

Exhibit No.:
Issue: RES RRI Calculation
Witness: Adam Blake
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Sponsoring Party: Brightergy, LLC
Case No.: ET-2014-0071
Date Testimony Prepared: September 30, 2013

MISSOURI PUBLIC SERVICE COMMISSION

File NO.: ET-2014-0071

SURREBUTTAL TESTIMONY

OF

ADAM BLAKE

ON BEHALF OF

BRIGHTERGY, LLC

**Kansas City, Missouri
September 2013**

SURREBUTTAL TESTIMONY

OF

ADAM BLAKE

File No. ET-2014-0071

1 **1. INTRODUCTION AND QUALIFICATIONS:**

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

3 A: My name is Adam Blake. My business address is 1617 Main Street, 3rd Floor, Kansas
4 City, MO 64108.

5 **Q: Are you the same Adam Blake who pre-filed Rebuttal Testimony in this matter?**

6 A: Yes, I am.

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

8 A: I am testifying on behalf of Brightergy, LLC (“Brightergy”).

9 **Q: What is the purpose of your Surrebuttal Testimony?**

10 A: The primary purpose of my Surrebuttal Testimony is to respond to the Rebuttal
11 Testimony filed by MPSC Staff witnesses Claire M. Eubanks and Mark L. Oligschlaeger.
12 In my opinion, the Retail Rate Impact (“RRI”) calculation advocated by Staff represents
13 an abrupt and extreme deviation from the RRI calculation that KCP&L has performed
14 since enactment of Proposition C. I believe the Staff calculation is an incorrect
15 calculation. On a purely practical basis, Staff’s proposed RRI calculation would
16 materially exacerbate an already unexpected and dire situation faced by Missouri solar
17 customers, Brightergy, and the entire solar industry. Individuals and businesses have
18 relied on the RRI calculation performed by KCP&L in its prior RES Compliance Reports.
19 This KCP&L calculation was previously approved by the MPSC Staff. To now modify

1 KCP&L's RRI calculation method, and further reduce the limited funds available for
2 solar rebates, significantly increases the real financial harm facing the Missouri solar
3 industry and its customers.

4 I will also briefly describe the public benefits of solar rebates.

5 **2. PUBLIC BENEFITS OF SOLAR REBATES:**

6 **Q: To begin, do solar rebates only benefit solar generating customers and the**
7 **contractors who perform solar installations?**

8 **A:** No. The Missouri solar industry generates significant economic activity within the state.
9 Many individuals and entities—in addition to the individual solar customer—benefit
10 from Missouri solar energy. Solar rebates provide valuable incentives for customers to
11 install solar systems. As described below, these systems provide both direct and indirect
12 benefits to the residents of Missouri. Schools and their students, nonprofit organizations,
13 and labor groups all benefit from the affordable solar generation made possible by solar
14 rebates.

15 **Q: How do schools benefit from solar energy in Missouri?**

16 **A:** Solar rebates help to make solar generation systems affordable for installation by
17 Missouri schools on their buildings. In turn, Missouri schools benefit from solar energy
18 in three major ways: (i) they are able to save on their overall electric bill; (ii) a portion of
19 their energy price is fixed; and (iii) the schools are able to utilize their solar panels as a
20 learning lab for energy and environmental issues. I estimate that more than three hundred
21 schools in Missouri have benefited from a solar-energy system, or will have a solar-
22 energy system installed by the end of 2013.

1 The installation of solar panels on Missouri schools creates a unique opportunity for
2 hands-on learning. Brightergy has created an education package, BrighterSchools, that
3 reaches over 20,000 students in the state of Missouri.¹ Designed to meet Missouri state
4 standards, BrighterSchools targets a school's existing math and science curriculum and
5 provides supplemental material and instruction about energy forms and sources. Most
6 importantly, the lesson plans and activities incorporate actual energy production data
7 from the solar system installed on the roof of the school.

