

KCP&L

IRP Preferred Plan DSM Program Implementation Plan

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Table of Contents

Organization	2
Marketing Strategy	2
Program and Services Portfolio Summary	4

Organization

KCP&L can create the vision of becoming “trusted energy experts who create and provide solutions that are valued by our customers and our company.” To achieve this, KCP&L is organized to drive an integrated approach for program and service innovation through program and service development, marketing, sales and energy efficiency advocacy.

Energy Solutions is a team of individuals who have a wide variety of backgrounds and experiences in regulated and non-regulated electric and natural gas wholesale and retail markets, program development and implementation. With an average utility industry experience of 13 years, the Energy Solutions team is well positioned to meet the needs of KCP&L and its customers. An overview of the key responsibilities for each functional team follows.

Marketing Strategy

The following outlines the high level marketing strategies for both Residential and Commercial & Industrial.

Residential

The residential marketing strategy supporting the current and proposed programs will be diverse in order to reach designated target markets in a cost effective manor. In order to capture consumer attention and build awareness of KCP&L programs, a mass-market approach is anticipated and will include various media channels to reach desired segments. Once awareness is heightened, specific promotions, seasonal campaigns, and tactics can be implemented for a more direct “call to action” by various targeted decision-makers.

Mass market strategies may include campaigns in print, web, radio, television advertising, and bill inserts. These campaigns will be designed to peak interest in participation by identifying available incentives, demonstrating economic and energy savings potential and reducing negative environmental impacts through program participation. Advertising will provide customers with information necessary for participation and how to contact KCP&L for additional guidance. As the mass market approach begins to take effect and build momentum; both a direct and a network marketing strategy will be deployed. Direct mail will be sent to specific market segments featuring the appropriate programs and steps required for program participation. The segmentation model will match consumers with usage, demographics, attitudes, and behaviors. This methodology will overlay all marketing efforts to ensure high cost efficiency as well as to ensure the most relevant program offerings.

The direct marketing strategy will also include phone contact, email marketing to segments, and channel marketing efforts to reach customers with multiple messages. Retail and manufacturer partnerships are also important to the marketing mix. These partnerships provide a delivery mechanism for rebates and incentives and help to bundle opportunities, co-op advertising and build a stronger presence in the KCP&L service territory.

Consistent program measurement is critical to effectively manage marketing and implementation efforts. Each marketing tactic will be captured to monitor performance, optimize programs and continue to enhance customer segmentation.

Channel marketing is also an important component of the overall communication strategy. Channel marketing provides significant customer awareness through channel-partner communication efforts. Channel-partners could include HVAC contractors, thermostat strategic partners, builders, developers, architects, not-for-profits partners, and governmental organizations. Each channel-partner develops marketing programs to increase participation, which KCP&L oversees and approves to ensure consistency, measurement, and effectiveness. KCP&L will also conduct and/or sponsor meaningful education and training programs to improve participation and market-wide awareness.

Finally, a strong presence in the community will help to demonstrate KCP&L's commitment to energy efficiency and the role of energy efficiency in providing for the long-term economic delivery of reliable energy services. KCP&L will formulate a communication strategy to reach community organizations, churches, trade organizations, and participate in local meetings and forums to continue to educate customers and build awareness.

Commercial and Industrial (C&I)

The marketing strategy for C&I will be segmented and have more direct approach based on actual energy needs, usage trends, verticals, LEED certification requirements, new and retrofit construction, and incentive requirements. KCP&L Energy Consultants and Commercial Consultants from the Customer Solutions team will work closely with customers to identify opportunities and engage appropriate third parties, industry experts and more to deliver energy saving solutions on an on-going basis. Marketing materials and presentations will be created to feature C&I programs and services that can be distributed at trade shows, meetings, and presentations.

