

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

In the Matter of KCP&L Greater Missouri Operations)	
Company's Application for Approval of Demand-)	
Side Programs and for Authority to Establish a)	File No. EO-2012-0009
Demand-Side Programs Investment Mechanism)	

Missouri Department of Natural Resources' Statement of Position

COMES NOW the Missouri Department of Natural Resources ("MDNR"), and provides the following Statement of Position, with issues numbered according to the Joint List of Issues filed on May 17, 2012. MDNR reserves the right to modify its positions or to assert additional positions as this case proceeds, and does not waive its right to brief any and all issues.

1. Should the Commission approve GMO's application for approval of demand-side program plan, approve it with modification acceptable to GMO, or reject it, as provided in Rule 4 CSR 240-20.094(3)?
 - A. Is GMO's demand-side program plan achievable, realistic and specific? If not, should the Commission order GMO to file an achievable, realistic and specific demand-side program plan?
 - B. What annual energy and demand savings targets should the Commission approve for each demand-side program? Should the annual energy and demand savings targets be based on assumed net-to-gross (NTG) ratios equal to 1.0 or should they be based on NTG from EM&V from Program Year 2 from GMO's prior cycle of programs (i.e., October 2009 to September 2010)? Should savings targets be "net savings" or "gross savings"? If the former, will it be necessary for GMO to increase its planned level of spending to achieve the annual energy savings levels on a net savings basis?
 - i. Should the EM&V analysis and report be used to determine deemed energy and demand savings that will be applied on a prospective basis?
 - C. Should the Commission approve the form of GMO's DSM programs' tariff sheets (frozen and original) as filed?
 - i. Should the Commission order GMO to file compliance tariff sheets that would provide additional detail in its DSM programs' tariff sheets? If so, what detail?

- D. Should the Commission condition the approval of GMO's application upon GMO filing in this case a total resource cost test for its Appliance Turn-In program consistent with the definition in Rule 4 CSR 240-3.164(1)(X)?
- E. Should the Commission condition the approval of GMO's application upon GMO's commitment to conduct a careful and thorough review and analysis of demand response programs as part of its next DSM market potential study and subsequent Chapter 22 compliance filing and/or annual update filings?
 - i. Should the Commission condition the approval of GMO's application upon GMO making a supplemental filing in this case that includes the program descriptions for the proposed MPower and Energy Optimizer programs the Company provided in their response to Staff's data requests 0028 and 0029?
- F. Should the Commission grant the variances requested by GMO that are necessary to approve GMO's demand-side program plan, as filed?
- G. Can the Commission order GMO to complete a new DSM Market Potential Study? If so, should it do so?
- H. Can the Commission order GMO to include in all future MEEIA filings the Realistic achievable potential portfolio of the Company's Demand-side management Market Potential Study? If so, should it do so?
- I. GMO's proposed Low Income Weatherization program has a TRC of less than one. Have the requirements in Rule 4 CSR 240-20.094(3)(B) been satisfied for this program?

MDNR Position: MDNR does not take a position on Issues 1-C, 1-D, 1-E, 1-G, 1-H or 1-I. With respect to Issue 1-A, MDNR notes that, at the time the GMO's MEEIA application was filed, December 22, 2011, there was a reasonable expectation that implementation of its program plan would begin in 2012. However, with the postponement of the hearing, it is unlikely that the company will be able to implement new programs before the end of the calendar year. We recommend that the Company provide an updated program plan that would be implemented between January, 2013 and December, 2015.

With respect to Issue 1-B, in MDNR's testimony, we noted that the Company's projected savings met the cumulative goals set in 4 CSR 240-20.094(2)(B) for the period between 2012 and 2014. Given the changes in the program years cited in Issue 1-A, MDNR recommends that the Commission set savings targets consistent with 4 CSR 240-20.094(2) (B) for the program period from 2013 to 2015. Savings should be based on net savings, which may require the Company to adjust its gross savings targets by the NTG ratios established in its latest EM&V cycle. Regarding Issue 1-F, the Commission has authority to and should grant any variances for which it finds good cause in this case.

- 2. Should the Commission approve the establishment of GMO's proposed Demand-Side

Programs Investment Mechanism (DSIM) as per Rule 4 CSR 240-20.093(2)(B)?