8 I believe that it is important to teach Missouri students about renewable energy. Solar
9 energy and other renewables are an increasing source of our future energy production
10 mix. By producing their own clean electricity, Missouri schools reduce their energy costs,
11 better the environment, and provide students with a unique learning opportunity.
12 Brightergy has received dozens of phone calls, emails, and letters from schools, parents,
13 and students in support of Brightergy's program. From these calls, Brightergy has learned
14 that BrighterSchools has significantly increased Missouri students' interest in renewable
15 energy, science and engineering.

16 **Q: How do non-profit organizations benefit from solar energy in Missouri?**

17 A: The Missouri solar rebate program enables non-profit organizations to lease solar
18 generation systems. Solar leases provide all of the benefits of distributed solar energy
19 without the need for any upfront payment. Under a solar lease, a nonprofit client's
20 monthly solar lease payment is less than what it would have otherwise paid for the energy
21 created by its solar system. Solar leases provide financial savings for non-profits that
22 allow those organizations to better serve their various causes. Among the hundreds of
23 non-profit organizations who currently receive the benefits of solar generation,

¹ See <http://brightergy.com/government-nonprofit-solar-installer/brighterschools/>.

1 Brightergy has installed systems for John Knox Village, numerous churches and places of
2 worship, the Children’s Center for the Visually Impaired, and the Boy Scouts of America.

3 **Q: How do labor groups and jobseekers benefit from solar energy in Missouri?**

4 A: Distributed solar generation provides Missouri jobs that cannot be outsourced. Despite
5 solar comprising less than 1% of Missouri’s energy capacity, there are over one thousand
6 solar jobs in Missouri. In addition to the direct jobs created by the solar industry, there
7 have been hundreds of indirect jobs created by the solar industry. The solar industry has
8 put people to work in Missouri during a major recession.

9 **Q: What is the general public’s opinion on solar energy generation?**

10 A: According to a national survey conducted by Hart Research, 92% of voters believe it is
11 important for the United States to develop and use solar power.² In addition, 66% of
12 Missouri voters supported Proposition C and the creation of solar rebates in 2008.

13 **3. MPSC STAFF’S PROPOSED RRI CALCULATION**

14 **Q: Have you reviewed the testimony filed by the MPSC Staff in this matter?**

15 A: Yes, I have reviewed the public testimony of Staff witnesses Claire M. Eubanks and
16 Mark L. Oligschlaeger that was filed on September 24, 2013.

17 **Q: After reviewing Staff’s testimony, what additional concerns regarding Staff’s
18 position do you have?**

19 A: Staff’s testimony has raised additional concerns that I did not voice in my Rebuttal
20 Testimony. Specifically, those concerns are:

- 21 • Staff’s proposed RRI calculation is contrary to Staff’s prior review and approval
22 of KCP&L’s RRI calculation.
23

² See e.g., <http://www.seia.org/research-resources/america-votes-solar-national-solar-survey-2012>.

- Staff’s proposed, changed, and in my opinion, incorrect RRI calculation presents a potential problem that may permit a utility’s annual RES compliance costs to greatly exceed the 1% RRI limit.
- Staff states that its proposed RRI calculation is necessary for KCP&L to timely meet all RES requirements or to “achieve the highest level of compliance with the RES requirements possible.”³ This statement is not supported by the evidence in this case or the requirements of the RES.
- Staff’s proposed RRI calculation severely penalizes the Missouri solar industry and its customers for relying on KCP&L’s prior, Staff approved RRI calculation.

Q: How has the MPSC Staff evaluated the KCP&L RRI calculation prior to this case?

A: KCP&L filed its *2012 RES Compliance Plan* in MPSC File No. EO-2012-0348.

KCP&L’s 2012 RES Plan described the Company’s RRI calculation as follows:

For each Company, KCP&L and GMO, *the direct costs of compliance for the three-year planning period (2012-2014) were compared to the expected retail revenue forecast from the latest Corporate Budget.* Since each Company Preferred Plan identified in the April 2012 IRP filings only contains renewable additions that improve each Company’s cost, no non-compliant plan is necessary to calculate rate impacts.