Customized newsletters will be created and sent to C&I partners and prospects to educate and inform them about KCP&L's program suite. Events will be sponsored to build relationships with partners and an Advisory Council may be created to solicit feedback from C&I partners on a quarterly basis. Partnerships will be created with key users to include actual energy savings programs as well as educational and community components to build KCP&L's awareness through its strategic partners.

Again, each program and sales contact will be monitored and evaluated to improve optimal performance. Messages will be created for segments that are based on data, behavior, and relevance. Continuous customer management is a critical function of the marketing strategy for C&I, which will be a key focus of future activities.

Programs and Services Portfolio Summary

A summary of the Preferred Plan programs are outlined in the attached Appendix to this Implementation Plan.

Existing Programs

Affordability – Residential

Program Summary

Affordability programs and services are specific Energy Efficient programs designed to assist low income customers who have limited, if any, financial resources to invest in Energy Efficiency. These programs and services target both the retrofit and new construction markets.

- **Low Income Affordable New Homes:** Low Income Affordable New Homes is a program that assists low-income residential customers in making their homes more energy efficient, which has the potential to reduce their energy bills year-round.

Low Income Affordable New Homes establishes a partnership between KCP&L and builders of homes for low-income customers in the KCP&L territory. The focus of the program is to reduce the economic constraints typically associated with upgrading to more energy-efficient lighting fixtures, appliances, HVAC units and insulation.

By providing incentives to qualified home building organizations, KCP&L is able to assist customers in selecting higher-efficiency equipment that will reduce their consumption for the long term. In addition, low income households moving into newly constructed homes will receive the energy savings tips that they can utilize in order to save money on their energy bills.

Program Update

Marketing, Sales and Delivery Approach: Plan to work with neighborhood preservation groups that focus on redevelopment of new affordable housing in lower income areas. Goal is to recast program as an accreditation that can be put on the marketing of the home (e.g. KCP&L Affordable Home). Continued focus will be on building relationships with minimal formal marketing collateral.

Market Assessment/Target Market: Low-income customers in the KCP&L territories. **Barriers to Entry/Factors Impacting Success:** Concerns about the current housing market and economic situation will limit the possible eligibility of projects meeting the program requirements. Program design is currently inhibiting ability to have more homes in the program.

- **Low-Income Weatherization:** Qualified lower income customers can get help managing their usage and bills through KCP&L's Low-Income Weatherization Program. The program works directly with local Community Action Program (CAP) agencies that already provide weatherization services to low-income customers. KCP&L provides supplemental funds to CAP Agencies to cover the cost of additional cost-effective weatherization measures. Typical services include installing insulation, caulking windows and repairing heating and central cooling systems.

Program Update

Marketing, Sales and Delivery Approach: Plan to work with local agencies to quality customers. Supplement marketing dollars for Community Action Program agencies since they tend to have limited capabilities to create collateral. Work with call center to create better awareness of the program.

Market Assessment/Target Market: Residential households that meet federal poverty guidelines.

Barriers to Entry/Factors Impacting Success: Increased costs to administer the program by CAP agencies may not be covered by current contract limitations. Increased fuel and staffing costs create financial constraints. Current backlog of work is impacting city's ability to support program.

Energy Efficiency – Residential and Commercial & Industrial

Program Summary

Energy Efficiency programs and services are solutions that offer a permanent reduction in energy use. Programs and services that are focused on Energy Efficiency provide monetary incentives to end users to install energy-efficient appliances and to improve the thermal efficiency of buildings and residences. KCP&L Energy Efficiency programs and services also contain a general public awareness component, which, through advertising, promote the concept of Energy Efficiency.

Energy Efficiency Program Portfolio	
Residential	Commercial/Industrial (C&I)
<ul style="list-style-type: none"> Home Energy Analyzer Home Performance with ENERGY STAR® Change a Light, Change the World Cool Homes ENERGY STAR® – New Homes 	<ul style="list-style-type: none"> Business Energy Analyzer C&I Energy Audit C&I Custom Rebate – Retrofit C&I Custom Rebate – New Construction Building Operator Certification

These programs are both informational and direct impact programs. They target all customer classes, and target both the retrofit and new construction markets.

