Exhibit No.:Issue:Policy/OverviewIssue:Policy/OverviewWitness:Tim M. RushType of Exhibit:Direct TestimonySponsoring Party:KCP&L Greater Missouri Operations Company
Case No.:Case No.:EA-2014-Date Testimony Prepared:September 4, 2013

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EA-2014-

DIRECT TESTIMONY

 \mathbf{OF}

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri September 2013

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**" Designates "Highly Confidential" Information Has Been Removed.

DIRECT TESTIMONY

OF

TIM RUSH

Case No. EA-2014-

- 1 Q: Please state your name and business address.
- A: My name is Tim Rush. My business address is 1200 Main Street, Kansas City, 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") as Director,
 6 Regulatory Affairs.
- 7 Q: What are your responsibilities?

A: My general responsibilities include overseeing the preparation of the rate case, class cost
of service and rate design of both KCP&L and KCP&L Greater Missouri Operations
Company ("GMO" or the "Company"). I am also responsible for overseeing the
regulatory reporting and general activities as they relate to the Missouri Public Service
Commission ("MPSC" or "Commission").

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

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

10 Q: Have you previously testified in a proceeding before the MPSC or before any other 11 utility regulatory agency?

A: I have testified on several occasions before the MPSC on a variety of issues affecting
 regulated public utilities. I have additionally testified at the Federal Energy Regulatory
 Commission and the Kansas Corporation Commission.

- 15 Q: On whose behalf are you testifying?
- 16 A: I am testifying on behalf of GMO.
- 17 Q: What is the purpose of your Direct Testimony?
- 18 A: The purpose of my Direct Testimony is to support:

the application and tariff the Company has filed to suspend payments of the solar
 rebates for GMO to become effective November 3, 2013 (attached as Schedule
 TMR-2),

22 2) provide background of the solar rebate program,

- supporting the current payments made for the solar rebates (attached as Schedule
 TMR-1), and
- 3
- 4

23

24

4) address what actions the Company has taken in making this filing.

BACKGROUND

5 Q: Please provide some background on this case and what has lead up to this filing.

6 A: **Proposition C** - On November 4, 2008, Proposition C was adopted by the voters of 7 Missouri and later codified as Section 393.1030 RSMo (Cum.Supp. 2009) which 8 mandated, inter alia, that the "commission shall, in consultation with the department, 9 prescribe by rule a portfolio requirement for all electric utilities to generate or purchase 10 electricity generated from renewable energy resources. ..." Section 393.1030.1. RSMo. 11 (Cum. Supp. 2009). Proposition C also stated that "Such rules shall include: (1) A 12 maximum average retail rate increase of one percent determined by estimating and 13 comparing the electric utility's cost of compliance with least-cost renewable generation 14 and the cost of continuing to generate or purchase electricity from entirely nonrenewable 15 sources, taking into proper account future environmental regulatory risk including the risk of greenhouse gas regulation. . ." Section 393.1030.2(1). 16

4 CSR 240.20.100 - In compliance with Section 393.1030, the Commission adopted 4
CSR 240-20.100 Electric Utility Renewable Energy Standard Requirements (effective
September 30, 2010) which states, *inter alia*, that: "The retail rate impact . . . may not
exceed one percent (1%) for prudent costs of renewable energy resources directly
attributable to RES compliance." 4 CSR 240-20.100(5). In addition, Subsection D of 4
CSR 240-20.100(5) states as follows:

For purposes of the determination in accordance with subsection (B) of this section, if the revenue requirement including the RES-

1compliant resource mix, averaged over the succeeding ten (10)-year2period, exceeds the revenue requirement that includes the non-renewable3resource mix by more than one percent (1%), the utility shall adjust4downward the proportion of renewable resources so that the average5annual revenue requirement differential does not exceed one percent (1%)6.... (emphasis added)

7 GMO Solar Rebate Tariff - The Company has on file with the Commission, tariffs

- 8 which prescribe the Solar Photovoltaic Rebate Program (P.S.C. MO. No. 1, 2nd Revised
- 9 Sheet No. R-62.19 and P.S.C. MO. No. 1, 1st Revised Sheet No. R-62.20). On page R-
- 10 62.20, section D, the second paragraph describes the method by which applications and
- 11 funding of the rebate is handled.

