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| Exhibit No.: | |
| Issue: | RES Retail Rate Impact Calculation |
| Witness: | Burton L. Crawford |
| Type of Exhibit: | Surrebuttal Testimony |
| Sponsoring Party: | KCP&L Greater Missouri Operations Company |
| Case No.: | ET-2014-0059 |
| Date Testimony Prepared: | September 24, 2013 |

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ET-2014-0059**

# SURREBUTTAL TESTIMONY

**OF**

**BURTON L. CRAWFORD**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri**
**September 2013**

**SURREBUTTAL TESTIMONY**

**OF**

**BURTON L. CRAWFORD**

**Case No. ET-2014-0059**

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

A: My name is Burton L. Crawford. My business address is 1200 Main, Kansas City, Missouri 64105.

**Q: Are you the same Burton L. Crawford who pre-filed Direct Testimony in this matter?**

A: Yes, I am.

**Q: What is the purpose of your Surrebuttal Testimony?**

A: The purpose of my testimony is to respond to issues raised by Claire Eubanks of the Missouri Public Service Commission ("MPSC") Staff ("Staff"), Ryan Kind of the Office of the Public Counsel ("OPC"), and Patrick Wilson of Earth Island Institute d/b/a Renew Missouri ("Renew Missouri") concerning the calculation of the Missouri Renewable Energy Standard ("RES") retail rate impact ("RRI").

## RESPONSE TO MPSC STAFF

**Q: Staff has expressed concerns that KCP&L Greater Missouri Operations Company ("GMO" or the "Company") did not calculate a ten-year average for RES compliance costs when determining the RRI (Eubanks Rebuttal, starting page 5). Should this be a concern?**

A: No.

**Q: Why not?**

A: As discussed in my Direct Testimony in this case (Crawford Direct, starting page 7, line 15), this creates a potential problem in that actual RES compliance cost may significantly exceed 1% over an extended period of time under such an approach. Under the Company's interpretation of the RES rules, annual costs are limited to 1% of the 10-year average projected revenue requirement. Therefore over any given 10-year period, actual compliance costs should average to a maximum of approximately 1%.

**Q: Can you provide a realistic example?**

A: Yes.

Based on the Company's understanding of Staff's RRI calculation methodology, the 2013 cap on solar rebate payments would be $4.2 million. No funds would be available for rebates under the cap in 2014 and 2015.

If this calculation is updated to reflect the 2013 Integrated Resource Plan ("IRP") and the potential near-term addition of 100 MW of wind that is not directly attributable to RES compliance, the 2013 solar rebate cap amount increases from $4.2 million to $91 million. The 2014 and 2015 allowable rebate amounts increase significantly as well. The following table shows how much could be spent on solar rebates under this scenario:

| Year | Solar Rebate Cap |
|---|---|
| 2013 | $91 million |
| 2014 | $96 million |
| 2015 | $62 million |

$91 million is approximately 12.2% of GMO's 2012 billed retail electric revenue. While GMO does not expect to spend $91 million in rebates in 2013, it could potentially spend this amount over a 2-3 year period.

Since the RRI by rule is a forward looking calculation and rebates are an expense item, it could be argued that once GMO needs to add additional wind resources, rebate amounts previously paid would not count towards the 1% RRI cap calculation. Under this scenario, adding wind that would increase revenue requirements by an average of 1% over a subsequent 10-year period would easily result in total actual costs (rebates paid plus new wind costs) that exceed 1% over the 10-year period that includes the rebate payments and wind additions.

**Q: Are there other potential difficulties with Staff's approach to averaging the RES-compliant portfolio costs?**

A: Yes. In addition to the potential to incur actual compliance costs greatly exceeding 1%, the inclusion of future RES compliance costs can have a significant impact on allowable near-term compliance costs.

As noted in Staff Rebuttal Testimony (Eubanks Rebuttal, page 9, lines 13-14), the RRI calculations corrected for Staff's concerns with GMO's approach shows that the 2013 solar rebate cap would be $4.2 million. As outlined above, the 2013 solar rebate cap increases to $91 million with reasonable assumption changes. This sensitivity in the calculation makes it difficult for any party with an interest in the cap (e.g., utility, customers interested in rebates, the solar industry, the MPSC and Staff, Office of the Public Counsel, etc.) to make cap related decisions.

