Exhibit No.:	
Issues:	Demand-Side Programs
Witness:	Brad J. Fortson
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Direct Testimony
Case Nos.:	EO-2015-0240 and EO-2015-0241
Date Testimony Prepared:	December 11, 2015

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

BRAD J. FORTSON

DIRECT TESTIMONY

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. EO-2015-0240

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. EO-2015-0241

Jefferson City, Missouri
December 2015

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Filing for Approval of Demand-Side Programs and for Authority to Establish a Demand-Side Programs Investment Mechanism	))))))	Case No. EO-2015-0241

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

COMES NOW, Brad J. Fortson and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Direct Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Brad J. Fortson

Subscribed and sworn to before me this 9th day of December, 2015.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086

Notary Public

BRAD J. FORTSON

DIRECT TESTIMONY

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. EO-2015-0240

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. EO-2015-0241

Q. Please state your name and business address.

A. My name is Brad J. Fortson, and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position at the Missouri Public Service Commission ("Commission")?

A. I am a Regulatory Economist III in the Energy Resources Department of the Commission Staff Division.

Q. Please state your educational background and experience.

A. This is contained in Schedule BJF-D-1.

Q. Would you please summarize the purpose of your direct testimony?

A. I will provide support for the following provision within the Non-Unanimous Stipulation and Agreement ("Stipulation") filed on November 23, 2015, in Case Nos. EO-2015-0240 and EO-2015-0241:

- Commission approval of Business Energy Efficiency Rebate – Custom ("Custom") program incentive levels for Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") (collectively "Company").

Q. Are the Custom program incentive levels discussed explicitly in the Stipulation?

A. No. They are not explicitly discussed in the Stipulation, but they are included in Stipulation Appendix C[1] (page 3 of 3 under "C&I Custom"). The mid incentive level is also the incentive level in KCP&L – Missouri's MEEIA[2] Cycle 2 filing and in GMO's MEEIA Cycle 2 filing (collectively "MEEIA Cycle 2 Applications") in Case Nos. EO-2015-0240 and EO-2015-0241, respectively, filed on August 28, 2015.

Q. What are the Custom program incentive levels recommended by the Company in the MEEIA Cycle 2 Applications?

A. $0.10 per first-year kWh of deemed annual energy saving for all Custom program measures, up to 50% of the project cost.

Q. Does this Custom program incentive level differ from MEEIA Cycle 1 Custom program incentive levels?

A. Yes. In KCP&L's and GMO's MEEIA Cycle 1 Custom programs, the maximum amount of each incentive was calculated as the lesser of the buy down to a two-year payback or 50% of the incremental cost of the higher efficiency equipment, system, or energy saving measure.

Q. Why is Staff in support of the Company moving to a flat $0.10/kWh incentive?

A. First, the Custom program, like most of the other programs proposed by the Company, was developed as part of the most recent[3] potential study performed by Navigant Consulting, Inc. ("Navigant") on behalf of the Company. When the utility files for approval

[1] The table in Appendix C presents three incentive options: low, mid, and high. The mid incentive is the incentive planned for the 2016-2018 period.
[2] Missouri Energy Efficiency Investment Act.
[3] August, 2013.

of demand-side programs, it is required to file or provide a current market potential study.[4] In the most recent potential study, Navigant developed the Custom program offering incentives, paid on a fixed kWh basis, based on the project's first year energy savings.[5] Navigant explains in great detail its methodology when setting the incentive levels.[6] Second, along with the existing demand-side management ("DSM") programs, the most recent potential study was used as the starting point for the scenarios evaluated by Applied Energy Group ("AEG") in the demand-side resource analysis section of the Company's most recent Integrated Resource Plans[7] ("IRP"). The IRP is a 20-year plan[8] that considers demand-side resources, renewable energy, and supply-side resources on an equivalent basis. AEG used the same methodology that Navigant used in the potential study and modeled the Custom program as offering incentives on a fixed kWh[9] basis. Furthermore, the MEEIA Cycle 2 Applications rely heavily on both the most recent potential study and IRPs for program design purposes. Therefore the Company understandably relied on the studies supplied by its consultants and proposed incentives on a fixed kWh basis ($0.10/kWh incentive level) in its MEEIA Cycle 2 Applications.

Q. Will the change from a two-year payback buy down to a flat $0.10/kWh incentive in the Custom programs hinder achievement of the MEEIA goal of achieving all cost-effective demand-side savings in a way that is beneficial to all customers in the customer

[4] 4 CSR 240-3.164(2)(A).
[5] Demand-Side Resource Potential Study Report, Prepared for the Companies, August 2013, pg. 67.
[6] Demand-Side Resource Potential Study Report, Prepared for the Companies, August 2013, pg. 40-46.
[7] File Nos. EO-2015-0254 and EO-2015-0252 for KCPL and GMO, respectively, submitted on April 1, 2015.
[8] The most recent IRP is for the 20-year period from 2016 through 2034.
[9] $0.07 per first-year kWh saved for lighting incentives and $0.10 per first-year kWh saved for non-lighting incentives.

class in which the programs are proposed, regardless of whether the programs are used by all customers?

A. Absolutely not. As illustrated in the direct testimony of Staff witness John A. Rogers, the individual MEEIA Cycle 2 programs, as well as the MEEIA Cycle 2 portfolios, are not only cost-effective[10], but provide benefits to all customers, even to customers who do not participate directly in programs.

Q. Has the Company given any additional support for changing the incentive level in the Custom program?

A. In response to Staff Data Request No. 0015 in Case No. EO-2015-0241 and Staff Data Request No. 0016 in Case No. EO-2015-0240, the Company not only lists a number of Midwestern utilities that utilize similar incentive structures for their commercial and industrial custom rebate programs, but also provides great detail as to the appropriateness of adopting the flat $/kWh incentive level. These Data Requests are contained in Schedules BJF-D-2 and BJF-D-3, respectively.

