

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. ET-2014-0277, File No. JE-2014-0403, KCP&L Greater Missouri
Operations Company Application for Authorization to Suspend Payment of Certain
Solar Rebates

FROM: Daniel I. Beck, Engineering Analysis
Thomas M. Imhoff, Rates and Tariffs

/s/ Natelle Dietrich 05/09/14
Engineering Analysis/Date

/s/ Jennifer Hernandez 05/09/14
Staff Counsel's Office/Date

SUBJECT: Staff Recommendation - the Commission authorize KCP&L Greater Missouri
Operations Company to stop paying solar rebates when it has paid in the aggregate
\$50 million in solar rebates incurred subsequent to August 31, 2012, reject the File
No. JE-2014-0403 tariff sheet, and order KCP&L Greater Missouri Operations
Company to file a tariff sheet(s) that includes language that it shall cease to pay solar
rebates once it has paid solar rebates aggregating to \$50 million for solar rebates
incurred subsequent to August 31, 2012. GMO shall file a notice in this docket once
it has paid the aggregate \$50 million limit and file an updated tariff sheet requesting
expedited treatment to reflect that solar rebates are no longer available.

DATE: May 9, 2014

SUMMARY

On April 9, 2014, KCP&L Greater Missouri Operations Company ("GMO") filed its Application for Authorization to Suspend Payment of Solar Rebates, direct testimony of Tim M. Rush, and a single associated tariff sheet. GMO requests the Commission "authorize it to suspend solar rebate payments beginning no later than June 9, 2014," stating, "The purpose of this Application is to request, pursuant to the Stipulation, that the Commission authorize GMO to suspend solar rebate payments." The application provides notice that, as of April 9, 2014, "GMO ha[d] received approximately \$60 million in solar rebate applications" and that "it believes it will reach the \$50 million level of payment in the near future." From information Staff received from GMO, Staff understands that as of November 15, 2013, at 10 AM CST (the time and date in its filed tariff sheet), GMO had received applications for solar rebate payments seeking in the aggregate more than \$50 million. Staff recommends that the Commission accept GMO's assertion that it likely will pay \$50 million in solar rebates by early June 2014. However, Staff recommends that the Commission not approve the tariff sheet GMO filed because if the Commission approves the tariff sheet, or allows it to go into effect by operation of law, it may be viewed as a finding of prudence of amounts KCPL has committed to paying over \$50 million, and allowing future recovery through

customer rates an aggregate amount for solar rebate payments in excess of the \$50 million limit. The Commission approved a solar rebate limit of \$50 million for “the aggregate amount of solar rebates to be paid after August 31, 2012,” when it approved the Non-Unanimous Stipulation and Agreement filed October 3, 2013 in Case No. ET-2014-0059. Staff also recommends that the Commission order GMO, when GMO has met its obligation to pay out \$50 million in Solar Rebates, to make a tariff filing that suspends further solar rebate payments by the following language: “Payments for solar rebates have been suspended. The Company has made payments totaling \$50 million in solar rebates as required by the Stipulation and Agreement in Case No. ET-2014-0059. Additional payments will not be made under the terms of the Stipulation and Agreement.”

HISTORY

On August 28, 2013, HB 142 modified Missouri State Statutes regarding the Renewable Energy Standard. The revisions included the following language:

...the electric utility shall be entitled to cease paying rebates to the extent necessary to avoid exceeding the maximum average retail rate increase if the electrical corporation files with the commission to suspend its rebate tariff for the remainder of that calendar year at least sixty days prior to the change taking effect. ... The commission shall rule on the suspension filing within sixty days of the date it is filed. If the commission determines the maximum average retail rate increase will be reached, the commission shall approve the tariff suspension. §393.1030.3 RSMo.

This statute assumed a process where a customer installing a photovoltaic solar system would not know if a solar rebate would be available until after that system was operational (since the tariff could be suspended). To help provide some assurance to the customer that a rebate would be available, the 60-day notice requirement was enacted. However, since a normal installation takes longer than 60 days, the customer still faced the risk that the rebate would not be available when the system was operational.

