**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of a Determination of Special )

Contemporary Resource Planning Issues to be ) **File No. EO-2013-0107**

Addressed by the KCP&L Greater Missouri )

Operations Company ("GMO") in its Next )

Triennial Compliance Filing or Next Annual )

Update Report. )

**comments Of
KCP&L greater missouri operations Company**

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**COMMENTS OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

Pursuant to Missouri Public Service Commission (“Commission”) Rule 4 CSR 240-22.080(4)(B), KCP&L Greater Missouri Operations Company ("GMO" or “Company”) hereby respectfully submits its Comments in Response to the lists of contemporary issues suggested by Missouri Public Service Commission Staff (“Staff”), Missouri Department of Natural Resources (“MDNR”), and Sierra Club.

**I. Introduction**

 In Rule 4 CSR 240-22.080(4)(A) parties to the IRP process may file a list of suggested Contemporary Issues. The Company has an opportunity to comment of the lists provided in (A) by October 1, according to Rule 4 CSR 240-22.080(4)(B).

**II. Staff List of Contemporary Issues**

 On Sept 17, Staff filed fifteen suggestions for special contemporary issues.

*a. Investigate and document the impacts on the Company’s preferred resource plan and contingency plans of aggressive regulations by the FERC, regional transmission organizations (“RTOs”) or Missouri statutes or regulations to allow aggregators of retail customers (“ARCs”) to operate and market demand response services in Missouri;***GMO Comment**

The company proposes that a high-level estimate of a potential ARC aggregation of retail load will be developed to test possible effects and impacts on the Preferred Resource Plan and Contingency Plans as part of its 2013 IRP update.

On January 6, 2010, the Missouri Public Service Commission (“MPSC”) issued an order in Case No. EW-2010-0187 for the purpose of investigating the coordination of state and federal regulatory policies concerning demand-side programs. This investigation docket has proceeded through a series of information-gathering processes, including several workshops. All of Missouri’s investor-owned electric utilities as well as a number of other interested parties have participated in this process. Issues in this docket have included the question of whether the MPSC should permit the participation of retail customers in wholesale demand response programs operated by a RTO, and if so, under what rules and pricing terms. GMO has submitted written comments in this docket and participated actively in the workshops, expressing its views regarding potential ARC activity in Missouri and the appropriate structure for such activity if permitted. GMO’s comments touched on numerous elements including the method of retail billing for demand response load, the establishment of economically efficient pricing mechanisms, the impact of ARC participation on the utilities’ internal demand response programs, and the potential for costs to shift among customer groups as a result of retail participation in wholesale markets. Before ARCs can operate in the MPSC’s jurisdiction, these issues must be resolved.

In addition to state regulatory activity, several dockets at FERC are dealing with demand response questions both in rulemaking and in compliance filings made by RTOs such as Southwest Power Pool and the Midwest Independent Transmission System Operator. Given the numerous unresolved questions at both the state and federal levels, it will be speculative for GMO to posit the conditions, framework, and pricing necessary for an IRP analysis of the impact of ARC activity in Missouri.

*b. Investigate and document the impacts on the Company’s preferred resource plan and contingency plans of a new much more aggressive renewable energy standard (e.g., at least double the current standard for Missouri) with no rate cap;*

**GMO Comment**

The Company proposes to study an additional alternative plan which assumes a doubling of the current Missouri Prop C renewable energy requirements without the 1% rate impact limitation in its 2013 IRP update.

*c. Investigate and document the impacts on the Company’s preferred resource plan and contingency plans of a very aggressive energy efficiency resource standard (e.g., annual energy savings of 1.5% each year for 20 years and annual demand savings of 1.0% each year for 20 years from electric utility demand-side programs) with no rate cap in Missouri;*

**GMO Comment**

In the Non-Unanimous Stipulation and Agreement for KCP&L Greater Missouri

Operations Company’s (“GMO”) 2009 IRP, Case No. EE-2009-0237, the Company agreed to continue to review the effects of a Federal Energy Efficiency Standard modeled after H.R. 888. H.R. 888 was specifically requested by Staff in the GMO Stakeholder Process. The result of this risk analysis was included in the GMO Update IRP filing on July 1, 2011. The Company will be continuing to use the simulation of H.R. 888 to estimate the effects of an efficiency standard. GMO believes that the stipulated analysis of this efficiency standard will meet the intent of this suggested contemporary issue. This analysis is subject to an understanding that it is hypothetical. The ability to implement a plan of this scale could not be determined without the results of the potential study and the study’s estimates of maximum achievable potential, realistic achievable potential, and associated cost, as well as other factors.

