BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

INITIAL COMMENTS OF ST. JOSEPH LIGHT & POWER COMPANY

Comes now St. Joseph Light & Power Company ("SJLP" or "Company"), and submits the following comments in response to the proposed Electric Utility Resource Planning rulemaking instituted by the Missouri Public Service Commission ("Commission") and published beginning at 17 MoReg 902. In accordance with the Commission's directions in the notice, SJLP intends to have Joseph Norton, Manager of Marketing and Customer Services, present at the public hearing on September 10, 1992 to answer questions from the hearing examiner and the commissioners.

INTRODUCTION

Company personnel participated in the informal process conducted by the Commission Staff leading up to this rulemaking. This process was helpful and SJLP both commends the Commission for utilizing it, and encourages its use in future rulemakings. Many of the shortcomings noted by the Company early in the informal process have been taken into consideration in the official published version. However, some have not. The Company's initial comments will address specific areas: SJLP's current planning process, the need for a provision for exemption or for a modification to the filing requirements for a small utility, and

specific suggestions for modifications of various sections within the proposed rules.

SJLP is strongly committed to proper planning -- planning both to manage future demand and to meet the energy needs of its customers; however, the Company believes these proposed rules only minimally improve the degree of accuracy already existing at SJLP, and cannot be justified on a cost/benefit basis. SJLP has seen no formal analysis by anyone advocating the implementation of these rules as to how much it will save ratepayers. SJLP submits that it will not have an adequate opportunity in this rulemaking process, as the Commission has structured it, to examine or validate any such benefit claims because there is no discovery process and there will be no cross-examination of witnesses permitted.

SJLP's present planning process has served the Company and its customers very well. Perhaps the strongest illustration of that is SJLP's very competitive pricing structure. Planning has enabled the Company to remain among the low-cost electric suppliers in the state and in the region. The Commission routinely resists allowing costs in rates that have not been demonstrated to benefit the ratepayers in some fashion. SJLP is concerned that the significant costs of these rules, which must be reflected in rates, have not been shown to benefit the ratepayers at all, much less provide a benefit proportionate to the costs.

It is SJLP's opinion the proposed rules are overly burdensome and prescriptive, especially for a small utility such as St. Joseph Light & Power Company. They would create significant added

expense, impacting future pricing for customers.

The Company has been working toward setting up new demand-side programs to help manage load. Supply-side studies have examined various alternatives to help determine what is the most effective way of meeting the energy needs of customers. SJLP's present process provides an effective plan to meet the energy needs of its customers.

AREAS OF CONCERN AND SUGGESTED MODIFICATION

SJLP has a number of areas of concern with the proposed rules. In summary, the Company believes they would negatively impact its ability to remain competitive; they are unduly burdensome, costly, prescriptive, and not in the best interests of its customers.

1. COMPETITION

In the matter of competition, there are three distinct areas of disadvantage to these proposed rules.

The first is the impact vis a vis rural electric co-operatives. To burden a utility SJLP's size (e.g., about 60,000 electric customers, 325 megawatt historical peak load, and approximately $72,000,000 in annual electric revenues) with major additional costs -- without a clear demonstration of the benefits from those costs -- would jeopardize SJLP's competitive position with unregulated rural cooperatives. Not only are those cooperatives now free to make special deals with customers since they are not restrained by the promotional practices rules, they would escape the significant expenses that will be attached to

implementing these proposed planning rules. Even at this time, SJLP faces the likely inability to serve a $1 million annual load because it cannot compete with a lower industrial rate quoted by an area cooperative.

A second area of concern is the impact of these rules on competition with natural gas companies. To place added costs on St. Joseph Light & Power Company and not on the regulated gas supplier in the same market area will damage SJLP's competitive position and deny its customers the opportunity to continue to make an energy choice based on a "level playing field".

Further, these added costs are not proportional to the size of the utility. The magnitude of costs will be similar for a small company such as SJLP and the largest electric suppliers in the state. What percentage-wise would be a relatively small adjustment for companies the size of Kansas City Power & Light and Union Electric will have a much larger impact on the cost of service for SJLP. In other words, there is a disproportionately larger impact on a small utility such as SJLP with no demonstrated showing that SJLP would have a disproportionately larger benefit. As far as SJLP can tell, it would be the smallest electric utility in the state of Missouri required to comply with these rules, with at least two or three others exempted by the "1,000,000 megawatthours annually" minimum standard proposed in the rules.

To accommodate these very real and legitimate competitive concerns, SJLP requests that any formalized integrated resource planning rules not be applied to SJLP until they are simultaneously

applicable to the natural gas company and any rural electric cooperatives or their generation affiliates competing in the service area of SJLP's electric operations.

