State of Missouri

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August 31, 1992

Mr. C. Brent Stewart
Executive Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

RE: Electric Utility Resource Planning
Case No. EX-92-299

Dear Mr. Stewart:

Enclosed for filing in the above-referenced case please find the original and fourteen copies of Public Counsel's Verified Reply Statement with attached Appendix A and Affidavid of Ryan Kind. Please "file" stamp the extra-enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

Lewis R. Mills, Jr.
First Assistant Public Counsel

LRM:bjr

Enclosures

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the proposed Commission Rules 4 CSR 240-22.010 through 22.080 (Electric Utility Resource Planning)	))))	Case No. EX-92-299

PUBLIC COUNSEL'S VERIFIED REPLY STATEMENT

Public Counsel thanks the Commission for the opportunity to present the following reply comments. We were pleased that the other parties support, almost without exception, the concept of having Commission rules in place to govern electric utility resource planning, and generally support the specific rules as proposed.

Our reply statement will follow the format of our earlier one; after making general remarks, we will take up topics in the order in which they appear in the proposed rules. Public Counsel's additional suggested changes (beyond those of our initial comments) are shown on Appendix A, which follows the same format as our initial appendix. Mr. Ryan Kind, Public Utility Economist in the Office of the Public Counsel, will appear before the Commission to answer questions regarding these and our initial comments.

General Remarks

We were disappointed to learn that both St. Joseph Light & Power Company (SJLP) and Empire District Electric Company (Empire) are hostile to the proposed rules governing formal electric planning procedures. Both of these companies are concerned that the benefits of the planning procedures contained in the proposed

rules do not outweigh the associated costs. We are convinced that the benefits of the rules do indeed outweigh the costs, particularly since there is currently little reason for utilities to consider DSM as a resource. Encouraging utilities to treat DSM on an equal footing with supply-side options in resource plans is, in our view, a primary benefit of the rules. SJLP declares in its initial comments (p. 3) that it "has been working toward setting up new demand-side programs," but unless these programs are being approached in the manner laid out in the proposed rules, the programs may very well be faulty. Empire, although it claims to have a progressive approach to planning, makes no mention of DSM in its initial comments, except for in a brief (and unfounded) complaint about a lack of cost recovery provisions in the proposed rules (Empire Initial Comments, p. 6).

Both companies identify some proposed requirements that would tend to be more burdensome for smaller than for larger electric utilities. To the extent these companies can demonstrate the existence of an undue burden, they should be granted waivers from the relevant sections. We are sure that the Commission will treat these opposing utilities fairly no matter what shape these Rules eventually take.

4 CSR 240-22.010 Policy Objectives

Plan Approval

Public Counsel strongly believes that in order to ensure that utilities pursue the plan that is best for ratepayers rather than shareholders, some sort of plan approval is crucial. Nonetheless, we are sympathetic to the Staff's concerns about having to expend the resources to examine every last assumption and estimate relied upon by a utility in proposing its plan. Public Counsel is also sympathetic to the

concerns raised by Missouri Industrial Energy Consumers (MIEC) and others about the shifting of risks from shareholders to ratepayers.[1]

Public Counsel believes that the language we proposed in our Initial Comments, read together with paragraph 080(13), addresses these concerns. Under our proposed language in paragraph 010(1), Commission approval of a utility's plan would simply amount to a finding that, if the utility's assumptions and estimates were correct, then the utility's plan based upon those assumptions and estimates is reasonable. Commission approval would not necessarily contain specific findings as to the validity of assumptions or estimates relied upon, and would not imply a general finding as to all assumptions and estimates. Furthermore, under Public Counsel's proposed language, the Commission would not pre-approve any actions taken to implement a plan.

Several of the utilities, most notably Union Electric (UE), have compared plan approval to "rolling prudence reviews." Under the concept of rolling prudence, a Commission would periodically review a utility's expenditures (typically for a supply-side resource), and after that review declare that expenditures to that point have been prudent, and allow them to be recovered in rates. Public Counsel submits that the type of plan approval that it has proposed, and certainly the type of plan approval in the proposed rules as published, is a far cry from rolling prudence. Public Counsel believes that the concept of rolling prudence has very little relevance to integrated resource plan approval, and cautions the Commission against the kind of sloppy thinking that has led UE to merge the two concepts.