*d. Investigate and document the impacts on the Company’s preferred resource plan and contingency plans of a loss of significant load for the short term and potentially for the long term that may be the result of: 1) a prolonged double-dip recession, and/or 2) the largest customer or a group of customers no longer taking service from Company;*

**GMO Comment**

The Company will plan to use one of Moody’s Analytics dire economic scenarios to produce a load forecast to satisfy this issue. To further analyze the effect of a long-term economic downturn, the Company proposes to use this extreme low load growth case in a similar manner to the extreme weather load case required by Rule 4 CSR 240-22.030(8)(B) and 4 CSR 240- 22.070(1)(D). The preferred plan will be analyzed using the extreme low load growth case. The Company will document and report the resulting Performance Measure values as defined by Rule 4 CSR 240-22.060(2).

*e. Investigate and document the impacts of aggressive environmental regulations on Company’s preferred resource plan and contingency plans;*

**GMO Comment**

For modeling purposes, the Company assumes aggressive environmental regulations will be imposed within the planning period and defines each as required per Rule 240-22.040(2)(B). A table identifying each assumed potential environmental regulation, the assumed year for the commencement of the regulation, and the retrofit equipment assumed in modeling will be provided in the 2013 update.

*f. Analyze, rank, and document existing coal plant fleet as retirement candidates that includes documentation indicating the date the plant was put in service, the original design life in years and the results of any subsequent life extension studies or modifications to extend the design life, the cost in $/kw to produce energy, and any analysis, studies, inspections, calculations used to justify the continued operation of the plant beyond its original design life;*

**GMO Comment**

In the 2013 update, the Company will rank the existing coal fleet in terms of retirement candidates, provide in-service dates, assumed design life, estimated capital cost of major upgrades, refurbishment, or rehabilitation for existing facilities (per Rule 240-22.040(5)(B), energy production in $/kW, and analyses, studies, and calculations incorporated in the integrated resource planning process.

*g. Analyze and document aggressive DSM portfolios - including demand-side programs and demand-side rates - without constraints. Include analysis and documentation of demand-side investment mechanisms necessary to implement each aggressive DSM portfolio;*

**GMO Comment**

GMO feels that the Commission should exclude this proposed issue from the final list of contemporary issues. This DSM level is arbitrary and GMO will, as per rule 4 CSR 240-22.060.(3)(A) 3, utilize only demand-side resources, up to the maximum achievable potential of demand-side resources. The maximum achievable potential, from a completed Navigant DSM Potential Study, will be incorporated into the annual update.

 *h. Analyze and document the impacts of opportunities to implement distributed generation, DSM programs, and combined heat and power (CHP) projects in collaboration with municipal water treatment plants and other local waste or agricultural/industrial processes with on-site electrical and thermal load requirements, especially in targeted areas where there may be transmission or distribution line constraints. In particular, develop a model or business case to identify the most cost effective CHP projects and a strategy to increase the deployment of identified cost effective CHP projects;*

**GMO Comment**

GMO will incorporate the findings of the DSM Potential study in its annual update, which will include the opportunity for CHP projects in its territory. If CHP is identified as an economic DSM opportunity, it will be included as a program.

 *i. Analyze and document analysis of DSM programs targeted to achieve energy efficiency savings in the agricultural sector;*

**GMO Comment**

GMO will incorporate the findings of the DSM Potential study in its annual update. In the study, end users have been broken out by sector. Agriculture is a small percentage of GMO’s energy consumption but is included in the sector “Industrial Other”. All of the end use measures that ultimately become DSM programs, will be available to the agricultural sector. This would include measures that would apply to the agricultural sector, such as pumps, drives, lighting.

 *j. Analyze and document alternative customer information/behavior modification program options utilizing either in-house or outside industry experts or a combination of both to increase customer awareness and encourage more efficient use of energy;*

**GMO Comment**

GMO currently offers the home energy analyzer and business energy analyzer programs. They are available to all retail customers, through the GMO website. In its filing GMO included the energy savings from a new residential report program in all DSM plans that had energy savings. The residential reports program and In-home display are on the measure list in the Navigant DSM Potential study and GMO will incorporate the findings in its annual update.

*k. Analyze potential or proposed changes in state and/or federal environmental and/or renewable energy standards and report how those changes would affect Company’s plans for compliance with those standards;*

**GMO Comment**

The Company proposes to study an additional alternative plan which assumes a doubling of the current Missouri Prop C renewable energy requirements without the 1% rate impact limitation in its 2013 update.

*l. Analyze the levelized cost of energy needed to comply with the current Renewable Energy Standards law compared to the cost of energy resulting from a portfolio comprised solely of existing resources with no additional renewable resources; and*

**GMO Comment**

The Company agrees and will develop an alternative resource plan to test this Contemporary Issue in its 2013 update.

