

Sundermeyer, Susan

From: Rogers, John
Sent: Wednesday, June 23, 2010 7:25 AM
To: Sundermeyer, Susan
Subject: FW: KCP&L Comments to SB376 Rules
Attachments: 4 CSR 240-20 093 REDLINE Draft June 4 2010 KCPL comments KEB (6-16-10).doc; 4 CSR 240-3 163 REDLINE Draft June 4 2010 comments KEB (6-16-10).doc; 4 CSR 240-20 092 REDLINE Draft June 4 2010 KCPL comments KEB (6-16-10).doc; 4 CSR 240-3 164 REDLINE Draft June 4 2010 KCPL comments KEB (6-16-10).doc

Please file this email and attachments in EW-2010-0265.

From: Sivils Carol [mailto:Carol.Sivils@kcpl.com]
Sent: Wednesday, June 16, 2010 3:31 PM
To: Rogers, John
Cc: Bryant Kevin
Subject: KCP&L Comments to SB376 Rules

John:

Attached are red-lined versions of the four proposed SB376 rules. Please disregard the version of 4 CSR 240-20.092 sent yesterday.

Outlined below are the key points KCP&L believes must be addressed in order to meet the objectives of SB376.

Objectives of SB376:

- Value demand-side investments equal to traditional supply/delivery investments by:
 - Providing timely cost recovery
 - Ensure alignment of utility financial incentives with promotion of DSM
 - Providing timely earnings opportunities
- Goal is to achieve all cost-effective DSM savings
- Commission may also develop mechanisms to further encourage investment in DSM

Given these objectives, we believe that:

1. To value DSM equal to supply/delivery investments, three financial components must be specifically acknowledged and addressed:
 - Recovery of program costs
 - Recovery of lost revenues
 - Comparable return on investment
2. Addressing these items will encourage utility investment in DSM and align financial incentives and thus will eliminate the need for performance penalties as currently reflected in Staff's draft rule
3. There are a number of ways to address these financial components from a cost recovery/incentive perspective, including sharing of net benefits, performance incentives, lost margin recovery and decoupling. Such recovery, however, must be in a timely fashion (where we have defined timely as recovery of expenditures within 12 months of such expenditure) in order to ensure alignment of utility financial incentives.
 - Several key additional tools that should be made available towards such recovery include:
 - Prospective/forward-looking recovery of anticipated costs
 - Recovery outside of rate cases via a rider approach
 - True-ups/adjustments between rate cases with a rate case approach
4. Utility-specific potential studies and the IRP process should set the baseline for each respective

utility's view of all cost-effective DSM towards the pursuit of all cost-effective DSM savings

- Must have flexibility for DSM portfolio adjustments between IRP filings
5. It is critical to approve both programs and cost recovery at the same time in order to provide clarity of direction
 6. The value of the collaborative process is significant for both input and review of DSM portfolio performance and must seek efficient ways to implement such collaboratives

Please let me know if you have any questions. Thank you for your consideration.

Carol