

Exhibit No.:
Issue: Demand Side Investment Mechanism
Rider
Witness: Tim M. Rush
Type of Exhibit: Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2017-0167
Date Testimony Prepared: December 1, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2017-0167

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
December 2016**

**Certain Schedules Attached To This Testimony Contain Highly Confidential Information.
All Such Information Should Be Treated Confidentially
Pursuant To 4 CSR 240-2.135.**

DIRECT TESTIMONY

OF

TIM M. RUSH

Case No. ER-2017-0167

1 **Q: Please state your name and business address.**

2 A: My name is Tim M. Rush. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L” or “Company”) as
6 Director, Regulatory Affairs.

7 **Q: What are your responsibilities?**

8 A: My general responsibilities include overseeing the preparation of rate cases, class cost of
9 service (“CCOS”) and rate design for both KCP&L and KCP&L Greater Missouri
10 Operations Company (“GMO”). I am also responsible for overseeing the regulatory
11 reporting and general activities as they relate to the Missouri Public Service Commission
12 (“MPSC” or “Commission”), including Missouri Energy Efficiency Investment Act
13 (“MEEIA”) filings.

14 **Q: Please describe your education, experience and employment history.**

15 A: I received a Master of Business Administration degree from Northwest Missouri State
16 University in Maryville, Missouri. I did my undergraduate study at both the University
17 of Kansas in Lawrence and the University of Missouri in Columbia. I received a
18 Bachelor of Science degree in Business Administration with a concentration in
19 Accounting from the University of Missouri in Columbia.

1 **Q: Please provide your work experience.**

2 A: I was hired by KCP&L in 2001 as the Director, Regulatory Affairs. Prior to my
3 employment with KCP&L, I was employed by St. Joseph Light & Power Company
4 (“Light & Power”) for over 24 years. At Light & Power, I was Manager of Customer
5 Operations from 1996 to 2001, where I had responsibility for the regulatory area, as well
6 as marketing, energy consultant and customer services area. Customer services included
7 the call center and collections areas. Prior to that, I held various positions in the Rates
8 and Market Research Department from 1977 until 1996. I was the Manager of that
9 department for 15 years.

10 **Q: Have you previously testified in a proceeding before the MPSC?**

11 A: I have testified on many occasions before the MPSC on a variety of issues affecting
12 regulated public utilities.

13 **Q: What is the purpose of your testimony?**

14 A: The purpose of my testimony is to support the rate schedules filed by KCP&L to adjust
15 the Demand Side Investment Mechanism (“DSIM”) Rider. My testimony will explain
16 the change to the DSIM components based upon actual and estimated performance in the
17 six-month period ending December 2016, as well as, forecasted performance through
18 June 2017 for Program Costs and Throughput Disincentive (“TD”). Additionally, I will
19 explain the inclusion of the performance incentive (“PI”) for Cycle 1. The proposed
20 change will result in an increase to a residential customer’s rate from \$0.00332 to
21 \$0.00391 per kWh. The proposed non-residential rate would decrease from \$0.01010 to
22 \$0.00433 per kWh.

1 **Q: What are the MEEIA rule requirements for adjustments of DSIM rates?**

2 A: The requirements for adjustment of DSIM rates are found in Commission Rules 4 CSR
3 240-20.093(4) and 4 CSR 240-3.163(8). In summary, the requirements outline that the
4 update filing include applicable DSIM rate tariff sheets, supporting testimony, and
5 inclusion of the following:

6 A) Amount of revenue that was over-collected or under-collected through the most
7 recent recovery period by rate class.

8 B) Proposed adjustments or refunds by rate class.

9 C) Electric utility's short term borrowing rate.

10 D) Proposed adjustments to the current DSIM rates.

11 E) Complete documentation for the proposed adjustments to the current DSIM rates.

12 F) Annual report as required by 4 CSR 240-20.093(8).

13 G) Any additional information the Commission ordered to be provided.

14 As part of my Direct Testimony, I have included the information required for update of
15 the DSIM rate in the attached Schedules TMR-1 through TMR-4. In addition, KCP&L's
16 2015 Demand-Side Program Annual Report, referenced in Item F above, was filed on
17 March 31, 2016 in Case No. EO-2016-0250.

