

August 4, 2009

As discussed in the July 31, 2009 Chapter 22 rulemaking workshop, Staff is requesting that each utility independently provide the following information by close of business on Friday, August 7, 2009 via email to john.rogers@psc.mo.gov.

1. Identification of those specific parts of the latest draft Chapter 22 rules your utility believes to be too prescriptive, especially those analyses and reporting requirements that the rules require the utility to perform or file that the utility would not perform absent the rules.
2. If the updated Chapter 22 rules are made less prescriptive, identify what your utility believes should be the appropriate deliverables (reporting requirements) to demonstrate that the fundamental objectives of each rule are being achieved.
3. If the updated Chapter 22 rules are made less prescriptive, identify the procedures your utility believes to be appropriate to ensure that stakeholders got the information they need in a timely fashion to determine that your utility has demonstrated that the fundamental objectives of each rule are being achieved.

KCP&L RESPONSE TO REQUEST 1 REGARDING THE LATEST DRAFT OF CHAPTER 22

010 Policy Objectives

Regarding the *Straw Man Objectives 010*

Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company (i.e. “the Companies”) generally agree with the *Straw Man* objectives set out in the major bullets, and the comments regarding them in the sub-bullets. The Companies believe the statement, “compliance with all relevant federal, state and local energy...”, should be stricken from the first bulleted objective as it is too broad and not necessary.

Regarding the second bullet, the Companies believe it is unnecessary. A business plan is not a public document except in the most general of terms and would not be made public for a variety of reasons.

Should the Commission make provisions within the rule to allow utilities the option to seek approval of certain aspects of the preferred plan, either at the time of the IRP filing, or subsequent to the filing, the likelihood that the business plan and the IRP are aligned would be much higher. Without some linkage or mechanism to apply the resource planning efforts required in the rule to approval by the Commission to make the investments specified in the plan, the process can’t be used as business plan. Large investments, generally for new generation, environmental or transmission place the utilities at risk for prudency challenges. The Companies recognize prudency challenges

related to plan execution as a given part of regulation. However, when large investments are called for, utilities may need, or even require some certainty that the decision to move forward with a particular investment is considered prudent.

When the preferred resource plan indicates the utility is in a good position to serve its customers without the need for large investments, there may be no need for an approval of the plan. Generally, when this is the case, the resource decisions the Company faces are related to DSM. For DSM resources, the utilities typically file tariffs for any new initiatives. Approval of the tariffs results in some certainty for the Company regarding these investments, as it pertains to the decision to move forward and implement. The Company is still at risk regarding the execution and delivery of the project.

Often, DSM tariffs require evaluations at some future time to allow for any modifications to make the programs more effective, or to discontinue them if they are not reaching desired results. Currently, the utilities in Missouri all participate with Staff, Office of Public Counsel and other interested parties in forums to vet new ideas and programs, as well as concerns with existing programs.

These mechanisms in effect allow the utility to leverage the IRP work and use it to work with interested parties to further the DSM resources of the Company. There currently is no similar mechanism to allow the utility to leverage the IRP work for generation, environmental or transmission resources. The Companies believe that there should be a mechanism in the IRP or something linked to the IRP to allow a utility to address approval of the plan or certain aspects of the plan.

The Companies generally agree with the third, fourth, and fifth bulleted objectives, and the comments regarding them in the sub-bullets.

Regarding latest draft Chapter 22 rules 010 Policy Objectives

(1)

The Companies agree with the stated policy goal, but believe some method of gaining approval of the plan, or specific parts of the plan would improve the process. The following sentences could be added to 010 (1). “The utility may request full or partial approval of its resource acquisition plan. Should the utility seek this approval, nothing in this rule precludes the Commission from consideration or acceptance of this request if found to be justified and prudent.”

