

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

In the Matter of a Working Case to Consider)
Proposals to Create a Revenue Decoupling) File No. AW-2015-0282
Mechanism for Utilities)

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

COME NOW Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) (collectively, the “KCP&L/GMO”) and hereby offer the following comments regarding the Staff Report filed on November 2, 2015.

1. KCP&L/GMO appreciate the efforts devoted to this docket by both the Staff of the Missouri Public Service Commission (“Staff”) and the Missouri Public Service Commission (“Commission”) as it has been a constructive process which has advanced Missouri stakeholder understanding of revenue decoupling. KCP&L/GMO file these comments to emphasize, clarify and question four points regarding the Staff Report.

I. Emphasis: Status of electric decoupling in the United States.

2. Attachment 2, page 2 to the Staff Report shows the state of electric decoupling in the country as of September 2014. At that time, 17 states had implemented electric decoupling, and electric decoupling was pending in four states. Because more than a year has passed since the date of that material, it is quite possible – and perhaps likely – that electric decoupling is more prevalent now than in September 2014. Notably, electric decoupling has not been implemented in Missouri and is not pending in Missouri.

II. Emphasis: Electric decoupling would assist in energy efficiency and demand-side management efforts in Missouri.

3. In initial comments filed on September 1, 2015, KCP&L/GMO and Union Electric Company d/b/a Ameren Missouri advised the Commission that electric decoupling would significantly ease the administration of the Missouri Energy Efficiency Investment Act (“MEEIA”) by eliminating the throughput disincentive and simplifying the process of addressing electric utility revenue losses due to customer usage reductions driven by energy efficiency and demand-side management initiatives, among other reasons. See, KCP&L/GMO Comments filed on September 1, 2015, p. 5; and Ameren Missouri Comments filed on September 1, 2015, p. 1. This was also a significant topic of discussion during the workshop itself. Yet the Staff Report mentions this only briefly. See, Staff Report, pp. 15-16. In KCP&L/GMO’s view, this is a significant point that deserves more attention. If MEEIA represents the policy of the state of Missouri, then it needs to be capable of being implemented and administered in a reliable and sustainable manner. KCP&L/GMO believe that MEEIA implementation and administration cannot fairly be characterized as reliable and sustainable at the current time and that the use of electric decoupling would likely assist in the reliable and sustainable implementation and administration of MEEIA. This is a significant policy issue.

III. Clarification: Return on equity (“ROE”) considerations.

4. KCP&L/GMO appreciate the generally even-handed treatment given the ROE impact of revenue decoupling in the Staff Report, and that “Staff recommends the Commission review the specifics of each decoupling proposal to determine whether any explicit consideration should be given to the allowed ROE.” See, Staff Report, p. 29. KCP&L/GMO believe that it needs to be made clear that any such consideration must recognize two fundamental principles: (a) because ROE must be determined by reference to market-based information, the appropriate

assessment of a company's business risk results from a comparison of that company to its peers in the market, and not from a comparison of that company before and after implementation of any particular regulatory mechanism; and (b) just as revenue decoupling mitigates a utility's downside revenue exposure, it symmetrically restricts that utility's upside revenue opportunity and the utility's customers also symmetrically experience the flip-side of both of those phenomena.

IV. Question: If the Commission has no authority to approve the implementation of revenue decoupling, then what purpose would be served by the Commission investigating revenue decoupling on a case-by-case basis in general rate proceedings?

5. At the end of its legal analysis, Staff writes that "Staff must therefore conclude that full revenue decoupling would require a statutory change." See, Staff Report, p. 25.

Nevertheless, a few pages later Staff goes on to write that:

Staff recommends the Commission close this working docket and investigate any proposed revenue decoupling mechanism on a case-by-case basis during a general rate case. In that way, any proposal can be given the appropriate level of review and the Commission can make its decision based upon the facts relative to the particular utility and its customers.
See, Staff Report, p. 29.

If the Commission lacks the authority to approve the implementation of revenue decoupling, as Staff concludes, then KCP&L/GMO see no particular benefit in the Commission investigating revenue decoupling on a case-by-case basis in general rate proceedings. Instead, the Commission should use the information made available through this working docket to determine whether the Commission itself believes revenue decoupling offers the potential for benefits to utility customers and the utilities that serve them. If so, then the Commission should advise the General Assembly that the Commission's authority should be clarified to include the approval of revenue decoupling.

WHEREFORE, KCP&L/GMO respectfully offer these comments regarding the Staff Report.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, this 7th day of December, 2015, to all parties of record.

/s/ Robert J. Hack

Robert J. Hack