

Exhibit No.:
Issues: Solar Rebates
Witness: Daniel I. Beck
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ET-2014-0071
Date Testimony Prepared: September 30, 2013

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

DANIEL I. BECK

**KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ET-2014-0071**

*Jefferson City, Missouri
September 2013*

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power &)
Light Company's Application for) Case No. ET-2014-0071
Authorization to Suspend Payment of)
Certain Solar Rebate Tariffs)

AFFIDAVIT OF DANIEL I. BECK

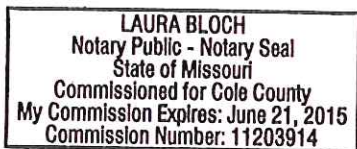
STATE OF MISSOURI)
) ss
COUNTY OF COLE)


Daniel I. Beck, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 11 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Daniel I. Beck

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





Notary Public

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SURREBUTTAL TESTIMONY

OF

DANIEL I. BECK

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ET-2014-0071

10 Q. Please state your name and business address.

11 A. Daniel I. Beck and my business address is Missouri Public Service
12 Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

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

14 A. I am employed by the Missouri Public Service Commission (“Commission”)
15 as the Manager of Engineering Analysis, which is in the Tariff, Safety, Economic and
16 Engineering Analysis Department in the Regulatory Review Division. My credentials are
17 attached as Schedule 1 to this testimony.

18 Q. What is the purpose of your surrebuttal testimony?

19 A. The purpose of this testimony is to respond to the rebuttal testimony of
20 Brightergy witness Adam Blake and the rebuttal testimony of The Missouri Solar Energy
21 Industries Association (“MOSEIA”) witness Ezra D. Hausman, Ph.D. on various issues raised
22 in their testimonies regarding the suspension of solar rebates by Kansas City Power & Light
23 Company (“KCPL” or “Company”).

24 Q. Please summarize your testimony.

25 A. The Staff (“Staff”) of the Missouri Public Service Commission
26 (“Commission”) recommends that the Commission authorize KCPL to suspend solar rebate
27 payments, as requested by KCPL. Staff’s position was given in the Rebuttal Testimonies of

1 Staff witnesses Claire M. Eubanks and Mark L. Oligschlaeger. Brightergy witness Blake and
2 MOSEIA witness Hausman have raised issues in rebuttal testimony that my Testimony and
3 Staff witness Mark L. Oligschlaeger's Surrebuttal Testimony address.

4 Q. In his Rebuttal Testimony, on page 4, Brightergy witness Adam Blake states
5 that "many solar customers would be harmed by the suspension of solar rebates upon only
6 sixty days' notice" . Is 60 days' notice consistent with Missouri Statutes?

7 A. Yes. House Bill 142 ("HB 142") was signed by Governor Jay Nixon on July
8 3, 2013, and became effective on August 28, 2013. This bill included changes to RSMo
9 393.1030.3 that include the following: "The commission shall rule on the suspension filing
10 within sixty days of the date it is filed."

11 Q. Does the statute allow the Commission to extend the sixty day notice if a party
12 might be harmed?

13 A. No.

14 Q. Is there anyone that might be harmed if the Commission does not rule on the
15 suspension filing within sixty days?

16 A. Yes. Assuming the maximum average retail rate increase is reached and the
17 payments continue, KCPL's ratepayers could be harmed if these costs are then passed on to
18 them in future rate proceedings. The PSC's Annual Report for 2012 shows that KCPL had
19 271,446 Missouri jurisdictional customers at the end of calendar year 2011.

20 Q. Would the additional payments result in significant costs to KCPL's 271,446
21 customers?

22 A. Yes. Although there is no way to determine the exact amount of payments that
23 would be made if the rebate payments are not suspended, Schedule TMR-1 of Company

1 witness Tim Rush's Direct Testimony estimates that the payments for November would be
2 \$2,126,968 and for December would be \$2,161,139. If you assume that an equal amount will
3 be paid out for each day in November, then each day would result in an additional \$70,899.
4 By subtracting the daily average for November 1 through November 8, the total additional
5 payments through the end of the year would be \$3,720,915. Each KCPL customer would then
6 be responsible for an additional \$13.71 ($\$3,720,915 / 271,446$ customers = \$13.71 per
7 customer) or an additional 26 cents per day ($\$13.71 / 53$ days = 26 cents per customer per
8 day). This would be in addition to the \$10,352,086 that KCPL estimated will be paid out
9 during calendar year 2013 through November 8. Although there has been no prudence
10 determination on the payments prior to November 8, these payments could result in an
11 average cost of \$38.14 ($\$10,352,086 / 271,446$ customers = \$38.14 per customer) for each
12 customer. In addition, ratepayers could potentially be required to pay carrying charges until
13 these payments are fully collected in rates. Finally, ratepayers are also potentially liable for
14 rebate payments that were made in 2010, 2011, and 2012. The table below shows the rebate
15 payments that were paid in previous years:

