

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

In the Matter of Kansas City Power & Light)
Company's Application for Approval of Demand-)
Side Programs and for Authority to Establish A) Case No. EO-2012-0008
Demand-Side Programs Investment Mechanism)

APPLICATION OF KANSAS CITY POWER & LIGHT COMPANY

COMES NOW Kansas City Power & Light Company ("KCP&L" or "Company"), by and through counsel, pursuant to Section 393.1075, RSMo. Cum. Supp. 2010, 4 CSR 240-20.093, 4 CSR 240-20.094, 4 CSR 240-3.163 and 4 CSR 240-3.164, and files this Application for approval of Demand-Side Programs and for authority to establish a Demand-Side Programs Investment Mechanism ("DSIM"). In support thereof, KCP&L respectfully states to the Missouri Public Service Commission ("Commission"):

A. The Applicant

1. KCP&L is a Missouri corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. KCP&L is primarily engaged in the business of generating, transmitting, distributing, and selling electric energy in portions of eastern Kansas and western Missouri. KCP&L is an electric corporation and public utility as defined in Section 386.020, Mo. Rev. Stat. (2000), as amended.¹ KCP&L provided its Certificate of Good Standing in Case No. EF-2010-0178, which is incorporated herein by reference.

2. In addition to undersigned counsel all correspondences, pleadings, orders and communications regarding this proceeding should be sent to:

¹ All statutory references are to the 2000 Revised Statutes of Missouri as currently supplemented.

Tim Rush
Director, Regulatory Affairs
Kansas City Power & Light Company
1200 Main Street
Kansas City, Missouri 64105
Telephone: (816) 556-2344
Facsimile: (816) 556-2924
E-mail: Tim.Rush@kcpl.com

3. KCP&L has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court that involves customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application other than the following: *Briarcliff Development Company v. Kansas City Power & Light Company*, Case No. EC-2011-0383.

4. KCP&L has no annual reports or regulatory assessment fees that are overdue in Missouri.

5. By this Application, KCP&L seeks authority, pursuant to Section 393.1075, 4 CSR 240-20.093, 4 CSR 240-20.094, 4 CSR 240-3.163 and 4 CSR 240-3.164, for approval of its demand-side programs, and authority to establish a DSIM that will include, *inter alia*, cost recovery of demand-side program costs, a portion of the net shared benefits, lost revenues and an incentive mechanism.

**B. The Missouri Energy Efficiency Investment Act (“MEEIA”)
and Commission Rules**

6. Senate Bill 376 (“SB 376”), codified at Section 393.1075, RSMo. Cum. Supp. 2010 and known as the Missouri Energy Efficiency Investment Act (“MEEIA” or “Act”), was signed into law on July 13, 2009. At its foundation, the MEEIA became law on the principle that greater implementation of cost-effective energy efficiency programs (also known as “Demand-Side Management” or “DSM”) will be beneficial to all Missourians, and the Act includes

provisions designed to align the interests of electric service providers and their customers in pursuing demand-side programs.

7. Section 393.1075.3 sets forth the underlying policy of the Act:

3. It shall be the policy of the state 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. In support of this policy, the commission shall:

- (1) Provide timely cost recovery for utilities;
- (2) Ensure that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently; and
- (3) Provide timely earnings opportunities associated with cost-effective measurable and verifiable efficiency savings.

8. Section 393.1075.11, provides in part:

The commission shall provide oversight and may adopt rules and procedures and approve corporation-specific settlements and tariff provisions, independent evaluation of demand-side programs, as necessary, to ensure that electric corporations can achieve the goals of this section. . . .

9. In Case No. EX-2010-0368, *In the Matter of the Consideration and Implementation of Section 393.1075, the Missouri Energy Efficiency Investment Act*, the Commission promulgated four rules designed to implement the provisions of the Act, to-wit: 4 CSR 240-3.163 (Electric Utility Demand-Side Programs Investment Mechanisms Filing and Submission Requirements); 4 CSR 240-3.164 (Electric Utility Demand-Side Programs Filing and Submission Requirements); 4 CSR 240-20.093 (DSIM) and 4 CSR 240-20.094 (Demand-Side Programs). Said rules became effective May 30, 2011.

