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Witness:	Adam Blake
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MISSOURI PUBLIC SERVICE COMMISSION

File NO.: ET-2014-0059

REBUTTAL TESTIMONY

OF

ADAM BLAKE

ON BEHALF OF

BRIGHTERGY, LLC

Kansas City, Missouri
September 2013

REBUTTAL TESTIMONY

OF

ADAM BLAKE

File No. ET-2014-0059

Q: Please state your name and business address.

A: My name is Adam Blake. My business address is 1617 Main Street, 3rd Floor, Kansas City, MO 64108.

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

A. I am the Chief Executive Officer of Brightergy, LLC ("Brightergy"), a solar design and installation company with offices in Kansas City, Missouri and St. Louis, Missouri.

Q: As Chief Executive Officer, what are your responsibilities at Brightergy?

A: I manage the executive team that includes managers of sales, marketing, public affairs, operations, accounting, and technology. I also oversee our relationships with financial institutions and equity investors.

Q: Have you previously testified in a proceeding at the Missouri Public Service Commission ("MPSC" or "Commission") or before any other utility regulatory agency?

A: No. I have participated in numerous workshops at the Commission, but I have never formally testified.

Q: What is the purpose of your Rebuttal Testimony?

A: The purpose of my testimony is to respond to Kansas City Power & Light Greater Missouri Operations' ("GMO") request to suspend payment of solar rebates beginning in 2013. Suspending solar rebate payments upon only sixty days notice and without a clear

transitional process will cause substantial financial harm to Missouri ratepayers who have purchased or installed solar generation systems. Such a suspension also has the potential to irreparably damage the solar industry in Missouri.

In order to curtail much of the harm that will result from an immediate suspension of solar rebate payments, my testimony includes support of an alternative proposal. As fully described below, the alternative proposal would allow the solar industry and its customers adequate transitional time and notice before suspending the payment of solar rebates. Under the alternative proposal, recovery by GMO of any amounts ultimately determined to have been paid over the 1% Retail Rate Impact ("RRI") cap would not adversely affect GMO rates to Missouri ratepayers, as costs that would impact rates above the RRI cap would be deferred and used to offset the amount of solar rebates available for inclusion in rates in later years.

Q: To begin, please provide a general description of the solar industry in Missouri.

A: The solar industry in Missouri has installed over 25 MW of renewable, distributed solar generation since Missouri voters approved the statutory solar rebate. The Missouri solar industry employs thousands of people, has created over sixty businesses, and has attracted millions of dollars of investment into the state—all during one of the most severe recessions in recent memory. Solar energy systems provide numerous benefits to all ratepayers that include but are not limited to: reduction of peak demand, less stress on transmission and distribution infrastructure, energy portfolio diversification, and emission free electricity.

In Missouri, coal fired generation constitutes approximately 80% of the state's total generation capacity. As a result, Missouri is one of the least diversified energy portfolios

in the country. Solar energy systems currently provide less than 1% of the total energy capacity in Missouri.

Q: Please describe Brightergy and its presence in the state of Missouri.

A: Brightergy employs over fifty employees between its two offices in Kansas City, Missouri and St. Louis, Missouri. In addition, Brightergy contracts with six Missouri electrical contractors who physically install Brightergy solar systems on its customers' properties. Brightergy estimates that these contractors employ an additional seventy-five employees whose jobs are primarily related to the installation of solar systems.

Q: Please describe the business operations of Brightergy in the state of Missouri.

A: Brightergy designs and installs commercial and residential facilities to generate and utilize solar energy. Specifically, the services provided by Brightergy include: (i) site evaluation, to determine the viability of solar energy applications; (ii) analysis, to provide suggested solar system size, possible energy savings, financial analysis, and environmental analysis; (iii) solar system design; (iv) permit and financial incentive processing, including federal and state permitting, incentives, and utility interconnection; (v) solar system installation; and (vi) service and ongoing support, including the monitoring of solar system performance. Brightergy also provides various energy efficiency products and services to help its clients more clearly understand their energy usage.

Q: How do solar customers finance the purchase and installation of independent solar generation systems?

A: While the cost of solar equipment continues to decrease, solar generation remains a large capital investment for most customers. Many businesses borrow money to finance their

solar systems. Individual families who wish to generate renewable solar energy often take out home equity loans to pay for solar systems.