*m. Disclose and discuss the amount and impact of every state or federal subsidy the Company expects to receive with regard to any or all fuel sources it intends to use during the IRP study period.*

**GMO Comment**

The Company does not expect to receive any state or federal subsidy for any of the fuels it intends to use during the IRP study period.

*n. Analyze and document nuclear powered small modular reactor (SMR) as a potential supply-side resource option; and*

**GMO Comment**

The Company will analyze and document SMR’s as a potential supply-side option in its 2013 update.

*o. Analyze and document the potential impact of Smart Grid technology on the Company’s supply-side resources and demand-side resources.*

**GMO Comment**

The Company feels that the Commission should exclude this proposed issue from the final list of contemporary issues because the SmartGrid Demonstration project will not be completed until 2015. Upon completion of the SmartGrid Demonstration Project in 2015, KCP&L intends to use the findings of the project to develop a well founded SmartGrid Vision, Architecture, and Road Map that will provide framework for evaluating the feasibility of and guiding the implementation of advanced distribution grid technologies. This will include the potential impacts of SmartGrid technology on GMO’s supply-side resources and demand-side resources.

**III. MDNR List of Contemporary Issues**

 MDNR filed nine suggestions for special contemporary issues.

 ***Issue 1: Clarifying the assumptions and structural form of weather normalization models***

*In its annual update, GMO should elaborate on the assumptions, functional form used in the equations to estimate the effect of weather on system loads and report the R-squared statistic and other goodness of fit measures to comply with the rule. GMO should investigate if there are any other variables that can better explain the weather trends or consider using non-linear models as an estimation technique.*

**GMO Comment**

GMO believes that this is not a contemporary issue and the Commission should exclude this proposed issue from the final list of contemporary issues. A contemporary issue is defined in IRP Rule 240-22.080(4) as “The purpose of the special contemporary issues lists is to ensure that evolving regulatory, economic, financial, environmental, energy, technical, or customer issues are adequately addressed by each utility in its electric resource planning. Each special contemporary issues list will identify new and evolving issues but may also include other issues such as unresolved efficiencies or concerns from the preceding triennial compliance filing.” The proposed issue would be better handled as a data request.

***Issue 2: Adjusting its load forecast to reflect current economic conditions.***

*In its annual update, GMO should recalibrate its forecast of the number of households to reflect the existing economic situation. The analysis should describe and document any changes in the components of the load forecast made to account for changes in the economic situation.*

**GMO Comment**

GMO believes that this is not a contemporary issue and the Commission should exclude this proposed issue from the final list of contemporary issues. A contemporary issue is defined in IRP Rule 240-22.080(4) as “The purpose of the special contemporary issues lists is to ensure that evolving regulatory, economic, financial, environmental, energy, technical, or customer issues are adequately addressed by each utility in its electric resource planning. Each special contemporary issues list will identify new and evolving issues but may also include other issues such as unresolved efficiencies or concerns from the preceding triennial compliance filing.” The proposed issue would be better handled as a data request.

***Issue 3: Provide quantitative and qualitative justification for the use of first-order autoregressive models in its weather normalization models***

*In its annual update, GMO needs to provide a rationale for the use of first-order autoregressive models, specify the model and explain why autoregressive moving average or autoregressive integrated moving average models were not used, especially in the wake of using time-series models. Use of specific monthly variables need to be justified in the modeling process and any test results for serial correlation and stationarity need to be reported.*

GMO believes that this is not a contemporary issue and the Commission should exclude this proposed issue from the final list of contemporary issues. A contemporary issue is defined in IRP Rule 240-22.080(4) as “The purpose of the special contemporary issues lists is to ensure that evolving regulatory, economic, financial, environmental, energy, technical, or customer issues are adequately addressed by each utility in its electric resource planning. Each special contemporary issues list will identify new and evolving issues but may also include other issues such as unresolved efficiencies or concerns from the preceding triennial compliance filing.” The proposed issue would be better handled as a data request.

**GMO Comment**

***Issue 4: Provide a more detailed analysis of distributed generation and combined heat and power (CHP) sources.***

*In its annual update, GMO should provide a more detailed analysis of the market status of a number of distribution technologies as well as their potential impacts. GMO should also explore more opportunities with customer-side CHP.*

**GMO Comment**

GMO will incorporate the findings of the DSM Potential study in its annual update, which will include the opportunity for CHP projects in its territory.

