BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Resource Plan of Kansas City Power & Light Company	))	File No. EO-2014-0256
In the Matter of the Resource Plan of KCP&L Greater Missouri Operations Company	))	File No. EO-2014-0257

COMMENTS OF SIERRA CLUB IN REPLY TO KANSAS CITY POWER & LIGHT COMPANY AND KCP&L GREATER MISSOURI OPERATIONS COMPANY'S RESPONSE TO ORDER DIRECTING FILING

Intervenor Sierra Club hereby submits these comments on the Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") 2014 Integrated Resource Plan ("IRP") Annual Update Reports, and in reply to the response the Commission ordered KCP&L and GMO (collectively, "the Companies") to file by July 1, 2014 ("the Companies' Response Filing").

Overall, the Companies' responses to Sierra Club's May 21, 2014 comments identifying deficiencies in the 2014 IRP Update Reports are inadequate. In purporting to reply to the issues that Sierra Club raised that appear in sections II and IV of the Companies' Response Filing, the Companies misconstrue Sierra Club so fundamentally that the deficiency remains unaddressed. In purporting to reply to the issues that Sierra Club raised that appear in sections I and III of the Companies' Response Filing, the Companies essentially admit the deficiencies that Sierra Club identified but maintain that in these IRP Update dockets, Case Nos. EO-2014-0256 and -0257, the Commission has no authority to require the Companies to correct those deficiencies in next year's triennial filing. KCP&L dismisses the issue in section V, simply repeating the inadequate response it has offered for the past two years. Finally, Sierra Club appreciates the Companies' commitment to address the issue in section VI, and to comply with Commission rules governing the issues in sections I and III, as part of their 2015 triennial IRP filings. However, given the Companies' recent track record of providing the Commission and stakeholders with inadequate IRP filings, Sierra Club continues to urge the Commission to direct the Companies to address these issues in their 2015 triennial IRP filings as well.

Despite the Companies' protests, this Commission has the authority to grant Sierra Club's request to order the Companies to address deficiencies from the 2014 IRP Update filings as part of the 2015 triennial IRP filings. "The jurisdiction, supervision, powers and duties of the public service commission . . . extend . . . [t]o all public utility corporations and persons whatsoever subject to the provisions of [the Public Service Commission chapter of the Missouri Revised Statutes] . . . [and t]o such other and further extent, and to all such other and additional matters and things, and in such further respects as may [t]herein appear, *either expressly or impliedly*." (Section 386.250 RSMo.) (emphasis added). Under this broad statutory grant, the Commission need not and must not delay any longer the enforcement of rules designed to provide "energy services that are safe, reliable, and efficient, at just and reasonable rates, in compliance with all legal mandates, and in a manner that serves the public interest and is consistent with state energy and environmental policies." (4 CSR 240-22.010(2).) For the reasons set forth herein and in its May 21, 2014 comments, Sierra Club requests that the Commission order the Companies to address each of the deficiencies that Sierra Club has raised in the Companies' 2014 IRP Update dockets in their 2015 triennial IRP filings.

The Companies' responses warranting a more detailed reply are discussed below.

A. The Companies' Responses to the Issues in Sections II and IV

The Companies' Response Filing misconstrues the deficiencies Sierra Club identified in sections II and IV, leaving these comments unanswered and raising the probability that the Companies will repeat the same errors in their 2015 triennial IRP filings.

II. *Renewable Generation*

a. The Companies' arbitrarily constrained analysis of renewable resources

With respect to renewable generation, Sierra Club charged the Companies with working from assumptions that undervalue renewable supply-side resource additions and with arbitrarily restricting the variety of renewable additions they model. Both errors tend to bias the economic analysis against these resources in violation of best planning practices as well as the Commission's rules. The Companies respond that they only model "the least-cost renewable options." (Companies' Response Filing at 2, 3.)

