

Chapter 22 IRP Rule Revision

Workshop EW-2009-0412

KCP&L and GMO

Missouri PSC Meeting
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Several Key Drivers to the Modern Power Industry

Changing Market Conditions

- **RTO's**
- **LMP-based Power Markets**
 - Forces of competition
 - Fuel Price Risks
- **Ancillary Markets**
 - Additional value or risk from plant operation.

Environmental Regulation

- **CO2 Legislation**
 - Fuel Switching
 - Clean Coal Technologies
 - CO2 credits
 - Offset policy
- **Renewable Mandates**
 - State mandates
 - Proposition C
 - Federal mandate
- **CAIR**
 - SO2 market
 - NOx markets

Technological Innovation

- **Wind Generation**
 - Greater efficiency
 - Transmission limitations
 - Lack of dispatch control
- **Solar**
 - Greater efficiency
 - Lower cost technology
- **Biomass**
 - Land limitations
 - Lower cost fuel options
- **Clean Coal**
 - Technological limitations
 - Infrastructure requirements.

Consumer Expectations

- **Green Energy**
 - Consumer demand
- **Energy Efficiency**
 - Company efforts vs. mandates.
 - Cost recovery
 - State policy

Current Rule and the Modern Power Industry

- The current rule requirements are difficult to adapt to changes in a real time world caused by:
 - Economic cycles
 - Technological change
 - Policy or legislative change
 - Environmental and other regulatory change
- Companies need to make real time decisions that do not always exactly mimic the plan that was completed just months earlier.
- Companies are concerned about being second guessed on whether decisions align with the current IRP.

Current Rule and the Modern Power Industry, cont.

- The companies have a good understanding of many future types of technology:
 - In 10 years, a combustion turbine, coal plant, or wind turbine will probably cost and operate much as they do today.
- Other technologies are relatively new or untested in commercial operation
 - Many energy efficiency technologies and programs have only estimated impacts at this time.
 - Difficult now to assess the future costs or requirements of some of the environmental technologies that are currently being tested.
- This leads to great uncertainties in the planning process that must be recognized.

Current Rules Need Updating

- Two proposed rules for Commission consideration.
 - Staff Rule
 - MEDA Rule
- Staff Rule
 - Expands the “checklist”
 - Keeps a focus on finding deficiencies after process is completed.
 - Ultimate result: **A Process**
- MEDA Rule
 - Expands the “goals”
 - Keeps focus on solutions prior to completion.
 - Ultimate result: **A Plan**

Safeguards for Interveners in MEDA Rule

- Requiring companies to develop best methods to achieve the goals defined for each rule.
 - The process is conducted in a collaborative manner.
 - Information used in process shared and made as transparent as possible.
- Companies still required to submit findings to stakeholders who are able to comment on how well the company met those goals.
 - Companies are still accountable for the ultimate results.
 - Final product subject to review.
 - Companies have more at stake if acknowledgement of a portion of the plan is sought.

KCP&L and GMO Input During the Workshops

- The new rule should be flexible, allowing the company and the interveners to adapt to changing industry, customer and technological drivers.
- Less emphasis on the checklist and more focus on the plan.
- Minimize redundancy by not making the IRP process re-open other decisions already regulated in other venues.

Comparison of Rules

MEDA

- Defining goals in each rule.
 - Flexible, can adapt as collaborative commences.
 - Company can consider new data/conditions.
 - Interveners can receive more pertinent data.

Staff

- Special Contemporary Issues Process
 - Locks down issues six months prior to filing.
 - Companies risk deficiencies if market/industry conditions change unexpectedly.
 - Interveners must receive the dated information as specified.

Comparison of Rules

MEDA

- Emphasis on plan.
 - Less mandatory calculation methodology and data presentation.
 - Company allowed to utilize new methods to analyze load and other drivers.
 - Focus on the 3-year Implementation Plan.

Staff

- Emphasis on checklist
 - Data filing requirements longer.
 - Companies risk deficiencies if methodology deviates from methods defined today.
 - Focus on continual updates of the full 20-year Plan.

Comparison of Rules

MEDA

- Eliminates redundancy.
 - Allows for transmission planning to be carried out under the review of the RTO's.
 - Annual Advisory Meeting allows for regular contact with interveners on current status of the plan.

Staff

- Redundant efforts.
 - Transmission Planning Rule redundant in light of oversight provided/required by RTO's.
 - Annual Updates may be as extensive as a full compliance filing.

KCP&L and GMO Recommendations

- The new rule should be flexible, allowing the company and the interveners to adapt to changing industry, customer and technological drivers.
- Less emphasis on the checklist and more focus on the plan.
- Minimize redundancy by not making the IRP process open up other decisions already regulated in other venues.
- KCP&L and GMO support the adoption of the MEDA rule.

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