- **Home Energy Analyzer:** The Home Energy Analyzer (Online Energy Information and Analysis) provides information to customers on how they use energy based on their specific usage data. It also provides information on ways customers can save energy and what their payback might be based on the improvements made. The access to the program is free and is available to all residential customers.
- **Home Performance with ENERGY STAR®:** Home Performance with ENERGY STAR® (HPwES) is an innovative program that strives to produce an economically sustainable model that captures significant energy savings by encouraging a whole-house approach to Energy Efficiency improvements in existing homes. The program begins with a whole-house energy assessment performed by trained and Building Performance Institute (BPI) certified contractors. The infrastructure is then provided for

homeowners to follow through and complete energy improvements to their homes. Quality Assurance is a primary function of this program.

HPwES is a statewide approach coordinating efforts between the state sponsor, Missouri Department of Natural Resources' Energy Center (MDNR) and local partners. KCP&L will partner regionally with the Metropolitan Energy Center (MEC) to implement a successful program in the Kansas City area.

KCP&L will target the homeowner through marketing and customer incentives. Marketing efforts may include bill inserts, direct mailings, newspaper and TV ads, webpage, as well as program representation at events/tradeshows. Customer incentives will include home energy assessment rebates providing that the customer implements efficiency recommendations. Energy Optimizer and Cool Homes will be co-marketed with this program.

Program Update

Marketing, Sales and Delivery Approach: Plan to partner with the MEC to implement a successful program in the Kansas City area. MEC will coordinate training efforts and provide oversight.

Market Assessment/Target Market: Program generally targets upper-income households spending \$5,000 - \$10,000 on average in energy improvements.

Barriers to Entry/Factors Impacting Success: Call center staffing is limited so customers are not receiving delayed responses to questions. Regulatory approval from Kansas still required.

- **Change A Light-Change The World:** The Environmental Protection Agency (EPA) and Department of Energy (DOE) introduced the National Change a Light, Change the World fall light campaign in 2001. The promotion was designed to raise consumer awareness on the energy saving benefits of compact fluorescent light (CFL) bulbs through advertisement, instant rebates, and education.

In 2005, KCP&L became a sponsor of the program in the state of Missouri, along with neighboring utilities and in cooperation with the Midwest Energy Efficiency Alliance (MEEA). MEEA is the selected program administrator and handles all promotional aspects of the program in the state of Missouri. MEEA program administrator, and a non-profit organization based in Chicago. KCP&L offers instant \$2 rebates through manufacturers and participating retailers from October 1 through December 31.

Program Update

Marketing, Sales and Delivery Approach: MEEA works as the selected program administrator and handles all promotional aspects of the program in the state of Missouri. KCP&L will continue to manage bill inserts and program information on kcpl.com.

Market Assessment/Target Market: Missouri resident and small commercial customers.

Barriers to Entry/Factors Impacting Success: Unable to use excess budget to purchase Compact Fluorescent Light bulbs (CFLs) for distribution at KCP&L events. Plan to request change in tariff to allow broader budgetary use going forward.

- **Cool Homes:** Cool Homes is an instant rebate program that helps KCP&L customers maintain the operating efficiency of central A/C systems to offset the cost of upgrading to a new high-efficiency system. KCP&L customers may have their existing central air cooling systems tested by CheckMe!-trained HVAC contractors to see if it can be brought back to manufacturers' specifications or replaced with a high-efficiency A/C or heat pump.

The program is for residential customers and offers incentives to offset the cost a customer would pay for the higher efficiency unit. KCP&L offers incentives through participating HVAC contractors on cooling systems with SEER levels at 14.0 and above. In addition, a multi-pack of Compact Fluorescent Light bulbs (CFL) and follow-up educational support materials is mailed to the customer after the evaluation is done on their system.