(2)

The Companies agree with the fundamental objective as set out in the current rule. The Companies do not believe it is necessary or desirable to expand on the fundamental objective in the current rule. It should be assumed utilities must comply with applicable laws. Expanding it to cover EISA, or the Renewable Energy Standard, or the MO Energy Efficiency Investment Act when those specific rulemakings are not complete is premature at best, and may detract from the fundamental objective stated. Using the IRP

as a “cost benchmark” as suggested in the latest draft (2)(A)1 sets up the IRP to be a revenue justification process, rather than a planning process. The Companies believe it will derail the planning objective of the rule. The additional language in the latest draft is unduly prescriptive and unnecessary to ensure compliance with law.

030 Load Analysis and Forecasting

Regarding the *Straw Man* objectives 030

The Companies generally agree with the *Straw Man* objectives set out in the major bullets, and the comments regarding them in the sub-bullets.

Regarding latest draft Chapter 22 rules 030 Load Analysis and Forecasting

(1)(C)

The Companies believe this new language is too prescriptive. If a utility is to create useful load forecasts, these considerations are a given.

(1)(D) and (1)(E)

The rules which are specific to DSM planning should be moved to 050.

(2)(A)2.

The Companies have only a few years of monthly billing statistics by cost-of-service classes, and have never forecasted sales for these subclasses. The Companies believe that dividing the residential, commercial and industrial classes further by class cost of service creates too many subclasses and thus this rule is too prescriptive. Commercial and industrial classes would be further divided into Small General Service, Medium General Service, Large General Service and Large Power. So two classes would become eight classes.

(4)(A)1.C.

The Companies have small industrial sectors with mostly light manufacturing rather than heavy industry. We would not collect process related data absent the rules. The Companies believe that this rule is too prescriptive.

(4)(B)1.

Absent the rules, the Companies would rely on end-use data collected by the US DOE for the West North Central region for the commercial and industrial sectors instead of collecting its own “primary” data. The Companies believe that asking for primary data rather than secondary data is too prescriptive.

(9)

Absent the rules, The Companies would not construct extreme weather peak demand forecasts. The Companies believe that this rule is unnecessary.

(10)(B)

The subsections of this rule produce a stack of plots and tables about 2 inches high. Absent the rules we would not produce the majority of the plots and tables prescribed by this rule. We would produce the plots that appear in our main forecasting documentation. The rule requires too many plots.

040 Supply Side

Regarding the *Straw Man Objectives 040*

The Companies generally agree with the *Straw Man* objectives set out in the major bullets, and the comments regarding them in the sub-bullets.

Regarding latest draft Chapter 22 rules 040 Supply Side

(1)(A)-(K)

The Companies believe these sections are too prescriptive. Everything that is required for technology selection is covered by either the Capital cost, the fixed or variable operating cost and the expected environmental cost. Requiring research and reporting on each of the components of costs is too prescriptive. (2)(A)--ranking based on capital plus fixed and variable O&M; and (2)(B)--include probable environmental cost are sufficient.

(2)(B)

Items 1-4 are too prescriptive, if all that is requested is the cost of potential future environmental regulations. Rules can't be specific enough to cover all the possibilities. The rule should speak to the information sought, and allow the utility to determine the best way to provide it. The utility should document and explain the methodology used. Also the "level of mitigation" term is not defined.

(3)

Transmission costs can't be identified without a specific location of the resource, a specific MW size of the resource and the ultimate "sink" for the MW's from the source. This is a project-specific item that cannot be determined until the specific project is completely specified. Even if current values could be derived, those values would change depending on new projects in the RTO queue.

(5)

Similar to (1) above, (A)-(G) are worthwhile considerations, but it boils down to issuing an RFP or similar query and evaluating the available proposals. The rules don't need to specify a laundry list of things to consider and are too prescriptive.

(6)

The Companies agree that the old section (6) should be stricken. See (3) above

(7) old section (8)

This section is too prescriptive. What is needed is a requirement to identify key uncertainties; require a range; and expected probability distribution for each. That is all that is need for an evaluation. For example:

(7)(A)1 A-G Fuel Price: None of this adds to the quality of the evaluation. The utility needs to know if the fuel supply is secure and if the price range covers expectations. That is all the rules should require without specifying each step and each issue that needs to be considered.

