

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

In the Matter of KCP&L Greater Missouri	)	
Operations Company's Application for Approval	)	
of Demand-Side Programs and for Authority to	)	<b><u>File No. EO-2012-0009</u></b>
Establish a Demand-Side Programs Investment	)	
Mechanism	)	

**STAFF RECOMMENDATION TO APPROVE DEMAND-SIDE PROGRAMS  
BUDGET MODIFICATIONS**

**COMES NOW** Staff of the Missouri Public Service Commission, by and through the undersigned counsel, and hereby responds to the Commission's March 9, 2016 *Order Directing Filing* ("Order") directing the Staff to file its recommendation regarding KCP&L Greater Missouri Operations Company's ("GMO") Application for Approval of Demand-Side Programs Budget Modifications ("Application") for its MEEIA Cycle 1 programs so that GMO may continue paying for completed MEEIA Cycle 1 program applications. In further support of its recommendation to approve the budget modifications, Staff states:

1. GMO filed its Application on March 8, 2016 as required by Commission rule 4 CSR 240-20.094(4) which requires a utility to file an application for approval of budget modifications to its demand-side programs when the utility's spending varies from its approved MEEIA (Missouri Energy Efficiency Investment Act) budget by more than 20%.

2. In its Application, GMO estimates that its actual Cycle 1 program costs may be as high as \$62.4 million or 142% of the original \$43.9 million Cycle 1 budget. The estimate of increased cost is due to a high level of participation in the GMO Business Energy Efficiency Rebates-Custom program ("Custom Rebate Program").

Increased participation largely results from the aggressive promotion of the Custom Rebate Program by trade allies to take advantage of the more generous Cycle 1 rebates before the mid December 2015 end date for project applications and the June 30, 2016 deadline for completing Custom Rebate Program projects.

3. The Staff has reviewed GMO's Application and has performed an analysis of the costs incurred from demand-side programs over the Cycle 1 period. For reasons more fully explained in Staff's Memorandum, attached as Appendix A and incorporated herein, the Staff recommends the Commission approve the budget modifications requested by GMO in its March 8<sup>th</sup> Application.

**WHEREFORE**, Staff prays the Commission accept its recommendation in response to the Commission's Order.

Respectfully submitted,

**/s/ Robert S. Berlin**

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Attorney for Staff of the  
Missouri Public Service Commission

#### **CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been emailed this 4th day of April, 2016 to all counsel of record in this proceeding.

**/s/ Robert S. Berlin**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case Files  
Case No. EO-2012-0009  
KCP&L Greater Missouri Operations Company

FROM: John A. Rogers, Utility Regulatory Manager

/s/ Natelle Dietrich 4/4/2016  
Commission Staff Director

/s/Robert S. Berlin 4/4/2016  
Staff Counsel Department

SUBJECT: Recommendation for Approval of KCP&L Greater Missouri Operations Company's Demand-Side Programs Budget Modification.

DATE: April 4, 2016

On March 8, 2016, KCP&L Greater Missouri Operations Company ("GMO") filed with the Commission its *Application for Approval of Demand-Side Programs Budget Modifications* ("Application"). In its Application, filed pursuant to 4 CSR 240-20.094(4),<sup>1</sup> GMO estimates that its actual Cycle 1 programs costs may be as high as \$62.4 million, which is 142% of the original \$43.9 million Cycle 1 budget, due to the very high level of participation in the GMO Business Energy Efficiency Rebates-Custom program ("Custom Rebate Program").

Under a December 11, 2015 *Non-Unanimous Stipulation and Agreement Resolving MEEIA Cycle 1 Transition Period*,<sup>2</sup> the following process defines how the Cycle 1 Custom Rebate Program's projects will be processed, completed and paid:

- December 15, 2015 – last day for submission of an application for the Custom Rebate Program;
- January 31, 2016 – last day for approval of an application for the Custom Rebate Program;
- June 30, 2016 – last day for completion of Custom Rebate Program projects and submission of complete paperwork by customers; and
- July 31, 2016 – last day for final payment of rebates for Custom Rebate Program.

On December 22, 2015, the Commission approved the *Non-Unanimous Stipulation and Agreement Resolving MEEIA Cycle 1 Transition Period* – to be effective on December 31, 2015, after finding the stipulation and agreement to be in the public interest.

As described in more detail below, Staff has completed its review of the Application and recommends that the Commission approve the budget modification requested by GMO.

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<sup>1</sup> 4 CSR 240-20.094(4) provides that when a utility's spending varies from its approved MEEIA budget by more than 20%, the utility is to file an application for approval of modifications to its demand-side programs.