18 **Q: Are you sponsoring this information?**

19 A: Yes, I am.

20 **Q: Please explain why KCP&L has filed adjusted DSIM Rider rate schedules at this**
21 **time?**

22 A: The Commission's rule governing DSIM filings and submission requirements for electric
23 utilities, specifically 4 CSR 240-20.093(4) and 4 CSR 240-3.163(8), require KCP&L to

1 make semi-annual adjustments of DSIM rates that reflect the amount of revenue that has
2 been over/under collected. Based upon actual and estimated performance during the six-
3 month time period(s), DSIM rates may be adjusted up or down. We are also including the
4 results of the performance incentive for Cycle 1 in this filing. Cycle 1 ended in
5 December 2015 with an extension for certain program extended through June 2016. The
6 Evaluation, Measurement and Verification (“EM&V”) process was completed for Cycle
7 1 in late 2016. This DSIM filing includes the recognition of the performance incentive
8 award that is the result of this EM&V for Cycle 1.

9 **Q: How did you develop the various DSIM rate components that make up the proposed**
10 **DSIM rate?**

11 A: As the DSIM tariff describes, the DSIM rate components consist of projected Program
12 Costs and projected TD associated with Cycle 2 for January 2017 through June 2017 and
13 the reconciliation of expected Program Costs and expected TD/TD-NSB for both Cycles
14 1 and 2 through December 2016. Additionally, in this DSIM filing are the results of the
15 performance incentive from Cycle 1. The performance incentive is to be recovered over
16 an eighteen month period, so essentially one-third of the performance incentive is
17 reflected in the DSIM rate in this filing. These amounts are divided by the projected
18 retail sales, excluding opt-out sales from customers for February 2017 through July 2017,
19 to develop a rate to be used in the DSIM rate. All of this is separately distinguished
20 between Residential and Non-Residential.

21 **Q: Would you describe how the performance incentive for Cycle 1 was calculated?**

22 A: The Performance Incentive was calculated using the detailed EM&V Report Appendix E
23 (2014) and G (2015). The results of the EM&V and the avoided energy and demand

1 costs were loaded and run in the DSMore batch tools in order to calculate the Gross
2 Benefits. Inputs in DSMore for energy savings, demand savings, measure life,
3 participation, and NTG were updated with evaluated results. The avoided energy and
4 demand costs came from each of the IRPs for the respective periods and were adjusted to
5 reflect the probability weighted energy and demand costs for all scenarios in each of the
6 IRP filings which is detailed in Schedule TMR-4. Since the IRP is updated around April
7 1 of each year, the annual participation for each measure was separated into two periods:
8 the first three months and the last nine months.

9 For the Home Energy Reports and Home Energy Reports – Income Eligible
10 Programs, the calculations were performed in separate DSMore spreadsheets outside of
11 the batch tool.

12 Discounted Program Costs are then subtracted from the the Gross Benefits
13 calculated in the DSMore runs to determine Net Shared Benefits. The overall PI Percent
14 of Savings Earned was determined based on actual EM&V savings results compared to
15 targets net of Opt Outs weighted 90% on the kWh achievement level and 10% on the kW
16 achievement level. The performance incentive award percentage is determined by the
17 Performance Incentive Award table in the stipulation and agreement and the resulting
18 percentage was applied to the Net Shared Benefits in order to compute the Performance
19 Incentive for KCPL-MO MEEIA Cycle 1.

20 **Q: What was the result of performance incentive for Cycle 1?**

21 **A:** The performance incentive for Cycle 1 is \$9,917,518.

1 **Q: How does the tariff that governs the recovery of the DSIM indicate that the**
2 **performance incentive is to be recovered?**

3 A: Tariff Sheet 49 describes how the performance incentive award is to be computed and
4 recovered. The performance incentive award for Cycle 1 is to be recovered over an 18
5 month period, consistent with the 18 months that the Cycle 1 plan was designed. It is to
6 be divided up equally between three six-month periods. The performance incentive
7 award is to include the sum of an eighteen month annuity using the time-value adjustment
8 factor, not discounting the first period of a percentage of performance incentive. The rate
9 used to determine the time-value adjustment factor is 6.961%. Carrying costs are not to
10 accrue to the performance incentive award.

