

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the 2009 Resource Plan of)
KCP&L Greater Missouri Operations)
Company Pursuant to 4 CSR 240-22.)

File No. EE-2009-0237

**REPLY BRIEF OF
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

James M. Fischer MBN 27543
Larry W. Dority MBN 25617
Fischer & Dority, P.C.
101 Madison, Suite 400
Jefferson City MO 65101
Phone: (573) 636-6758
jfisherpc@aol.com

Roger W. Steiner MBN 39586
Corporate Counsel
Kansas City Power & Light Co.
1200 Main Street
Kansas City, MO 64105
Phone: (816) 556-2314
Roger.Steiner@kcpl.com

Attorneys for KCP&L Greater Missouri
Operations Company

September 22, 2011

Non-Proprietary Version

TABLE OF CONTENTS

I.	Introduction.....	1
II.	MDNR’s and Public Counsel’s Positions	2
III.	Staff Concerns	5
IV.	Dogwood’s Position	6
IV.	Conclusion	7

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the 2009 Resource Plan of)
KCP&L Greater Missouri Operations)
Company Pursuant to 4 CSR 240-22.)

File No. EE-2009-0237

**KCP&L GREATER MISSOURI OPERATIONS COMPANY’S
REPLY BRIEF**

Pursuant to Missouri Public Service Commission (“Commission”) Rule 4 CSR 240-2.140 and the Commission’s *Order Establishing Briefing Schedule* issued on August 2, 2011, KCP&L Greater Missouri Operations Company ("GMO" or “Company”) hereby respectfully submits its Reply Brief in this matter. GMO has already anticipated and addressed most of the points and arguments raised by the other parties to this proceeding in its Initial Brief. However, a few additional comments are necessary to address a handful of matters.

I. Introduction

As explained in GMO’s Initial Brief, the purpose of the evidentiary hearing in this matter was “to determine whether GMO violated the terms and conditions of the Non-Uniform Stipulation and Agreement that was approved by the Commission on June 12, 2010. (*Order Directing Filing, Providing Notice and Setting Hearing*, Ordered Paragraph 2, p. 2) No party to this proceeding, including Staff, Public Counsel, MDNR, or Dogwood, have indicated that they believe it is necessary to pursue the Staff’s Complaint or seek penalties in this proceeding. (Staff Br. at 3-4; Public Counsel Br. at 9-10; MDNR. Br. at 6-7; Dogwood Br. at 1-2). However, some parties have raised concerns or other alleged deficiencies which have largely been already addressed in GMO’s Initial Brief.

As the Commission knows, GMO intends to file a full triennial compliance IRP Plan under the Commission's recently promulgated Chapter 22 Rules in April 2012. This IRP filing is expected to address any remaining concerns of MDNR or other parties with updated information, and once again, allow the Staff, Public Counsel, MDNR, and other interested parties to evaluate GMO's programs, portfolios, and savings levels for cost effectiveness. It would be unnecessary and redundant for the Commission to direct GMO to do anything more in connection with GMO's August 2009 IRP Plan, its January 2011 Revised IRP, or its July 1, 2011 Supplemental Filing. As Staff has found, there are no more deficiencies or violations to be addressed in these filings.

II. MDNR's and Public Counsel's Positions¹

MDNR and Public Counsel raised the following specific areas of alleged non-compliance with the Non-Unanimous Stipulation And Agreement and Stakeholder process: (1) DSM Portfolio; (2) Preferred Resource Plan; and (3) Stakeholder Process. MDNR also raised a concern regarding the retirement of the Sibley 3 Coal Unit.

GMO has already addressed MDNR's concerns regarding the DSM Portfolio (GMO Br. at 10-11) and the Preferred Resource Plan² (GMO Br. at 7-8), and the stakeholder process (GMO Br. at 4-7). However, a few additional comments are necessary with regard to the retirement of the Sibley 3 Coal Unit.