**Q: Why would the cap change so significantly under Staff's method of calculating the RRI?**

A: The change in the cap is primarily driven by the assumed timing of future wind builds. The $4.2 million cap was based on the assumption of building additional wind in 2019,

2021, and 2024. If GMO were to add wind resources prior to 2019 that were not directly attributable to RES compliance, this would push a portion of these future RES-compliance wind builds (and associated RES compliance costs) out of the 10-year RRI calculation window. Under Staff's RRI calculation methodology, this delay in future wind additions opens up room under the cap for solar rebate payments.

**Q: Has any other party to this case expressed a concern with including future wind additions in the RRI calculations as suggested by Staff?**

A: Yes. Ezra Hausman on behalf of the Missouri Solar Energy Industries Association recommends to the Commission that the RRI not "include speculative future costs of resources that are not yet producing benefits for the company or its customers, such as the cost of wind resources that are expected to be procured or built several years in the future." (Hausman Rebuttal, page 11, lines 1-4). Further he states, "At a future date when additional resources are needed and costs are known, the company will be able to make the best decision on how to comply with the RES mandate and the RRI limitation for that future year." (Hausman Rebuttal, page 11, lines 7-10).

**Q: Is there any support for this position in the RES rule?**

A: Yes, I believe there is. 4 CSR 240-20.100(5)(A) states in part that the RRI "shall be calculated on an incremental basis for each planning year that includes the addition of renewable generation directly attributable to RES compliance…" Since the planning years include the current year and the immediately following two (2) calendar years, this requirement to perform the RRI when adding resources during a planning year would indicate that the calculation is focused on near-term resource additions and their impact on costs, rather than potential additions several years into the future.

**Q: Has Staff expressed a view on why averaging the RES compliance costs over a 10-year period is important?**

A: Yes. Staff states that "(t)he purpose of the averaging is to smooth out spikes in compliance costs in any given year caused by the addition of renewable resources. This will allow a utility to plan for greater than a one percent increase in rates due to RES compliance costs in any given year provided that the ten-(10-) year average is less than or equal to one percent." (Eubanks Rebuttal, page 5, lines 14-17).

**Q: Would averaging the RES compliance costs over a 10-year period smooth out spikes in compliance costs?**

A: That would depend on the situation. If a utility planned to add wind resources directly attributable to RES compliance in the near term (1-2 years) and projected the revenue requirement associated with such an addition over the subsequent 10 years, averaging would smooth out the initial cost increase as stated by Staff. However, when looking at a 10-year period where some or all of the future wind additions occur later in the 10-year period, the impact on allowable near-term solar rebate costs can be dramatic. Since the 10-year period may only be picking up as little as one year of wind facility operation, there is not much smoothing that can occur. For example, an RRI calculation that covers 2013-2022 would not include the costs of a 2023 wind addition. However, a 2014-2023 RRI calculation would include the first (and typically most costly) year only. As discussed earlier in my testimony, under Staff's RRI approach the 2013 solar rebate cap can move from $4.2 million up to $91 million with simple assumption changes. This does not result in a smoothing effect as Staff suggests.

**Q: Did GMO propose to add additional wind resources directly attributable to RES compliance in the 2013-2015 planning years?**

A: No it did not. Since GMO does not plan to add wind resources directly attributable to RES compliance during the 2013-2015 plan period, the purpose of smoothing wind investments over a 10-year period is not at this time applicable to GMO and its RRI calculations.

**RESPONSE TO OPC**

**Q: On page 8 of his testimony, OPC's Ryan Kind faults GMO's testimony for not addressing its actions to comply with sections 2(F) or 5(D) of 4 CSR 240-20.100. What was the reason this rule was not addressed?**

A: Those sections of the rule have nothing to do with solar rebates. Section 2(F) and 5(D) of 4 CSR 240-20.100 provide instruction on how to adjust the renewable energy resource requirements when the impact on RRI would otherwise exceed 1%. Those sections of the rule do not provide guidance on how to adjust solar energy rebates once the cap is met.