Only costs associated with S-REC purchases and Solar Rebates meet the criteria of increasing revenue requirement and are required by Missouri Prop C or Rule 240-20.100(2).

*The increased revenue requirement from the S-REC purchases and Solar Rebates is calculated as a percent of the forecasted Retail Revenue from the latest Corporate Budget for the current year and the two following years.*⁴

Staff, in its *2012 Report on Company’s RES Compliance Plan*, filed in MPSC File No.

EO-2012-0348, stated that it had “identified no deficiencies” within KCP&L’s 2012 RES

³ Rebuttal Testimony of Claire M. Eubanks, MPSC File No. ET-2014-0071, at 4.

⁴ KCP&L 2012 Annual Renewable Energy Standard Compliance Plan, MPSC Case No. EO-2012-0348, April 16, 2012, at 12 (emphasis added).

1 Compliance Plan.⁵ Further, Staff specifically addressed KCP&L’s RRI calculation by
2 stating:

3 Staff considers the level of detail required for the rate impact
4 calculation to be subjective. *For the company to expend*
5 *significant resources to provide a more detailed calculation*
6 *would serve no purpose*, since the requirements for this Plan
7 period are met by its existing resources, a new low-cost alternative
8 resources, and purchases of S-RECs *Because the detailed*
9 *calculation would serve no purpose in this instance, Staff would*
10 *not seek for the Commission to enforce literal compliance with*
11 *this rule provision*, whether the Company requested relief or not.⁶
12

13 **Q: How does the RRI calculation proposed by Staff in this case differ from Staff’s prior**
14 **position on KCP&L’s 2012 RRI calculation?**

15 **A:** KCP&L did not perform the RRI calculation as currently proposed by Staff. The 2012
16 KCP&L RES Report did not calculate the average annual revenue requirements of either
17 an RES-compliant portfolio or a non-renewable portfolio over the succeeding ten years.
18 The Staff evaluated and approved the KCP&L RES Report, including its RRI calculation.
19 Staff further indicated that the calculation would “serve no purpose” and recommended
20 that the Commission not require KCP&L to strictly comply with the rule. Staff has now
21 retroactively changed their position.

22 **Q: Does Staff’s proposed RRI calculation create a potential problem that would allow a**
23 **utility’s RES compliance costs to greatly exceed the 1% RRI limit?**

24 **A:** Staff’s proposed RRI calculation would potentially permit a utility to greatly exceed the
25 1% RRI limit each year.⁷ According to Staff’s proposed calculation, a utility’s RES

⁵ Staff Report on Company’s RES Compliance Plan, MPSC File No. EO-2012-0348, May 31, 2012, at 2 (emphasis added).

⁶ Memorandum, Staff’s Report on Company’s RES Compliance Plan, MPSC File No. EO-2012-0348, May 31, 2012, at 4.

⁷ See Direct Testimony of Burton L. Crawford, MPSC File No. ET-2014-0071, at 7.

1 compliance costs may exceed 1% during an annual period, so long as the ten-year
2 forward looking average RRI of all RES compliance costs is maintained at or below 1%.
3 As illustrated in the Direct Testimony of KCP&L witness Burton Crawford, this view
4 could permit a utility to incur RES Compliance costs and an RRI of up to 10% annually
5 for an indefinite period of time. Effectively, Staff’s position would render the Missouri
6 statute and regulations in this case meaningless—i.e., legislative intent would be
7 substantially frustrated.