With regard to the retirement of the Sibley 3 Coal Unit issue, MDNR's Initial Brief stated:

¹ Since the Public Counsel's Initial Brief raised similar arguments to those raised by MDNR, Public Counsel's concerns will be addressed in this section of the brief. (Public Counsel Br. at 1-10)

² With regard to the "Preferred Resource Plan" issue, it should be noted that MDNR has conceded: "MDNR is not suggesting that the stakeholders could or should argue that GMO must adopt a specific preferred resource plan or a specific set of DSM programs in its IRP..." (MDNR Br. at 4). This is also consistent with Staff witness Lena Mantle's position on this issue. (Tr. 58)

The S&A contained a very explicit agreement regarding consideration of the retirement of the Sibley 3 coal unit. "Parties will work to define one or several accommodations of resources that appear most likely to provide the least cost replacement for the Sibley 3 unit, if that unit is retired. Based on this discussion, GMO agrees to develop at least one alternative resource plan that includes retirement of Sibley 3 and to include this alternative resource plan in the revised integration analysis for the filing due September -- excuse me, December 17th, 2010." (Tr. 110). The alternative resource plans submitted by GMO in its July 1, 2011 revised IRP filing, however, did not include the retirement of Sibley 3, in contravention to the S&A. (Tr. 102).

Unfortunately, MDNR failed to inform the Commission or ignored the fact that GMO included an analysis of the possible retirement of Sibley 3 in its January 18, 2010 Revised IRP Filing. More specifically, alternative Plans 3, 7, 8 and 9 each addressed the possible retirement of the entire Sibley Station (Sibley 1, 2, and 3)(466 MWs of coal capacity). However, none of these alternative plans were economically viable. (January 18, 2011 Revised IRP Filing, Volume 6, pp. 8-11).

Since the complete retirement of the Sibley Station was not economically viable in the January 18, 2011 Revised IRP Plan, GMO abandoned further analysis of this alternative in the July 1, 2011 Supplemental Filing. In GMO's July 1, 2011 Supplemental Filing, GMO analyzed alternative resource plans "using combinations of supply-side resources, demand-side resources and ** _____ ** Timing of supply additions ** _____ ** and quantity of resources are varied. In total twelve (12) alternative resource plans were developed for integrated resource analysis." (July 1 Supplemental Filing, Volume 1, p. 1) These alternative plans reviewed possible retirements related to the ** _____ **
_____. However, GMO did not specifically analyze the possible retirement of ** _____ ** again in the July 1 Supplemental Filing since GMO's analysis

had previously showed that this alternative was not an economically viable alternative. Therefore, it is inappropriate for MDNR to suggest that GMO did not fulfill its obligation under the *Non-Unanimous Stipulation And Agreement* to review the possible retirement of Sibley 3 in its analysis in this case since it had done so in the January 18, 2011 Revised IRP Filing. It was unnecessary for GMO to include this analysis again in the July 1, 2011 Supplemental Filing.

MDNR's Brief also expressed its frustrations with the stakeholder process itself. (MDNR Br. 6-7) GMO regrets that MDNR did not find the stakeholder process to be helpful and meaningful. On this point, however, GMO must respectfully disagree with MDNR since GMO found the discussions in the stakeholder process to be very helpful and quite valuable.

During the evidentiary hearings, GMO witness James Okenfuss expressed GMO's views of the stakeholder process as follows:

. . . Dr. Bickford was asked if he felt that the stakeholder process was meaningless, and I was at every one of those meetings and there are several people who are in this room who were at every one of those meetings, and the last thing I ever want to have happen is to have someone walk away from this hearing thinking that that was a waste of time. I don't think it was.

I'd like to just point out that there were many things we learned in the stakeholder process that we couldn't still, because of time constraints, get included in the January filing that we were able to do in the July filing.

And there's two that I want to point out very quickly. One, Staff felt very strongly about us revising our risk analysis to take a look at the potential of a federal energy efficiency standard rule and we were able to incorporate that into the July filing.

The second is that even from the beginning of the overall process, there was this discussion about how could the Company take covariant risk into account for what we were doing in our risk analysis. Now, it wasn't a very well-described deficiency when we started, but through the stakeholder process, we had an opportunity to discuss – and even as part of the stipulation and agreement, we had a risk summit with other utilities

across the state. And in that, some ideas came out, one of which was that we would increase our – we would use our basic scenario analysis, which was using 64 scenarios and increase it to 100 with a randomly selected number of scenarios.

And this came to us from the stakeholders in that process and we were able to incorporate it. And in doing so, we've actually been able to find out a lot more about our risk tolerances that we've been able to test and study, some of which we haven't really found out exactly how do we report it in kind of the stricture of the old rule, but under the new rule, we think we're going to have some opportunity to be able to show how this will help us out and be able to make us explain that our – our planning process really is much more robust.

