

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

In the Matter of Union Electric Company d/b/a)
Ameren Missouri’s 2nd Filing to Implement) File No.: EO-2015-0055
Regulatory Changes in Furtherance of Energy)
Efficiency as Allowed by MEEIA)

**KANSAS CITY POWER & LIGHT COMPANY AND KCP&L GREATER MISSOURI
OPERATIONS COMPANY’S REPLY TO AMEREN MISSOURI’S RESPONSE TO
COMMISSION ORDER**

COME NOW Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) and for its reply to Ameren Missouri’s response to the September 9, 2015 order directing filing (“September 9 Order”) issued by the Missouri Public Service Commission (“Commission”) in the above-captioned proceeding, respectfully states as follows:

1. In its September 9 Order, the Commission reported that one of two objections raised by Commissioners to the non-unanimous stipulation filed in this case by Ameren and other parties on June 30, 2015, related to the absence of retrospective Evaluation, Measurement and Verification (“EM&V”) in calculating the throughput disincentive. KCP&L and GMO were signatories to the June 30, 2015 non-unanimous stipulation filed by Ameren and other parties, and file this response to apprise the Commission and the parties of KCP&L and GMO’s general views regarding the use of retrospective EM&V in calculating the throughput disincentive. As indicated in paragraph 26 of the June 30, 2015 non-unanimous stipulation filed by Ameren and other parties, “. . . each electric utility’s circumstances as well as differences in service territory and customer makeup will lead to different energy efficiency savings potential, programs and agreements with stakeholders and composition of terms under which energy efficiency can be

pursued.” Nevertheless, KCP&L and GMO believe that this response may be helpful to the Commission and the parties.

2. As an initial matter, KCP&L/GMO note that applicable generally accepted accounting principles (“GAAP”) and financial accounting standards would preclude KCP&L/GMO from recording revenues related to the throughput disincentive in their FERC- and SEC-compliant financial reports to the extent that those revenues are subject to review and adjustment pursuant to retrospective EM&V analysis. Accounting Standard Codification 980-605-25 “Alternative Revenue Programs” provides guidance on the recognition of revenue under alternative revenue programs. The throughput disincentive is an alternative revenue under the standard. Under paragraph 25-4 of the standard it states,

Once the specific events permitting billing of the additional revenues under Type A and Type B programs have been completed, the regulated utility shall recognize the additional revenues if all of the following conditions are met:

- a. The program is established by an order from the utility’s regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic.
- b. The amount of additional revenues for the period is objectively determinable and is probable of recovery.
- c. The additional revenues will be collected within 24 months following the end of the annual period in which they are recognized.

Type A programs adjust billings for the effects of weather abnormalities or broad external factors or to compensate the utility for demand-side management initiatives (for example, no-growth plans and similar conservation efforts). Type B programs provide for additional billings (incentive awards) if the utility achieves certain objectives, such as reducing costs, reaching specified milestones, or demonstratively improving customer service. The key component of the guidance is point “b” of paragraph 25-4. “The amount of additional revenues for the period is *objectively determinable* (emphasis added) and is probable of recovery.” Using retrospective

EM&V analysis to calculate the throughput disincentive means that the throughput disincentive would not be objectively determinable and would therefore preclude the utility from recognizing the throughput disincentive as revenue. Under this guidance, the throughput disincentive shall only be recognized as revenue when the retrospective EM&V is calculated. In addition, under this guidance, deemed savings at the inception of the program (no retrospective EM&V) would be objectively determinable.

3. KCP&L/GMO understand and appreciate the objection raised by the Commissioners during the September 9, 2015 agenda meeting related to the absence of retrospective EM&V in calculating the throughput disincentive, and will continue to engage in dialog – both internally and with the parties to KCP&L and GMO’s Missouri Energy Efficiency Investment Act (“MEEIA”) cycle 2 filings (Case Nos. EO-2015-0240 and EO-2015-0241) – with the goal of developing a resolution that appropriately balances the interests of all stakeholders.

4. Any such resolution will need to meet the standards set forth in MEEIA, including the requirement “. . . to value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs.” Section 393.1075.3 RSMo. From the perspective of KCP&L and GMO, subjecting the calculation of the throughput disincentive to retrospective EM&V reduces the value of demand-side investments below that of traditional investments in supply and delivery infrastructure, including because it creates a misalignment of the utility’s financial interests with helping customers use energy more efficiently due to the negative earnings impact caused by operating the MEEIA programs. This increases the risk of demand-side investments, in the view of KCP&L and GMO, for which there would need to be additional compensation in order to appropriately balance this risk and meet the MEEIA requirement to

value demand-side investments equal to traditional investments in supply and delivery infrastructure.

5. KCP&L/GMO note that Ameren Missouri's Response to Commission Order (specifically paragraphs II.A.1. and 2.) addresses the objection related to the absence of retrospective EM&V in calculating the throughput disincentive. KCP&L/GMO believe this approach would allow recording of revenues related to the throughput disincentive in accordance with the guiding requirements discussed in paragraph 2 herein. Consequently, subject to the qualification discussed in paragraph 1 herein, KCP&L/GMO support the modifications proposed by Ameren Missouri in paragraphs II.A.1. and 2. of its Response to Commission Order filed herein on September 25, 2015.

6. While KCP&L and GMO will continue to engage in dialog on these and other MEEIA issues with parties to its cycle 2 filings, KCP&L/GMO would note the time sensitivity of the issue related to using retrospective EM&V to calculate the throughput disincentive. Like Ameren Missouri, KCP&L and GMO's MEEIA cycle 1 programs are scheduled to terminate on December 31, 2015. Those programs have delivered many benefits to many constituencies, and have created significant momentum that will be beneficial to continued MEEIA programs after that date. Additional benefits from deployment of MEEIA cycle 2 programs are scheduled to be delivered by KCP&L and GMO beginning January 1, 2016. But if the issues related to using retrospective EM&V to calculate the throughput disincentive are not resolved by then, significant momentum for MEEIA programs currently prevailing will be lost. Additionally, the existence of a gap in time between the end of MEEIA cycle 1 programs and the beginning of MEEIA cycle 2 programs would likely increase the cost associated with delivering the MEEIA cycle 2 programs.

WHEREFORE, the KCP&L and GMO respectfully offer this reply.

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 2nd day of October, 2015, to all parties of record.

/s/ Roger W. Steiner

Roger W. Steiner