(7)(A)1 G 2: accuracy of prior forecasts—any snapshot in time will be wrong from year to year. The important issue with regard to the forecasts is to ensure there is an adequate range of costs, a meaningful mid-price (“expected” price forecast) and reasonable probability assumptions around those costs

(7)(C) This is too prescriptive, The Companies do not believe there is value in requiring that O&M be obtained from the same source as the capital cost. The source of data shouldn’t matter as long as the data is valid and supportable.

(7)(D) This should be in the Probable Environmental cost, and not here.

(7)(E) Annual fixed costs are already required. This is redundant

(8)

Reporting requirements

- A. OK.
- B. Unnecessary. The uncertainty ranges required in (8) are applied under Integrated Analysis and (8) already requires the utility to provide these forecasts
- C. Seems out of place. This falls under Integrated Analysis. The prescreening doesn’t require the uncertainty analysis for ranking and selecting candidate resources to move to Integrated Analysis. The value of this requirement is unclear.
- D. Redundant. (2) (C) requires the technology rankings showing the probable environmental cost impact and in order to develop the probable environmental cost, you’d need to show this detail under (2) (B).

045 Transmission Planning

The Companies believe this section is not necessary or beneficial to the process.

050 Demand Side Management

Regarding the *Straw Man objectives 050*

The Companies generally do not agree with the *Straw Man* objectives set out in the major bullets. These bulleted items are not objectives, they are reporting requirements.

Regarding latest draft Chapter 22 rules 050 Demand Side Management

(2)

This rule is too prescriptive. It details the method to be used for calculating avoided energy and demand costs. The Companies request a waiver to use the software package, DSMore, for end-use measure screening and to use the market price of energy as the avoided energy cost. This waiver request was granted. Other utilities are using data output from market models such as MIDAS. The rules should allow more flexibility in the method used to calculate avoided costs.

(3)

This rule introduces the requirement to consider the role of “SmartGrid” but does not provide a clear definition. It also introduces additional prescriptive requirement to determine energy savings with and without “SmartGrid.” The rules do not require a utility to determine energy savings with and without each demand-side program.

On Question 2, Appropriate Deliverables.

The sections of 4 CSR 22.050 (1) through (11) are appropriate and this information should be provided:

- Identification of end-use measures
- Calculation of Avoided Cost
- Cost Effectiveness of End Use Measures
- Estimate Technical potentials
- Conduct Market research
- Development of Programs
- Cost Effectiveness Screening of Programs
- Determine time differentiated Load Impacts
- Program Evaluation Plans
- Separate design and evaluation of load building and demand-side programs
- List of required reports

The rules should be relaxed to allow the utility to determine an appropriate method with commission approval rather than specifying the method.

060 Integrated Analysis

Regarding the *Straw Man* objectives 060

The first bullet of the Straw man under rule 060 describes planning futures which are described in proposed rule 070. As will be stated below in the discussion of rule 070, the use of these distinct planning futures may skew the results of the risk analysis and provide no additional benefit. Under the current rule every possible future subject to critical uncertain factors, is analyzed. The use of the distinct futures needlessly complicates the analysis by adding a further layer of ambiguity.

The second bullet further complicates the issue of the distinct planning futures. It should go without saying that the preferred plan should meet the requirements of the law and all applicable regulations.

The third bullet uses the phrase “capable of simulating the total operation of the utility.” We do not know of a model that can adequately simulate the detail of a company’s generation and transmission assets over a 20-year horizon and still produce the number of different risks, and alternatives required by this rule. A better understanding of what is meant by this phrase is important.

The fourth bullet once again deals with rule 070 distinct planning futures and continues to describe the ambiguity this line of analysis will cause. The distinct planning future language is not necessary or helpful.