Program Update

Marketing, Sales and Delivery Approach: Partner with Conservation Services Group (CSG) to handle marketing, operations, data processing and payments to contractors. Proctor Engineering Group will handle the training, rebate processing and CheckMe software. KCP&L manages mass market campaigns to drive awareness.

Market Assessment/Target Market: Residential customers upgrading current central air cooling systems.

Barriers to Entry/Factors Impacting Success: KCP&L is performing more marketing than expected due to CSG focus on getting systems in place. Direct campaigns have not produced results hoped for.

- **ENERGY STAR® – New Homes:** ENERGY STAR® New Homes will require that homes be constructed to a standard at least 15% more energy efficient than homes built to the [2004 International Residential Code \(IRC\)](#), and include additional energy-saving features that typically make them 20–30% more efficient than standard homes. These savings are based on heating, cooling, and hot water energy use and are typically achieved through a combination of building envelope upgrades, high performance windows, controlled air infiltration, upgrade heating and air conditioning systems, tight duct systems, and upgraded water-heating equipment.

Any home three stories or less can earn the ENERGY STAR® label if it has been verified to meet EPA's guidelines, including: single family, attached, and low-rise multi-family homes; manufactured homes; systems-built homes (e.g., SIP, ICF, or modular construction); log homes, concrete homes; and even existing retrofitted homes.

Homes are qualified as ENERGY STAR® with the use of Builder Option Packages (BOP). BOPs represent a set of construction specifications for a specific climate zone. BOPs specify performance levels for the thermal envelope, insulation, windows, orientation, HVAC system and water heating efficiency for a specific climate zone that meet the standard.

KCP&L's ENERGY STAR® Homes program will offer technical services and financial incentives to builders while marketing the homes' benefits to buyers. Scaled incentives will be provided to homes that are qualified as ENERGY STAR®.

Program Update

Marketing, Sales and Delivery Approach: Partner and cross-promote with Home Builders Association (HBA) to brainstorm avenues available to reach the market. Homes are qualified as ENERGY STAR® with the use of Builder Option Packages, which represent a set of construction specifications for a specific climate zone. Two contracted companies will continue to provide home energy ratings.

Market Assessment/Target Market: Approximately 500 builders developing homes that meet EPS's guidelines.

Barriers to Entry/Factors Impacting Success: Lack of program approval in Kansas and insufficient data available on builders and association. Target market numbers are aggressive.

- **Business Energy Analyzer:** The Business Energy Analyzer provides information to business customers on how they use energy based on their specific usage data. It provides information on ways they can save energy and what their payback might be based on the improvements made. The program is provided free via the internet to commercial and industrial customers.
- **C&I Energy Audit:** This program offers rebates to help customers cover the cost of an energy audit. In order to receive the rebate, the customer must implement at least one of the audit recommendations that qualify under the Custom Rebate Retrofit Program. The energy audit rebate will be set at 50% of the audit cost up to \$300 for customers with facilities less than 25,000 square feet and up to \$500 for customers with facilities over 25,000 square feet. Approved commercial energy auditors must perform energy audits. Customers may choose their own auditor from an approved contractor list. Customers with multiple buildings will be eligible for multiple rebates up to the customer annual limits.

Program Update

Marketing, Sales and Delivery Approach: Program assessment in process to evaluate KCP&L direct participation in performing energy audits. Currently approved commercial energy auditors must perform energy audits. Customer may choose their own auditor from an approved contractor list. Marketing plan will be created once go-forward program is defined in Q4 2008.

Market Assessment/Target Market: Currently all business customers.

Barriers to Entry/Factors Impacting Success: Program functionality. Audit fees are typically not charged or are waived by those performing the audit. This nullifies the need for the rebate when it happens.