Q: Do statutory solar rebates affect a customer's decision to purchase and install a solar generation system?

A: Yes. The availability of solar rebates is a substantial factor in a customer's decision to purchase and install a solar generation system. Solar rebates greatly help to offset the capital costs of solar generation equipment. For many customers, solar rebates are the key factor in their purchasing decision. Nearly every customer who has already purchased or installed solar generation systems has done so in reliance on receiving a solar rebate.

Q: Would the suspension of solar rebates, as proposed by GMO, harm these solar customers?

A: Yes, many solar customers would be harmed by the suspension of solar rebates upon only sixty days notice. Due to the individualized needs of each installation, solar projects can take from six to nine months to complete. As described above, many solar customers have made substantial financial investments in reliance on the cost savings created by solar rebates. If those rebates were cutoff, the expected economics of many solar generation systems will materially change. Many solar customers will likely incur substantial financial losses as a result.

Q: Which solar customers are at risk of having their solar rebates suspended if the Commission grants GMO's Application?

A: It is still not clear to the solar industry what the exact cutoff date would be under GMO's proposed suspension. This lack of clarity stems from the definition of the term "operational date" as used in GMO's proposed revision to Revised Sheet No. R-62.19.

Under GMO's proposal, Brightergy and its customers are not clear whether GMO would continue to pay rebates for systems installed before November 3, 2013, or whether GMO would just stop processing and sending rebate checks to customers on November 3, 2013. In Brightergy's experience, there is a thirty to ninety day delay between the date that GMO considers the "operational date" of a system and the date that the customer actually receives a solar rebate check.

Moreover, GMO has never provided Brightergy or the solar industry with a clear explanation of what is the exact GMO process for determining when a solar system becomes "operational" and therefore eligible for a rebate. For example, if a single placard is missing from an otherwise complete system or if GMO cannot access the customer site, the "operational date" selected by GMO could be delayed by months. In these circumstances the rebate check may also be delayed for an additional thirty to ninety days.

Q: Was Brightergy and the solar industry provided adequate notice that GMO was at risk of reaching the one percent RRI cap and would have to suspend payment of solar rebates?

A: No. Brightergy was informed that GMO may reach the one percent RRI cap and may have to suspend rebates only a short time ago.

During the 2012-13 legislative session, Brightergy and the solar industry worked with the electric utilities located in Missouri, including GMO, to draft for consideration by the Missouri Legislature, the recently enacted House Bill 142. During discussions with the electric utilities, the solar industry was frequently reassured that the utilities were not close to reaching the 1% RRI cap. Despite these assurances, a few weeks after the

approval of HB 142, Brightergy and the solar industry were completely blindsided when GMO filed its initial request that the MPSC suspend GMO's solar rebate tariff.

Q: What has Brightergy and the solar industry been told in the past regarding the one percent RRI cap?

A: The solar industry has long been told that the electric utilities were unlikely to ever reach the 1% RRI cost cap. The MPSC Staff in *Staff's Report on Company's RES Compliance Plan*, filed in MPSC File No. EO-2012-0348, directly addressed KCP&L's failure to perform the RES compliance cost calculation required by 4 CSR 240-20.100(7)(B)1.F. In its report, Staff stated that the KCP&L RES retail rate impact limit "calculation would serve no purpose in this instance."[1] (Attached as AB-1.) Staff went on to declare that KCP&L's "costs for these compliance periods are significantly below the one percent (1%) retail rate impact limit, [and] ***performing the detailed netting calculation literally serves no purpose***." (emphasis added.)

If GMO had complied with the MPSC rules that require an annual RRI calculation as part of the Company's RES Compliance Plan, we would not be in this current predicament. It is likely that the issue would have been resolved long ago through a more reasonably timed procedural schedule.

In addition, representatives with Ameren Missouri, as recently as January, 2013, have been quoted by the St. Louis Post Dispatch as characterizing the RRI calculation as merely "an academic calculation now because we're not up against the 1 percent limit." (Attached as AB-2.)

[1] *Staff Report on Company's RES Compliance Plan*, File No. EO-2012-0348, at 2 (May 31, 2012).

Q: Have you reviewed GMO's description of its Retail Rate Impact calculations and Staff's position regarding GMO's calculation?