GMO filed its 60-day notice in Case No. ET-2014-0059 on September 10, 2013, and parties raised concerns about the effect that suspension would have on the solar industry. The parties in that case reached a Non-Unanimous Stipulation and Agreement (“Stipulation”) in Case No. ET-2014-0059 (and jointly in Case No. ET-2014-0071 for Kansas City Power & Light Company) that took several steps to address the problem of customers installing a photovoltaic solar system based on the belief that a solar rebate was available, but later learning that the rebate was no longer available. This included modifications to the process so that the customer would receive assurances from GMO that rebate dollars remained available at the time the rebate application was approved. In addition, the Stipulation included language that “the signatories also agree to cooperate in the development of all aspects of an orderly process to cease or conclude the solar rebate payments to solar customers, including updating KCP&L’s website for applied for applications, the level of solar rebate payments, and approved applications for both KCP&L and GMO.”¹

¹ Non-Unanimous Stipulation and Agreement, File Nos. ET-2014-0059 and ET-2014-0071, paragraph 7.c.

With these modifications, the importance of the 60-day notice requirement was greatly reduced. However, paragraph 7.a. of the Stipulation includes within it the following language:

If and when the solar rebate payments are anticipated to reach the specified level, GMO or KCP&L will file with the Commission an application under the 60-day process as outlined in §393.1030.3 RSMo. to cease payments beyond the specified level in the year which the specified level is reached and all future calendar years. The Signatories agree that they will not object to an application that is designed to cease payments beyond the specified level.

Staff, the parties to Case Nos. ET-2014-0059 and ET-2014-0071, and members of the general public have been aware of the \$50 million level for GMO, and Staff maintains that the 60-day application that was referenced above in the Stipulation was intended to provide final closure for the distribution of the \$50 million in solar rebates.

CURRENT FILING

Staff has reviewed the Application, including the tariff sheet. In addition to alerting any interested party or member of the general public that the stipulated aggregate solar rebate payment amount of \$50 million will be reached on or near June 9, 2014, with this filing GMO raises a number of concerns that it does not address and that Staff believes are beyond the appropriate scope for this filing. Specifically, the filing raises the following concerns:

- 1) This filing includes Schedule TMR-1, which is a graph titled, "GMO Solar Rebate Chart." GMO previously has published several versions of this chart on its website dating back to at least December 19, 2013, each of which showed that GMO's Solar Rebates Paid plus Pre-Approvals totaled at or near \$50 million. A copy of the version that was on the website from February 7, 2014 to April 13, 2014, is attached to this recommendation. Schedule TMR-1 is the first Chart which indicates that this total is significantly greater than \$50 million. Staff expected this total to stay near the \$50 million value, or go slightly lower as some customers made the decision to not complete their systems. Instead the totals went up dramatically between the February 7, 2014 website chart and GMO's April 9, 2014 filing of Schedule TMR-1. This unexpected change raises prudence concerns that are not addressed in this filing. The Stipulation reserves the signatories' rights to raise prudence issues related to the solar rebates in future rate cases, Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM"), or other proceedings in which recovery of the solar rebate costs are considered by the Commission.
- 2) On page 9, lines 10-18, of his direct testimony, GMO witness Tim M. Rush discusses concerns about the installer U.S. Solar. He states that GMO identified 74 sites where there were discrepancies between the number of solar panels and wattage listed in the application and the number of panels and wattage installed, and approximately half of the discrepancies have not been explained by U.S. Solar. This discussion does not give any further explanation and does not address the amount of solar rebate payments that are associated with the 74

systems. In contrast, on September 4, 2013, in his direct testimony filed in Case ET-2014-0059, at page 5, line 17 to page 6, line 22, Mr. Rush testified that KCP&L has audited several U.S. Solar installations. The significant change in the findings regarding U.S. Solar was not previously known by Staff and the 9 lines of testimony in this case raise many more questions than it answers.