SJLP notes that the Commission already has jurisdiction over rural electric cooperatives with regard to safety matters and territorial agreements. SJLP submits that the goals implicit in these proposed planning rules must logically apply equally to an entity such as Associated Electric Cooperative, as one of the largest coal-burning generating utilities in the state of Missouri. It makes little sense for SJLP to spend ratepayer dollars in planning for future environmental restrictions and all the other externalities required by the rules when one of its direct competitors is not required to do so. That is equivalent to the government imposing a special tax on Chrysler but not on Ford. SJLP thus requests that the Commission pursue bringing the rural electric cooperatives (and any other electric generators) under the same rigorous planning process, if it is to be implemented.

2. COSTS

Given the unduly burdensome, prescriptive, and restrictive processes defined in the proposed rules, SJLP expects to incur initial annual on-going costs of $755,700. Over time those costs will increase to $1,546,260 annually. These costs, which SJLP expects to recover in rates, will have a direct impact on the cost of energy for SJLP's customers and a ripple effect on the regional economy, which does not need any additional negative impacts at this time.

The increased annual costs from implementing these rules would equal over two percent of the Company's present electric revenue. Viewed another way, they would equal 11.3% of SJLP's net operating income. These increased expenses on customers are unacceptable when a cost-benefit ratio cannot be clearly demonstrated for these additional expenses. SJLP would be putting in place a costly planning and reporting process that is unnecessary to run a small electric utility efficiently and effectively. It is unnecessary and financially not justifiable.

3. COST RECOVERY

Twenty-three of the states that have moved into "least-cost" or "integrated resource" planning have addressed the cost recovery issue of money invested in demand-side management programs. This set of proposed rules fails to address that problem except on a per-case basis wherein "special accounting treatment" may be requested. Failure to address this issue directly in the rules places cost recovery of investments in an uncertain arena. This in turn puts demand-side investment at a disadvantage from supply-side investment. Supply-side investment, in the state of Missouri, has historically been treated as rate base; however, treatment of demand-side investments is and will be a total unknown, presumably until the first rate case where cost recovery is requested.

One of the basic tenets of fairness is for the Company and its customers to know the rules before the process begins. Twenty-three other states have found it reasonable and necessary to address this issue. SJLP submits that these planning rules, if

implemented, must directly address the cost recovery issue so that a valid cost/benefit analysis may be performed as required by these rules. Thus, it would be reasonable for the Commission to refrain from implementing these rules until such a time as a cost recovery study has been submitted presenting alternative methods.

SJLP further notes that the rules fail to recognize a way that the incremental resource planning costs can be recaptured in a timely manner. In other words, these planning expenses will be incurred with no new specific system to capture them in a timely manner. A specific solution is proposed on page 40 with regard to section (14) of 4 CSR 240-22.080.

4. PRESCRIPTIVE IN NATURE

These integrated resource planning rules, instead of establishing goals that the utilities are to achieve, have moved into the utility management arena and require a specific planning process. As an example, the rules will require SJLP to retain expensive consultants to provide information and analyses which SJLP is already acquiring from other sources, including joint planning studies with other utilities. They do not allow for alternatives, flexibility, or recognize the different operational conditions of the various utilities within the state. This mandated format thus impedes creativity and innovation. It creates a prescriptive planning process that should, by its very nature, remain flexible to react to the situations occurring in a constantly changing economy. Specific comments about the undue prescriptiveness of these rules are contained at numerous locations

herein, specifically beginning on page 14.

5. COMMISSION APPROVAL

These proposed rules do not contemplate Commission approval of the plan resulting from the process required by the rules and Commission acknowledgement of the plan's reasonableness at the time it is filed. The rules, by their very nature, require the utility to follow a specific set of steps, processes, and analyses. Further, the utility is required to do mandatory screenings, risk analysis, decision-trees, etc. Since a detailed planning process is mandated by the rules, which implies that the Commission believes this is the best process to follow, it is only logical and reasonable that the plan emanating from the best process would be reasonable, and therefore the Commission should have no reluctance to approve the plan as the most reasonable under the circumstances. For the Commission to withhold approval of the plan can only mean that it lacks confidence in the mandated process.

SJLP requests that the Commission modify the proposed rules so that the resource plan, upon filing and acceptance as complying with the procedures required by the process, will receive Commission approval as to its reasonableness at the time of filing, thus ensuring that hindsight judgment will not be applied to the plan.

6. LOAD-BUILDING

A significant amount of data collection, program justification, etc. that are unduly prescriptive, onerous, and unneeded are being required by these rules underneath the title of

"Load-Building." The apparent intent of these Resource Planning rules is to establish a process wherein quality planning can take place. While it is certainly necessary to know what the utility believes its load will be in the future, SJLP sees no benefit in performing multiple justifications and filings of load-building programs under these proposed rules. This massive amount of material, while potentially of interest to the Staff, certainly is not a legitimate requirement for completing an effective and efficient planning process.