12 Rebates will be paid on a first-come, first served basis, as 13 determined by the Solar Electric Systems operational date. Any rebate 14 applications that are received in a particular calendar year but not 15 approved due to Program funding limitations will be the first applications 16 considered in the following calendar year. Applications accepted by the 17 Company will expire 12 months after receipt if the Customer has not 18 satisfied the terms of this tariff or if the Solar Electric System has not 19 become operational. All Application forms may be obtained from the 20 Company's website www.KCPL.com.

RES Plan filing - On May 28, 2013, GMO filed its 2013 Annual Renewable Energy
 Standard Compliance Plan (2013 GMO Plan¹) in File No. EE-2013-0453², pursuant to 4
 CSR 240-20.100. In the 2013 GMO Plan, the retail rate impact was calculated by
 comparing a non-renewable generation and purchased power portfolio to a RES compliant portfolio with sufficient renewable resources to achieve the renewable

- standards. This analysis showed that the retail rate impact would exceed the one percent
- 27

^(1%) cap for the years 2013, 2014 and 2015, unless solar rebates were limited to maintain

¹ The 2013 GMO Plan is incorporated herein by reference.

² On May 29, 2013, the Commission issued its *Order Closing Case, Order Directing Notice And Order Setting Filing Deadline* in File Nos. EE-2013-0453 and EO-2013-0505 directing that notice and establishing a deadline for Staff to file a report and for other interested entities to file comments by July 12, 2013. The 2013 GMO Plan was also filed in File No. EO-2013-0505.

the 1% cap. Since GMO is projected to exceed the 1% retail rate impact in 2013, 2014, and 2015 due to solar rebates, solar rebate payment assumptions were limited to maintain the 1% cap. (See also 2013 GMO Plan, p. 13). GMO believes that by its calculation, the Company exceeded the 1% cap in July 2013³, and as a result, not all solar rebates will be honored this year in order to reduce the revenue requirement associated with the RES program in 2013. Any solar rebates not honored in a given year would be the first rebates considered for payment in the following year.

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SOLAR REBATE PROGRAM PAYMENTS

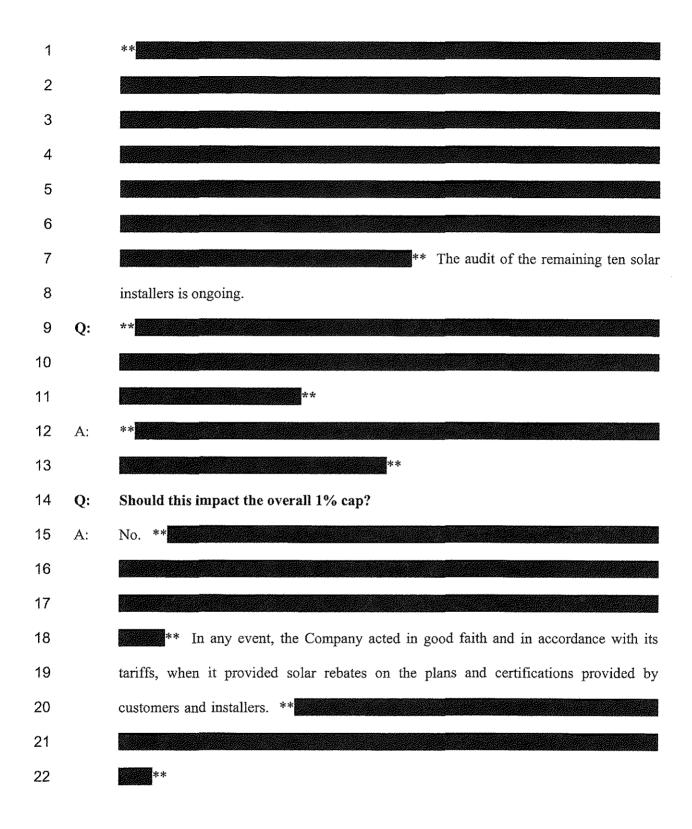
9 Q: What is the current forecast for solar rebates at GMO?

