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MEEIA Proposal

Public Counsel

EO-2014-0095

SURREBUTTAL TESTIMONY
OF
BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. EO-2014-0095

April 14, 2014

SURREBUTTAL TESTIMONY
OF
BARBARA MEISENHEIMER
KANSAS CITY POWER & LIGHT

CASE NO. EO-2014-0095

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel,
3 P. O. 2230, Jefferson City, Missouri 65102. I am also an adjunct instructor for
4 William Woods University.

5 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

6 A. Yes, I filed rebuttal testimony on March 28, 2014.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. This testimony responds to the rebuttal testimony of the Missouri Public Service
9 Commission Staff (Staff) regarding the Demand-Side Management (DSM)
10 Programs and Demand-Side Programs Investment Mechanism (DSIM) proposed
11 by Kansas City Power and Light (KCP&L).

12 **Q. PLEASE SUMMARIZE YOUR RESPONSE TO THE STAFF'S EVIDENCE, POSITIONS AND**
13 **RECOMMENDATIONS.**

1 A. The Staff provides extensive and persuasive evidence that KCP&L's Application
2 for DSM Programs and a DSIM recovery mechanism under MEEIA are deficient,
3 overstate savings and are not consistent with the Commission's DSM and DSIM
4 rules. Public Counsel agrees with Staff's conclusion that KCP&L's proposal
5 should be rejected based on violation of the Stipulation and Agreement in EO-
6 2005-0329, and based on the merits of the Company's filing.

7 **Q. IF DESPITE THE STAFF AND PUBLIC COUNSEL RECOMMENDATIONS TO REJECT**
8 **KCP&L'S APPLICATION, THE COMMISSION DECIDES TO CONDITION APPROVAL**
9 **ON PRESCRIBED MODIFICATIONS, DOES PUBLIC COUNSEL AGREE WITH THE**
10 **STAFF'S PROPOSED METHOD OF DETERMINING THE INCENTIVE COMPENSATION**
11 **COMPONENT OF THE DSIM?**

12 A. No. The Staff appears to support allowing KCP&L a similar performance
13 incentive mechanism as was agreed to in the Stipulation and Agreement in Case
14 No. EO-2012-0142 for Ameren Missouri and the Stipulation and Agreement in
15 Case No. EO-2012-0009 for KCP&L Greater Missouri Operations. Under these
16 Stipulation and Agreements, the performance incentive is determined as a
17 percentage of annual net shared benefit as determined by EM&V. It is important
18 to note that this measure does not require a threshold level of performance before
19 incentives are awarded. This method also does not cap or directly align the level
20 of incentive with the level of expenditures on DSM programs.

1 **Q. HOW DOES THE STAFF PROPOSAL FOR A PERFORMANCE INCENTIVE MECHANISM**
2 **DIFFER FROM PUBLIC COUNSEL’S PROPOSAL?**

3 A. In rebuttal testimony, I explained that the amount of funds that are made available
4 to the Company for the performance incentive should be tied to budget projections
5 of DSIM cost recovery and that the utility’s earned share for the performance
6 incentive should be based on the level of annual net benefits achieved and verified
7 through EM&V. Further, I recommended that the incentive should be tiered to
8 include: (a) a threshold amount of actual achieved annual net benefits below
9 which no incentive is earned; (b) a planned amount equal to the estimated amount
10 of annual net benefits from the DSM plan; and (c) a cap that ties the total amount
11 of shareholder incentive that could be awarded to the Company to the level of
12 DSM Program costs.

13 **Q. WHY DID YOU RECOMMEND THAT THE PERFORMANCE INCENTIVE BE BASED**
14 **UPON THE ESTIMATED LEVEL OF ANNUAL DSM PROGRAM COSTS?**

15 A. My direct testimony provides a detailed discussion of the reasons that Public
16 Counsel supports a performance incentive based upon the estimated level of
17 annual DSM program costs. In summary, tying the incentive award to program
18 costs helps to ensure that the magnitude of the performance incentive is in line
19 with the magnitude of the demand-side programs. This is especially important in
20 this case since, unlike the Ameren and KCP&L-GMO incentives, the factors
21 which determine the level of incentive in this case are not the product of a
22 Stipulation and Agreement according to which each signatory party has found

1 that, on balance, the factors produce satisfactory results. The Staff has identified a
2 number of issues with the Application that are likely to result in overestimated
3 savings and in turn excess earnings. Establishing a direct link between DSM
4 Program expenditures and the allowed incentive compensation provides an
5 incentive for the Company to develop and implement cost-effective programs.

6 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

7 **A. Yes, it does.**

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