***Issue 5: Provide complete metrics for “aggressive” and “very aggressive” DSM portfolios.***

*In its annual update GMO should provide the program metrics described in 4 CSR 240-22.050(G) for each of its DSM portfolios.* **GMO Comment**

GMO feels that the Commission should exclude this proposed issue from the final list of contemporary issues. This DSM level is arbitrary and GMO agrees however, per rule 4 CSR 240-22.060(3)(A)3, to develop at least one alternative resource plan that will “utilize only demand-side resources, up to the maximum achievable potential of demand-side resources in each year of the planning horizon, if that results in more demand-side resources than the minimally compliant plan”. The maximum achievable potential level of DSM constitutes an aggressive amount of DSM. The maximum achievable potential will be obtained from the DSM Potential Study.

***Issue 6: Consider changes to GMO’s approach to estimating aggressive DSM portfolios.***

*In its 2012 IRP GMO estimated two “aggressive” and “very aggressive” DSM portfolios by adding unknown technologies (“Technology X” in the case of its “aggressive” DSM portfolio, “Technology Y” in the case of its “very aggressive” DSM portfolio). GMO should describe and document changes in its program designs, measure offerings and customer incentive levels that would achieve the savings levels of its “aggressive” and “very aggressive” DSM portfolios without relying on unknown technologies.*

**GMO Comment**

GMO feels that the Commission should exclude this proposed issue from the final list of contemporary issues. This DSM level is arbitrary and GMO agrees however, per rule 4 CSR 240-22.060(3)(A)3, to develop at least one alternative resource plan that will “utilize only demand-side resources, up to the maximum achievable potential of demand-side resources in each year of the planning horizon, if that results in more demand-side resources than the minimally compliant plan”. The maximum achievable potential level of DSM constitutes an aggressive amount of DSM. The maximum achievable potential will be obtained from the DSM Potential Study.

***Issue 7: GMO should describe and document the legal and administrative steps necessary to allow for IRP planning on a combined company basis.***

**GMO Comment**

The Company will describe the steps necessary to allow joint planning on a combined company basis in the 2013 Annual Update.

 ***Issue 8: GMO should describe and document its methodology for allocating combined company resources to its component companies.***

*In its annual update, GMO should describe and document its approach to constructing combined plans and its allocation procedures. If the Company uses a combined planning approach in the future, the combined plan should include an articulated methodology for sharing demand side, supply side and renewable resources between companies.*

**GMO Comment**

The Company will describe and document its methodology for allocating combined-company resources to the individual utilities.

***Issue 9: Address deficiencies in the analysis of Special Contemporary Issues B, C, H, I, J, K and L from File No. EO-2012-0041.***

*The specific deficiencies and concerns raised by MDNR are described in its filing in response to GMO’s 2012 IRP (File No. EO-2012-0323).*

**GMO Comment**

The Company agrees that the alleged deficiencies identified by MDNR which are unresolved from Case EO-2012-0324 will be addressed in the 2013 IRP update, if feasible. **IV. Sierra Club List of Contemporary Issues**

Sierra Club filed ten suggestions for special contemporary issues.

*1. The prospects for continued stability of natural gas prices, especially in light of*

*unconventional gas supplies;*

**GMO Comment**

The Company’s forecast will consider the effects of unconventional gas supplies in the 2013 update.

*2. Developing and documenting for use in all economic modeling and resource planning*

*low, base, and high natural gas price projections that are derived from natural gas price*

*forecasts that were created within three months of the modeling and planning that such*

*projections are used in;*

**GMO Comment**

GMO feels that the Commission should exclude this proposed issue from the final list of contemporary issues, as limiting forecasts to a 3-month window is problematic. GMO shares this concern about using current forecasts. The issue of stale forecasts is one of the reasons the Company uses a composite forecast. Typically long-term forecasts are issued annually by the various forecasting services and public agencies such as EIA. One of the benefits of using a composite forecast is that has a higher frequency of updates than individual forecasts. The composite forecast is updated whenever one of the panel forecasts is updated. If the Company limits itself to only using forecasts created in the last three months, the Company would find times when there is no long-term forecast that met the three-month criteria. The Company would also find that as the Company updated analyses the Company would be jumping from one forecast provider to another merely because they are on different production schedules. The effect on the analysis would be to swing results even though there was no change in expectations by any forecaster.