First, this response is wholly inadequate because it assumes that the Commission and stakeholders must take the Companies' word about which renewable options are "least-cost"; this flies in the face of the Commission's rules. (*See* 4 CSR 240-22.040(2)(C)) (providing that utilities must "[e]xplain which potential supply-side resources are eliminated from further consideration *and the reasons for their elimination*.") (emphasis added).) The Companies' failure to explain, either in their 2014 IRP Update filing or in response to Sierra Club's comments, their assumptions about the cost and operating data for wind resources is an excellent example of why the process must be transparent. Sierra Club commented that the Companies' assumptions about the cost of wind appear arbitrary and inflated. The Companies responded that for purposes of the 2014 IRP Update, their modeling assumed "an average of the five lowest-cost ownership proposals" submitted during KCP&L's July 2013 request for proposals ("RFP") for any new wind additions, but the Companies did not provide any additional information about that RFP or the proposals it generated. The Companies further claim, without providing any support or further explanation, that "utilizing wind ownership over a PPA option would not have yielded vastly different results in the overall comparison of [alternative resource plan] NPVRRs." (Companies' Response Filing at 2, 3.) On this record, there is no way for stakeholders to know whether the assumptions that method generates accurately represent the least-cost wind option. The Companies assure us that it does, but they provide no numerical ranges or other information regarding the "five lowest-cost ownership proposals" and do not explain what they mean when they say that focusing on PPA options "would not have yielded vastly different results." Without additional information from the Companies, there is no way for stakeholders to know whether or not, for example, the fifth-lowest cost proposal is much less efficient than the other four, or whether modeling wind options using PPAs would result in an NPVRR millions of dollars lower than the NPVRR results under the Companies' wind ownership assumption. Likewise, there could be a host of other reasons why the Companies' reliance on the RFP results does not accurately reflect the current marketplace, but the Companies' failure to provide additional explanation or information forecloses any meaningful opportunity for stakeholder review.

Second, this response apparently fails to account for the effect of risk on the planning process. Risk can drastically affect the economic performance of an alternative resource plan ("ARP"), and accounting for risk is an integral part of the IRP process. (*See* 4 CSR 240-22.060.) If the Companies screen out low-risk renewable resources on the basis of cost alone, they ignore some of the most important benefits of these resources, such as their insensitivity to fluctuations in fuel prices and environmental compliance costs.

b. The Companies' failure to consider cost-effective wind PPAs

In addition to incorporating better, more transparent analysis of the value of renewables, Sierra Club recommended that the Companies consider whether additional cost-effective wind PPAs can meet energy demands more cheaply than the Companies' existing resources even when there is no need for additional capacity and no renewable portfolio standard ("RPS") to be met. The Companies respond that the 200 MW wind PPA KCP&L executed on November 13, 2013 demonstrates that they already do so because "this resource was not procured to meet a RPS, instead it was considered to be an economic generation addition." (Companies' Response Filing at 2, 3.)

At most, the latter half of this response is true. The Companies' discussion of the 2013 wind PPA, filed with the Commission, makes clear that the impetus behind the PPA was the anticipated expiration of the production tax credit ("PTC") incentive, without which meeting the RPS over the planning period would have cost an estimated $318 million more. (*See, e.g.*, KCP&L Greater Missouri Operations Company, Notification of Preferred Resource Plan Change, Case No. EO-2014-0210, Ex. A (Jan. 17, 2014).) Because the PTC was set to expire after 2013, KCP&L executed the PPA "to lock-in the aggressive wind pricing offered in 2013 that may not be available in the future." (*Id.* at 5.) Thus, the Companies' new preferred resource plans incorporating the PPA were economic when compared to their original preferred and alternative resource plans that would meet the future RPS with later incremental wind additions excluded from the PTC; there is no indication that the Companies considered the 2013 PPA an economic generation addition outside the context of the RPS. Indeed, the Companies noted that by adding the PPA, the previously planned wind additions based on the Missouri RPS could be postponed. (*See id.* at 5-6 ("In the Preferred Resource Plan filed in the 2013 Annual Update, 350

MW of wind additions were identified over the twenty-year planning period based upon current Missouri Renewable Portfolio Standard ("RPS") rule requirements . . . . By adding a 200 MW wind resource in 2016, the revised Preferred Resource Plan's next wind resource addition is estimated to be beyond the 20-year planning horizon.").)

Finally, in support of its assertion that the Companies should consider cost-effective wind PPAs, Sierra Club noted that "[w]hen the wind is blowing and the wind energy delivered is the least-cost option, KCP&L can either temporarily ramp down its coal and gas generation or sell any excess energy off-system." In response, the Companies point out that both the SPP marketplace and the Midas model do exactly that. The Companies' point is inapposite. The marketplace and model only come into play after the Companies select a resource to be modeled. For all of the reasons Sierra Club described above and in its previous comments on the Companies' 2014 IRP Update filings, wind and other renewables have not been on equal footing during this selection process.