Regarding latest draft Chapter 22 rules 060 *Integrated Analysis*

(3) (A)

The specifically defined goals that a particular plan is supposed to meet may or may not coincide with the objectives of the other rule or law cited. For example, the plan described in (A) 1. would not be the baseline required for analysis in Chapter 20. The RES requires that its baseline be “entirely without renewable resources.” Therefore any use of (A) 1. as a comparison to (A) 2. is meaningless in Chapter 20. This is overly prescriptive, and is not providing any guidance in the other rules and may work to cross purposes.

(6) (F)

This information should be provided in the Compliance Plan of Chapter 20 and is redundant.

(6) (G)

Not required if 060 (3) (A) is removed.

On Question 2, Appropriate Deliverables

The listing of deliverables is manageable given the concerns specified above. However the Commission should allow the utilities to develop their own reporting requirements. This would require the utility to provide meaningful justification to support its plan when the utility make its case to the commission and all other interveners.

070 Risk Analysis

Regarding the *Straw Man objectives 070*

On the first bullet of the Straw man, the Companies agree that the prescriptive list of factors mandated by the rule that must be analyzed need not be so long. Many of these items will not affect the selection of a preferred plan. The utility should be allowed some discretion as to the selection of which factors to analyze.

On the second bullet, inclusion of a financial plan and a regulatory plan requirement into the IRP process runs the risk of diluting the primary objectives of the rule, which states “The fundamental objective of the resource planning process at electric utilities shall be to provide the public with energy services that are safe, reliable and efficient, at just and reasonable rates, in a manner that serves the public interest.” There are more likely other venues under which the discussion of the utility’s finances and regulatory plans should be discussed.

On the third bullet, the discussion of the “very high cost” items is very subjective.

Regarding latest draft Chapter 22 rules *070 Risk Analysis*

(1)

Typically, a utility looks at all possible outcomes not just a selected subset. Highlighting just a few possible outcomes needlessly complicates the reporting requirements and can skew the risk profile of the plans. This is prescriptive and unnecessary

(2) (A)

Many of the cited risks do not have an impact on the selection of plans:

5. The utility may not have access to transmission data at this level.
6. The utility may not have access to transmission data at this level.
7. Purchased power availability rarely impacts plan selection
8. SO₂ and NO_x credit prices are having less impact on selection.
9. 10. 11. and 12. All have low impact on selection

(3) & (4)

These rules are redundant if 060 (3) (A) removed

(6) (B)

This requirement will cause the preferred plan to over build and drive up costs higher than the utility will actually experience.

(7)

This is prescriptive, and provides assurance that the utility will use the MIDAS model without a specifically making a statement to that effect.

(8)

This information may not exist over a 20-year period.

(9)

This is prescriptive and is not necessarily useful. This would not be done absent the rule.

(14) (A), (B) & (C)

These rules are redundant if 060 (3) (A) removed.

(14) (H) 2. B.

This rule is redundant if 070 (6) (B) removed

On Question 2, Appropriate Deliverables

The listing of deliverables is manageable given the concerns specified above. However the Commission should allow the utilities to develop their own reporting requirements. This would require the utility to provide meaningful justification to support its plan when the utility make its case to the commission and all other interveners.

080 Filing Schedule and Requirements

Regarding the Straw Man Objectives 080

The Companies generally agree with the *Straw Man* objectives set out in the major bullets only. We do not agree with many of the sub-bullets.

Regarding latest draft Chapter 22 rules 080 Filing Schedule and Requirements

(1) (A)&(B)

The Companies believe there is a benefit to preparing one IRP that would encompass both Companies. If the same filing date specified in the latest version of the rule is meant to allow a joint filing reflecting joint planning for both, the Companies have no issue with the timing. If that is not the intent, and completely separate filings are required, the Companies need the filing dates to be staggered in order due to resource (personnel) constraints.

(2)

The requirement to see the impact on a preferred plan with and without rate treatment is a discussion better left for a rate case proceeding. It may also be unnecessary given current Missouri law.