16	2010	\$175,562
17	2011	\$1,305,290
18	2012	\$4,317,812

19 Given the significant costs that have been reported by the Company for solar rebates,
20 KCPL's 271,446 ratepayers could be harmed if the payments are not suspended.

21 Q. In the answer you just gave, you estimated that the average daily payment in
22 November is \$70,899, but the total of the payments that were made in calendar year 2010 was
23 \$175,562. Explain?

1 A. The numbers reflect the values reported by the Company. The fact that the
2 payments for two and one-half days in November 2013 are estimated to be approximately the
3 same as the payments for all of calendar year 2010 is a good illustration of how quickly this
4 program has grown and how important it is to make a determination in this case.

5 Q. Should Brightergy witness Blake be surprised by the 60 day requirement?

6 A. No. On page 6, lines 15-17 of his testimony, witness Blake states “During the
7 2012-13 legislative session, Brightergy and the solar industry worked with the electric utilities
8 located in Missouri, including KCPL, to draft for consideration by the Missouri Legislature,
9 the recently enacted House Bill 142.” It is not logical to claim that sixty days’ notice is
10 unreasonable when his statement indicates that Brightergy was part of the drafting process for
11 HB 142, which includes the 60 day requirement.

12 Q. On page 6, lines 20-21 of Brightergy witness Blake’s testimony he states,
13 “Brightergy and the solar industry were completely blindsided when KCP&L filed its initial
14 request that the MPSC suspend KCP&L’s solar rebate tariff.” However, Company witness
15 Tim M. Rush’s Direct Testimony discusses a meeting between the Company and the solar
16 industry on June 20, 2013 where the solar industry was informed of KCPL’s belief that it
17 would exceeded the one percent (1%) retail rate impact limit in November. What is your
18 recollection of these events?

19 A. From my investigation in this matter, it is my understanding that KCPL
20 announced to the solar industry in June 2013 its intention to file to suspend solar rebates in
21 November. If the Commission suspends solar rebate payments as proposed by KCPL, the
22 solar industry will have received at least 120 days’ notice, compared to the 60 days’ notice
23 Brightergy is now opposing.

1 I would also note that KCPL's solar rebate tariffs, which have been in place since
2 early 2010, gave the Company the right to stop paying solar rebates when the Company
3 determined that it had exceeded the one-percent retail rate impact limit. These tariffs are on
4 Sheets 46 and 47.

5 Q. Brightergy witness Blake discusses the Staff's Report on Company's RES
6 Compliance Plan, filed in MPSC File No. EO-2012-0348. Did the Staff Report in File No.
7 EO-2012-0348 address the projected rate impacts on KCPL for 2013?

8 A. Yes. The following statement is a direct quote from Staff's Report for KCPL that
9 was filed on May 31, 2012:

10 "Dependent on the expenditures associated with S-REC
11 purchases and solar rebates for calendar year 2013 and 2014,
12 the one percent (1%) rate impact limit could be reached.
13 However, the three (3) year average rate impact should not
14 exceed one percent. The Company will monitor the amount of
15 solar rebates closely. The Company provided the basis for its
16 determination and summarized the projected rate impact as
17 0.78% for calendar year 2012 and 0.92% based on a three year
18 average (2012-2014)."
19

20 KCPL's 2012 Plan and the Staff's Report regarding that Plan, both filed in EO-2012-
21 0348, clearly notified the solar industry of the possibility that KCPL might exceed the 1% rate
22 impact limit in 2013 over a year before the currently proposed November 9, 2013 suspension
23 date.

24 Q. On pages 6, 7 and 8 of Brightergy witness Blake's rebuttal testimony, he
25 describes how Staff includes both capital and energy costs in its calculation to meet future
26 portfolio requirements, then states his opinion that purchasing RECs is the least cost method
27 to comply with 4 CSR 240-20.100(5)(B). Does Staff agree with his conclusion that

1 purchasing RECs should be the method to meet future resource needs to comply with 4 CSR
2 240-20.100(5)(B)?