A: Yes. I reviewed the public direct testimony filed by GMO witness Burton L. Crawford. Mr. Crawford provides a detailed explanation of how GMO calculated the 1% RRI cap. Mr. Crawford also summarizes what GMO believes to be Staff's position regarding the RRI calculation.

Q: What concerns do you have regarding Staff's position on the RRI calculation, as described by GMO?

A: Staff's position, as described by Mr. Crawford, concerns me, as it seems to me to be inconsistent with the requirements of the Renewable Energy Standard ("RES"). As described by GMO, Staff's position appears to require GMO's RRI calculation to include the capital and energy associated with future wind farms that GMO included in its IRP for RES Compliance purposes. If this is indeed Staff's position, it seems to me to be contrary to the requirement of 4 CSR 240-20.100(5)(B) that GMO use least-cost methods to comply with the RES.

Q: Would you please expand your discussion on this point?

A: GMO, in its 2013 Annual Update to its Integrated Resource Plan ("IRP"), indicated that its Preferred Plan included the addition of 350 MW of wind energy over the twenty-year planning period.[2] The Company went on to state: "It should be noted that solar and ***wind additions could be obtained from power purchase agreements (PPA), purchasing of renewable energy credits (RECs)***, or utility ownership."[3]

[2] *KCP&L Greater Missouri Operations Company Integrated Resource Plan*, 2013 Annual Update, Case No. EO-2013-0538, at 11.
[3] Id. (emphasis added.)

Undoubtedly, the least-cost RES compliance portfolio would result from the purchase of comparatively less expensive Renewable Energy Credits ("RECs"). The MPSC Staff has previously approved RES plans in which a utility proposes the purchase of RECs for RES compliance. Staff's position, as described by Mr. Crawford, appears to overlook the least-cost method of RES compliance required by 4 CSR 240-20.100(5)(B). Failure to consider and utilize this least-cost alternative, especially when projecting long-term and uncertain RES compliance costs, could have a substantial and negative effect on ratepayers, the solar industry, and GMO's solar generating customers.

Finally, even assuming the wind farms identified in the GMO IRP are constructed (which is still uncertain), it is unclear at this time whether or not these wind generation assets would be considered "economic." The determination as to whether future wind is "economic" would be made at the time of consideration and purchase commitment, and by comparison to other alternatives that are reasonably available.

Q: Does Brightergy support GMO's formula method of calculating the one percent Retail Rate Impact?

A: Brightergy generally supports GMO's method of calculating the one percent Retail Rate Impact with one notable exception: Brightergy strongly believes solar rebates should be amortized over a period of 10 years. Recently enacted House Bill No.142 of 2013, 393.1030.3 states: "As a condition of receiving a rebate, customers shall transfer to the electric utility all right, title, and interest in and to the renewable energy credits associated with the new or expanded solar electric system that qualified the customer for the solar rebate for a period of ten years from the date the electric utility confirmed that the solar electric system was installed and operational." GMO is making investments via solar

rebates for the purpose of procuring Solar Renewable Energy Credits (S-RECs) for ten years; therefore, to be consistent economically, the rate impact of this S-REC procurement should be similarly spread over ten years.

However, Brightergy does not support and believes it would be highly damaging to GMO's solar customers and the solar industry to suspend the payment of solar rebates upon sixty days notice. The solar industry depends on cost-certainty and would be substantially harmed if rebates were suspended this year and during every year for the near future. Therefore, while I support the GMO RRI calculation formula with the aforementioned exception, I recommend the Commission approve the alternative to immediate suspension that I describe below as a reasonable compromise.

Q: Why is GMO's request to immediately suspend solar rebates following November 3, 2013 unreasonable?

A: Limiting the amount of solar rebate funds available to customer-generators each year as GMO proposes is simply not workable in the current environment. Solar customers require a high level of financial certainty when making solar investment decisions. In his Direct Testimony, GMO witness Tim Rush states that the Company estimates that it will pay $40 million of solar rebate payments by the end of 2013.[4] This represents approximately four years worth of RRI cap space.[5] As described above, the solar industry was not provided notice that GMO was close to reaching its interpretation of the 2013 RRI cap until only a short time ago. Many customers have borrowed money against their homes to install solar generation units in reliance on the availability of a solar rebate. Solar companies, such as Brightergy, have hired employees and have borrowed millions

[4] *Direct Testimony of Tim M. Rush*, File No. ET-2014-0059, at 5.
[5] *Id*.

of dollars to install customers' generation systems. Under GMO's proposal, Missouri residents and businesses could be forced to wait up to four years for rebates that were vital to their recent investment decisions. Such a delay is likely to cause substantial financial harm to ratepayers and the solar industry, the possibility of lengthy and expensive litigation, and other significant hardships.