A: GMO's current forecast is \$40 million in solar rebate payments by the end of 2013. I
have attached the latest forecast to my testimony as Schedule TMR-1. This forecast may
change based on many factors, but the Company believes that the actual solar rebate
payments will more than likely increase, rather than decrease when compared to the
forecast. As of July, 2013, GMO has paid out over \$11 million in solar rebates. GMO's
1% rate cap filed in its Company's RES Plan is slightly over \$10 million. This is more
fully described in the testimony of Company witness Burton Crawford.

17 Q: Parties have raised concerns about solar installer U.S. Solar. What actions has the 18 Company taken to address these concerns?

A: The Company has taken these concerns very seriously. KCP&L has audited several of U.S. Solar's installations. In addition, the Company is in the process of auditing the top ten solar installation venders in both GMO and KCP&L service territories.

³ Kansas City Power & Light Company ("KCP&L") is expected to exceed the 1% cap in November, 2013, as determined by the same methodology utilized in Attachment No. 1.



1	Q:	Is the Company requesting recovery of the amount paid to solar vendors and all
2		other RES compliance costs in this case?
3	A:	No. This case is only dealing with the determination of whether the Company should
4		cease paying solar rebates in 2013 and the determination of the 1% cap as it is defined in
5		the Rules.
6		1% CAP CALCULATION
7	Q:	What is meant by the 1% cap?
8	A:	Section 5 of 4 CSR 240-20.100 sets out the retail rate impact of the RES rule and
9		describes the retail rate impact calculation:
10		4 CSR 240-20.100 (5) Retail Rate Impact.
11 12 13 14 15 16 17 18 19		(A) The retail rate impact, as calculated in subsection (5)(B), may not exceed one percent (1%) for prudent costs of renewable energy resources directly attributable to RES compliance. The retail rate impact shall be calculated on an incremental basis for each planning year that includes the addition of renewable generation directly attributable to RES compliance through procurement or development of renewable energy resources, averaged over the succeeding ten (10)-year period, and shall exclude renewable energy resources owned or under contract prior to the effective date of this rule.
20 21 22 23 24 25 26 27 28 29 30 31 32 33		(B) The RES retail rate impact shall be determined by subtracting the total retail revenue requirement incorporating an incremental non-renewable generation and purchased power portfolio from the total retail revenue requirement including an incremental RES compliant generation and purchased power portfolio. The non-renewable generation and purchased power portfolio shall be determined by adding to the utility's existing generation and purchased power resource portfolio additional non-renewable resources sufficient to meet the utility's needs on a least-cost basis for the next ten (10) years. The RES-compliant portfolio shall be determined by adding to the utility's needs on a least-cost power resource portfolio an amount of renewable resources sufficient to achieve the standard set forth in section (2) of this rule and an amount of least-cost non-renewable resources, the combination of which is sufficient to meet the utility's needs for the next ten (10) years.

1 These renewable energy resource additions will utilize the most recent 2 electric utility resource planning analysis. These comparisons will be 3 conducted utilizing projections of the incremental revenue requirement for new renewable energy resources, less the avoided cost of fuel not 4 5 purchased for nonrenewable energy resources due to the addition of 6 renewable energy resources. In addition, the projected impact on revenue 7 requirements by non-renewable energy resources shall be increased by the 8 expected value of greenhouse gas emissions compliance costs, assuming 9 that such costs are made at the expected value of the cost per ton of 10 greenhouse gas emissions allowances, cost per ton of a greenhouse gas emissions tax (e.g., a carbon tax), or the cost per ton of greenhouse gas 11 12 emissions reductions for any greenhouse gas emission reduction 13 technology that is applicable to the utility's generation portfolio, 14 whichever is lower. Calculations of the expected value of costs associated 15 with greenhouse gas emissions shall be derived by applying the 16 probability of the occurrence of future greenhouse gas regulations to 17 expected level(s) of costs per ton associated with those regulations over 18 the next ten (10) years. Any variables utilized in the modeling shall be 19 consistent with values established in prior rate proceedings, electric utility 20 resource planning filings, or RES compliance plans, unless specific 21 justification is provided for deviations. The comparison of the rate impact 22 of renewable and non-renewable energy resources shall be conducted only when the electric utility proposes to add incremental renewable energy 23 resource generation directly attributable to RES compliance through the 24 25 procurement or development of renewable energy resources.