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[1]Public Counsel would note that MIEC intentionally lumps the concepts of pre-approval and plan approval together. These two concepts are quite different, and while Public Counsel supports plan approval, we would vehemently oppose pre-approval of expenditures.

MIEC, in its discussion of plan approval and pre-approval, states that one or the other of these approvals would lead to an erosion of the used and useful standard. While Public Counsel agrees that pre-approval could certainly lead to the erosion of the used and useful standard, the type of plan approval that Public Counsel has proposed would not.

MIEC argues that plan approval would shift the responsibility and accountability for the management of a utility's system from shareholders to the Commission. While Public Counsel agrees that such a shift would be undesirable, we contend that the rules as drafted, or as modified by Public Counsel's proposals, would not result in such a shift. Rather than involving the Commission in day-to-day management affairs, the integrated resource planning rules would simply set a different goal for utility management. Under these rules, utility managers would be required to acknowledge that they are in the business of supplying energy services, not simply electricity, and conduct their business activities accordingly. This would not result in increased interference by the Commission in utility management; it would simply explicitly focus utility management on the objective of providing energy services.

Primary Selection Criteria

An important topic of discussion in many parties' initial comments was paragraph (2)(B), which establishes the minimization of the present worth of long-run utility costs as the primary selection criterion in choosing the preferred resource plan. UE objects to setting this as the primary criterion unless "primary" is defined to simply mean "initial" or "first in order". UE also recommends substituting "initial" and "other" for, respectively, "primary" in (2)(B) and "secondary" in (2)(C). One of UE's reasons for opposition is that it believes that defining "primary" as "most important" creates a conflict with the fundamental planning

objective, which is stated in paragraph (2). (See Initial Comments of Union Electric Company, p. 27-31)

We disagree. As we stated in our initial comments (p. 2), we believe that the present value of expected long-run utility costs (i.e., revenue requirements) is the best proxy for the cost of energy services. Minimizing the cost of energy services should be the overriding goal of planning.[2] There are, of course, other important considerations, such as the relative risk of a strategy and its impact on rate levels.

We believe that some of the disagreement on this issue stems from the relative importance placed on the primary criterion and the secondary considerations, and that UE seems to be thinking of "primary" as "only". Public Counsel's view is that the proposed rule presents planners with what is known as a constrained optimization problem. That is, the planners' task is to minimize the present value of expected long-run utility costs subject to predetermined constraints on the resulting level of system reliability, risk, rate impacts, and other relevant considerations. If the cost minimizing strategy violates any of the predetermined constraints, then it is not the best strategy. The best strategy is the lowest cost one that does not yield unacceptable levels for the secondary considerations. Public Counsel would submit that such an approach places significant emphasis on the secondary considerations, and that the language of (2)(C) requires such emphasis.

We agree that the example at the top of page 5 of UE's comments, that strict cost minimization would call for a shutdown of power plants, is absurd; that example illustrates the importance of incorporating constraints into the minimization

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[2]We agree in principle with Missouri Public Service, a Division of UtiliCorp United, Inc.'s (MPS's) comments (p. 3) suggesting that the sum of utility costs and direct customer costs ought to be the minimized quantity, but we are convinced that customer costs are likely to be low relative to utility costs and that, therefore, strategy selection will be little affected by ignoring customer costs.

procedure. Additionally, we believe that UE's description of its "balancing act" (p. 4) is quite similar to the constrained optimization approach.

MIEC suggests giving rate minimization a weight equal to revenue requirement minimization in plan selection. We disagree; rate minimization is not appropriate as a primary goal in resource planning, since rate minimization would rarely lead to energy service cost minimization. Public Counsel believes, for example, that consumers are better off paying $.08 per kwh while using 500 kwh to perform some task ($40.00 total) than they would be paying $.05 per kwh and using 1,000 kwh ($50.00 total). We believe that much cost-effective DSM would not be undertaken if rate minimization were the goal of resource planning. It is, however, important to include rate impacts as a secondary consideration (as a constraint in the cost minimization problem), and Public Counsel agrees with the inclusion of rate impacts in paragraph (2)(C).

