The
14 benefit to be gained from allowing the system as proposed will help keep the participation
15 cost at a reasonable level. Further, the Company prefers to have the flexibility to place the
16 solar generating system where it provides the most economic and operational benefit.
17 Limitations will only increase the risk of higher cost for the program.

18 **Q: What is the second recommendation?**

19 A: Mr. Marke recommends that any unsubscribed solar costs should not be flowed through
20 their fuel adjustment clauses. To support this recommendation, Mr. Marke expresses a
21 concern that the unsubscribed costs are non-fuel costs. This concern is misplaced as the
22 portion of the PPA that is unsubscribed is a purchased power expense, expected to be
23 charge to FERC Account Number 555. Further, as the Company plans to enter into the

1 initial PPA based on subscription interest, there is no incentive to overcommit. Mr. Marke
2 continues by suggesting that shareholders assume the unsubscribed portions. His assertion
3 is that any risk is better placed there. My concern with that recommendation is if the
4 Company perspective proves true and the Renewable Program provides regular, positive
5 value, the PPA engaged by the regulated utility will provide a revenue stream to the
6 unregulated portion of the business. This is not consistent with the Company's original
7 intent and I can foresee that this condition would be challenged in the future. As noted in
8 response to Staff's similar concerns about the unsubscribed portions, performance risks
9 and exposure to negative market prices can occur with any generation resources, however,
10 the expectation is that renewable resources will deliver positive value over time,
11 particularly over the commitment term of the PPA.

12 **Q: What is the final recommendation?**

13 A: Mr. Marke recommends the Company adopt recommendations similar to those agreed to
14 by stakeholders in Ameren Missouri's ET-2018-0063 case regarding details of marketing
15 and administrative costs, sharing of unsubscription risks, and specific details for customer
16 education. I disagree with these recommendations. As noted in response to Staff
17 recommendation similarly related to Ameren, these provisions were established as part of
18 a Stipulation and Agreement, settling contested issues in that filing. To apply those terms
19 to the Company proposal without full consideration of all issues is not reasonable. It is
20 expected that there were "gives and takes" associated with the Ameren acceptance of these
21 provisions and those considerations have not been offered with this proposal. The
22 Company traditionally provides updates concerning programs of this sort, particularly as

1 they are initially deployed, and expects to provide that visibility independent of these
2 recommendations.

3 III. STANDBY SERVICE TARIFF

4 **Q: Please summarize the Company's Standby Service Tariff proposal.**

5 A: The Company is proposing to deploy a consistent tariff design in its KCP&L and GMO
6 areas, replacing the current KCP&L Standby Service for Self-Generating Customers tariff,
7 Schedule SGC, and introducing a new Standby Service tariff for its GMO customers. The
8 proposed tariff is reliant on metering and builds on the generally available rate structures.
9 The proposed tariff provides for different approaches for three different groupings of
10 customer generation size (systems less than 2MW, larger systems between 2MW and
11 10MW, and the largest systems, those greater than 10MW)

12 **Q: Have you reviewed the rate design rebuttal testimony offered concerning the Standby
13 tariff?**

14 A: Yes. Staff, through witness Claire Eubanks, beyond reiterating some data suggestions I
15 address in my rebuttal, does not object to the Standby tariff. However, Staff correctly notes
16 no one is served by the rate and some future review will be needed. I agree with that
17 assessment. More extensive testimony is offered by DE, through witness Jane Epperson.

18 **Q: Would you please describe this testimony?**

19 A: Yes. The testimony identifies a number of perceived deficiencies in the design and then
20 offers to correct them through implementation of concepts resulting from the Ameren
21 deployment of the standby tariff in Ameren Missouri Case No. ER-2014-0258.