(C) Rebates made during any calendar year in accordance with section (4)
of this rule shall be included in the cost of generation from renewable energy resources.

- 29 (D) For purposes of the determination in accordance with subsection (B) 30 of this section, if the revenue requirement including the RES-compliant 31 resource mix, averaged over the succeeding ten (10)-year period, exceeds 32 the revenue requirement that includes the non-renewable resource mix by 33 more than one percent (1%), the utility shall adjust downward the 34 proportion of renewable resources so that the average annual revenue 35 requirement differential does not exceed one percent (1%). In making this 36 adjustment, the solar requirement shall be in accordance with subsection 37 (2)(F) of this rule. Prudently incurred costs to comply with the RES 38 standard, and passing this rate impact test, may be recovered in 39 accordance with section (6) of this rule or through a rate proceeding 40 outside or in a general rate case.
- (E) Costs or benefits attributed to compliance with a federal renewable
 energy standard or portfolio requirement shall be considered as part of
 compliance with the Missouri RES if they would otherwise qualify under
 the Missouri RES.

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Q: Are there alternative views in how the 1% cap is to be calculated?

A: Yes. Company witness Burton Crawford describes in his Direct Testimony the
calculation performed by the GMO and addresses some of the differences between the
Staff's positions that was previously expressed in File No. ET-2014-0026. GMO
requests that the Commission resolve these differences in this case and issue its order
within sixty (60) days of this filing as required by statute.

7 8

O:

When the Company became aware that it expected to reach the 1% retail rate impact, what did it do?

9 A: The Company set up a meeting with solar installers to inform them that the Company 10 believed that based on current information, that it would reach the cap in July. Α 11 meeting was held at the Company's offices in Kansas City on June 20 and nearly all 12 installers were present. At that meeting, installers were informed that GMO anticipated 13 reaching the 1% cap in July and that GMO intended to make a filing with the Missouri 14 Public Service Commission to suspend the payment of rebates. Rather than shutting 15 down the rebate program the moment the Company reached the cap, GMO told the 16 installers that the Company would follow the spirit of the recently passed House Bill 142 17 ("HB 142") and make the tariff filing with an effective date of 60 days, rather than the 18 traditional 30 day effective date. The Company indicated that it would continue paying 19 rebates during that 60 day period. This was to provide the installers time to address 20 current projects and give them ample time to plan for the suspension.

1		TARIFF FILING			
2	Q:	What authority did the Company have to suspend the rebates once it reached the			
3		1% cap?			
4	A:	The Company's Rules and Regulations, Sheet Nos. R-62.19 and R-62.20, Rule 9.18 Solar			
5		Photovoltaic Rebate Program, sections B and D outlines the Purpose and the Program			
6		Rebates provides the authority to suspend rebate payments.			
7		The last sentence in Section B Purpose states: "Funds for the Program will be limited by			
8		the Company based on the limits of §393.1030, RSMo, 4 CSR 240-20.100 , or the			
9		Company's Net Metering Rider. Further, in the last paragraph under section D. on page			
10		R-62.20, it states:			
11 12 13 14 15 16 17 18 19		Rebates will be paid on a first-come, first-served basis, as determined by the Solar Electric Systems operational date. Any rebate applications that are received in a particular calendar year but not approved due to Program funding limitations will be the first applications considered in the following calendar year. Applications accepted by the company will expire 12 months after receipt if the Customer has not satisfied the terms of this tariff or if the Solar Electric Systems has not become operational. All Applications forms may be obtained from the Company's website <u>www.KCPL.com</u> .			
20	Q:	When was the Company's initial tariff filed to suspend payments under the solar			
21		rebate program?			
22	A:	On July 5, 2013, GMO filed a motion to approve a tariff sheet and a motion for expedited			
23		treatment in File No. EO-2013-0505. The tariff had a 60 day effective date and the			
24		Company requested expedited treatment The Commission ordered parties to file			
25		responses to the tariff sheet and motion no later than July 30, 2013.			
26	Q:	What followed the filing?			
27	A:	On July 12, 2013, Brightergy and MOSEIA filed pleadings opposing GMO's motion to			
28		approve its tariff sheet. On July 30, 2013, Renew Missouri also filed its pleading in			