Q: Please describe the alternative to immediate solar rebate suspension that you recommend the Commission adopt in this case.

A: I have attached a copy of the proposed alternative to immediate solar rebate suspension ("Compromise Proposal") to this testimony as Exhibit "AB-3". Brightergy strongly believes the attached Compromise Proposal is a lawful and reasonable solution that will benefit all stakeholders. I am confident that the Compromise Proposal will adequately mitigate the substantial harm to ratepayers and the solar industry that would result if GMO abruptly suspended solar rebates.

Q: What are the terms of the attached Compromise Proposal?

A: Essentially, the Compromise Proposal provides for the "front loading" of all solar rebate funds available under GMO's 1% RRI calculation for the period 2013 through 2019. Under the Compromise Proposal, the payment of solar rebates will not immediately be suspended. Instead, all solar rebates will be paid by GMO until the total rebate funds dispersed equal the total rebate funds available under the Company's RRI calculation for the period 2013 through 2019.

Q: How will GMO recover the "front loaded" rebate funds paid under the Compromise Proposal in its electric rates?

A: In order to ensure the payment of solar rebates does not have greater than a 1% impact on GMO retail rates in any given year, Paragraph 4 of the Compromise Proposal sets forth the maximum amount of rebate funds GMO may recover in their next rate case attributable to each annual period from 2013 through 2019. While I am not aware of the exact amounts set forth in Paragraph 4, I assume, based on GMO's public statements, that a range of approximately $10 million to $12 million is available each year for solar rebates until 2019.

To the extent that rebate amounts paid by GMO in a given year exceed the amount set forth in Paragraph 4 for that year, the excess amount paid will be included in a regulatory asset of GMO and will be recovered in rates in successive annual periods. GMO would be granted a carrying cost on this regulatory asset. Any excess rebate funds included within the regulatory asset (as well as the total carrying costs) would be recovered against the total pool of rebate funds available for recovery from 2013 through 2019. In no event would the total solar rebate funds paid by GMO exceed the total funds available under Paragraph 4.

Q: Why should the Commission approve to Compromise Proposal you have attached to this testimony?

A: The Compromise Proposal is a very reasonable compromise and protects the interests of all affected parties—namely, GMO, GMO ratepayers, the solar industry and its customers, and the wind industry. The Compromise Proposal enables the development of solar generation in the early years of the RES, while still accommodating wind energy

development after 2019. The Compromise Proposal also ensures GMO complies with the RES and remains at or below the 1% RRI cap.

There are numerous opinions on how to perform the RRI calculation. The Compromise Proposal is a reasonable solution that would be relatively simple to adopt because it is very similar to GMO's existing calculation.

Q: How does the Compromise Proposal protect the interests of the wind industry?

A: The Compromise Proposal is based on GMO's calculation of its RRI cap. Accordingly, the annual and total funds available for solar rebates that are set forth in Paragraph 4 of the proposal allow for GMO's planned wind expenditures after 2019. Essentially, the Compromise Proposal provides a pool of funds for the payment of solar rebates until 2019. Following 2019, no funds will be allocated for solar rebates, and any costs associated with wind development may consume the entire 1% RRI calculation. Under the Compromise Proposal, the same amount of wind could be built, as proposed by GMO in its IRP.

Q: What are the overall benefits of the Compromise Proposal?

A: The attached Compromise Proposal allows for a gradual reduction of the solar rebate program without affecting the funds available for the future development of wind generation. A front-loaded, more predictable reduction in the solar rebate program will cause substantially less harm to the solar industry and its customers than an abrupt suspension of rebates this year and at some point each year for the near future.

Under the Compromise Proposal, the solar customers who purchased and installed solar systems in reliance on a solar rebate will avoid substantial financial harm. Further, the

Compromise Proposal affords the solar industry and its customers adequate time to account for the elimination of solar rebates.

Q: Does this conclude your rebuttal testimony?

A: Yes.