1 **Q: Does this testimony structure provide you any concerns?**

2 A: Yes. Right away this structure presumes that the Ameren design and the Company design
3 should be equivalent. I disagree and believe it does not allow review of the Company
4 proposal on its own merits. Although the Company participated in the workshops that
5 resulted in the Ameren SSR tariff, I cannot say I believe the resulting tariff is a good design
6 for the Company. The workshop achieved its purpose, which was to collaborate on a
7 standby tariff design. It may be too early to tell but it is my understanding the new tariff
8 has yet to be used by Ameren customers. I believe this is indicative of the role of the tariff
9 when a customer considers self-generation.

10 **Q: What do you believe is the role of the tariff?**

11 A: When it comes to customer generation including Combined Heat & Power (“CHP”), I have
12 observed that the primary focus is on the economics of installation, the commitment to
13 operate and maintain the system, and the terms for sales of excess energy generated from
14 the system. Issues with the retail rate or details about the standby rate are secondary. I
15 admit this experience is limited, represented by only a handful of occasions, but in each
16 most of the concern is focused on topics other than the standby rate itself. Within these
17 perspectives, I believe the standby rate has as much to do with protecting non-participants
18 as it does with promoting customer-generation.

19 **Q: How did this perspective influence the design of the Company tariff?**

20 A: First, and foremost the Company sought to design a tariff where, if the customer generator
21 operates their generator within a close range to the generator nameplate and the customer
22 avoids reliance on the Company during its summer peak season, the standby charges should
23 be minimally different from the generally available retail rates. Next, we sought to provide

1 different approaches based on generator size. We perceived that small customer generators
2 want simple rates. Instead of having backup, maintenance, and supplemental charges, we
3 focused on a capacity reservation only approach. Lastly, we sought a rate that was not
4 administratively difficult to manage. We noted many standby design rely on near real-time
5 communication between the customer and the utility and maintain counts of events. For
6 example, the definition of back-up service found on Sheet 92 of the Ameren tariff requires
7 the customer to notify Ameren within thirty minutes of taking Back-up Service for amounts
8 over five megawatts. Not only must the customer monitor their use in 30-minute intervals,
9 they must also be able to tell in near real time, the amount of energy being used. Further,
10 in the definition of maintenance service as found on Ameren Sheet 92, Maintenance
11 Service is limited to not more than six occurrences and not more than sixty total and partial
12 days during twelve consecutive billing periods. To properly manage this provision, both
13 Ameren and the customer would need to have some form of tracking, with the potential
14 that counts could be out of sync, leading to disputes. These are but examples of the
15 complexities we hoped to avoid with the Company's proposed design.

16 **Q: To avoid these complexities, what adjustments did the Company make concerning its**
17 **design?**

18 **A:** The most significant change made to the Company design relative to the Ameren design
19 and most conventional designs was to utilize a seasonal approach instead of a daily
20 peak/off-peak approach. Most traditional standby rate designs rely on hourly periods to
21 establish peak and off-peak periods once you move to that level of detail, the complexity
22 of the pricing and terms increases. By choosing a seasonal approach, we in effect say, the
23 summer is our high load time of the year. It would be best if you rely more on your own

1 generation during that period than relying on us. Said another way, take your generator
2 down for maintenance in the non-summer months. I consider the approach to be relatively
3 direct, transparent, and balanced. Nearly the opposite of the assessment offered by DE.
4 This direct and transparent approach also provides a clear linkage to our retail rate
5 structures.

6 **Q: Why is a linkage to the retail rate structures important?**

7 A: The non-residential retail rates reflect the Commission-approved view of acceptable rates
8 to recover costs. It is not common in traditionally regulated jurisdictions such as Missouri
9 to have rates based solely on cost. Generally, cost is but one factor considered in setting
10 rates. The DE testimony calls for standby rates that are cost-based, equitable, non-
11 discriminatory, and “just and reasonable”. Our retail rates may not be considered equitable
12 or non-discriminatory as that determination is subject to opinion. However, it is with “just
13 and reasonable” that our reliance on Commission-approved retail rates resonates.