**RESPONSE TO RENEW MISSOURI**

**Q: Renew Missouri witness Patrick Wilson points to a statement in your Direct Testimony (Crawford Direct, page 2, lines 17-20) concerning the components of the RRI as evidence that GMO is beginning with some fundamentally incorrect assumptions. Please respond.**

A: The statement referenced by Mr. Wilson, "The major components of the RRI calculation include establishing a baseline revenue requirement in which to compare the costs of RES compliance and the projected RES compliance costs" does not reflect an incorrect assumption. Since the RRI calculations cover the current year and the following two (2)

calendar years, the calculations include both current/actual RES compliance costs as well as projected compliance costs.

**Q: Renew Missouri takes issue with your statement that "The projected RES compliance costs include: Net cost of renewable generation and/or Renewable Energy Credit (REC) costs…", please respond.**

A: Renew Missouri is taking issue with a concept of the "net cost" of RECs. In the current case, the "net cost" referenced in my Direct Testimony is only applicable to renewable generation and not RECs. Renew Missouri is reading something into the testimony that is not there.

**Q: Renew Missouri claims that GMO "attempts to make two incompatible assumptions" (Wilson Rebuttal, page 5, lines 1-2), that GMO's plans include future solar additions directly attributable to RES compliance and that GMO currently meets the solar RES energy requirements through solar RECs. Please respond.**

A: These are not assumptions, but are simply facts. While GMO currently meets the RES solar energy requirements with purchased S-RECs, GMO's future plans include solar resource additions.

**Q: Renew Missouri takes issue with the fact that GMO did not include any additional capacity to replace wind resources removed from its Preferred Plan when determining the non-RES compliant revenue requirement (Wilson Rebuttal, page 6, lines 10-12). Should this be a concern?**

A: No. Per the Southwest Power Pool reliability criteria, wind resources have minimal capacity accreditation value. In some cases, it has no value.

For its 2013 RRI calculation, GMO removed 150 MW of wind in 2019 and 100 MW of wind in 2021. Assuming a 6% accreditation value and a $20 market capacity cost, the market value of this capacity (and associated revenue requirement) over the 10-year RRI calculation period would be approximately $960,000. Since RES compliance cost are not to exceed 1% of projected revenue requirements, this would increase the allowed RES compliance costs over the 10-year period by a total of $9,600. The total projected revenue requirements over the same 10-year period approaching $11 billion. In this context, a $9,600 increase is an insignificant amount.

**Q: Renew Missouri expresses concern that GMO may not have considered the costs associated with replacing the renewable resources related to fuel, operational costs, purchased power, etc. (Wilson Rebuttal, page 6, lines 13-15). Did GMO consider these costs when calculating the RRI?**

A: Yes, the Company's RRI calculation includes these costs. The same production cost simulation model used to perform the IRP was used to determine the non-RES compliant portfolio revenue requirements.

**Q: Renew Missouri claims that what is missing from your testimony is a comparison of the cost of non-renewables to renewables (Wilson Rebuttal, page 7, lines 3-4). Is this correct?**

A: No. As discussed in my Direct Testimony, the Company prepared an analysis that "compared the revenue requirements of the non-renewable resource plan to one that added 50 MW of additional wind resources" (Crawford Direct, page 4, lines 19-20). The Company found that the addition increased revenue requirements (Crawford Direct, page 4, lines 21-22).

**Q: Renew Missouri claims that it is unclear whether or not GMO believes that averaging is allowed or if costs are strictly limited to 1% in each year (Wilson, page 8, lines 10-14). Please clarify.**

A: GMO's RRI calculations are based on limiting annual RES compliance costs to 1% of the 10-year projected average annual revenue requirements. This allows for compliance costs in the early years of the 10-year period to exceed 1% of the current year's annual revenue requirement, but not by more than 1% of the 10-year projected average annual revenue requirements.

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

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 For Authorization To Suspend Payment of Certain Solar Rebates | ) ) ) ) | File No. ET-2014-0059 |

**AFFIDAVIT OF BURTON L. CRAWFORD**

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

Burton L. Crawford, being first duly sworn on his oath, states:

1. My name is Burton L. Crawford. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Energy Resource Management.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of nine (9) 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.

Burton L. Crawford

Subscribed and sworn before me this 24th day of September, 2013.

Notary Public

My commission expires: Feb. 4, 2015

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