3 A. No. 4 CSR 240-20.100(5)(B) clearly states that “renewable resources” need to
4 be added to meet the portfolio standards for the 10 year plan period. 4 CSR 240-20.100(1)(K)
5 defines “renewable resources” while 4 CSR 240-20.100(1)(J) defines “RECs.” These two
6 definitions clearly state that RECs are not a renewable resource and, therefore, RECs do not
7 meet the requirements of 4 CSR 240-20.100(5)(B).

8 Q. If RECs cannot be used to meet the planning requirements of 4 CSR 240-
9 20.100(5)(B), can RECs be used to meet the current year’s portfolio requirements?

10 A. Yes, RECs can be used to meet the current year’s portfolio requirements. The
11 rule makes this distinction in several ways, but one of the most obvious distinctions is that
12 4 CSR 240-20.100(7) is titled, “Annual RES Compliance Report and RES Compliance Plan.”
13 4 CSR 240-20.100(7)(A) goes on to lay out the requirements of the Annual RES Compliance
14 Report while 4 CSR 240-20.100(7)(B) lays out the requirements for the RES Compliance
15 Plan. These are two distinct sets of requirements that are required to be filed on the same day.

16 Q. Are the solar rebates that Brightergy witness Blake recommends be continued
17 without interruption the least-cost method of complying with the portfolio requirements?

18 A. No. Staff witness Claire M. Eubanks in her rebuttal testimony at page 11
19 shows the cost of solar rebates at \$2.00 per Watt. When converted to dollars per MWh using
20 PVWatts default assumptions for the Kansas City area the result is \$152.40 per S-REC (solar
21 REC). Even if this price is discounted by the 1.25 factor to reflect the credit for in-state
22 generation, the cost would still be \$121.92 ($\$152.40 * 1.25 = \121.92) per S-REC. Based on
23 my review of various highly confidential filings by the Missouri electric utilities, this is at

1 | least 10 times the cost of S-RECs currently being sold from states such as Florida and
2 | California.

3 | Q. Is this the only reason that acquiring S-RECs by paying out solar rebates is not
4 | a cost effective way to meet the portfolio requirements?

5 | A. No. If you assume that KCPL's Missouri jurisdictional retail sales for 2011 is
6 | approximately the same as the retail sales it will have in 2021, the first year that the portfolio
7 | requirement reaches the maximum value, then 20,995 S-RECs would be required, assuming
8 | the S-RECs are from Missouri-based solar facilities. $(8,747,837 \text{ MWh} * 15\% * 2\% / 1.25 =$
9 | $20,995)$ To achieve 20,995 S-RECs annually by means of S-RECs acquired from solar
10 | systems for which KCPL pays rebates, \$31,996,386 in solar rebates would have to be paid out
11 | based on a rebate level of \$2.00 per Watt. $(20,995 \text{ S-RECs} * \$152.40 * 10 \text{ years} =$
12 | $\$31,996,386)$ The expenditure of nearly \$32 million to meet only 2% of the portfolio
13 | requirements for the year 2021 would significantly limit the funds available to procure the
14 | remaining 98% of RECs required in 2021.

15 | Q. On page 11, lines 3-4 of the rebuttal testimony of Brightergy witness Blake he
16 | states, "Limiting the amount of solar rebate funds available to customer-generators each year
17 | as KCPL proposes is simply not workable in the current environment." Does Staff agree?

18 | A. No. Although Staff disagrees with the calculations of KCPL, the basic concept
19 | that solar rebate funds can be limited is based firmly on the statutes, rules, and tariffs that are
20 | in place for solar rebates. HB 142 included provisions that further defined a utility's ability to
21 | suspend solar rebates and therefore strengthened the statutes regarding limiting solar rebates.

1 As for the specific calculations of the retail rate limit that have been offered in this
2 case, although Staff and the Company have very different calculations, both conclude that the
3 retail rate limit will be exceeded by November 9, 2013.

4 Q. Is there a reason other than the statutes, rules and tariffs that supports the
5 suspension of the solar rebates in the current environment?

6 A. Yes. A key component of the Renewable Energy Standard has always been the
7 consumer protection that is offered by the retail rate impact limit. If this key component of
8 the Renewable Energy Standard is to be ignored, I believe that the public's trust would be
9 undermined.

