

Missouri Public Service Commission
File No. EE-2009-0237
RE: KCP&L Greater Missouri Operations
2009 Integrated Resource Plan Filing

**MISSOURI DEPARTMENT OF NATURAL RESOURCES’
COMMENTS ON THE 2009 RESOURCE PLAN
OF KCP&L GREATER MISSOURI OPERATIONS COMPANY
PURSUANT TO 4 CSR 240-22**

Introduction

The comments below describe MDNR’s unresolved concerns with GMO’s August 5, 2009 IRP filing and its alleged deficiencies and concerns with the supplements filed on January 18, 2011 and July 1, 2011¹. Many of these comments relate to agreements reached in the Non-Unanimous Stipulation and Agreement in File No. EE-2009-0237 on April 15, 2010 (“the agreement”) and subsequent agreements between GMO and its stakeholders in the stakeholder process created by the agreement. GMO has since submitted two supplementary plan filings, on January 18, 2011 (*KCP&L Greater Missouri Operations Company’s Submission of its Revised Integrated Resource Analysis*, the “January filing”) and on July 1, 2011 (*KCP&L Greater Missouri Operations Company’s Submission of its Completed Analysis for its Integrated Resource Plan and its Preferred Resource Plan*, the “July filing”).

In recognition of the short time between the filing date of MDNR’s comments and GMO’s next scheduled triennial plan filing, due in April 2012, MDNR is not asking the Commission to direct GMO to undertake specific remedies to the deficiencies discussed below. Our comments address deficiencies that have not been resolved over the two years between GMO’s initial filing in August, 2009 and its final revised filing in July, 2011. In regards to these deficiencies and concerns, MDNR requests that the Commission require GMO to satisfactorily resolve these deficiencies in their complete triennial plan filing, due in April 2012.

¹ Unless otherwise noted, references in this document to the Commission’s IRP rules are to the rules that were in effect when GMO filed its IRP in 2009.

MDNR's Alleged Deficiencies

1. GMO's DSM Plan Is Not Credible

Relevant Rule Citations: 4 CSR 240-22.050(7), 4 CSR 240-22.050(6)(C) and 4 CSR 240-22.050(11)(G)

MDNR has numerous concerns with the credibility of GMO's DSM Portfolio. These concerns include but are not limited to: the lack of cost effectiveness documentation, multiple changes in savings levels, inconsistent standards across filings, and the lack of integrated analysis and program descriptions. Compounding these concerns is the fact that the preferred resource plan selected in GMO's July filing did not include the levels of demand savings agreed to on July 21, 2010 in the stakeholder process.

One of the major deficiencies found in GMO's August 5, 2009 and November 5, 2009 IRP filings concerned the savings levels of the portfolio of demand-side resources contained in the alternative resource plans that the company subjected to integrated resource analysis. Between the GMO's supplemental filing on November 5, 2009, its revised January filing, and its preferred resource plan filing in its July filing, the content and savings levels of this portfolio have changed three times. These changes complicate the task of reviewing the DSM portfolio and undermine the credibility of GMO's DSM savings estimates. The DSM portfolio presented in the 2009 filings was addressed in Paragraphs 20 and 21 of Appendix A of the agreement: Appendix A established a stakeholder process agreed to by the company and the parties:

20. At the April 2010 stakeholder meeting, GMO will present its estimate of market potential for DSM savings based on the programs included in the "All-DSM" portfolio. This information will be included in a supplemental filing. The presentation and supplemental filing are intended to resolve inconsistencies in the estimates included in the August, 2009 IRP filing.

21. GMO agrees to include one or more portfolios of new DSM programs in addition to the all-DSM portfolio in the revised IRP scheduled to be filed December 17, 2010. At least one of these additional portfolio(s) of DSM programs will incorporate a more aggressive level of DSM implementation than the "All-DSM" portfolio. These additional portfolios will be treated as resources that are available for selection of alternative resource plans that are included in the

integrated analysis. Agreement on criteria to be met by the additional, alternative portfolio will be discussed at the April and May 2010 stakeholder meetings and decided prior to the June 2010 stakeholder meeting.

GMO satisfied the requirements of Paragraph 20 by proposing and achieving stakeholder agreement to a new DSM portfolio on July 21, 2010. This portfolio provided for an increased level of incremental energy savings (measured as a percentage of the base energy forecast.) Table A.1 (HC) compares the November 5, 2009 DSM portfolio, the July 21, 2010 DSM portfolio and the July 1, 2011 DSM portfolio. While the incremental savings of the November 5, 2009 portfolio peaked at ** [REDACTED] ** percent of forecast energy sales in 2014, the July 21, 2010 portfolio contained incremental savings levels between ** [REDACTED] ** percent and ** [REDACTED] ** percent over the 20-year planning period. The July 21, 2010 portfolio also changed the standards for reporting savings by not including savings estimates for educational programs (a change that GMO implemented without consulting the stakeholders). Further, the background materials for the July 21, 2010 portfolio, and all subsequent portfolios, did not document the cost-effectiveness of either the programs or the portfolio, as required by 4 CSR 240-22.050(7). These shortcomings give MDNR further reason to question the credibility of savings levels.