14 **Q: Lastly, Jane Epperson recommends that “the Companies incorporate the progress
15 made through the Ameren Missouri SSR collaborative effort and adapt it to mesh
16 with the generally available rate schedule structure.” Can that recommendation be
17 achieved?**

18 A: No. The two tariff designs are not compatible. I disagree that these perceived deficiencies
19 can be resolved, in the way proposed, in the context of this case. At least three of the nine
20 recommendations reference some application of peak and off-peak periods. This cannot
21 be done without a fundamental change to the tariff design. Further, the recommendations
22 suggest the Company adopt Ameren definitions for all the main tariff elements. These too
23 are structured to the Ameren design. In short, to accept the DE recommendations is to, in

1 effect, eliminate the Company tariff and replace it with a clone of the Ameren tariff. I
2 believe this is unacceptable.

3 IV. UNDERUTILIZED INFRASTRUCTURE PROVISIONS

4 **Q: Please describe the Underutilized Infrastructure proposal.**

5 A: In case ER-2016-0285 KCP&L was ordered to file in its next rate case, a line extension
6 tariff designed to account for geographic areas where there is underutilized distribution
7 infrastructure. KCP&L proposed new provisions in section 9.04, on Sheet 1.30D, the
8 section on Permanent Service, to its existing line extension rules to address this. GMO
9 proposed adding the same provisions to Section 7.04, Permanent Service, on Sheet R-50.
10 The proposal will add language providing customers locating new Residential subdivision
11 extension developments on underutilized circuits a reduction of the up-front cost of lot
12 development and non-Residential Customers locating extensions locating a distribution
13 extension on underutilized circuits will receive additional Construction Allowance
14 associated with the extension. Underutilized circuits will be identified annually and
15 represent circuits that have at least 50% of their rated capacity available under normal and
16 contingency scenarios with allowance for circuits where underutilized conditions are
17 expected or are expected to be temporary.

18 **Q: Have you reviewed the rate design rebuttal testimony offered concerning the**
19 **proposed provisions?**

20 A: Yes. Staff expresses a concern that the proposed language appears to “incent greenfield
21 development, as opposed to incenting adaptive reuse of existing structures.”⁴ Later in the
22 same testimony Staff expresses additional concern that the tariff revisions “are not

⁴ Rate Design Rebuttal Testimony of Sarah L.K. Lange. Page 14, line 9.

1 narrowly tailored to such instances, and may in fact be counterproductive to encouraging
2 such adaptive reuse.”

3 **Q: How do you respond to these assertions?**

4 A: I don’t believe Staff is interpreting the Commission order correctly and fails to account for
5 other provisions in the Company tariffs to account for this “adaptive reuse”. Staff quotes
6 the Commission order which simply states (emphasis added):

7 “In its next rate case, KCPL shall file a line extension tariff designed
8 to account for geographic areas where there is underutilized
9 distribution infrastructure.”

10
11 Even a review of the Commission’s August 26, 2015 *Order Directing Staff To Investigate*
12 *And Opening A Repository File* in File. No. EW-2016-0041, the Matter of a Working Case
13 to Consider Mechanisms to Encourage Infrastructure Efficiency, reveals reference to
14 “geographic locations” and “underutilization can be identified geographically and
15 quantified”. These do not support the structure-level view offered by Staff.

16 **Q: How do you apply the instructions “to account for geographic areas”?**

17 A: From the Company perspective, geographic concerns equate to circuits. The Company
18 deploys a system of conductors to serve customers. This system might be best described
19 as a tree. There is a main line representing the trunk, with a number of smaller lines or
20 branches that pass through a geographic area to provide electrical service. To address or
21 influence a geographic area, you address or influence the circuit. The Company proposal
22 to incent development, both new and reuse, by focusing on circuit condition, provides the
23 clearest link to the language supplied by the order. Further, the concerns of Staff do not
24 account for the role of the current tariffs.

