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**Review of KCPL Greater Missouri Operations  
Electric Utility Resource Planning  
Compliance Filing  
Case No. EE-2009-0237**

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Prepared by  
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## **PREFACE OF THE OFFICE OF THE PUBLIC COUNSEL**

This report is filed by the Office of the Public Counsel (Public Counsel or OPC) pursuant to 4 CSR 240-22.080(6), which provides that Public Counsel may file a report that identifies deficiencies in a utility's compliance with the provisions of Chapter 22, and any other deficiencies that cause the utility's resource acquisition strategy to fail to meet the fundamental objectives of the planning process as set forth at 4 CSR 240-22.010(2).

4 CSR 240-22.080(8) requires Public Counsel to work with KCPL Greater Missouri Operations (GMO or the Company) in an attempt to reach an agreement, within forty-five days of the date that this report was filed, on a plan to remedy deficiencies. Should Public Counsel and GMO be unable to reach such an agreement, Public Counsel recommends that the Commission find, pursuant to 4 CSR 240-22.080(13), that GMO's filing does not comply with the requirements of Chapter 22 and that GMO's resource acquisition strategy does not meet the fundamental objectives of the planning process as set forth in 4 CSR 240-22.010(2)(A)-(C).

This report is less comprehensive and much shorter than the reports that Public Counsel submitted in the mid 1990s shortly after the IRP rule went into effect. The abbreviated nature of this report should not be construed to reflect any changes in OPC's view that the formal IRP process is important to consumers. Instead, the abbreviated nature of this report is due to the finite resources that OPC has for IRP analysis and other Commission issues and activities that are currently taking place, not the least of which are the large number of rate cases and rulemakings that are being processed currently at the Commission. In order to provide meaningful feedback on GMO's IRP filing, we have focused our attention primarily on those areas where the greatest deficiencies occurred in GMO's filing. In addition, OPC has been actively engaged in the stakeholder meetings that were held with GMO representatives regarding this IRP filing over the last few months. Public Counsel has not attempted to address the load forecasting portion of GMO's filing in this report, and OPC takes no position on the extent to which GMO's filing in the forecasting area complies with the provisions in Chapter 22.

## Public Counsel's List of Deficiencies

**1. 4 CSR 240-22.050 (3) and (7) – GMO failed to analyze street lighting (and other outdoor lighting) retrofits, alternative rate structures and combined heat and power (CH&P) on the customer side of the meter as end use measures and as Demand-Side programs.** In Figure 2 on page 29 of its 2009 IRP Supplemental Filing, GMO indicates that it will complete (1) its research evaluation of street lighting and other outdoor lighting programs by October 2010 and (2) its research evaluation of alternative rate structures by June 2010. OPC is satisfied that these planned research activities are an adequate remedy for the part of this deficiency not related to CH&P so long as GMO is still committed to complete these research activities by the specified completion dates.

**2. 4 CSR 240-22.050 (6) – GMO failed to comply with the requirement in the rule for it to “develop a set of potential demand-side programs that are designed to deliver an appropriate selection of end-use measures to each market segment.”** Outdoor lighting programs, alternative rate structures, and DSM energy efficiency measure financing programs should have been developed so that GMO would have a “set of potential demand-side programs that are designed to deliver an appropriate selection of end-use measures to each market segment.” Other utilities such as Mid American Energy Company offer financing of energy efficiency programs as an alternative to using rebates to attract residential and small commercial customers to participate in energy efficiency programs and GMO should explore this option so it does not rely solely on rebates to encourage participation. As noted above, OPC is satisfied that the planned research activities for outdoor lighting and alternative rate structures are an adequate remedy to address the outdoor lighting and alternative rate structure deficiencies. Similarly, in Figure 2 on page 29 of its 2009 IRP Supplemental Filing, GMO indicates that it will complete its research on evaluation of financing efficiency programs by October 2009. GMO has not provided a copy of the efficiency program financing evaluation that was to be completed by October 2009. This deficiency could be resolved by GMO providing a copy of its completed efficiency program financing evaluation to OPC.

**3. 4 CSR 240-22.070(11)(F) - Failure to include a discussion of the process used to select the preferred plan.** The Table of Rules Compliance in Volume 7 of GMO's filing references page 59 of this volume as the location where the narrative can be found to comply with the requirement in CSR 240-22.070(11)(F) can be found. Pages 55 and 56 contain information relevant to this requirement but the only attempt at compliance is a statement that “the selection process can be found in the attached Appendix 7A.” However, Appendix 7A does not contain a narrative that complies with the requirement in CSR 240-22.070(11)(F) to provide “a discussion of the process used to select the preferred resource plan, including the relative weights given to the various performance measure and the rationale used by utility decision-makers to judge the appropriate tradeoffs.” There is no reference to “relative weights” or “tradeoffs” with respect to the plan selection process in Appendix 7A.

**4. 4 CSR 240-22.070(10) and 4 CSR 240-22.080(1)(D) - Failure to officially adopt and approve a resource acquisition strategy.** The Corporate Approval Statement on the back of page 4 of Appendix 7A does not explicitly adopt and approve a resource acquisition strategy. GMO had not created an adequate demand-side implementation plan or critical uncertain factor monitoring plan that meet the rule requirements at the time this approval statement was signed. Also, certain elements of GMO's resource acquisition strategy were modified by GMO's supplemental filing on November 2, 2009 and there was no new adoption statement included in the supplemental filing.

**5. 4 CSR 240-22.080(2) - GMO's request for non-traditional accounting procedures for DSM expenses does not fully comply with the modeling requirements of this section of the rule and the filing raises additional concerns due to new issues that are raised and yet to be resolved by the new energy efficiency legislation, SB 376 that was passed this year by the Missouri Legislature.** The modeling results contained on page 8 of Volume 7 do not satisfy the requirements in 4 CSR 240-22.080(2)(B)4 for a quantitative comparison of earnings with and without the proposed non-traditional accounting procedures because the modeling results only reflect the impact of a portion of the non-traditional ratemaking treatment requested by GMO. These modeling results do not reflect the additional impacts that lost revenue recovery and the proposed performance mechanism would have. GMO's filing provided no specifics on how the baseline and deviations from the baseline would be calculated for lost margin recovery and performance ratemaking and failed to address how the need for independent verifiable information on program performance data could be satisfied. Finally, OPC does not agree that should receive a "performance payout" bonus for achieving only 51% of the savings goal. OPC believes that it may be appropriate to reward utilities for superior performance but not for mediocre performance of just achieving 51% of a performance goal.