*3. Analyzing and documenting the future capital and operating costs faced by each GMO*

*coal-fired generating unit in order to comply with all existing, pending, or potential*

*environmental standards, including:*

* *Clean Air Act New Source Review provisions*
* *1-hour Sulfur Dioxide National Ambient Air Quality Standard*
* *Cross State Air Pollution Rule in the event the Rule is reinstated*
* *Clean Air Interstate Rule*
* *Mercury and Air Toxics Standard*
* *Clean Water Act 316(b) Cooling Water Intake Standards*
* *Clean Water Act Steam Electric Effluent Limitation Guidelines*
* *Clean Air Act Section 111 Greenhouse Gas New Source Performance Standards*
* *Clean Air Act Regional Haze requirements*
* *Coal Combustion Waste rules*

**GMO Comment**

The Company will provide capital and incremental operating costs for retrofit equipment that is potentially required to meet existing and future potential environmental regulations that would affect coal-fired units in its 2013 update.

*4. Analyzing and documenting the cost of any transmission grid upgrades or additions*

*needed to address transmission grid reliability, stability, or voltage support impacts that*

*could result from the retirement of any existing GMO coal-fired generating unit;*

**GMO Comment**

GMO feels that the Commission should exclude this proposed issue from the final list of suggested issues, as it is impossible to develop a reasonable estimate of the cost of transmission upgrades or additions needed to address transmission grid reliability impacts without identifying which generating unit(s) is retired and determining where the replacement generation will be located.

If the replacement generation resource is located at the same site as the retired generation, so that the existing transmission infrastructure can be utilized, there will be minimal cost incurred in transmission upgrades to maintain reliable service.

Alternatively, if the replacement generation is remote from the GMO load area, there would be significant transmission cost associated with delivery of that generation to load. If significant generation is retired, it would also be necessary to provide local dynamic var resources to maintain adequate voltage levels.

*5. Analyzing and documenting on a unit-by-unit basis the net present value revenue*

*requirement of the relative economics of continuing to operate each GMO coal-fired*

*generating unit versus retiring and replacing each such unit in light of all of the*

*environmental, capital, fuel, and O&M expenses needed to keep each such unit operating*

*and the cost of other demand side and supply side resources;*

**GMO Comment**

The Company disagrees with this issue and the Commission should exclude this proposed issue from the final list of suggested issues. The IRP is not a process by which individual assets are analyzed. The Company shall test for the benefit of coal unit retirements in an integrated manner as specified by Chapter 22 rules.

*6. Analyzing and documenting low, base, and high scenarios of projected off-system sales*

*revenues under a range of assumed natural gas prices, CO2 prices, and coal prices;*

**GMO Comment**

The Company disagrees with this issue and the Commission should exclude this proposed issue from the final list of suggested issues. Off-system sales will be reported as an additional performance measure as described in Rule 22.060 (2) A 7.

Off-system sales cannot be analyzed as a scenario because it is an output of the integrated analysis. However, off-system sales will rise or fall depending on the impact of scenario drivers such as natural gas prices, CO2 prices, etc.

*7. Analyzing and documenting on a unit-by-unit basis the net present value revenue*

*requirement of the cost of continuing to operate each GMO coal unit in light of all of*

*the environmental, capital, fuel, and O&M expenses needed to keep each such unit*

*operating versus the revenue generated by the continued operation of each such unit*

*under low, base, and high scenarios of projected off-system sales revenues;*

**GMO Comment**

The Company disagrees with this issue and the Commission should exclude this proposed issue from the final list of suggested issues. The IRP is not a process by which individual assets are analyzed. The Company shall test for the benefit of coal unit retirements in an integrated manner as specified by Chapter 22 rules.

*8. Analyzing and documenting the technical, maximum achievable, and realistic achievable*

*energy and demand savings from demand side management, and incorporating each level*

*of savings into GMO resource planning process.*

**GMO Comment**

GMO will incorporate the findings of the DSM Potential study in its annual update.

*9. Analyzing and documenting whether each of the following levels of cumulative annual savings are technically or realistically achievable through demand side management:*

* *0.5% energy savings*
* *0.5% demand savings*
* *1% energy savings*
* *1% demand savings*
* *1.5% energy savings*
* *1.5% demand savings*

**GMO Comment**

GMO feels that the Commission should exclude this proposed issue from the final list of contemporary issues. This DSM level is arbitrary and GMO will, as per rule 4 CSR 240-22.060.(3)(A) 3, utilize only demand-side resources, up to the maximum achievable potential of demand-side resources. The maximum achievable potential, from a completed Navigant DSM Potential Study, will be incorporated into the annual update.

*10. Analyzing and documenting the levels of achievable combined heat and power and*

*incorporating such achievable CHP into GMO’s evaluation of demand side*

*management.*

**GMO Comment**

GMO will incorporate the findings of the DSM Potential study in its annual update, which will also determine if there are opportunities for CHP.

Respectfully submitted,

 /s/ James M. Fischer

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 1st day of October, 2012.

/s/ James M. Fischer

James M. Fischer