8 **Q: Do potential problems with Staff’s proposed calculation “matter” to the**
9 **determination of whether or not to impose Staff’s RRI calculation upon KCP&L?**

10 **A:** Yes. Contrary to the statements of Staff witness Oligschlaeger⁸, I firmly believe that any
11 potential problems associated with both of the RRI calculations advocated by Staff and
12 KCP&L matter, and are relevant to the Commission’s consideration in this case. In my
13 opinion, Staff’s statement that its proposed calculation was approved during the MPSC’s
14 2010 Rulemaking is in no way determinative of this issue. First, by regulation, the
15 Commission cannot change the clear meaning and intent of the statute. Second, the Staff
16 in effect recognizes that there is more than a sole and exclusive methodology to measure
17 RES compliance—as seen by Staff’s prior actions. Third, the Staff’s calculation now
18 advanced yields a result that is not consistent with legislative intent. On a practical basis,
19 strict adherence to any rule, without considering the potential problems or unique facts of
20 a situation, can potentially cause more harm than it would otherwise solve.

⁸ Rebuttal Testimony, Mark L. Oligschlaeger, MPSC File No. ET-2014-0071, at 10.

1 **Q: Does Staff attempt to support its proposed RRI calculation by stating that under**
2 **KCP&L’s calculation the Company “will not be able to meet all of the RES**
3 **requirements by the dates specified or to achieve the highest level of compliance**
4 **with the RES requirements possible over the ten (10) year planning period”?**

5 **A:** Yes, Staff witness Eubanks makes this statement on page four of her Rebuttal Testimony.

6 **Q: To your knowledge, has KCP&L indicated that it may be unable to meet the**
7 **requirements of the RES?**

8 **A:** No. The direct testimony submitted by KCP&L witnesses Crawford and Rush does not
9 indicate that KCP&L will be unable to satisfy the requirements of the RES at any time in
10 the future. Additionally, in its most recent SEC Form 10-Q, the Company announced
11 that:

12 KCP&L and GMO project that they will be compliant with the
13 Missouri renewable requirements, exclusive of the solar
14 requirement, through 2023 for KCP&L and 2018 for GMO.
15 KCP&L and GMO project that the acquisition of solar renewable
16 energy credits will be sufficient for compliance with the Missouri
17 solar requirements for the foreseeable future.⁹
18

19 **Q: Does the Renewable Energy Standard require a Missouri electric utility to achieve a**
20 **high level or maximum level of RES compliance?**

21 **A:** No. Based on my reading of the RES requirements set forth in 4 CSR 204-20.100(2),
22 utilities are only required to meet a minimum level of renewable generation for RES
23 compliance. KCP&L has publically indicated that it expects to meet this minimum level
24 through at least 2023.

25

⁹ Great Plains Energy Energy, Inc. and Kansas City Power & Light Company, Quarterly Report (Form 10-Q), at 22 (August 8, 2013).

1 **Q: How can RECs be used by KCP&L to efficiently comply with the RES requirements**
2 **on a least-cost basis?**

3 **A:** Staff witness Claire Eubanks notes on page eleven of her Rebuttal Testimony that Staff
4 views the proportion of solar to non-solar renewable resources as “a policy decision on
5 how to balance solar rebate payments to the least-cost plan to comply with the RES
6 requirements.” Ms. Eubanks also states on page eleven of her Rebuttal Testimony that
7 “payment of solar rebates is currently not the least-cost approach of meeting the
8 minimum solar RES requirements.”

9 The least-cost method for KCP&L to comply with the RES requirements would involve
10 the purchase of RECs and payment of solar rebates. KCP&L can purchase RECs for a
11 fraction of the price of building wind generation. Commission rules allow for the use of
12 RECs to meet RES compliance. KCP&L currently complies with the solar carve out by
13 utilizing S-RECs, which are least cost. KCP&L’s IRP specifically states it may comply
14 with the RES requirements by purchasing RECs. In addition, KCP&L has stated that it
15 does not need additional generation, and the construction or regulatory allocation of any
16 wind resources over the next ten years would be due to RES compliance. It therefore
17 seems to reason that KCP&L could comply with future RES requirements in a least-cost
18 manner, by purchasing RECs.