10 Q. On pages 11-14 of his rebuttal testimony Brightergy witness Blake describes a
11 Compromise Proposal. Does that proposal comply with the statutes, rules and tariffs that are
12 currently in place?

13 A. No. This proposal would not provide consumers the protection offered by the
14 retail rate impact limit and, therefore, does not comply with the statutes, rules and tariffs that
15 are in effect. Although this discussion claims that this compromise "will not affect the funds
16 available for the future allocation of wind generation" [Blake Rebuttal, page 14, lines 5-6],
17 Staff maintains that there is a limited amount of dollars available for renewable resources and
18 if a significant amount is spent on solar rebates in the early years, there will be less funds
19 available when the portfolio requirements ramp up as required by the statute.

20 Q. MOSEIA witness Erza D. Hausman Ph.D., on page 3, lines 21-23, of his
21 rebuttal testimony states the following, "It is premature, overly conservative, and
22 inappropriate to include unknown future cost of additional RES-related wind in calculating

1 | the RRI during the years before such resources are constructed or procured.” What is Staff’s
2 | response to this statement?

3 | A. His claim that the RRI (“Retail Rate Impact”) should not include costs until a
4 | resource is constructed or procured demonstrates a lack of understanding that the Retail Rate
5 | Impact section of the Renewable Energy Standard Rules, 4 CSR 240-20.100(5), defines a
6 | planning process.

7 | Q. Does MOSEIA witness Hausman further discuss this concept in his Rebuttal
8 | Testimony?

9 | A. Yes. Starting at page 9, line 10 and continuing to page 11, line 13, MOSEIA
10 | witness Hausman discusses how he believes future wind projects should be treated. This
11 | description is not based on the Commission’s Rules but is instead based what he terms as “the
12 | generally accepted principle that cost should be accounted for in rates over a time period
13 | consistent with the duration of the associated benefits.” [Hausman Rebuttal, page 10, lines 6-
14 | 8] While this statement generally describes one of the principles used in the process for
15 | setting rates in Missouri, it does not reflect the requirements of the Retail Rate Impact
16 | calculation required by the Rule nor does it reflect the reality that all of the solar rebates that
17 | have been paid out prior to August 28, 2013 did not provide the Company with either energy
18 | or S-RECs. Instead of this resulting in direct benefits to the Company and KCPL’s
19 | ratepayers, the primary result will be that ratepayers will have to pay for prudently incurred
20 | solar rebates in future rates and that the Company will be obligated to procure all of the net
21 | power generated from these facilities under the net metering statutes, rules and tariffs. Under
22 | the net metering requirements, the customer-generator will then be compensated for this
23 | generation at the full retail rate as defined by the tariff serving that customer, up to the level of

1 their usage for any given month. This obligation to purchase the energy is not a benefit, it is
2 an additional cost.

3 Q. How do you interpret the statement that “The people of Missouri should not be
4 denied the renewable energy and job-creating benefits of these programs today because of
5 vague projections of future resource costs that may well turn out to be over-stated or
6 nonexistent.” on page 11, lines 8-10 of MOSEIA witness Hausman’s Rebuttal Testimony?

7 A. I interpret this statement to be a recommendation that the Commission should
8 ignore the results of the Retail Rate Impact calculations required by 4 CSR 240-20.100(5) and
9 continue to pay the solar rebates. I come to this conclusion because I see no other way that
10 “The people of Missouri should not be denied the renewable energy and job-related benefits
11 of these programs today...” without ignoring the calculation required by 4 CSR 240-
12 20.100(5). The idea of ignoring the results of the calculation required by 4 CSR 240-
13 20.100(5) is further reinforced by the remainder of the statement “because of vague
14 projections of future resource costs that may well turn out to be over-stated or nonexistent.”
15 Taken at face value, this second phrase would lead one to conclude that since all future plans
16 will include estimates that could be over-stated (or under-stated), planning has no value.

17 Q. Has the Commission placed a priority on Electric Resource Planning?

18 A. Yes. The Commission’s Electric Resource Planning Chapter, 4 CSR 240-22,
19 first went into effect on May 6, 1993. I was one of the Staff member’s that had input in the
20 original drafting of this Chapter. In the twenty years that have passed since that Chapter went
21 into effect, I believe the Commission has repeatedly reaffirmed the value of Electric Resource
22 Planning (often referred to as IRP). This Chapter was amended effective June 30, 2011, but
23 those changes did not change the importance of the process.