A final point on this section has to do with terminology. Paragraph (2)(B) refers to "the present worth of long-run utility costs," while paragraph (2)(C) refers to "the present worth of expected utility costs." Similarly, the revised language proposed by Public Counsel in Initial Comments (see p. 4 and p. A-1) contains different terms for the same concept. We recommend that, in order to avoid the possible perception that different concepts are being addressed, all references be changed to the same term. We suggest using "the present worth of expected long-run utility costs" in all relevant passages of the rules.

To summarize, Public Counsel strongly believes that the minimization of the present worth of expected long-run utility costs should be incorporated as the primary (i.e., most important) selection criterion, subject to constraints or limits on the levels of other important values or measures of the plan. This proposed primary criterion is a good proxy for the cost of energy services, which should be

the focus of the planning process. Other factors (reliability, risk, rate impacts, etc.) are important and should be considered, but only as secondary (constraining) measures.

4 CSR 240-22.020 Definitions

MPS states that there is a need to expand the definition of "utility costs" to clarify that it includes "DSM program costs, lost revenue, and incentives." Public Counsel believes that the definition already includes all costs incurred by the utility to provide incentive payments to customers, and to administer, deliver, and evaluate demand-side programs since all of these costs are clearly incurred by the utility during the process of "developing and implementing a resource plan."

Public Counsel is strongly opposed to MPS's suggestion that lost revenues should be included in the utility cost definition. Revenues are just that, revenues, whether they increase or decrease. When revenues are "lost" or decrease, there is an impact on a company's profitability if expenses remain constant, but there is no cost in the accounting sense of the word. Utilities already have the option of filing a rate case when they are not earning a reasonable rate of return. Utility costs are used in determining whether a plan meets the primary objective of the resource planning process since utility costs are a good proxy for the costs of energy services provided by the utility, and lost revenues are obviously not part of this cost.

4 CSR 240-22.030 Load Analysis and Forecasting

Several utilities objected to the level of detail and prescriptiveness of the rules. These objections were directed toward the rule in general and especially toward this section of the rule, so they will be discussed here. Kansas City Power and Light's (KCPL's) objection (p. 2) was based on its view that "the rules should

provide utility management with guidance and direction while permitting adequate flexibility in the planning process." SJLP's objection (p. 2, 7) to the detailed requirements of the rules is based on its assertion that many of the requirements of the planning process will not be cost effective for smaller utilities. Empire complains about the level of detail required while acknowledging the need for "informed decision-making." (p. 5; emphasis added)

Public Counsel believes that the level of detail and prescriptiveness resulting from numerous discussions in the workshops is reasonable. Of course, as we mentioned in our initial comments, the rules include a provision which allows the Commission to grant variances for good cause shown.

KCPL claims that the data base requirements included in 030 (1)(D) will force the company to incur significant costs but "will result in little, if any forecast improvement." Public Counsel believes that KCPL has misinterpreted (1)(D) as requiring it to "develop a 10-year historical data base beginning in 1982 for weather normalized class and system energy and monthly demands at the time of system peak." (p. 15; emphasis added) KCPL's concern that complying with (1)(D) will be very costly is overstated since (1)(D)2. clearly states that the data requirement underlined above will only be required starting from "January 1990 or for the period of time used as the basis of the utility's forecast of these loads, whichever is longer."

On page 21 of its comments, SJLP states that it is "mathematically impossible to separate the effects . . . on energy use" of changes in gas and electricity prices. This statement is incorrect and reveals SJLP's lack of understanding of statistical techniques. The method of least squares regression analysis has become a standard approach to statistically estimating the degree of interdependence between economic quantities. This method enables researchers to separate the effects of different

variables on a quantity of interest, which in SJLP's example is the consumption of electricity. If SJLP is following accepted forecasting methods, it should have no trouble satisfying the requirements of 030(5)(B)2.A. as written. Public Counsel recommends leaving this subparagraph as published.