10. As noted above, 4 CSR 240-20.094 sets forth the definitions, requirements, and procedures for filing and processing applications for approval, modification, and discontinuance of electric utility demand-side programs. The rule also sets forth requirements and procedures related to customer opt-out, tax credits, monitoring customer incentives, and collaborative

guidelines for demand-side programs. Included in Section (1) of the rule defining various terms are:

(I) Demand-side program means any program conducted by the utility to modify the net consumption of electricity on the retail customer's side of the meter including, but not limited to, energy efficiency measures, load management, demand response, and interruptible or curtailable load;

(J) Demand-side programs investment mechanism, or DSIM, means a mechanism approved by the commission in a utility's filing for demand-side program approval to encourage investments in demand-side programs. The DSIM may include, in combination and without limitation:

1. Cost recovery of demand-side program costs through capitalization of investments in demand-side programs;

2. Cost recovery of demand-side program costs through a demand-side program cost tracker;

3. Accelerated depreciation on demand-side investments;

4. Recovery of lost revenues; and

5. Utility incentive based on the achieved performance level of approved demand-side programs;

(K) Demand-side program plan means a particular combination of demand-side programs to be delivered according to a specified implementation schedule and budget;

Section (3) of 20.094 addresses "Applications for Approval of Electric Utility Demand-Side Programs or Program Plans," and provides in part:

. . . Pursuant to the provisions of this rule, 4 CSR 240-2.060, and section 393.1075, RSMo, an electric utility may file an application with the commission for approval of demand-side programs or program plans by filing information and documentation required by 4 CSR 240-3.164(2). Any existing demand-side program with tariff sheets in effect prior to the effective date of this rule shall be included in the initial application for approval of demand-side programs if the utility intends for unrecovered and/or new costs related to the existing demand-side program be included in the DSIM cost recovery revenue requirement and/or if the utility intends to establish a utility lost revenue component of a DSIM or a utility incentive component of a DSIM for the existing demand-side program. The commission shall approve, approve with modification acceptable to the electric utility, or reject such applications for approval of demand-side program plans within one hundred twenty (120) days of the filing of an application under this section only after providing the opportunity for a hearing. In the case of a utility filing an application for approval of an individual demand-side program, the commission shall approve, approve with modification acceptable to the electric utility, or reject applications within sixty (60) days of the filing of an application under this section only after providing the opportunity for a hearing.

. . .

C. Executive Summary

11. KCP&L files this Application in order to continue its commitment to cost effective energy efficiency programs. KCP&L is requesting Commission approval for the majority of its existing DSM programs and is requesting approval for the five new DSM programs. KCP&L's proposed DSM program portfolio is an integral part of its plan to meet the electricity needs of its customers now and in the future. The proposed energy and demand reductions that are the subject of this proceeding will be reflected in KCP&L's load and resource requirements. Besides having the potential for lower costs, DSM programs have other benefits. DSM programs invest in KCP&L's customers and make them more competitive. The programs provide a stimulus to the local economy and the programs can be targeted to certain areas for more efficient grid operation.

12. KCP&L's Application also requests the Commission approve modifications to the current recovery mechanism for DSM programs. The current recovery method does not allow KCP&L recovery of all its DSM costs because the issue of lost revenue margins is not addressed. Because these costs are ignored, KCP&L's earnings on its DSM investments are reduced and the Company is not allowed a market return on capital deployed on DSM programs.

13. The Company requests a DSIM tracker mechanism pursuant to MEEIA and the new Commission rules implementing this law. The DSIM tracker will collect in a regulatory asset the costs directly attributable to the DSM programs approved in this filing as well as future DSM programs. The DSM costs to be collected in the tracker include DSM program costs, a portion of the overall benefits of the DSM programs to be shared with customers, a reward to the Company for successful implementation of the DSM programs and recovery of lost revenues.

The costs collected in the DSIM tracker are placed in a deferred account and in its next rate case, the Company will request recovery of these deferred costs.

14. The tracking and recovery of the DSM costs as proposed by KCP&L's recovery mechanism are essential for the continuation of the Company's DSM portfolio. This Application is consistent with MEEIA as it places DSM programs on a level playing field with supply side resources and ensures that DSM programs are not detrimental to KCP&L's earnings.