- **C&I Custom Rebate-Retrofit:** The Commercial & Industrial (C&I) Rebate-Retrofit program provides rebates to commercial customers that install, replace or retrofit qualifying electric savings measures. These measures could include HVAC systems, motors, lighting, and pumps, however is not limited to this list. All custom rebates will be individually analyzed and must produce a Societal Benefit/Cost Test result of 1.0 or higher. Custom rebates are calculated as the lesser of a buy down to a two year payback or 50% of the incremental cost to install the higher efficiency equipment. One customer

may submit multiple rebate applications for different measures; however each individual measure will be evaluated on its own merits. In addition, there are customer annual maximum rebate amounts that provide a fair distribution of the rebate funds.

Program Update

Marketing, Sales and Delivery Approach: Put plan in place to address potential funding deficiency. Continue focus on bill messages and working directly with Energy Consultants and Channels group. Focus on presentations for industry channels groups as well. Leverage Applied Energy Group (AEG) to analyze projects to see if they qualify for rebate.

Market Assessment/Target Market: All commercial customers.

Barriers to Entry/Factors Impacting Success: Potential funding deficiency since program is nearing five year budget total in year three and projects are still in process. Pre-approved work will exceed current five year budget.

- **C&I Custom Rebate-New Construction:** The Commercial & Industrial (C&I) Rebate-New Construction program provides rebates to commercial customers that install qualifying electric savings measures. These measures could include HVAC systems, motors, lighting, and pumps, however is not limited to this list. All custom rebates will be individually analyzed and must produce a Societal Benefit/Cost Test result of 1.0 or higher. Custom rebates are calculated as the lesser of a buy down to a two year payback or 50% of the incremental cost to install the higher efficiency equipment. One customer may submit multiple rebate applications for different measures; however each individual measure will be evaluated on its own merits. In addition, there are customer annual maximum rebate amounts that provide a fair distribution of the rebate funds.

Program Update

Marketing, Sales and Delivery Approach: Program assessment to be completed in Q4 2008. Reviewing with Retrofit portion of program to see if funding could be better utilized in that program. Marketing plan will be created once go-forward program is defined.

Market Assessment/Target Market: All commercial construction.

Barriers to Entry/Factors Impacting Success: Time to market for new construction causing complications in rebate process due to changed plans, incomplete details at time of request, etc.

- **Building Operator Certification:** Building Operator Certification (BOC) is a professional development program for building operators and maintenance staff. The program offers a series of seven courses on energy and resource efficient operation of buildings. Successful completion of the courses qualifies individuals for certification. The goal of the program is to achieve measurable energy savings in the operation of buildings by training individuals responsible for day-to-day operations.

Along with financially supporting the course being offered in the Kansas City area, KCP&L is also supporting the program by offering tuition rebates. If a student is associated with a KCP&L commercial customer and completes the certification process through the courses, KCP&L will rebate 50% of the tuition costs. The rebate is paid to the party that paid the initial tuition (either the student or company) and is issued once the request form is submitted.

Program Update

Marketing, Sales and Delivery Approach: The Northwest Energy Efficiency Council (NEEC) owns the program. MEAA licenses it in the Midwest, and the Missouri Department of National Resources administered the program. Marketing is accomplished through Energy Consultant relationships.

Market Assessment/Target Market: Building Operators and Maintenance Professionals of larger commercial customers.

Barriers to Entry/Factors Impacting Success: Eventual market saturation. Getting participants to participate in the short-term has not been an issue.