4 CSR 240-22.040 Supply-Side Resource Analysis

Public Counsel proposed modifications to this section in its initial comments. In response to the initial comments of some of the other parties, Public Counsel believes that a further change to subparagraph (2)(B)1. should be made. In the proposed rule, that subparagraph requires that utilities go to a considerable amount of effort to evaluate consequences of possible future regulation of pollutants, even if there is a very small chance of these regulations being enacted. We believe that this section should be changed so that utilities must analyze unlikely regulations only if the potential consequences of those regulations are serious. We suggest that all pollutants for which there is a greater than ten percent probability of new regulations being imposed, and those pollutants for which there is a less than ten percent probability of future regulations being imposed but for which the consequences of those regulations would be significant, should be listed. Therefore, we believe that subparagraph (2)(B)1. should read as follows:

> 1. The utility shall identify a list of all environmental pollutants for which there is, in the judgment of utility decision makers, a greater than ten percent probability that additional laws or regulations will be imposed at some point within the planning horizon, and of those environmental pollutants for which there is, in the judgment of utility decision makers, a nonzero probability that additional laws or regulations having a significant cost impact on the utility will be imposed at some point within the planning horizon.

UE contends that many of the factors on which they will be required to submit information pursuant to the requirements of 040 (8)(A)1.A. through G. will be unduly burdensome since the information is required for <u>individual suppliers</u> instead

of for the various fuel markets. UE cites (8)(A)1.A. as an example of an area where the rule requires information on individual suppliers. Public Counsel disagrees with UE's interpretation of the fuel price forecast requirements. Subparagraph (8)(A) requires "price forecasts...for the appropriate type and grade of primary fuel," not price forecasts for the appropriate type and grade of fuel for each supplier in the relevant market. Public Counsel strongly disagrees with UE's assertion that the information required in (8)(A)1.B. through D. may be of "questionable value" and we recommend that the Commission reject all of UE's proposed modifications because we believe this information will be valuable.

4 CSR 240-22.050 Demand-Side Resource Analysis

Load Building

Most of the utilities commented on the Rule's requirements for analyzing the effects of load building. Both SJLP and Empire are generally opposed to the requirement that resource plans be analyzed first without and then with load building programs in order to quantify their effects on the long run costs of a utility's preferred resource plan. Public Counsel believes that it is important for the utility to take these effects into account when choosing a preferred resource plan and for the Commission to be able to take these effects into account when it determines whether a utility's resource acquisition strategy satisfies the objectives of the resource planning process. It is imperative that the Commission consider the cost impact of specific load building programs when determining whether they are in the public interest.

UE and MPS commented on the need to change the way load building is defined in the rule. MPS is concerned that the definition of load building in 020 would prevent the utility from promoting DSM measures that "have the potential to reduce

system peak load requirements, improve annual system load factor and defer the need for new capacity." MPS did not cite any specific measures that would be considered load building according to the definition in the proposed rule (or the expanded definition that we have proposed). The measures that MPS is concerned about being prevented from promoting seem to fit within the definition of energy efficiency measures that could be considered in demand-side programs.

MPS has also stated the need for defining a new type of "load management" DSM program because of its concern that some programs that increase system load factor and reduce on-peak system demand will be excluded from consideration as demand-side measures because they fit the definition of load building. MPS's comments did not explain why the definition of energy efficiency measures is not sufficiently broad to include load-factor-enhancing and peak-demand-shaving measures that MPS would like to consider as demand-side measures. Public Counsel believes that the definition is broad enough to encompass all valid energy efficiency measures.

UE has noted the same inconsistency in load building definitions that Public Counsel addressed in our initial comments, but suggests a different resolution of the inconsistency. UE recommends modifying a phrase that defines load building programs in 050(10) so that it agrees with the definition of load building in 020(29) "for purposes of consistency." In Public Counsel's initial comments, we recommended changing the definition of load building in 020 to make it consistent with the phrase that defines it in 050. We stated that this change was necessary to include the same two important types of load building activities in the 020 definition that UE seeks to remove from the phrase that defines load building in 050.

