

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

In the Matter of Kansas City Power & Light)
Company's Application for Approval of Demand-)
Side Programs and for Authority to Establish a) **File No. EO-2014-0095**
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 Kansas City Power & Light Company's ("KCPL") Application for Approval of Demand-Side Programs Budget Modifications ("Application") for its MEEIA Cycle 1 programs so that KCPL may continue paying for completed MEEIA Cycle 1 program applications. In further support of its recommendation to approve budget modifications, Staff states:

1. KCPL filed its Application 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%. Staff notes this Application, filed on March 8, 2016, is the second application filed by KCPL to modify its Cycle 1 programs budget.

2. Previously, on November 13, 2015, KCP&L filed its first application to modify its Cycle 1 program budget based on the then most current cost tracking information known at that time. In the first application KCPL estimated its Cycle 1 costs

would be about \$32.6 million or 170% of the original \$19.2 million Cycle 1 budget due to higher than expected participation in its Business Energy Efficiency Rebates-Custom program (“Custom Rebate Program”). On December 2, 2015, the Commission granted KCPL approval to exceed its original Cycle 1 budget by more than 20% based on cost estimates presented in the November 13th application.

3. In the March 8th Application now before the Commission, KCPL estimates that its actual Cycle 1 program costs may be as high as \$49.9 million or 260% of the original \$19.2 million Cycle 1 budget. This increase is due to 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.

4. The Staff has reviewed KCPL’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 KCPL in its March 8th 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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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-2014-0095
Kansas City Power & Light 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 Kansas City Power & Light Company's
Demand-Side Programs Budget Modification.

DATE: April 4, 2016

On March 8, 2016, Kansas City Power & Light Company ("KCPL") 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),¹ KCPL estimates that its actual Cycle 1 programs costs may be as high as \$49.9 million, which is 260% of the original \$19.2 million Cycle 1 budget, due to the very high level of applications for the KCPL Business Energy Efficiency Rebates-Custom program ("Custom Rebate Program") starting at the end of the third quarter of 2015 and continuing into the fourth quarter of 2015.

This is the second KCPL request to modify its Cycle 1 budget. On November 13, 2015, KCPL filed its *Application for Approval of Modifications of Demand-Side Programs* in which KCPL estimated that its actual Cycle 1 programs costs would be approximately \$32.6 million, which is 170% of the original \$19.2 million Cycle 1 budget, due to higher than expected level of participation in its Custom Rebate Program. The Commission's December 2, 2015 *Order Approving Application of Modifications of Demand-Side Programs* found the November 13 application to be reasonable and granted approval for KCPL to exceed the original Cycle 1 budget by more than 20%.

Under a December 11, 2015 *Non-Unanimous Stipulation and Agreement Resolving MEEIA Cycle 1 Transition Period*,² 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

¹ 4 CSR 240-20.094(4) provides that when a company'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.

² KCPL 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.

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 KCPL. Commission approval of the Application will allow KCPL 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

KCPL MEEIA Cycle 1	Original Budget	Current Estimated Costs (1)	Costs Variance \$	Costs Variance %
Building Operator Certification	\$ 61,750	\$ 61,099	\$ (651)	-1%
Business Energy Analyzer	\$ 24,000	\$ 35,883	\$ 11,883	50%
Business Custom Rebate	\$ 6,165,575	\$ 38,041,731	\$ 31,876,156	517%
Business Standard Rebate	\$ 4,612,670	\$ 1,347,515	\$ (3,265,155)	-71%
Total Business	\$ 10,863,994	\$ 39,486,228	\$ 28,622,234	263%
Air Conditioning Upgrade Rebate	\$ 1,761,678	\$ 1,899,366	\$ 137,688	8%
Home Lighting Rebate	\$ 1,789,805	\$ 2,496,230	\$ 706,425	39%
Home Appliance Recycling Rebate	\$ 599,935	\$ 716,271	\$ 116,336	19%
Home Energy Analyzer	\$ 140,000	\$ 243,788	\$ 103,788	74%
Home Energy Report	\$ 535,778	\$ 664,383	\$ 128,605	24%
Home Energy Report Income Eligible	\$ 508,334	\$ 461,402	\$ (46,932)	-9%
Income-Eligible Weatherization	\$ 864,692	\$ 667,772	\$ (196,920)	-23%
Programmable Thermostat	\$ 2,111,627	\$ 2,716,542	\$ 604,915	29%
Total Residential	\$ 8,311,848	\$ 9,865,754	\$ 1,553,906	19%
General Strategic Initiative	\$ -	\$ 539,000	\$ 539,000	n/a
Total Portfolio	\$ 19,175,843	\$ 49,890,982	\$ 30,715,139	160%
Total Portfolio less Custom Rebate	\$ 13,010,268	\$ 11,849,251	\$ (1,161,017)	-9%

(1) Costs are from Appendix A of Kansas City Power & Light Company's Application for Approval of Demand-Side Programs Budget Modifications filed on March 8, 2016.