As described above, the demand savings levels associated with the July 21, 2010 portfolio were reported as part of the alternative resource plans contained in GMO's January filing. However, those alternative resource plans were not subjected to integrated resource analysis, as required by 4 CSR 240-22.060.

As part of the development of the July 21, 2010 portfolio the stakeholder group agreed that the portfolio contained a sufficient level of savings, and GMO would not have to create alternative resource plans that contained both the "All DSM" portfolio (submitted on November 5, 2009) and another, more aggressive DSM portfolio. Stakeholders agreed that GMO could create alternative resource plans containing the July 21, 2010 portfolio to satisfy Paragraph 21 from the appendix to the agreement.

The DSM portfolio submitted to integrated analysis in the July filing differed from the DSM portfolio agreed to on July 21, 2010. As seen in Table A.1, the maximum savings level is **■■■■** percent of forecast energy sales in 2012. In comparison, the July 21, 2010 portfolio estimates savings of **■■■■** percent of forecast sales in 2012². As with the July 21, 2010 portfolio, no cost-effectiveness analysis was provided in the July filing, as required by 4 CSR 240-22.050(7). Consequently, it is not possible to assess whether this portfolio meets the requirements of 4 CSR 240-22.050.

The level of DSM savings agreed to in the July 21, 2010 stakeholder agreement was a major outcome of the stakeholder process. Given this, one would expect GMO to communicate with stakeholders that this portfolio was going to be abandoned and replaced in the July 1, 2011 filing.

Besides providing a lower level of savings, the July 1, 2011 DSM portfolio contains a different set of programs. Specifically, three programs listed in the August 5 filing, “Change-a-Light”, the Energy Star products program (“EStarProd”) and the Affordable New Homes program (“AFNH”) are not listed in the July 1, 2011 filing, and one new program is listed in the July 1, 2011 filing (“Residential Lighting and Appliances”). GMO has not provided the required program descriptions for the “Residential Lighting and Appliances” program, nor have they provided an explanation of the changes in the “Change-a-Light”, “EStarProd” or “AFNH” programs as required by 4 CSR 240-22.050.(11)

GMO has not described the design of the “Residential Lighting and Appliances” program. A comprehensive description of this program, as required by 4 CSR 240-22.050(6)(C) and 4 CSR 240-22.050(11)(G), would clarify the program’s scope and structure. MDNR is concerned that the company has not clearly stated what this program seeks to accomplish. For example, in the Ameren Missouri service territory, the “Lighting and Appliance” program is a comprehensive market transformation program engaging a wide variety of trade allies and non-profit agencies. It is unclear whether GMO’s

² In its reply to MDNR’s Data Request 003, received July 28, 2011, GMO stated: “In evaluating the performance of our programs at the time of the July 1 2011 filing, we determined that the DSM levels in the July 21, 2010 DSM plan were not realistic. The projected DSM for 2011, in the “agreed to” DSM plan, is much higher than the actual levels we are observing from the 2011 data, on a program by program basis. The preferred DSM plan that was submitted with the July 1, 2011 filing was based on the most recent data available about the success of our existing programs and probable success of new programs.” Response to Question 2a. GMO has not provided any background information or work papers to justify this claim.

“Residential Lighting and Appliances” program is a “market transformation” program, a more traditional customer rebate program, or merely a placeholder. The lack of a program description prevents MDNR from understanding the goals of this program and evaluating whether it is a cost effective program.

For these reasons, MDNR has concerns about the scope, content and expected savings attributed to GMO’s DSM portfolio. MDNR cannot conclude that these estimates are credible representations of the company’s DSM planning. Ultimately, the lack of documentation and analysis in the company’s DSM plans causes MDNR to question the credibility of GMO’s preferred plan. However, given this late date, MDNR sees no options beyond bringing these deficiencies to the Commission’s attention and working with GMO to produce a more credible and transparent DSM portfolio in the future.

2) Unexplained Revisions To Load Forecast

Relevant Paragraph: April 12, 2010 Stipulation and Agreement, Paragraph 7, Appendix A

As part of the stakeholder process created by the April 12, 2010 Stipulation and Agreement, GMO presented a review of its load forecast in accordance with Paragraph 7 of Appendix A of the agreement:

7. GMO commits to provide in a presentation to a stakeholder meeting a comparison of the new budget forecast and the forecast underlying the 2009 IRP on a total company basis (i.e. roll up both forecasts to the total company in order to see and compare differences). GMO further commits to use the work that examined the critical uncertain factors in the 2009 IRP to determine if the change in the load forecast is significant enough to warrant using the budget forecast for a revised IRP filing. This determination will take into account the interaction of the revised load forecast with revision of other demand- and supply-side resources and uncertain factors that are included in integrated analysis. If production of a new load forecast is warranted, the new load forecast will be included in the revised IRP scheduled to be filed on December 17, 2010.