Fuel Switching

Laclede Gas Company and Western Resources, Inc. were the only two participants besides Public Counsel that raised the subject of fuel switching in their initial comments. Public Counsel agrees with the remarks made by Laclede and Western Resources that excluding fuel substitution as an end use measure weakens the proposed rules and places limits on achieving the objective of the resource planning process.

The rationale for considering fuel switching as a demand-side resource is the same as the rationale for considering end use energy efficiency/management measures. Fuel switching and energy efficiency/management measures are two different means of accomplishing the same objective, providing end users with reasonably priced energy services. The argument that gas utilities can gain an unfair competitive advantage will not be valid for long since gas utilities will probably soon be subject to similar resource planning guidelines. As Public Counsel stated in our initial comments, we believe that this fairness problem can be resolved by granting variances to fuel substitution consideration requirements until the gas utilities are subject to similar requirements.

MoPIRG's Fixed Percentage Approach

Public Counsel sympathizes with the concerns of Missouri Public Interest Research Group (MoPIRG) that utilities be required to do a minimum amount (4.5% of revenue) of DSM in order to ensure that conservation efforts are pursued aggressively in Missouri. However, we cannot support this "fixed percentage" approach because we believe that the proposed rules are sufficient for encouraging utilities to engage in DSM and will give them direction in doing the right amount. Public Counsel would much rather see utilities follow a planning process that results in the utilization of demand-side resources only where they are cost effective than

a requirement that utilities "throw money at" the goal of achieving increased conservation.

4 CSR 240-22.080 Filing Schedule and Requirements

Cost Recovery -- DSM

Paragraph (2) of this section addresses an admittedly thorny issue, which most parties have discussed in initial comments. That issue is the recovery of costs associated with DSM measures. (SJLP is wrong in stating on page 10 of its initial comments that the proposed rules fail to address cost recovery.) We will discuss several topics associated with the cost recovery issue.

1. Recovery Mechanisms

The first issue is the extent to which the proposed language in paragraph (2) limits the types of cost recovery mechanisms that a utility may propose. KCPL suggests (p. 7-9) that the proposed language is unnecessarily limiting in that: (1) only accounting procedures may be proposed; and (2) proposals must be filed along with the resource acquisition strategy. With respect to the first issue, we tend to agree with KCPL that, if strictly interpreted, the term "nontraditional accounting procedures" is unnecessarily restrictive. KCPL has identified some DSM incentive mechanisms that, strictly speaking, may or may not take the form of "accounting procedures." While Public Counsel agrees that it is unwise to limit utility proposals in such a way, we are not convinced that the term "accounting procedure" should be given KCPL's narrow interpretation. We believe that each alternative on the list presented by KCPL is either illegal in Missouri (e.g., decoupling) or would require some sort of accounting procedure that is not typically used and is therefore "nontraditional." We therefore believe that KCPL's concern is overblown, and that

utilities should be encouraged to request whatever they believe is required in this area.

KCPL and SJLP also suggest that such proposals should not be restricted to planning proceedings. Public Counsel is frankly puzzled by this suggestion. In our view, the only legitimate reason for treating DSM cost recovery in a nontraditional manner is to overcome any existing disincentives to carry out DSM activities. It seems to us that DSM incentives, to the extent that they are truly needed, must be in place initially. How can regulatory policy toward DSM provide an incentive to engage in DSM programs if that policy is not established before the programs are undertaken? KCPL's (and UE's) comments contain a request for the guaranteed recovery of "all prudently incurred costs which are deferred pursuant to an authorized...nontraditional accounting procedure." (p. 14) This language is as restrictive as that which KCPL is criticizing, in the sense of being limited to non-traditional accounting procedures. Furthermore, it strikes us as too vague to provide any sort of incentive, unless a specific cost recovery scheme is put in place along with the utility's strategic plan.