11 **Q: What is the calculation of the annuity?**

12 A: The annuity calculation is \$10,412,605.

13 **Q: How is the performance incentive to be split between the residential and non-**
14 **residential classes?**

15 A: The performance incentive award was allocated between the residential and non-
16 residential classes based on the EM&V verified energy savings attributed to those
17 classes. Residential energy savings represented 29.57% of the overall savings and non-
18 residential contributed 70.43%.

19 As a result of this allocation, residential will be allocated \$3,079,379 to be recovered
20 equally over three DSIM recovery periods (\$1,026,460 each period). The non-residential
21 class will similarly reflect an allocation of \$7,333,226 to be recovered equally over three
22 DSIM recovery periods (\$2,444,409 each period). A summary of the Cycle 1 PI
23 calculation has been included as Schedule TMR-3.

1 **Q: Please describe the impact of the change in costs and how it will affect KCP&L**
2 **customers.**

3 A: At this time, based on actual performance experienced through September 2016 and
4 forecasts through June 2017, the residential DSIM rate will be higher than the current rate
5 of \$0.00332 per kWh and will become \$0.00391 per kWh. For a residential customer
6 using 1,000 kWh's, this would mean an increase of \$0.59 per month.

7 The DSIM rate will decrease for the non-residential class from \$0.01010 per kWh to
8 \$0.00433 per kWh. For a non-residential customer, for every 1,000 kWh's used, this
9 would mean a decrease of \$5.77.

10 **Q: If the rate schedules filed by KCP&L are approved, what safeguards exist to ensure**
11 **that the revenues the Company bills to its customers do not exceed actual DSM**
12 **Program Costs, TD/TD-NSB incurred, as well as the earnings opportunity or**
13 **performance incentive?**

14 A: KCP&L's DSIM Rider mechanism and the Commission's rules provide two mechanisms
15 to ensure that amounts billed to customers do not exceed KCP&L's actual, prudently
16 incurred DSM Program Costs, TD/TD-NSB and earnings opportunity or performance
17 incentive. First, at the end of each recovery period, the Company is required to true up
18 amounts billed to customers through the DSIM Rider based upon Program Cost and
19 TD/TD-NSB actually incurred during that six-month period. Per MEEIA rule 4 CSR
20 240-20.093(4), these adjustments will be supported by complete documentation and
21 workpapers that demonstrate the need for DSIM rate adjustment. All proposed
22 adjustments and supporting documentation is subject to review by MPSC Staff and all
23 MEEIA stakeholders. Second, per MEEIA rule 4 CSR 240-20.093(10), KCP&L's DSIM

1 is subject to periodic prudence reviews by MPSC Staff to ensure that only prudently
2 incurred Program Costs and TD/TD-NSB are billed to customers through KCP&L's
3 DSIM. These two mechanisms serve as checks to ensure that the Company's customers
4 pay only the prudently incurred, actual Program Costs and TD/TD-NSB resulting from
5 implementation of MEEIA DSM programs.

6 **Q: What action is KCP&L requesting from the Commission with respect to the rate**
7 **schedules that the Company has filed?**

8 A: The Company requests the Commission approve the rate schedule to be effective as of
9 February 1, 2017.

10 **Q: Does that conclude your testimony?**

11 A: Yes, it does.

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

In the Matter of Kansas City Power & Light)
 Company's Demand Side Investment) Case No. ER-2017- 0167
 Mechanism Rider Rate Adjustment and True-Up)
 Required by 4 CSR 240.3.163(8))

AFFIDAVIT OF TIM RUSH

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Tim M. Rush, being first duly sworn on his oath, states:

1. My name is Tim M. Rush. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of eight (8) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Tim M. Rush

 Tim M. Rush

Subscribed and sworn before me this 30th day of November, 2016.

Karen M. Smith

My commission expires April 16, 2020