On May 20, 2010 GMO presented results of its review to the stakeholder group. As a result of this review, the stakeholders agreed with GMO’s conclusion that a revision of GMO’s 2009 IRP load forecast was not necessary. No information to the contrary was provided to stakeholders before the conclusion of the stakeholder process in December 2010; stakeholders received no indication that GMO had new

information regarding load forecast that would affect the January filing. However, in its January filing, GMO cited revisions to its load forecast as the primary reason for not filing a preferred resource plan. Despite this statement, no revised load forecast was filed in January filing or the July filing. Also, no information about how GMO's load forecast had changed between May 20, 2010 and January 18, 2011 was included in GMO's July filing. Additionally, there is no discussion in the July filing comparing the changes in the natural gas, CO2 or emission price forecasts between May 20, 2010 and January 18, 2011, or between January, 18, 2011 and July 1, 2011 that allowed GMO to select a preferred resource plan in its July filing. Comparisons of different forecasts are not explicitly required in the rule, and raw data documenting the forecasts were filed in the work papers accompanying each plan revision. However, a change in forecasts that was sufficient to **prevent** GMO from selecting a preferred resource plan in January 2011 but would **permit** GMO to select a preferred plan in July 2011 is facially anomalous and calls for explanation.

Agreement about the budget forecasts (which include the fuel price forecasts) to be used in GMO's revised filing was an outcome of the stakeholder process. As with the DSM savings levels discussed above, Stakeholders should have been informed about the changes in forecasts before they were included in GMO's filing. MDNR does not find GMO's explanation for omitting a selection of a preferred resource plan in its January filing credible.

3) Missing Analysis of the retirement of the Sibley 3 coal unit

Relevant Paragraphs: April 12, 2010 Stipulation and Agreement, Paragraph 8 and Paragraphs 9-12, Appendix A

The stipulation and agreement, both Paragraph 8 and Paragraphs 9-12 of Appendix A, required that GMO submit a plan including the retirement of the Sibley 3 coal unit to integration analysis. The inclusion of this requirement was motivated by GMO's plans to spend **[REDACTED]** to retrofit this

unit to meet environmental standards. The specific question to be addressed in the stakeholder process was:

11. GMO and the other Parties agree to discuss combinations of demand and supply side resources that would be sufficient to replace the energy and capacity currently provided by the Sibley 3 unit and that would be sufficient to replace the energy and capacity that Sibley 3 is projected to provide in future years if the unit undergoes the program of environmental retrofits that is proposed by the company. This discussion may include resources that do not appear on the tabulation of resources provided by GMO. The expected impact of proposed retrofits on the unit's heat rate and capacity factor will also be discussed. Through this discussion, GMO and the other Parties will work to define one or several combinations of resources that appear most likely to provide the least cost replacement for the Sibley 3 unit if that unit is retired. *Based on this discussion, GMO agrees to develop at least one alternative resource plan that includes retirement of Sibley 3 and to include this alternative resource plan in the revised integration analysis for the filing due December 17, 2010.* (Emphasis added.)

GMO's January 18, 2011 interim filing included alternative resource plans that provided for retirement of the "Sibley Station" (which, presumably, included Sibley Units 1, 2 and 3). However, these plans were **not** submitted to full integrated analysis, so it was not possible to assess whether replacing the load from Sibley 3 with demand-side resources, renewable energy or other sources of energy was feasible. The preferred resource plan filed on July 1, 2011 included retirement of Sibley units 1 and 2. Retirement of these units was considered previously (for example, see Paragraph 37 of the Stipulation and Agreement).

As a consequence of the company's actions, a major question concerning the retrofit costs for one of GMO's major coal power plants has not been answered. The question, whether it would be more cost-effective to retire Sibley 3 and replace its load with demand-side resources, renewable energy or other energy sources rather than engaging in a long and expensive environmental retrofit process, is an important issue for GMO, just as aging coal plant retirements are for all utilities.

Conclusion

MDNR has been a full stakeholder in reviewing GMO's 2009 IRP and all of its many versions up to and including GMO's revised preferred plan filed on July 1, 2011. Unfortunately, none of GMO's filings are fully consistent with the IRP rules, the agreements reached in the stipulation and agreement, or the agreements reached in the stakeholder process that the stipulation and agreement created; nor are they credible and transparent, as intended by the IRP process. Despite all the efforts of all the Stakeholders, at the end of this lengthy process, MDNR is no more certain about the company's conduct of its DSM program plans than it was in August, 2009. Unfortunately, the shortcomings of GMO's DSM plan will ultimately short-change its ratepayers and will not serve the public interest. For the reasons outlined above, MDNR's position is that GMO has submitted an integrated resource plan that does not rise to the level of transparency envisioned by the Commission's IRP rules, and that it is flawed due to the deficiencies raised herein. MDNR respectfully requests that the Commission note these deficiencies and require that GMO conduct an analysis that is consistent with the existing IRP rules in its next triennial plan filing.