

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

In the Matter of an Investigation into the)	
Coordination of State and Federal Regulatory)	
Policies for Facilitating the Deployment of all)	Case No. EW-2010-0187
Cost-Effective Demand-Side Savings to)	
Electric Customers of All Classes Consistent)	
With the Public Interest)	

**COMMENTS OF KANSAS CITY POWER & LIGHT COMPANY AND
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

As requested by the Commission Staff, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company (collectively, “KCP&L”) offer the comments below regarding items 7, 8, and 2(b) of the draft rule, followed by comments on other material aspects of the rule and the process in this docket. KCP&L is not reiterating all the comments the companies filed previously in this docket. Although not repeated here, those previous filings remain pertinent.

Item 7:

The Commission should have the right to set the Marginal Foregone Retail Rate (“MFRR”), but FERC Order No. 745 is in conflict with this principle. Order 745 has broadened the issue from one of pricing policy to a matter that also includes questions about Federal and state jurisdictional limits. The question of the Commission setting the MFRR will become moot if the policies stated in Order 745 are upheld in both rehearing and potential court challenges.

For the purpose of establishing economically efficient pricing mechanisms in the wholesale markets, the MFRR should be set at the currently effective retail rate. The rationale for this has been explained in numerous filings at FERC, including several that were made by the Organization of MISO States (“OMS”) with the support of this Commission.

Because the issue of the MFRR level is a critical element in determining whether retail demand response in wholesale markets will benefit retail load as a whole, the ultimate resolution of this issue should be a key consideration in the Commission's decision whether such retail demand response is permitted in its jurisdiction.

Item 8:

Requiring a Staff report three years after any authorization of participation by retail load in wholesale markets is a helpful proposal. The requirement for recurring reports after that point in time probably is unnecessary and not a cost-effective use of Commission resources. Preparation of reports subsequent to the first triennial can be directed by the Commission on an as-needed basis.

Item 2(b):

KCP&L already has expressed its views regarding the appropriate level of a fixed cap and will not repeat those comments here.

The Office of Public Counsel made an alternative proposal to implement a minimum threshold for demand response, which would authorize participation of retail demand response in wholesale markets to the extent the utility's internal demand response program does not achieve the threshold. One means of implementing this suggestion within the context of the draft language for item 2(b) is to include the utility's internal demand response along with wholesale demand response when calculating the total amount that is then compared to the megawatt limit.

Other material items in the draft rule:

The retail billing of "reconstituted load" (i.e., add-back of the demand response amount) is not addressed in the draft rule. Although the specific mechanism is different, the MFRR proposal that has been strongly supported by the OMS is largely based on economic principles

that also support the retail billing of reconstituted load. This is a critical omission from the draft rule and results in a rule that is incomplete and creates erroneous price signals.

The draft rule remains silent about the allocation and means of recovery of the utility's administrative costs related to retail participation in wholesale markets. This needs to be addressed by the rule.

Workshop and rulemaking process:

There are numerous uncertainties regarding the Federal implementation of retail demand response in wholesale markets. Order 745 has initiated much of that uncertainty with its adoption of policies that were strongly opposed by many parties across the spectrum of the electricity industry. Rehearing requests are now pending, including a rehearing request by the OMS that is supported by this Commission. After the rehearing requests are addressed by the FERC, there is the possibility of court challenges. In addition to the uncertainty created by Order 745, earlier filings to implement demand response in wholesale markets are still pending, with resulting lack of clarity as to the pricing and administrative structure that will be implemented by the Regional Transmission Organizations for this purpose. In the case of MISO, the proposed pricing structure clearly is in conflict with the policies adopted under Order 745. In the case of SPP, uncertainty remains as to whether demand response will be implemented in the energy imbalance market or whether it will wait until the day-ahead and ancillary service markets are implemented. The Regional Transmission Organizations are to make filings in compliance with Order 745 in July 2011 and September 2012.

Given this backdrop of delay and uncertainty, it is appropriate for this workshop process to be placed on hold at least until the RTO filings in July 2011. Even at that time, significant questions will remain as to the ultimate framework of retail demand response participation in

wholesale markets. Furthermore, development of the market systems will require much additional time. KCP&L suggests that this workshop process be suspended for several months at a minimum. In the meantime, Commission resources can be focused on monitoring the relevant FERC proceedings and contributing to the development of the RTO compliance filings.

WHEREFORE, KCP&L respectfully requests that the Commission accept these Comments.

Respectfully submitted,

/s/ James M. Fischer

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served either by electronic mail or by first class mail, postage prepaid, on this 29th day of April 2011 to counsel for all parties who have submitted comments in this docket.

/s/ James M. Fischer

James M. Fischer