(3)

This section is too prescriptive. The Companies and the other utilities have agreed to hold stakeholder meetings to keep the parties updated as to the plan. The requirement to

provide annual “updates” as specified in this sections could result in a detailed filing looking very much like the initial filing, adding little value to the process.

Rule 080 Definitions – Material changes

Many of these items are very small triggers to require a full on compliance report. Example: a 20% budget change to an individual DSM program requires a complete compliance update. This is prescriptive and unnecessary. DSM programs are tarified, with specified evaluations, and they are reviewed at meetings between the Staff, Office of Public Counsel, interested parties and the utility. This “trigger” is not beneficial.

General Comments – Overall IRP Process

On Question 1, “too prescriptive”

There is a huge difference between resource/technology selection and actual project development. The actual negotiation of terms will produce different costs for an asset than predicted in a long-range plan. Furthermore, if a utility has adequate capacity and needs no near-term resource additions, the IRP doesn’t provide much value as a company operational tool with regard to supply additions. It is likely that a new IRP will be filed before the next resource decision is needed.

On Question 2, Appropriate Deliverables

The actual resource “planning” is done in Integrated Analysis. Each section before that simply develops the assumptions used in Integrated Analysis. Each section after that tells the utility how to perform the evaluation and how to report the findings.

It makes much more sense to separate these efforts, with submissions/filings perhaps 6-months apart: Report 1 = (020-050) documentation of assumptions, data source prescreening efforts, etc; Report 2 = (060-080) demonstrate preferred plan meets the fundamental objectives of the rule.

This would accomplish several things:

1. Allows utilities to separate 50%-60% of the research, report writing & documentation from the planning effort to allow stronger focus on alternative plans.
2. Moves at least a portion of the long process of after-the-fact deficiency discussions up front to potentially resolve (or at least identify) areas of concern among various stakeholders.
3. Puts the spot light on Integrated Analysis, which produces the preferred resource plan.

On Question 3.

The question itself points out THE major problem with the way the rules are currently carried out. Question 3 ends with: “(demonstrating) that the fundamental objectives or each rule are being achieved.” Instead of focusing on the fundamental objectives, the process has turned into a focus on addressing each and every minor consideration mentioned in the rules. This adds little value to the planning process.

To allow a stronger focus on preferred plan selection, separate report submittal/filing & review sessions for assumptions/uncertainties (Rule 020-050) from Integrated Analysis (060-080). Treat the individual steps of the rules as guidelines, but allow utilities the freedom to develop the key measures required to meet the “fundamental” objectives. Schedule review discussions where utilities present their procedures, process & findings. Allow comment & feed back from Parties (informational meetings) prior to final submission of the key findings from rule 020-050. Repeat the same process for Integrated Analysis.

Potential timeline/schedule.

6-months prior to IRP due date:

Utility presents an overview of procedures, data sources, processes & findings used to meet the “fundamental” objectives of rule 020-050. Parties comment and identify areas where they believe the fundamental objectives have not been met. Utility takes comments into consideration prior to filing results of sections 020-050.

3-months prior to IRP due date:

Utility presents updated findings and submits report for 020-050. At the same meeting, utility presents proposed alternative resource plans and demonstrates how they propose to meet the “fundamental” objectives of 060-080. Parties provide comments for utility consideration.

IRP Submittal:

Report includes a brief update regarding any updates to critical uncertainties and the basis for any changes in the earlier findings from rule 020-050. A simplified report focused on the “fundamental” objectives used to select the preferred plan, the resource acquisition strategy and executive approval are submitted on this date.

The Companies intent in describing this alternative process here is not to create language to include in the rule, but rather to initiate a discussion with the Staff, Office of Public Council, and other parties regarding this concept.

On Question 3, Procedures for Timely Information

The method by which stakeholders receive the information they need is in the requirement to conduct periodic stakeholder IRP advisory meetings, at least bi-annual, where the utility would present and review its resource planning method and status.

Furthermore, continuing three year formal report filings allows stakeholders multiple opportunities to seek input from the utilities supervised by the commission staff.