On a related note, the last sentence on page 39 of the Staff's initial comments appears to be in conflict with the proposed rule. That sentence reads:

> By requiring that a utility indicate the nontraditional accounting and/or ratemaking treatment it eventually will seek, this would not mean that a utility is prohibited from later seeking different nontraditional accounting and/or ratemaking treatment.

First, the words "and/or" do not appear in the proposed rule, which requires that any ratemaking treatment be <u>associated with</u> a nontraditional accounting procedure. Second, Public Counsel reads paragraph (2) as explicitly barring utilities from requesting such treatment at some subsequent time.

2. "Lost Revenues"

Another issue related to DSM cost recovery concerns so-called lost revenues. These are the net margin revenues (sales price less short-run marginal cost) foregone by a utility that "saves" a kilowatt-hour through DSM activities. Many commenters mention lost revenues specifically as a disincentive to DSM activities. While Public Counsel recognizes that lost revenues are a potential disincentive to DSM activities (even though prospective lost revenues from existing DSM measures disappear as billing determinants are adjusted in a rate case), we believe that the language of proposed paragraph (2) is broad enough to permit requests for the recovery of prospective DSM plus lost revenues. There is no need to modify the proposed language to account specifically for lost revenues.

3. DSM and the Used and Useful Test

Both KCPL (p. 14) and UE (p. 26) propose that the Commission use these rules to guarantee future recovery of all deferred DSM costs found to be prudent. MIEC, while opposing any "pre-approval", suggests that DSM expenditures be subject to the used and useful standard as well as the prudence standard. Public Counsel agrees with MIEC that DSM expenditures should be subject to both of these tests. We recognize, however, that DSM was not contemplated when the used and useful test was formulated, and so it may have to be applied somewhat differently.

The used and useful test is unambiguous when applied to supply-side options. If a power plant is used to provide service, it is generally considered used and useful. While construction audits are done to ensure regulators that the project was managed properly, no one would argue that a portion of the cost of the plant should automatically be excluded from rate base because there is always some unavoidable amount of "waste" involved in a construction project. Customary "waste" is considered to be part of the project.

It is not necessary for the Commission, as a part of its findings in this docket, to determine how the used and useful test should be applied to DSM activities. Public Counsel nevertheless believes that it would be useful to describe how the test might be applied to DSM. Four possible levels of application of the test to DSM can be identified. These are: individual device installations; company-wide measure installations, which consist of a number of similar devices installed company-wide; DSM programs; and the utility's overall DSM effort. An example of the first level is a single lighting fixture; of the second, all such lighting fixtures installed; and of the third, a commercial lighting program involving multiple devices in multiple locations.

The used and useful test should probably not be applied to individual devices, since some are likely to be defective. Applying the test to individual devices would be the equivalent of disallowing the cost of a nail that was bent, and therefore not used, in the construction of a power plant. Similarly, we recommend against applying the used and useful test at the measure level. The test could be appropriately applied at the program level, and should certainly be applied to a utility's overall DSM effort. A utility should not be penalized if a device in a specific installation is found not to be cost effective, or perhaps even if a measure is found not to be cost effective on a company-wide average basis. A utility <u>should</u> bear the risk if entire programs fail, however, or if the company's overall DSM effort is ineffective.

4. Summary of Comments on Cost Recovery Issues

Public Counsel supports the DSM cost recovery language that appears in paragraph 22.080 (2). We believe that it is sufficiently broad to permit each utility to fashion a cost recovery mechanism appropriate to its particular circumstances. Furthermore, we believe that the proposed language would permit a request to

recover lost revenues on a prospective basis, if the Commission finds that such an incentive is necessary. Finally, Public Counsel strongly believes that the used and useful test should be maintained, but that the test may have to be applied somewhat differently to DSM, owing to the differences between supply- and demand-side measures.

Other Issues

MPS recommends that paragraph (10) of 080 should be changed to remove the provision for a review process when a utility files a revised implementation plan "due to limits identified pursuant to 4 CSR 240-22.070(10)(D) being exceeded or for other reasons." Public Counsel believes that the goals of the resource planning process could be undermined if a utility is allowed to file and implement a revised plan without allowing for review by other parties and the Commission to determine whether the revised implementation plan satisfies these goals.