- 3) On page 10, lines 1-5, of his direct testimony GMO witness Rush briefly discusses the rebates paid to KCP&L Solar, but he provides no information about GMO's solar installer affiliate.
- 4) This filing is the first time Staff has heard of the November 15, 2013 at 10 AM Central Standard Time (CST) date and time. Both Mr. Rush's direct testimony and the proposed tariff sheet include this date. However, the fact that this filing is nearly five (5) months after that November 15, 2013 date, but never previously disclosed to Staff, raises questions about the need to include this date in GMO's tariff sheet now. It is especially important, since this filing is the first time that GMO revealed that it projects its actual solar rebate payments to be closer to \$56 million, and not the \$50 million limit agreed to in the Stipulation.

RECOMMENDATION

After reviewing this filing, Staff is left with more unresolved questions and concerns than answers. Staff maintains that the requirements of paragraph 7.a. of the Stipulation are met by this filing, but the filing has raised a number of concerns that need to be addressed in a future rate proceeding. The signatories to the Stipulation specifically contemplated the use of Kansas City Power & Light Company's website to convey timely information about the status of solar rebate applications and aggregate payments. Staff maintains that this website continues to be the appropriate forum to provide information to the general public. Therefore, Staff recommends that the Commission accept GMO's assertion that the \$50 million aggregate amount of solar rebate payments will likely be spent by early June, 2014, authorize KCP&L Greater Missouri Operations Company to stop paying solar rebates when it has paid in the aggregate \$50 million in solar rebates incurred subsequent to August 31, 2012, reject the File No. JE-2014-0403 tariff sheet, and order KCP&L Greater Missouri Operations Company to file a tariff sheet(s) that includes the following language: "Payments for solar rebates have been suspended. The Company has made payments totaling \$50 million in solar rebates as required by the Stipulation and Agreement in Case No. ET-2014-0059. Additional payments will not be made under the terms of the Stipulation and Agreement."

Staff recommends that the Commission authorize KCP&L Greater Missouri Operations Company to stop paying solar rebates when it has paid in the aggregate \$50 million in solar rebates incurred subsequent to August 31, 2012, reject the File No. JE-2014-0403 tariff sheet, and order KCP&L Greater Missouri Operations Company to file a tariff sheet(s) that includes language that it has paid solar rebates aggregating to \$50 million for solar rebates incurred subsequent to August 31, 2012, and solar rebates are no longer available.

The Commission's Energy Engineering Analysis and Energy Tariffs/Rate Design Staff ("Staff") has reviewed the tariff sheet GMO filed on April 9, 2014, and is of the opinion that the sheets should be rejected. Therefore, Staff recommends the following tariff sheet filed on April 9, 2014, be rejected for good cause shown:

P.S.C. MO. No. 1

3rd Revised SHEET No. R-62.19 Cancelling 2nd Revised SHEET No. R-62.19

The Staff has verified that GMO has filed its annual report and is not delinquent on any assessment. Staff would note that there are several GMO cases that are related to renewable energy and solar rebates that are currently pending before the Commission:

EO-2014-0151	GMO's filing for a RESRAM (Renewable Energy Cost Recovery Mechanism)
EO-2014-0288	GMO's Renewable Energy Standard (RES) Plan for 2014-2016
EO-2014-0290	GMO's RES Compliance Report for 2013

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company's Application For)
Authorization to Suspend Payment of Certain)
Solar Rebates)

File No. ET-2014-0277

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Daniel I. Beck, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Daniel I. Beck

Subscribed and sworn to before me this 7th day of May, 2014.




Notary Public

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

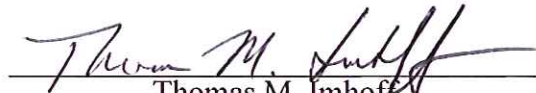
In the Matter of KCP&L Greater Missouri)
Operations Company's Application For)
Authorization to Suspend Payment of Certain)
Solar Rebates)

File No. ET-2014-0277

AFFIDAVIT OF THOMAS M. IMHOFF

STATE OF MISSOURI)
) ss
COUNTY OF COLE)


Thomas M. Imhoff, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Thomas M. Imhoff

Subscribed and sworn to before me this 7th day of May, 2014.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086



Notary Public