opposition to GMO's motion to approve the tariff sheet. On July 31, 2013, Staff filed its
 Staff Recommendation To Reject Tariff Sheet. Staff's recommendation contained three
 concerns about the calculation of the RRI 1% cap.

- 4 On August 1, 2013, the Commission issued its Order Opening Case To Consider Tariff
- in File Nos. EO-2013-0505 and ET-2014-0026 which directed that all pleadings and
 motions concerning the solar rebate tariff should be filed in File No. ET-2014-0026, and
 not in File No. EO-2013-0505. (*Order*, p. 1) On August 8, 2013, the Commission issued
 its *Order Suspending Tariff and Setting Prehearing Conference* in which the Commission
 scheduled a prehearing conference and suspended the tariffs until October 3, 2013.
- 10 A prehearing conference was convened on Wednesday, August 21, 2013. At the 11 prehearing, Regulatory Law Judge Ron Pridgin directed the parties to propose a 12 procedural schedule by Wednesday, August 28, 2013. The parties diligently worked on a 13 procedural schedule that would allow for determination by the Commission and 14 implementation of the Order within 60 days.

15 Q: Why did the Company decide to withdraw its filing in File No. ET-2014-0026 and 16 make this filing?

A: The Company was hopeful that it would reach a resolution by its initial filing date of
September 3rd in File No. ET-2014-0026. In working with the parties develop a joint
procedural schedule, it became apparent that more time was needed beyond October 3rd
to process the case. Additionally, HB 142 became law on August 28th. As a result, the
Company determined that it would be appropriate to file under the provisions of HB 142.

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Under the provisions of HB 142, the Commission is directed to decide the case within sixty (60) days of filing.⁴

3 Q: Has the Company filed a tariff supporting this application?

4 A: Yes. Simultaneous with this filing, the Company has filed a tariff to suspend the solar
5 rebates with an effective date of November 3, 2013. Attached to my testimony as
6 Schedule TMR-2 is the tariff that was filed today.

Q: Are there important policy considerations that the Company took into account in deciding not to immediately suspend solar rebate payments to the customers?

9 A: An immediate suspension of the solar rebate tariff could have an impact on customers
10 who have contracted with the solar installers. Additionally, it could have an impact to the
11 solar installers who have established a business. It is the Company's intent to follow an
12 orderly process of notification to the customer and solar installers and a filing with the
13 Commission to gain approval of a tariff to suspend payment.

From a policy perspective, it is important to note that the Company is not trying to hurt the solar industry by this filing. Instead, the Company remains committed to alternative fuels and renewable resources. However, the Company is taking these steps to follow the mandates of the RES law and protect our customers who do not receive solar rebate payments from paying a subsidy related to the solar market.

⁴ HB 142 states in part:

If the electric utility determines the maximum average retail rate increase provided for in subdivision (1) of subsection 2 of this section will be reached in any calendar year, the electric utility shall be entitled to cease paying rebates to the extent necessary to avoid exceeding the maximum average retail rate increase if the electrical corporation files with the commission to suspend its rebate tariff for the remainder of that calendar year at least sixty days prior to the change taking effect. The filing with the commission to suspend the electrical corporation's rebate tariff shall include the calculation reflecting that the maximum average retail rate increase will be reached and supporting documentation reflecting that the maximum average retail rate increase will be reached. The commission shall rule on the suspension filing within sixty days of the date it is filed...

1 Q: Does that conclude your testimony?

2 A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the matter of KCP&L Greater Missouri)	
Operations Company's Application)	File No.
For Authorization To Suspend Payment)	
of Certain Solar Rebates)	

AFFIDAVIT OF TIM M. 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 KCP&L Greater Missouri Operations Company consisting of $\underline{thittecn}$ (<u>13</u>) 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.

fim M. Rush

Subscribed and sworn before me this 4 + h day of September, 2013.