19 **Q: Has Brightergy, the solar industry, and its customers relied on KCP&L’s previous**
20 **RRI calculations in making business and investment decisions?**

21 **A:** Yes. As I describe in my Rebuttal Testimony, Brightergy, the solar industry, and its
22 customers rely heavily on business and financial certainty when making investment
23 decisions. Solar customers in Missouri have purchased and installed solar generation

1 systems in reliance on the availability of solar rebates. And Brightergy has borrowed
2 millions of dollars to purchase and install its customers' systems. Brightergy has grown
3 and has hired many employees based on the strength of the solar market and certainty
4 provided by KCP&L. Almost all of this investment in capital and Missouri labor was
5 made prior to June 2013—when the solar industry was first informed that KCP&L would
6 exceed the RRI limit—and remains outstanding today.

7 As recently as 2012, the MPSC Staff approved KCP&L's RES Compliance Plans,
8 including the Company's RRI calculations. These Compliance Plans, as well as the
9 public statements by KCP&L and the Staff, indicated that the utility was not at immediate
10 risk of reaching its RRI limit. As a result, Brightergy and its customers continued with
11 their investments in reliance on the availability of solar rebates.

12 **Q: How does Staff's proposed RRI calculation penalize Brightergy, the solar industry,
13 and Missouri customers?**

14 **A:** The RRI calculation method proposed by the Staff materially alters the previously
15 approved KCP&L RRI calculation. This change greatly decreases the total funds
16 available for solar rebates in 2013 and for the foreseeable future. According to the Direct
17 Testimony of KCP&L witness Burton Crawford, Staff's proposed calculation would
18 allow KCP&L to pay only \$5.24 million of solar rebates in 2013 and \$0 for 2014 and
19 2015.¹⁰ KCP&L's 2013 solar rebate payments are estimated to greatly exceed the \$5.24
20 million available and any excess would therefore have to be carried forward for payment
21 at an uncertain time after 2015.¹¹

¹⁰ Direct Testimony of Burton L. Crawford, MPSC File No. ET-2014-0071, at 10.

¹¹ See Direct Testimony of Tim M. Rush, MPSC File No. ET-2014-0071, at 5. KCP&L forecasts \$14 million in solar rebate payments by the end of 2013.

1 Brightergy and its customers have substantially relied upon KCP&L's RRI calculation
2 when financing and purchasing solar generation systems. Upon notice in July of 2013
3 that KCP&L would unexpectedly reach its RRI limit, Brightergy and its customers were
4 left in a dire situation. Based on KCP&L's RRI calculation—which estimates that only
5 about \$10 million is available annually for solar rebates—Brightergy's customers are
6 faced with a substantial delay or loss of vital solar rebate payments. Brightergy and its
7 employees were also faced with millions of dollars of stranded investment, potential job
8 loss, and significant financial harm.

9 **Q. Please continue.**

10 **A.** In my opinion, Staff's proposed RRI calculation unnecessarily fans the flames that
11 currently threaten the solar industry and Missouri solar customers. The Staff's proposed
12 RRI calculation essentially eliminates all funds available for solar rebates and would
13 retroactively penalize the hundreds of customers who have already installed a solar
14 system and are waiting for a solar rebate. This change in policy is advocated by Staff
15 despite KCP&L's public statements indicating that, under the KCP&L RRI calculation
16 method, it will be able to: (i) meet the Missouri RES requirements; (ii) remain under its
17 1% RRI limit; (iii) comply with its 2012 IRP; and (iv) pay approximately \$10 million in
18 solar rebates each year until 2024. KCP&L's position is not ideal for the solar industry
19 and its customers. But the Company's calculation at least allows these stakeholders the
20 opportunity to: (i) recoup outstanding costs; (ii) adapt their businesses in order to prevent
21 significant layoffs and financial loss; and (iii) work with KCP&L and the MPSC to
22 reasonably wind-down the solar rebate program as called for by HB 142.