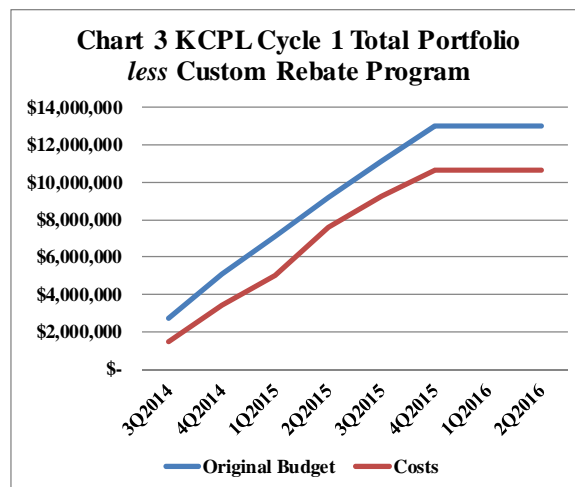
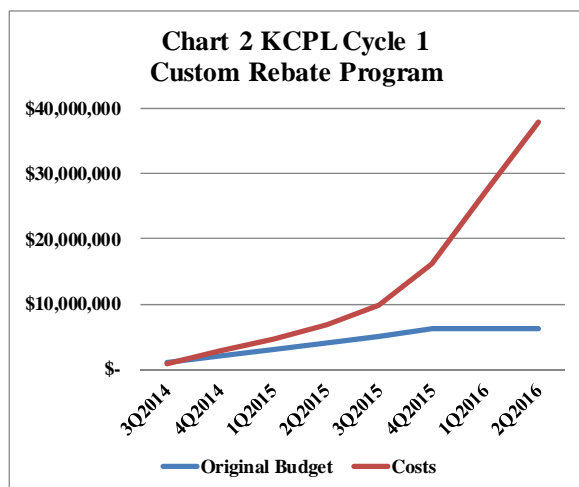
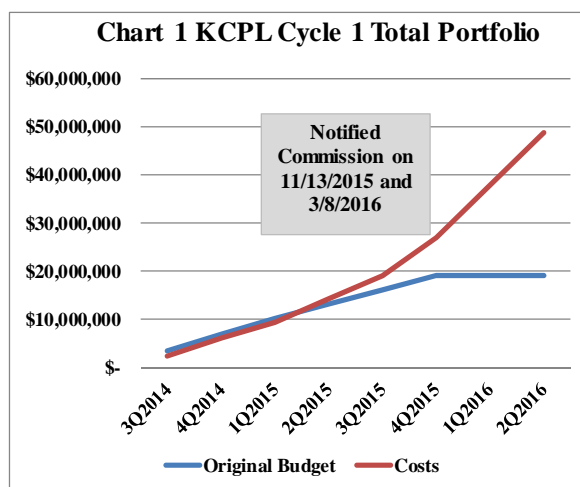


Table 1 illustrates that KCPL’s Cycle 1 total portfolio expenditures are expected to be \$49,890,982, which is \$30,715,139 greater than the original Cycle 1 budget of \$19,175,843. However, the Custom Rebate Program expenditures are expected to be \$38,041,731, which is \$31,876,156 greater than the original Cycle 1 budget of \$6,165,575 for the Custom Rebate Program. Cycle 1 programs other than the Custom Rebate Program are expected to have total expenditures of \$11,849,251, which is \$1,161,071 less than the Cycle 1 budget of \$13,010,268 for these programs.

Chart 1 illustrates the timing and magnitude of total portfolio expenditures relative to Cycle 1 budget. Chart 1 illustrates that KCPL did notify the Commission on November 13, 2015 and 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 project applications, and 2) the June 30, 2016 deadline for completing Customer 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 18-month 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 KCPL 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 KCPL 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 Kansas City Power & Light)
Company's Filing for Approval of Demand-) Case No. EO-2014-0095
Side Programs and 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.

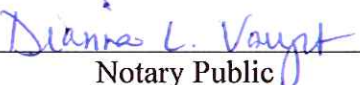


John A. Rogers

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



Notary Public