Feb. 4,2015

Col

Notary Public

My commission expires:

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2015 Commission Number: 11391200
OVHHIBSSION PRIMOPY 11301200

KCP&L Greater Missouri Operations Company

2013 Solar Rebate Forecast

	Monthly Rebates Paid \$	Cumulative Rebates YTD \$
January	502,000	502,000
February	2,096,110	2,598,110
March	758,700	3,356,810
April	1,886,820	5,243,630
Мау	1,740,440	6,984,070
June	1,687,270	8,671,340
July	2,697,630	11,368,970
August	6,184,429	17,553,399
September	5,944,959	23,498,358
October	5,606,487	29,104,845
November	5,486,023	34,590,868
December	5,447,304	40,038,172
Total	40,038,171	

NOTE: Values in *Italic* are forecasted values.

Schedule TMR-1

STATE OF MISSOURI, PUBL					
P.S.C. MO. No.	1	3 rd	Revised Sheet No. R-62.19		Deleted: 2 nd
Canceling P.S.C. MO. No.	1	2 nd	Revised Sheet No. R-62.19		Formatted: Superscript
KCP&L Greater Missouri Operations Company For Territory Served as L&P and MPS					Deleted: <u>1st</u>
KANSAS CITY, MO					Formatted: Superscript

9.18 Solar Photovoltaic Rebate Program

A. PURPOSE:

The Solar Photovoltaic Rebate Program (SPRP or Program) provides rebates to Missouri electric utility retail customers, pursuant to §393.1030, RSMo, who install new or expanded Solar Electric Systems that become operational after December 31, 2009.

B. PURPOSE:

The Program is available to any Customer that qualifies as a Customer-Generator under the Company's Net Metering Rider Electric tariff, is currently receiving service under any generally available retail rate schedule, with an account that is not delinquent or in default at the time of rebate processing, and has completed the required rebate application. Funds for the Program will be limited by the Company based on the limits of §393.1030, RSMo, 4CSR 240-20.100, or the Company's Net Metering Rider.

The Program is currently suspended as funding limits established by §393.1030, RSMo and 4 CSR 240-20.100 have been reached. The Company will continue to accept applications for Net Metering under the Net Metering Rider, but rebates for Solar Electric Systems will not be available until a subsequent calendar year. Rebates will be paid in order, based on the operational date of the Solar Electric System.

C. DEFINITIONS:

Solar Electric System – a permanently installed, new or expanded system, interconnected and operated in parallel phase and synchronization with an electric utility that has been approved for interconnection by said electric utility, which uses solar modules to convert light into electricity. As installed, the Solar Electric System shall be situated in a location where a minimum of eighty-five percent (85%) of the solar resource is available to the system as verified by the Customer or the Customer's installer at the time of installation. Systems are declared by the Customer to remain in place on the Customer's premises for the duration of its useful life which shall be deemed to be ten (10) years unless determined otherwise by the Commission. The system must consist of equipment that is commercially available and factory new when installed on the Customer's premises and the principal system components (i.e. photovoltaic modules and inverters and excluding battery components) shall be covered by a functional warranty from the manufacturer for a minimum period of ten (10) years.

D. PROGRAM REBATE:

Customers with installed and interconnected Solar Electric Systems may be eligible to receive a rebate of two (\$2) dollars per installed watt up to a maximum of twenty-five (25) kilowatts (kW) per retail account (\$50,000). For the purpose of determining the amount of rebate, the Solar Electric System wattage rating will be the direct current wattage rating provided by the original manufacturer. Customers will be required to complete a rebate application. Applications will be accepted for pre-approval starting January 1, 2010. Customers will be notified in writing, by letter or email, that the rebate application has been accepted or that the rebate application has not been accepted.

Issued: <u>September 4, 2013</u> Issued by: Darrin R. Ives, Senior Director Effective: November 3, 2013

Deleted: December 6, 2012 Deleted: January 7, 2013