In the text of its initial comments, Public Counsel proposed modifying paragraph (13) by deleting the reference to subparagraphs (A) through (C). Unfortunately, this proposed change was not reflected in Public Counsel's Appendix A. In addition, Public Counsel neglected to discuss similar changes that should be made to the "Purpose" paragraph. To be consistent with Public Counsel's notions on plan approval, this paragraph of the rule should be modified to read:

> This rule specifies the requirements for electric utility filings to demonstrate compliance with the provisions of this chapter of rules. The purpose of the review required by this chapter is to determine whether the utility's resource acquisition strategy meets the objectives stated in 4 CSR 240-22.010(2).

APPENDIX A

EX-92-299 ELECTRIC UTILITY RESOURCE PLANNING

4 CSR 240-22.010 Policy Objectives

(2) (B) Use minimization of the present worth of expected long-run utility costs as the primary selection criterion in choosing the preferred resource plan; and

(C) Explicitly identify and, where possible, quantitatively analyze any secondary criteria or considerations which are critical to meeting the fundamental objective of the resource planning process, but which may constrain or limit the minimization of the present worth of expected long-run utility costs. The utility shall document the process and rationale used by decision makers to assess the tradeoffs ~~and determine the appropriate balance~~ between minimization of the present worth of expected long-run utility costs and these other considerations in selecting the preferred resource plan and developing contingency options. Resource plans shall strike an appropriate balance between minimization of the present worth of expected long-run utility costs and these other considerations. These considerations shall include, but are not necessarily limited to -

1. Mitigation of risks associated with critical uncertain factors that will affect the actual costs associated with alternative resource plans;

2. Mitigation of risks associated with new or more stringent environmental laws or regulations that may be imposed at some point within the planning horizon; and

3. Mitigation of rate increases associated with alternative resource plans.

4 CSR 240-22.040 Supply-Side Resource Analysis

(2)(B)1. The utility shall identify a list of all environmental pollutants for which there is, in the judgment of utility decision makers, a ~~nonzero~~ greater than ten percent probability that additional laws or regulations will be imposed at some point within the planning horizon~~.~~, and of those environmental pollutants for which there is, in the judgment of utility decision makers, a nonzero probability that additional laws or regulations having a significant cost impact on the utility will be imposed at some point within the planning horizon.

4 CSR 240-22.080 Filing Schedule and Requirements

PURPOSE: This rule specifies the requirements for electric utility filings to demonstrate compliance with the provisions of this chapter of rules. ~~The purpose of the compliance review required by this chapter of rules is not commission approval of the substantive findings, determinations or analyses contained in the filing.~~ The purpose of the ~~compliance~~ review required by this chapter is to determine whether the utility's resource acquisition strategy meets the ~~planning~~ objectives stated in 4 CSR 240-22.010(2)~~(A) - (C)~~.

(13) The commission will issue an order which contains findings that the electric utility's filing pursuant to this rule either does or does not demonstrate compliance with the requirements of this chapter of rules, and that the utility's resource acquisition strategy either does or does not meet the ~~planning~~ objectives stated in 4 CSR 240-22.010(2)~~(A) - (C)~~, and which addresses any utility requests pursuant to section (2) for authorization or reauthorization of nontraditional accounting procedures for demand-side resource costs.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the proposed Commission Rules 4 CSR 240-22.010 through 22.080 (Electric Utility Resource Planning)	))))	Case No. EX-92-299

AFFIDAVIT OF RYAN KIND

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ryan Kind of lawful age, being first duly sworn, deposes and states:

1. My name is Ryan Kind. I am a Public Utility Economist for the Office of the Public Counsel.

2. Attached hereto and made part hereof for all purposes is Public Counsel's Reply Verified Statement consisting of pages 1 through 17 and Appendix A, consisting of pages A-1 through A-2.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Ryan Kind
Ryan Kind

Subscribed and sworn to me this 31st day of August, 1992.

Bonnie S. Howard
Notary Public

My commission expires May 3, 1993.