<sup>2</sup> GMO and Staff are the only parties to the December 11, 2015 *Non-Unanimous Stipulation and Agreement Resolving MEEIA Cycle 1 Transition Period*. However, the non-signatory parties did not oppose the stipulation and agreement within seven days of its filing. Therefore, pursuant to Commission Rule 4 CSR 240-2.115(2), the Commission treated the stipulation and agreement as unanimous and approved it on December 22, 2015.

Commission approval of the Application will allow GMO to exceed its original Cycle 1 budget by more than 20% and to honor obligations it has with its customers as a result of the *Non-Unanimous Stipulation and Agreement Resolving MEEIA Cycle 1 Transition Period*.

### Staff Analysis

Staff's analysis of the Application is summarized in Staff's Table 1 and Charts 1, 2 and 3.

**Table 1**

GMO MEEIA Cycle 1	Original Budget	Current Estimated Costs (1)	Cost Variance \$	Cost Variance %
Building Operator Certification	\$ 185,752	\$ 63,039	\$ (122,713)	-66%
Business Energy Analyzer	\$ 338,210	\$ 56,930	\$ (281,280)	-83%
<b>Business Custom Rebate</b>	<b>\$ 8,073,276</b>	<b>\$ 35,259,499</b>	<b>\$ 27,186,224</b>	<b>337%</b>
Business Standard Rebate	\$ 2,887,646	\$ 2,575,002	\$ (312,644)	-11%
Demand Response Incentive	\$ 3,192,988	\$ 1,702,713	\$ (1,490,275)	-47%
Total Business	\$ 14,677,871	\$ 39,657,183	\$ 24,979,312	170%
Air Conditioning Upgrade Rebate	\$ 9,011,486	\$ 5,243,128	\$ (3,768,358)	-42%
ENERGYSTAR-Qualified New Homes	\$ 3,555,016	\$ 466,552	\$ (3,088,464)	-87%
Home Appliance Rebates	\$ 559,296	\$ 1,903,338	\$ 1,344,042	240%
Home Appliance Recycling Rebate	\$ 561,936	\$ 1,685,744	\$ 1,123,808	200%
Home Energy Analyzer	\$ 338,212	\$ 332,303	\$ (5,909)	-2%
Home Energy Report Pilot	\$ 1,829,752	\$ 2,016,676	\$ 186,924	10%
Home Lighting Rebate	\$ 2,110,972	\$ 3,352,655	\$ 1,241,683	59%
Home Performance Rebate with ENERGYSTAR	\$ 3,864,236	\$ 1,287,177	\$ (2,577,059)	-67%
Income-Eligible Weatherization	\$ 1,271,232	\$ 967,523	\$ (303,709)	-24%
Multi-Family Energy Efficiency Rebate	\$ 372,863	\$ 31,132	\$ (341,731)	-92%
Programmable Thermostat	\$ 5,008,528	\$ 4,534,493	\$ (474,035)	-9%
Total Residential	\$ 28,483,528	\$ 21,820,721	\$ (6,662,807)	-23%
All Program Costs	\$ 782,673	\$ 965,544	\$ 182,871	23%
<b>Total Portfolio</b>	<b>\$ 43,944,072</b>	<b>\$ 62,443,448</b>	<b>\$ 18,499,376</b>	<b>42%</b>
<b>Total Portfolio less Custom Rebate</b>	<b>\$ 35,870,796</b>	<b>\$ 27,183,949</b>	<b>\$ (8,686,847)</b>	<b>-24%</b>

(1) Costs are from Appendix B of KCP&L Greater Missouri Operations Company's Application for Approval of Demand-Side Programs Budget Modifications filed March 8, 2016.