Q. Does this conclude your Direct Testimony?

A. Yes.

[10] Demand-side programs targeted to low-income customers or general education campaigns do not have to have a total resource cost ("TRC") test ratio greater than one (1).

Brad J. Fortson

Education and Employment Background

I am a Regulatory Economist in the Energy Resources Department, Commission Staff Division of the Missouri Public Service Commission. I have been employed at the Missouri Public Service Commission as a Regulatory Economist from December 2012 through March 2015 and August 2015 through current.

I received an Associate of Applied Science degree in Computer Science in May 2003, Bachelor of Science degree in Business Administration in May 2009, and Master of Business Administration degree with an emphasis in Management in May 2012, all from Lincoln University, Jefferson City, Missouri.

Prior to first joining the Commission, I worked in various accounting positions within four state agencies of the State of Missouri. I was employed as an Account Clerk II for the Inmate Finance Section of the Missouri Department of Corrections; as an Account Clerk II for the Accounts Payable Section of the Missouri Department of Health and Senior Services; as a Contributions Specialist for the Employer Accounts Section of the Missouri Department of Labor and Industrial Relations; and as an Accountant I for the Payroll Section of the Missouri Office of Administration. From April 1 through July 31, 2015, I worked for the Missouri Office of Public Counsel before joining the Commission once again.

Brad J. Fortson

Case Participation History

Case Number	Company	Issue	Exhibit
HT-2013-0456	KCP&L Greater Missouri Operations Company	Quarterly Cost Adjustment	Staff Memorandum
HR-2014-0066	Veolia Energy Kansas City	Revenue by Class and Rate Design	Staff Report
HR-2014-0066	Veolia Energy Kansas City	Staff Recommendation	Staff Memorandum
GR-2014-0086	Summit Natural Gas of Missouri, Inc.	Large Volume Service Revenue	Staff Report
HT-2014-0286	KCP&L Greater Missouri Operations Company	Quarterly Cost Adjustment	Staff Memorandum
ER-2015-0132	Union Electric Company d/b/a Ameren Missouri	Staff Recommendation	Staff Memorandum
ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Revenue by Class and Rate Design	Staff Report
ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Revenue by Class and Rate Design	Rebuttal & Surrebuttal
ER-2014-0351	The Empire District Electric Company	Revenue by Class and Rate Design	Staff Report
ER-2014-0351	The Empire District Electric Company	Revenue by Class and Rate Design	Rebuttal

KCPL GMO
Case Name: GMO MEEIA DSIM
Case Number: EO-2015-0241

Response to Berlin Bob Interrogatories - MPSC_20150918
Date of Response: 09/25/2015

Question:0015

Issue: MEEIA - DSM - Program Design
Description: For the Business Energy Efficiency Rebates – Custom Program, why is moving to a flat $/kWh incentive rate appropriate when different measures can and will produce different kWh savings? * DR requested by Brad Fortson (brad.fortson@psc.mo.gov)

Response:

In MEEIA Cycle 1, rebates in the custom program are structured to provide a two-year payback up to a maximum amount of 50% of the project cost. The Company proposes a change in the incentive structure so that Custom Program rebates are paid according to kWh saved. Rebates tied to the amount of energy saved would simplify messaging to customers and trade allies, provide more equitability across projects, and better align the Custom incentive structure with similar Midwestern utilities (see table below).

Utility	Custom Rebate	Custom Rebate Limits
Ameren Missouri and Ameren Illinois	$0.06 / kWh (lighting), $0.07 / kWh (non-lighting)	50% of project cost (early replacement) or 100% of incremental cost (end of life replacement) $1,000,000 per year
ComEd	$0.07 / kWh	100% of incremental cost $2,000,000 per year
Indianapolis Power and Light	$0.07 / kWh	50% of incremental costs 30% of project costs $100,000 per project
Entergy Arkansas	$0.15 / kWh (increased for multiple projects)	75% of incremental cost
Kentucky Power	$0.08 / kWh	50% of incremental cost $20,000 per year
Vectren Energy Indiana	$0.12 / kWh	50% of project cost $100,000 (electric)

Moving to a flat $/kWh rate is the best solution to properly manage program costs to budget while ensuring program participants are equitably incented based on the level of energy savings rather than incentives being determined based on project payback and total project costs. Moving to a flat $/kWh approach will also drive more comprehensive projects as the level of incentive is tied directly to energy efficiency.

Aside from simplifying marketing strategy, computing rebates directly from energy savings also ensures that projects are compensated in an equitable manner. GMO would pay for energy savings regardless of the type of project undertaken to get those savings. Not only is this fair to participants, it would allow for better planning of incentive budgets required to

reach targeted savings. To ensure that participants pay their fair share, rebates would still be limited to a specified percentage of the project costs.

Information provided by Kevin Brannan
Attachment:
Q0015_Verification.pdf

KCPL MO
Case Name: 2015 KCPL MEEIA DSIM
Case Number: EO-2015-0240

Response to Berlin Bob Interrogatories - MPSC_20150918
Date of Response: 09/25/2015

Question:0016

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Response:

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Aside from simplifying marketing strategy, computing rebates directly from energy savings also ensures that projects are compensated in an equitable manner. KCP&L would pay for energy savings regardless of the type of project undertaken to get those savings. Not only is this fair to participants, it would allow for better planning of incentive budgets required to

reach targeted savings. To ensure that participants pay their fair share, rebates would still be limited to a specified percentage of the project costs.

Information provided by Kevin Brannan

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Q0016_Verification.pdf