1 **Q: How are the current tariffs important to this issue?**

2 A: As noted in previously provided comments offered in the EW-2016-0041 docket⁵, the
3 Companies have multiple tariffs that can help address Commission concerns about
4 infrastructure utilization:

- 5 ▪ Current Economic Development Rider tariffs define the parameters used by
6 the Company to encourage development within the jurisdictions, including
7 specific provisions to recognize the beneficial use of existing facilities.
- 8 ▪ Company line extension policies seek to provide a modest, basic extension
9 of facilities at no cost to residential customers. Consideration of the
10 residential customer's load requirements and estimated revenue are used in
11 determining the cost to be paid for extensions beyond the base extension.
12 The same policies seek to provide consideration of the customer's load
13 requirements and estimated revenue in determining the cost to be paid for
14 all non-residential extensions. Through this process, customers who are
15 able to make use of existing infrastructure would pay less for a line
16 extension than a similar customer developing in a greenfield, or
17 undeveloped location.
- 18 ▪ GMO has specific language in its Large Power Service tariffs allowing the
19 repurposed use of a premise when the change provides economic benefit to
20 the immediate area.

21 Taken as a whole, these provisions work to best balance the needs of the customers with
22 the desire to efficiently use infrastructure. The proposed Underutilized Infrastructure

⁵ Response of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company to Staff Questions. November 6, 2015.

1 language will complement these provisions and introduce a geographic method to monitor
2 and incent the use of underutilized infrastructure.

3 **Q: Should the Commission share the concerns offered by Staff related to the proposed**
4 **Underutilized Infrastructure language?**

5 A: No. Line Extension processes are broad-brush tools. The Company's proposed language
6 would improve the options at the Company's disposal to address underutilized
7 infrastructure. To characterize that the proposed language would somehow unbalance or
8 undermine the effectiveness of the overall line extension process is an overstatement.

9 **V. STAFF'S PROPOSAL "MAKE READY" LINE EXTENSIONS**

10 **Q: In rebuttal testimony DE witness Martin Hyman provides comments concerning**
11 **Staff's proposed "make ready" proposal for line extensions related to Electric Vehicle**
12 **("EV") charging. Have you reviewed this testimony?**

13 A: Yes. Mr. Hyman suggests that the EV Charging Station rates should include no Session
14 Charges and low or no demand charges, with any such demand charges limited to the
15 recovery of site-specific infrastructure.

16 **Q: How do you respond to this additional suggestion?**

17 A: Similar to my response to Staff in my rebuttal testimony, I expressed concerns that
18 discussion of terms, particularly terms associated with charging sessions, attempt to dictate
19 policy within the EV charging space when undertaken by the Company's customers, most
20 of which has been determined by the Commission to be outside of the utility responsibility.
21 I would offer these discussions are independent of discussions concerning "make ready"
22 line extension provisions. My concerns with "make ready" terms are addressed in my rate
23 design rebuttal testimony.

1 **VI. RESTORATION CHARGE**

2 **Q: Please describe the Company's Restoration Charge proposal.**

3 A: KCP&L is proposing to add a rule, Rule 3.15 to its Rules and Regulations Book 2 that
4 states if any customer were to terminate their electric service and request the Company to
5 reconnect service within one years' time, they must pay a Restoration Charge on top of any
6 unpaid balance before electric service may be connected again. For GMO, the same
7 provisions are proposed for Rule 2.07 of its Rules and Regulations.