IV. *Off-System Sales*

With respect to off-system sales revenue, Sierra Club commented *inter alia* that the Companies should identify this as a critical uncertain factor pursuant to 4 CSR 240-22.060(5) and begin reporting it in future IRP filings. Here, especially, the Companies' response misses the mark. The Companies explain that off-system sales revenue is a model output dependent on the currently identified critical uncertain factors such as fuel prices, which are model inputs. Based on this fact, the Companies assert that off-system sales are "appropriately not included in" the minimum list of critical uncertain factors at 4 CSR 240-22.060(5). This response completely bypasses the language of the Commission's rule, which requires utilities to describe and document "the uncertain factors that are critical to the performance of the alternative resource plans" without limiting that category to factors that are model inputs. (4 CSR 240-22.060(5).) Off-system sales revenue fits that description because it is included in an ARP's NPVRR, which is the primary criterion for evaluating a preferred resource plan. The fact that it is derived from other critical uncertain factors does not mean that this revenue cannot itself be treated as a critical uncertain factor; in fact, the Commission's rules explicitly contemplate interrelationships between critical uncertain factors. (*See id.* at (6).)

While Sierra Club maintains that off-system sales revenue is a critical uncertain factor under the Commission's rules, the more important issue, which the Companies completely ignore, is that this revenue is important enough to the IRP process that it should be reported in the Companies' IRP filings so that the Commission and stakeholders can evaluate the extent to which different ARPs rely on off-system sales to reduce NPVRR. This comment remains unanswered. The Companies' selection of preferred resource plans relies heavily on their continued ability to generate significant off-system sales revenue from its aging coal-fired generating fleet. This significantly increases ratepayers' exposure to the risks associated with coal as a resource, and it compounds the seriousness of deficiencies in the Companies' IRP analysis that cause the Company to undervalue renewable energy resources, such as long-term wind PPAs, that do not entail similar risks.

B. The Companies' Responses to the Issues in Sections I and III

The Companies' Response Filing essentially admits that the issues Sierra Club raises in sections I and III are valid. Despite this tacit admission, the Companies insist that the Commission lacks the authority to order them to correct these deficiencies in their 2015 triennial filings. According to this flawed understanding of Missouri law, the Commission can do nothing to redress blatant violations of the IRP rules in an annual update docket – even if the deficiencies date back to the previous triennial filing.

I. *Justification of Preferred Resource Plan*

With respect to GMO's choice of a preferred resource plan, Sierra Club commented that for the third year in a row, the company's proffered justification for declining to use "minimization of the present worth of long-run utility costs as the primary selection criterion" is incoherent at best and self-serving at worst. (4 CSR 240-22.010(2)(C).) GMO responds only that if the company chooses a preferred resource plan that is not the least-cost plan next year, "GMO will provide justification for that selection." (Companies' Response Filing at 2.) This promise is cold comfort for ratepayers, given that GMO has historically maintained that the only justification required is its own preference for a different plan. (*See* GMO 2014 IRP Update at 12 ("GMO prefers to operate Lake Road 4/6 on natural gas/fuel oil for the years 2016 through 2018, retiring the unit in 2019.").) The Commission must evaluate whether any explanation offered by GMO for declining to use NPVRR as the primary selection criterion pursuant to 4 CSR 240-22.010(2)(B) is, at a minimum, a complete and rational explanation; otherwise, the rule will have no effect whatsoever, as a company will always be able to offer *some* explanation (however irrational or incomplete) for its decision not to choose a plan with the least cost to its ratepayers.

II. *Distributed Generation Technologies*

With respect to distributed generation technologies, Sierra Club commented that for years, the Companies have consistently disobeyed the Commission's directive to evaluate a wide range of these as "candidate resource options" and to include them in one or more ARPs. (*See* 4 CSR 240-22.040; 4 CSR 240-22.020(3).) In response, each company claims it will develop at least one ARP that includes a distributed generation resource addition for the 2015 triennial filing. The Companies offer no explanation for why they ignored this requirement in the past. On this issue, too, an order from the Commission requiring the Companies to do as the law requires and as they have promised would prevent further delay in achieving this important planning requirement.

Conclusion

For the reasons set forth above and in its May 21, 2014 comments, and in light of the fact that the Companies have failed to produce a compliant IRP during this entire three-year cycle, Sierra Club respectfully urges the Commission to require the Companies to address these issues and deficiencies in their 2015 triennial compliance filings.

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Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct PDF version of the foregoing was filed on EFIS and sent by email on this 9th day of July, 2014, to all counsel of record.

Thomas Cmar