- A. How should program costs be collected?
 - i. Should program costs be trued up for over- and under-collection?
 - ii. Should carrying costs be applied to trued-up program costs? If so, at what rate?
- B. Should the Commission allow GMO to include in its revenue requirement in Case No. ER-2012-0175 a percentage of expected net shared benefits?
 - i. Should GMO's percentage of expected net shared benefits be calculated as a percentage of annual net shared benefits (i.e., the utility's avoided costs less program costs) as per Rule 4 CSR 240-3.163(1)(J) or a percentage of gross benefits (i.e., the utility's avoided costs only) as proposed by GMO?
 - ii. Should the annual percentage of shared benefits be based on net energy and demand savings taking into account net-to-gross factors such as free ridership and spillover as proposed by OPC and Staff or gross energy and demand savings as proposed by GMO?
 - iii. Should the utility incentive component be based on net shared benefits (i.e. net of program costs) as proposed by OPC and Staff or gross shared benefits as proposed by GMO?
- C. Should the Commission allow GMO to collect a fixed dollar amount as an incentive after the three-year program plan is concluded, with that dollar amount dependent upon GMO meeting various savings (kWh/kW) thresholds? If so, are the thresholds and dollar amounts proposed by GMO appropriate?
- D. Should the Commission approve both the lost revenue component of a DSIM and GMO's proposed annual shared benefits incentive component of a DSIM?
- E. With regard to items B and C:
 - i. Should the true-up of the shared benefits be based on the number of program participants or measures as proposed by GMO?
 - ii. Should the Commission allow GMO to calculate net benefits as the net benefits from energy and demand saving measures estimated to accrue within 15 years of the first DSIM program year (i.e., use 15-year measure lives for measures installed in Year 1, 14-year measure lives in Year 2, 13-year measure lives in Year 3, etc.) or should another method be used?
- F. Should the Commission order interest/carrying cost to be paid on over- and under-recoveries? If so, should GMO's AFUDC rate or its short term interest rate apply?

G. Should the Commission grant the variances requested by GMO necessary to approve GMO's DSIM, as filed?

MDNR Position: MDNR does not take a position on Issue 2-A, 2-E or 2-F. With respect to Issue 2-B, MDNR asks that the Commission use the definition of net shared benefits in 4 CSR 240-3.163(1)(J). This value, which does not include program costs, should be used whenever benefits are considered. In response to Issue 2-C, MDNR is in favor of an incentive structure with a defined threshold value, a defined cap, and continuous curve of increasing rewards between the threshold and the cap. Reward values should be expressed in terms of a percent of net shared benefits, as described in 4 CSR 240-20.094(1)(M). With respect to Issue 2-D, MDNR does not think that the Company should be allowed to recover both lost revenues and the Company's proposed annual shared benefits incentive component. Regarding Issue 2-G, the Commission has authority to and should grant any variances for which it finds good cause in this case.

3. Should the Commission approve any of the modifications to, or alternatives to, GMO's DSIM that have been proposed by other parties? If yes, then what specific modifications to, or alternatives to, the DSIM proposed by other parties should the Commission approve?
4. Should the Commission approve a separate line item to appear on bills relating to charges for the DSM programs approved under MEEIA? If so, should the acronym "DSIM" as proposed by GMO, or the phrase "Energy Efficiency Pgm Charge" or "Demand-Side Investment Charge" as suggested by Staff be used?
 - A. Should the Commission approve GMO's proposed language to disclose the change to customers' bills for the DSIM?
5. Is it appropriate for the Commission to determine what, if any, impact this case has upon GMO's requested allowed return on equity in Case No. ER-2012-0175, or should any such determination be reserved for the rate case?
6. Should the Commission approve GMO's Evaluation, Measurement and Verification plans?
7. How should the costs for GMO's proposed Low Income Weatherization program be allocated among the different rate classes?
8. Should the Commission grant the variances requested by GMO that are necessary to approve the Company's DSIM as filed, and any other variances necessary if the Commission approves and the Company accepts a DSIM proposal made by the Staff or other parties in this case?
9. To implement the decision in this case, should separate rates be established for residential customers and for commercial/industrial customers?
10. Should GMO track program expenditures and load reductions arising from GMO's DSM programs separately by L&P and MPS, and by cost of service classes, i.e.,

residential, SGS, LGS and LP?

11. Should the Commission order the establishment of a statewide and/or GMO collaborative(s) that would provide input regarding the possible expansion of GMO programs, program design (possibly including co-delivery of programs with gas/water utilities), EM&V, and a state Technical Reference Manual?
12. Does the Commission have the authority to waive or grant a variance from the statutory requirements in Section 393.1075.10 RSMo?
 - A. If yes, should the Commission grant GMO a variance from Section 393.1075.10?
13. In the alternative to issue 12, does Section 393.1075 RSMO require that customers who have opted-out of participating in GMO's DSM programs be allowed to participate in interruptible or curtailable rate schedules or tariffs offered by GMO, including GMO's Energy Optimizer and MPower programs?
 - A. If yes, should the Commission grant GMO a variance from Section 393.1075.10?

MDNR Position: MDNR does not take a position on Issues 3 through 7, 9, 10 or 12. Regarding Issue 8, the Commission has authority to and should grant any variances for which it finds good cause in this case. With respect to Issue 11, MDNR recommends that the Commission take any appropriate action to activate a statewide demand-side management collaborative to develop a statewide Technical Resource Manual (TRM), and DSM program design, along with an appropriate funding mechanism to facilitate the operation of the statewide collaborative.

Respectfully submitted,

CHRIS KOSTER
Attorney General

/s/Jessica L. Blome Jessica
L. Blome
Assistant Attorney General
Agriculture & Environment Division
Missouri Bar No. 59710
P.O. Box 899
Jefferson City, Missouri 65102
Telephone: (573) 751-3640
Fax: (573) 751-8796
E-mail: jessica.blome@ago.mo.gov

Attorney for Missouri Department of
Natural Resources

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been transmitted electronically to all counsel of record this 13th day of June, 2012.

/s/ Jessica L. Blome
Assistant Attorney General