D. KCP&L's Demand-Side Programs

15. By its Report and Order issued July 28, 2005, in Case No. EO-2005-0329, *In the Matter of a Proposed Regulatory Plan of Kansas City Power & Light Company*, the Commission approved KCP&L's Regulatory Plan which included commitments by the Company to implement a suite of customer demand response, energy efficiency and affordability programs. Implementation of each program was subject to Commission approval, and the Missouri share of the initial budget for the five-year plan period was \$29 million. (Regulatory Plan Stipulation and Agreement, p. 46; and Appendix C). Beginning in late 2005, KCP&L submitted each program to the Commission for review and approval ultimately implementing a portfolio of programs including two affordability programs, ten energy efficiency programs, and two demand response programs. Four programs were approved in 2005, four in 2006, four in 2007, and two in 2008. Overall, customer response to KCP&L's portfolio of programs has been very positive but, as more fully set forth in the accompanying testimony of KCP&L's witnesses, some programs have had mixed success and some have been a challenge with respect to participation.

16. In the Commission's Report and Order issued April 12, 2011 in Case No. ER-2010-0355, *In the Matter of the Application of Kansas City Power & Light Company for*

Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of Its Regulatory Plan, the Commission addressed the status and continuation of the DSM programs for both KCP&L and KCP&L Greater Missouri Operations Company (“GMO”):

The Commission concludes that the continuance of the DSM programs is in the public interest as shown by the customer participation and clear policies of this state to encourage DSM programs. In the absence of a clear proposal for a cost recovery mechanism and during the gap between the end of the true-up for this case and the implementation of a program under MEEIA, the Commission concludes that the Companies should continue to fund and promote or implement, the DSM programs in the 2005 Agreement (KCP&L only), and in its last adopted preferred resource plan (both KCP&L and GMO). In addition, the Commission directs that those costs be placed in a regulatory asset account and be given the treatment as further described below. . . . (Report and Order, p. 91).

17. Accordingly, by this Application, KCP&L seeks Commission approval of the suite of demand-side programs and tariffs attached to this pleading that are either currently in effect, or new programs that are contemplated to be approved in this filing. In addition, KCP&L is requesting the termination of the existing program tariffs that are being withdrawn in this filing. The KCP&L Program Plan is set forth in the testimony of Allen Dennis. KCP&L also seeks approval to establish a DSIM, as more fully set forth below.

E. 4 CSR 240-3.164(2)

18. The information required by Commission Rule 4 CSR 240-3.164(2), Subsections (A), (B), (C), (D) and (E) is contained in the testimony of Allen Dennis and Tim Rush.

F. KCP&L’s Proposed Demand-Side Programs Investment Mechanism

19. As set forth, *supra*, Paragraph 10, the 20.094(1)(J) definition of DSIM is identical to that contained in 4 CSR 240-20.093(1)(M). This Rule (20.093) allows the establishment and operation of DSIMs, which allow periodic rate adjustments related to recovery of costs and utility incentives for investments in demand-side programs.

20. 4 CSR 240-20.093(2) addresses applications to establish a DSIM, and provides in part:

(2) Applications to establish, continue, or modify a DSIM. Pursuant to the provisions of this rule, 4 CSR 240-2.060, and section 393.1075, RSMo, an electric utility shall file an application with the commission to establish, continue, or modify a DSIM in a utility's filing for demand-side program approval.

(A) The electric utility shall meet the filing requirements in 4 CSR 240-3.163(2) in conjunction with an application to establish a DSIM and 4 CSR 240-3.163(3) in conjunction with an application to continue or modify a DSIM.

* * * * *

(C) The commission shall approve the establishment, continuation, or modification of a DSIM and associated tariff sheets if it finds the electric utility's approved demand-side programs are expected to result in energy and demand savings and are beneficial to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers and will assist the commission's efforts to implement state policy contained in section 393.1075, RSMo, to—

1. Provide the electric utility with timely recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs;
2. Ensure that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customer' incentives to use energy more efficiently; and
3. Provide timely earnings opportunities associated with cost-effective measurable and/or verifiable energy and demand savings.