Preferred Plan Programs

- **C&I Prescriptive Incentive Program:** C&I Prescriptive Incentive Program provides prescriptive incentives to C&I customers for the installation of energy efficiency equipment for numerous applications including lighting equipment, controls, heating, ventilation and air conditioning (HVAC) equipment, motors, refrigeration, and food service equipment. Prescriptive incentives are offered for a schedule of measures in each of these categories. Innovative energy efficiency measures or measures with large variability in application will be covered as part of the separate Custom Rebate Program. Application to existing facilities and/or new facilities will vary by measure depending on the codes and standards within new construction. New construction design assistance will be covered by the separate C&I New Construction Program.
- **Commercial and Industrial RFP Program:** The C&I RFP Program provide incentives to C&I customers on a very targeted and limited time basis for the installation of innovative and non-standard energy-efficiency equipment and controls. This program will pertain to existing facilities only. This program will be offered to targeted customer and markets with specific criteria. The RFP will have a limited time with a specific maximum budget. Through limited offerings, customers and contractors are more motivated to move stalled projects. It also allows KCP&L to increase or decrease projects and spending based on market objectives. The RFP program also has the flexibility to target specific technologies or types of projects. The program includes customer educational and promotional pieces designed to assist facility owners, operators and decision makers with the information necessary to respond to the RFP with proposals. The program also includes customer and trade ally education to assist with understanding the technologies that are being promoted, the incentives that are offered, and how the program functions.

Demand Response – Residential and Commercial & Industrial

Program Summary

Demand Response programs and services are designed to save energy during temporary critical times as a response to a utility request or price signal (Price Response). Demand Response programs reward customers for reducing usage on demand. This usually occurs during the hottest summer days when a utility's generating capacity, or system transmission capacity, is being strained. During these times, a utility is faced with using its more expensive peaking generators or buying expensive spot-market power to make up any potential shortfall. Customers are typically paid an up-front premium for having capacity on call, and under some program scenarios, are also paid *each time* their capacity is called.

Price Response programs and services encourage customers to use electricity during off-peak times by charging more for on-peak use than off-peak use. Programs usually involve a signal that is sent to participating customers letting them know specific pricing for their usage at certain times of the day

- **Energy Optimizer:** Energy Optimizer is a residential and small commercial Demand Response program designed to help KCP&L manage peak load conditions. Participants receive a free web-programmable thermostat when they sign up for the program. The thermostat is equipped to receive a radio frequency signal which allows KCP&L to control the customers' thermostat on a few of the hottest summer days each year.

Program Update

Marketing, Sales and Delivery Approach: Honeywell has committed to delivery of 55,000 unit installs over the next 5 year period. Honeywell will begin implementing a systematic and aggressive direct mail campaign target by zip codes. Approximately 15,000-20,000 pieces per week with an assumed 1.5% average response rate.

Market Assessment/Target Market: 280,000 residential and 30,000 small commercial customers.

- **MPower:** MPower is a commercial and industrial Demand Response program, whereby customers are paid for reducing demand upon KCP&L request. The program is used by KCP&L to help manage its peak load.

MPower was redesigned in early 2007 to provide greater customer benefit and increased customer participation. Total payouts were increased from a shared savings of 30%, 40% and 50% for one, three and five-year contracts respectively, to 40%, 50% and 60% for one, three and five year contracts, respectively. Additionally, more of the total customer benefit was shifted from the enrollment payment to the event payment.

The program now has a season, June through September, which corresponds to the seasonality of purchased power agreements, and which corresponds more closely to KCP&L's actual capacity needs. Customers are allowed to pick the maximum number of events for which they are willing to commit (from one to ten) and payouts increase linearly based on the number of events chosen. The minimum curtailable load requirement has also been decreased from 200 kW to 25 kW.

To obtain the participation of national chain retailers and multi-location customers, KCP&L instituted a pilot aggregation program for the 2007 curtailment season. Under the rules of the pilot, four customers were allowed to aggregate individual curtailable loads of 25 kW or greater. The primary

benefit to participants such as Wal-Mart and K-Mart is that during any given event, one store's over performance can compensate for another store's under performance.

Program Update

Marketing, Sales and Delivery Approach: Q4 2008 discussion with ECS to sign a new agreement for 2009 for continuing marketing after current agreement expires.

Market Assessment/Target Market: Tier 1 – 3 commercial customers.

Barriers to Entry/Factors Impacting Success: Getting participants credits applied more timely.