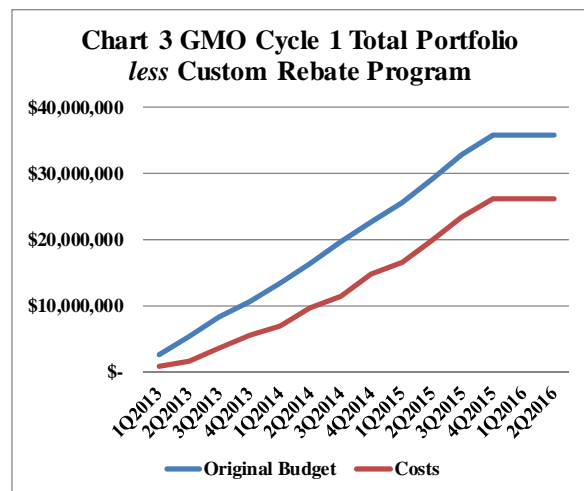
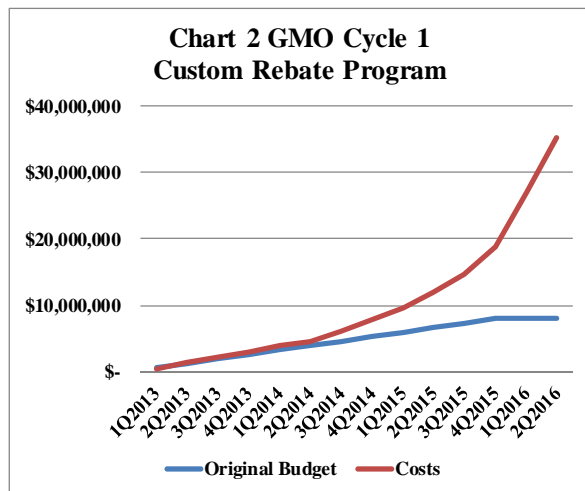
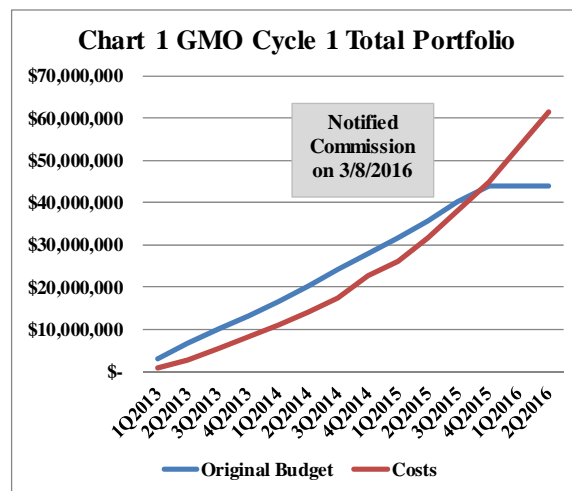


Table 1 illustrates that GMO's Cycle 1 total portfolio expenditures are expected to be \$62,443,448, which is \$18,499,376 greater than the original Cycle 1 budget of \$43,944,072. However, the Custom Rebate Program expenditures are expected to be \$35,259,499, which is \$27,186,224 greater than the original Cycle 1 budget of \$8,073,276 for the Custom Rebate Program. Cycle 1 programs other than the Custom Rebate Program are expected to have total expenditures of \$27,183,949, which is \$8,686,847 less than the Cycle 1 budget of \$35,870,796 for these programs.

Chart 1 illustrates the timing and magnitude of total portfolio expenditures relative to original Cycle 1 budget. Chart 1 illustrates that GMO did notify the Commission on March 8, 2016 in compliance with the 4 CSR 240-20.094(4) requirement to notify the Commission whenever the utility's expenditures have exceeded the approved budget by 20% or more.

Chart 2 illustrates the dramatic increase in Custom Rebate Program costs beginning in the third quarter 2015 and continuing through the end of the Cycle 1 Transition Period at the end of the second quarter 2016. The dramatic increase in Custom Rebate Program costs is a result of: 1) the aggressive promotion of the Custom Rebate Program by trade allies to take advantage of the more generous Cycle 1 rebates prior to the mid December 2015 end date for Cycle 1 project applications, and 2) the June 30, 2016 deadline for completing Custom Rebate Program projects.

Finally, Chart 3 illustrates that all Cycle 1 programs other than the Custom Rebate Program have collectively under spent their Cycle 1 program budgets throughout the 3-year Cycle 1 period.

**Staff Recommendation**

Staff recommends that the Commission approve the budget modification described in the Application. Commission approval of the Application will allow GMO to honor obligations it has with its customers as a result of the Commission-approved *Non-Unanimous Stipulation and Agreement Resolving MEEIA Cycle 1 Transition Period*.

Staff has verified that GMO has filed its 2014 annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**


In the Matter of KCP&L Greater Missouri )  
Operations Company's Notice of Intent to ) Case No. EO-2012-0009  
File an Application for Authority to Establish )  
a Demand-Side Programs Investment )  
Mechanism )

**AFFIDAVIT OF JOHN A. ROGERS**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW** John A. Rogers and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Memorandum; and that the same is true and correct according to his best knowledge and belief.

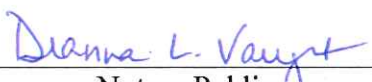
Further the Affiant sayeth not.

  
\_\_\_\_\_  
John A. Rogers

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 1st day of April, 2015.

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 28, 2019  
Commission Number: 15207377

  
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Notary Public