21. 4 CSR 240-3.163(2) provides in part:

(2) When an electric utility files to establish a DSIM as described in 4 CSR 240-20.093(2), the electric utility shall file the following supporting information **as part of, or in addition to, its direct testimony**. Supporting workpapers shall be submitted as executable versions in native format with all formulas intact. . . . [The rule sets forth the information required in subsections (A) through (K) of Section (2).] (Emphasis added).

22. As discussed above, the accompanying Direct Testimony of KCP&L's witnesses contain the supporting information required by said Rule. Mr. Rush's Direct Testimony and the accompanying tariffs outline the proposed DSIM, and its applicability to all Missouri Retail Rate Schedules for the Company with the exception of Lighting Schedules, as well as customers who

opt out of the requirements pursuant to the Commission's rules. KCP&L's DSIM is designed to recover, *inter alia*, program costs, lost revenues, and an incentive reflecting a portion of shared benefits based on the level of program performance. As discussed in Mr. Rush's Direct Testimony, it is important to note that KCP&L's DSIM does not propose to adjust DSIM rates between general rate proceedings as permitted in 4 CSR 240-20.093(4). Thus, there are no proposed DSIM rate adjustment clause tariff sheets.²

G. Request for Variances

23. Pursuant to 4 CSR 240-20.093(13) and 4 CSR 240-20.094(9), KCP&L requests that the Commission grant a variance from certain provisions of the MEEIA rules. These requests are found in the testimony of Tim Rush.

H. Rate Impact

24. There will be no change to a customer's bill until the conclusion of the Company's next rate case, at which time KCP&L will begin recovery of program costs, a portion of the annual net benefits of the program to be shared with customers, a reward to the Company for successful implementation of programs and the recovery of lost revenues. The Company is requesting a deferral on the recovery of these costs until the next rate case.

WHEREFORE, KCP&L respectfully requests that the Commission approve its demand-side programs and approve the establishment of a DSIM as fully set forth herein and in the Direct Testimony filed concurrently herewith, and for such other and further relief as the Commission deems appropriate in the circumstances.

² In its Regulatory Plan, KCP&L agreed that, prior to June 1, 2015, it will not seek to utilize any mechanism authorized in current legislation known as 'SB 179' or other changes in state law that would allow riders or surcharges or changes in rates outside of a general rate case based upon consideration of less than all relevant factors. Stipulation and Agreement, p. 7, Case No. EO-2005-0329.

Respectfully submitted,

/s/ Roger W. Steiner

Roger W. Steiner, MBN 39586
Corporate Counsel
Kansas City Power & Light Company
1200 Main Street, 16th Floor
Kansas City, MO 64105
Telephone: (816) 556-2314
Facsimile: (816) 556-2787
[Email: Roger.Steiner@kcpl.com](mailto:Roger.Steiner@kcpl.com)

James M. Fischer, MBN 27543
Larry W. Dority, MBN 25617
Fischer & Dority, P.C.
101 Madison Street, Suite 400
Jefferson City, MO 65101
Telephone: (573) 636-6758
Facsimile: (573) 636-0383
[Email: jfischerpc@aol.com](mailto:jfischerpc@aol.com)
[Email: lwdority@sprintmail.com](mailto:lwdority@sprintmail.com)

**Attorneys for Kansas City Power & Light
Company**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was served upon the parties listed below on this 22nd day of December 2011, by either e-mail or U.S. Mail, postage prepaid.

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
gencounsel@psc.mo.gov

Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102
opcservice@ded.mo.gov


/s/ Roger W. Steiner

Roger W. Steiner

VERIFICATION

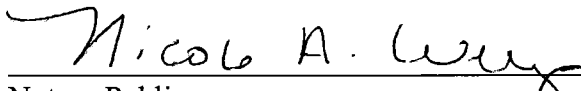
STATE OF MISSOURI)
) SS.
COUNTY OF JACKSON)

I, Darrin R. Ives, being duly affirmed according to the law, depose and state that I am Senior Director – Regulatory Affairs of Kansas City Power & Light Company (“KCP&L), that I am authorized to make this verification on behalf of KCP&L, and that the facts set forth in the foregoing Application are true and correct to the best of my knowledge, information and belief.



Darrin R. Ives
Senior Director – Regulatory Affairs

Subscribed and sworn to before me this 22nd day of December, 2011.



Notary Public

My Commission Expires:

Feb. 4, 2015