8 **Q: Have you reviewed the rebuttal testimony offered concerning the proposed**
9 **provisions?**

10 A: Yes. Staff, through witnesses Robin Kliethermes and Deborah Bernsen, recommends the
11 language be rejected as written. Bernsen recommends the Company deploy language
12 similar to the existing KCP&L Section 3.14, Reconnection of Electric Service. Staff
13 further recommends additional work on tariff language as well as an analysis of the
14 customers who conduct frequent disconnections to "estimate of the increased revenues
15 associated with the imposition of a charge."⁶ OPC, through witness Geoff Marke,
16 recommend the Commission reject the proposal in part, because it is not clear to him why
17 the Restoration Charge is needed in addition to the "Reconnection Charge" already in
18 tariffs. Lastly, DE, through witness Martin Hyman, recommends the Commission reject
19 the proposal because he believes it is not based on underlying costs and could unfairly
20 penalize certain customers.

⁶ Rebuttal Testimony of Deborah Ann Bernsen, page 5, line 11.

1 **Q: Beginning with Staff, how do you respond to this testimony?**

2 A: If Staff finds the existing KCP&L Section 3.14 language acceptable, the Company would
3 support using that for GMO. In proposing the Restoration Charge, the Company believed
4 there was value in delineating “restoration” from “reconnection” and defining a charge
5 representing the avoided charges.

6 **Q: Why is the delineation of “restoration” from “reconnection” important?**

7 A: By definition and practice, “reconnection” is associated with situations where the customer
8 has been involuntarily disconnected from service due to violation of Company rules and
9 regulations. These violations can take many forms including tampering or destruction of
10 Company property. As such, reconnection is often preceded by payment of past due
11 amounts that are often substantial and can include penalties and restitutions. These are not
12 an issue with respect to “restoration.” When a Customer restores service, they do so after
13 voluntarily cancelling service.

14 **Q: Would the voluntary nature of the customer’s conduct be recognized under the
15 proposed Restoration Charge?**

16 A: Yes. Under the proposed terms, customers would be asked to pay the charges they would
17 have been otherwise charged if they had continued to receive service from the Company
18 instead of voluntarily cancelling service for the short duration. Given the customer is likely
19 represented in the annualized data underlying the Commission approved rates, payment of
20 these charges would represent collection of an already expected charge, not new revenue
21 as suggested by Staff.

1 **Q: Given this fact, do you support Staff's recommendation to study customers who**
2 **disconnect?**

3 A: No. If the need for the study is based on revenue impacts, the study is not needed.
4 Customers cancelling and restoring service within a twelve-month period would already
5 be accounted for in the Commission approved revenues for the Company and the
6 Restoration charge would simply be assuring recovery of those revenues, not represent a
7 new charge or source of revenue.

8 **Q: Turning to OPC and the lack of understanding as to why the Restoration Charge is**
9 **needed in addition to "Reconnection Charge" already in tariffs, how would you**
10 **respond?**

11 A: I would respond consistent with the response to Staff. "Reconnection" is associated with
12 situations where the customer has been disconnected from service due to violation of
13 Company rules and regulations. "Restoration" is associated with when a Customer restores
14 service after voluntarily cancelling service. As the charges address different situations and
15 include provisions for different charges, the use of different terms is meaningful and
16 appropriate.

17 **Q: Now with DE and the assertion that the Restoration Charge is not based on**
18 **underlying costs and could unfairly penalize certain customers, how would you**
19 **respond?**

20 A; Concerning the cost basis for the Restoration Charge I would respond similar to the
21 response to Staff. Under the proposed terms, customers would be asked to pay the charges
22 they would have been otherwise charged if they had continued to receive service from the
23 Company instead of voluntarily cancelling service for the short duration. Given these

1 charges are determined using the existing charges associated with Commission approved
2 rates, the charges are cost based and reflective of support for the Commission approved
3 revenue requirement for the Company. As for penalizing certain customers, I would agree
4 that the Restoration Charge would represent additional cost for customers disconnecting
5 and restoring service within a twelve-month period, costs they would otherwise avoid.
6 However, what DE characterizes as a “penalty” is a cost that is better placed on this
7 customer than having the under recovery of revenue and, depending on the timing of rate
8 cases, the ultimate subsidization of this cost by other customers.

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

10 **A: Yes, it does.**