So I don't like disagreeing with Dr. Bickford, but I do have to on this point. I really think that that stakeholder process was quite valuable. (Tr. 169-71)(emphasis added)

Notwithstanding the issues that were raised in Case No. EC-2011-0250 and in this proceeding, GMO would encourage the Commission and interested parties to continue to utilize collaborative, stakeholder processes to discuss and resolve the complex, and highly technical issues that are raised in the context of IRP filings. Such processes, while painstaking and time-consuming, have proven to be a better process for discussing and hopefully resolving issues rather than immediately proceeding to a formal hearing process before the Commission.

III. Staff Concerns

The Staff clearly indicated that “It is Staff’s position that KCP&L Greater Missouri Operations Company (“GMO”) has complied with the Commission’s integrated resource planning rules at Chapter 22, 4 CSR 240, albeit tardily.” (Staff Br. at 1) However, Staff did raise “concerns” with respect to “GMO’s lack of generation resources sufficient to serve its native load over the next twenty years.” However, Staff also clearly indicated that “Staff does not seek any particular Commission action at this time.” (Id.)

As stated in GMO's Initial Brief, GMO agrees with Staff that it has fully complied with the Commission's IRP rules. However, lest silence be interpreted as acquiescence, GMO believes it should briefly address Staff's concerns regarding the sufficiency of GMO's generation resources.

First, GMO believes this is an issue that should be considered more fully in the context of GMO's next IRP filing which will occur in April 2012. Staff seems to concur that no Commission action is needed at this time.

Second, GMO believes Staff concerns are not well taken because there are sufficient generation resources available in the Southwest Power Pool region to fully meet GMO's expected load demands in the future. In fact, Mr. Okenfuss's analysis showed that there is approximately 4,800 megawatts of capacity available in the SPP region to meet any of GMO's future generation needs. (Tr. 162) As he explained, the highest level of shortfall for GMO's capacity needs in any one year using Staff's initial estimation was only 203 megawatts. (Id.) GMO understands Staff's concerns about the perceived advantages of "steel in the ground." (Tr. 49) However, this is the type of issue (i.e. cost benefits of construction of generation v. purchased power agreements) that will be fully considered in the context of future GMO and KCP&L IRP filings.

IV. Dogwood's Position

Dogwood recognized that "little can be gained from requiring GMO to make further changes to its 2009 IRP or its 2011 substitute IRP at this point." (Dogwood Br. at 1) Similarly, Dogwood recognized that "there would not seem to be much to be gained by accelerating the due date of GMO's next IRP filing by a few months from the current April 2012 deadline." (Dogwood Br. at 2). GMO agrees with Dogwood on these points.

The principal thrust of Dogwood’s Brief was to express its concern “that its 650 MW combined cycle generation plant has not been given full and fair consideration in GMO’s various IRP analysis.” (Id.) GMO believes it has considered Dogwood’s combined cycle generation plant in its August 5, 2009 IRP filing. And though the Stakeholder Process never addressed the inclusion of Dogwood purchase alternatives in subsequent filings, **_

_____, **, GMO will continue to review all viable alternatives for its supply-side options in the future. It is unnecessary for the Commission to address this issue at this time.

IV. Conclusion

In conclusion, the purpose of this hearing was “to determine whether GMO violated the terms and conditions of the *Non-Unanimous Stipulation and Agreement* that was approved by the Commission on June 12, 2010.” (*Order Directing Filing, Providing Notice and Setting Hearing*, Ordered Paragraph 2, p. 2) None of the criticisms raised by MDNR or any other party in this proceeding has demonstrated that GMO violated the terms and conditions of the *Non-Unanimous Stipulation And Agreement*.

WHEREFORE, KCP&L Greater Missouri Operations Company respectfully requests that the Commission deny the relief being requested by MDNR, and close this case.

Respectfully submitted,

/s/ *James M. Fischer*

James M. Fischer, MBN 27543
Larry W. Dority, MBN 25617
Fischer & Dority, P.C.
101 Madison Street, Suite 400

Jefferson City, MO 65101
Telephone: (573) 636-6758
Facsimile: (573) 636-0383
E-mail: jfischerpc@aol.com
E-mail: lwdority@sprintmail.com

Roger W. Steiner, MBN 39586
Kansas City Power & Light Company
1200 Main – 16th Floor
Kansas City, Missouri 64105
Phone: (816) 556-2314
Fax: (816) 556-2110
E-mail: roger.steiner@kcpl.com

**Attorneys for KCP&L Greater Missouri
Operations Company**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail, electronic mail or hand delivery, on this 22nd day of September, 2011 to the parties of record.

/s/ James M. Fischer
James M. Fischer