Surrebuttal Testimony of
Daniel I Beck

1 | Q. Does this conclude your surrebuttal testimony?

2 | A. Yes, it does.

Daniel I. Beck, P.E.

Manager of Engineering Analysis Section
Tariff, Safety, Economic and Engineering Analysis Department
Regulatory Review Division

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I graduated with a Bachelor of Science Degree in Industrial Engineering from the University of Missouri at Columbia. Upon graduation, I was employed by the Navy Plant Representative Office in St. Louis, Missouri as an Industrial Engineer. I began my employment at the Commission in November, 1987, in the Research and Planning Department of the Utility Division (later renamed the Economic Analysis Department of the Policy and Planning Division) where my duties consisted of weather normalization, load forecasting, integrated resource planning, cost-of-service and rate design. In December, 1997, I was transferred to the Tariffs/Rate Design Section of the Commission's Gas Department where my duties include weather normalization, annualization, tariff review, cost-of-service and rate design. Since June 2001, I have been in the Engineering Analysis Section of the Energy Department, which was created by combining the Gas and Electric Departments. I became the Supervisor of the Engineering Analysis Section, Energy Department, Utility Operations Division in November 2005 and my current title is Manager of Engineering Analysis.

I am a Registered Professional Engineer in the State of Missouri. My registration number is E-26953.

**List of Cases in which prepared testimony was presented by:
DANIEL I. BECK**

<u>Company Name</u>	<u>Case No.</u>
Union Electric Company	EO-87-175
The Empire District Electric Company	EO-91-74
Missouri Public Service	ER-93-37
St. Joseph Power & Light Company	ER-93-41
The Empire District Electric Company	ER-94-174
Union Electric Company	EM-96-149
Laclede Gas Company	GR-96-193
Missouri Gas Energy	GR-96-285
Kansas City Power & Light Company	ET-97-113
Associated Natural Gas Company	GR-97-272
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Missouri Gas Energy	GT-98-237
Ozark Natural Gas Company, Inc.	GA-98-227
Laclede Gas Company	GR-98-374
St. Joseph Power & Light Company	GR-99-246
Laclede Gas Company	GR-99-315
Utilicorp United Inc. & St. Joseph Light & Power Co.	EM-2000-292
Union Electric Company d/b/a AmerenUE	GR-2000-512
Missouri Gas Energy	GR-2001-292
Laclede Gas Company	GR-2001-629
Union Electric Company d/b/a AmerenUE	GT-2002-70
Laclede Gas Company	GR-2001-629
Laclede Gas Company	GR-2002-356
Union Electric Company d/b/a AmerenUE	GR-2003-0517
Missouri Gas Energy	GR-2004-0209
Atmos Energy Corporation	GR-2006-0387
Missouri Gas Energy	GR-2006-0422
Union Electric Company d/b/a AmerenUE	GR-2007-0003
The Empire District Electric Company	EO-2007-0029/EE-2007-0030
Laclede Gas Company	GR-2007-0208
The Empire District Electric Company	EO-2008-0043
Missouri Gas Utility, Inc.	GR-2008-0060
The Empire District Electric Company	ER-2008-0093
Trigen Kansas City Energy Corporation	HR-2008-0300

Union Electric Company d/b/a AmerenUE	ER-2008-0318
Kansas City Power & Light Company	ER-2009-0089
KCP&L Greater Missouri Operations Company	ER-2009-0090
Missouri Gas Energy	GR-2009-0355
The Empire District Gas Company	GR-2009-0434
Union Electric Company d/b/a AmerenUE	ER-2010-0036
Laclede Gas Company	GR-2010-0171
Atmos Energy Corporation	GR-2010-0192
Kansas City Power & Light Company	ER-2010-0355
KCP&L Greater Missouri Operations Company	ER-2010-0356
Union Electric Company d/b/a Ameren Missouri	GR-2010-0363
Kansas City Power & Light Company	ER-2012-0174
KCP&L Greater Missouri Operations Company	ER-2012-0175
Chaney vs. Union Electric Company	EO-2011-0391
Veach vs. The Empire District Electric Company	EC-2012-0406
The Empire District Electric Company	ER-2012-0345
KCP&L Greater Missouri Operations Company	ET-2014-0059