1 I do not believe Staff’s proposed RRI calculation was adopted by the Commission in its
2 2010 Order of Rulemaking. On a practical basis and according to RRI history described
3 above, application of Staff’s proposed RRI calculation in this case will undoubtedly
4 result in significant job loss and substantial financial harm to the Missouri solar industry,
5 their employees, their customers. In addition, the banks, suppliers, and various businesses
6 that serve the Missouri solar industry will be substantially harmed by the immediate and
7 essentially permanent suspension of solar rebates.

8 **Q: Is the Compromise Proposal you described in your Rebuttal Testimony feasible**
9 **under Staff’s proposed RRI calculation?**

10 A: No. I do not believe that the Compromise Proposal attached to my Rebuttal Testimony
11 will work under Staff’s proposed RRI calculation. The Compromise Proposal provides
12 for the “front-loading” of the remaining funds available for solar rebates. This provided
13 the solar industry and its customers with a reasonably smooth wind-down of the solar
14 rebate program. Under Staff’s proposed calculation, no funds are available for solar
15 rebates until at least 2015. Accordingly, if the Commission adopted Staff’s proposal, all
16 solar rebate payments would have to cease immediately. The immediate termination of
17 solar rebates would result in substantial financial loss for Missouri solar customers and
18 would cripple the solar industry.

19 **Q: Does imposing Staff’s proposed RRI calculation on KCP&L benefit Missouri**
20 **residents and business?**

21 A: No. As described by KCP&L, under its calculation the Company will be able to comply
22 with the RES requirements, remain under its 1% RRI limit, allocated and build wind
23 generation, and pay a certain amount of solar rebates each year until 2024. All potential

1 stakeholders can benefit and the Missouri Legislature's intent is satisfied by KCP&L's
2 calculation. The same is not possible under Staff's proposed calculation.

3 In my opinion, it is a wholly unacceptable outcome if Missouri ratepayers are financially
4 harmed, the solar industry is materially damaged, and KCP&L is prevented from
5 recovering vital rebate payments relied on by its customers. Missouri ratepayers, solar
6 companies, and utilities have embraced the solar rebate program and it has now reached a
7 vital turning point. An effective and reasonable wind-down of the program is necessary to
8 prevent significant harm to ratepayers and businesses. In effect, Staff's proposed
9 calculation cuts the legs out from under those seeking to prevent such harm.

10 **Q: What other consequences are there under Staff's proposed RRI calculation?**

11 A: Staff's proposed calculation would not only cripple a growing solar industry, it would
12 also cause substantial harm to the Missouri business community. Hundreds of Missouri
13 families and businesses have installed a solar system and are currently waiting for a solar
14 rebate payment. Under Staff's proposed calculation, these customers would never receive
15 their rebate payments. Many of these families and businesses have taken out loans from
16 banks in reliance on the availability of solar rebates. If Staff's proposed calculation is
17 imposed upon KCP&L, Missouri families, businesses, and banks will incur substantial
18 financial loss.

19 **Q: Does this conclude your testimony?**

20 A: Yes.

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

In the Matter of KCP&L Greater Missouri)
Operations Company's Application) File No. ET-2014-0071
For Authorization to Suspend Payment)
of Certain Solar Rebates)

AFFIDAVIT OF ADAM BLAKE

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Adam Blake, being first duly sworn on his oath, states:

1. My name is Adam Blake. I work in Kansas City, Missouri and am employed by Brightergy, LLC, as Chief Executive Officer.


2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Brightergy, LLC consisting of thirteen (13) pages, having been prepared in written form for introduction into evidence in the above captioned docket.

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

/s/ Adam Blake
Adam Blake*

Subscribed and sworn before me this 30th day of September, 2013.




Notary Public

My Commission expires: 08-31-2014

*Original Affidavit will be filed with the Commission prior to hearing.