

KCP&L RESPONSE TO STAFF QUESTIONS

Section 393.1075 (The Missouri Energy Efficiency Act) provides that the policy of the state of Missouri is to value demand-side investments equal to traditional investments in supply and delivery infrastructure. The statute mandates that the Commission provide timely cost recovery for utilities as well as timely earnings opportunities associated with cost-effective measurable and verifiable efficiency savings.

The Commission has developed methods to allow utilities recovery of costs between rate cases for supply and delivery investments. Examples include the Fuel Adjustment Clause and Environmental Cost Recovery Mechanism. Thus, if demand-side investments are to be treated equally to traditional investments in supply and delivery infrastructure, the statute requires that the Commission develop regulatory programs for timely recovery of demand-side investment costs between rate cases.

As for the details of how the Commission accomplishes its mandate, the Act gives the Commission wide discretion. Section 5 of the Act provides the Commission with the authority to develop cost recovery mechanisms to encourage investments in demand-side programs. The statute lists certain examples of regulatory practices which could be used by the Commission but does not limit the Commission to the listed practices. Under this section, the Commission may authorize decoupling and/or recovery of lost margin.