SJLP specifically recommends that the Commission eliminate all load-building program references except for the information required within the load forecasting area. Requirement of information unnecessary for the planning process is both costly and ineffective.

Beyond the fact that this information is not necessary for adequate resource planning, the vagueness of the load-building section is open to interpretation and certainly to confrontation upon submission. There is no clear definition as to what would or would not be considered a load-building program. As to how one would analyze a program specifically, there are so many assumptions required in the analysis that any forthcoming numbers would be worthless.

The total section of in-depth analysis of load-building programs smacks of a no-growth scenario and an anti-economic development philosophy. SJLP believes that this is not in the best interests of either SJLP's customers or the State of Missouri.

7. LOST REVENUE

Integrated resource or least-cost planning has been adopted by a majority of states. Many states have developed provisions wherein lost revenue due to implementation of programs is recognized and an adjustment process established.

The failure of the proposed rules to address the cost recovery and lost revenue is in total contrast to the National Association of Regulatory Utility Commission's (NARUC) position on this subject. During 1989, NARUC's Executive Committee passed a resolution stating, in part, that "reduced earnings to utilities from relying more upon demand-side resources is a serious impediment to the implementation of least-cost planning." The committee went on and urged state commissions to "ensure that the successful implementation of the utilities' least-cost plan is its most profitable course of action." The NARUC resolution was adopted July 27, 1989. The proposed set of rules ignores lost revenue recovery, thus removing potential incentives.

Simultaneously with the cost recovery study recommended above, SJLP requests the Commission undertake a study of the proper ratemaking treatment of revenues lost through implementation of approved energy efficiency plans. The implementation of these rules should be delayed until that study can be completed and the Commission's position adopted as a part of the rules.

ST. JOSEPH LIGHT & POWER PLANNING PROCESS

SJLP employees work together under a task force team process

in the area of resource planning. This process has fostered excellent communication between the technical staff preparing the analyses and the decision-makers. This process is used in developing the Company's load forecast, demand-side management plan, and supply plan. The Company believes that this process has produced excellent results.

The Commission Staff has acknowledged that SJLP's existing planning process produces adequate results. A report to the Commission, dated August 2, 1991, and titled "Strategic Resource Planning for Electric Utilities" was prepared by the Commission Staff's Strategic Resource Planning (SRP) project team. In this report, the project team states: "The St. Joseph Light & Power supply-side plan was not performed in the format that we feel represents the state-of-the-art with regards to ease of comprehension for regulators and management. Nevertheless, it is wide enough in scope and yet detailed enough to identify a robust supply-side plan."

SJLP believes that the emphasis in system planning should be on results, not a prescriptive format for regulatory reporting.

SJLP believes that the format of its existing planning process provides for excellent understanding by the Company's management. SJLP disagrees that an expensive, prescriptive format perceived by the Commission Staff to be "state-of-the-art" will improve the value of the planning process on a favorable cost/benefit basis, much less the value of the results of that process.

NEED FOR EXEMPTION OR MODIFIED FILING REQUIREMENTS

SJLP believes, as specifically stated in the above sections, that its present process is dynamic, flexible, efficient and effective for a utility of its size. SJLP believes the additional costs that would be incurred to implement the proposed process are expensive, burdensome, and, for SJLP's operation in particular, of little, if any, benefit.

The proposed process cannot be cost justified for a utility the size of SJLP. SJLP thus proposes that any electric supplier providing less than five percent of the State's total electric energy usage be exempted from these or similar rules. That would exempt SJLP from the process.

If the Commission does not exempt SJLP entirely from the rules, it should at least hold the rules in abeyance until SJLP's competitors (e.g. regulated gas suppliers and rural electric cooperatives) are subjected to the same rules. The Commission should also consider the option of implementing the rules for only the largest companies (where the cost impact is less drastic proportionately) to see how effective or beneficial the process will be in actual practice. In other words, the Commission would have the opportunity to see if the rules produce acceptable results before imposing them across the board. If the process reaches a point where it is fairly standardized (e.g., cost-sharing for consultants on a state-wide basis), and can be implemented for smaller companies more easily and at less cost, the Commission could then move to implement the proposals on the remaining

companies.

In the alternative, should the Commission rule against total exemption or holding the rules in abeyance, SJLP proposes that the following modified process be applied to smaller utilities such as SJLP:

1. In lieu of the requirements of these rules, SJLP would submit its own resource allocation plan on the basis of the filing schedule currently proposed.
2. The plan, process and models would be subject to review by the Staff and Commission in the same manner as others.
3. The Commission would approve, disapprove, or modify the filed plan of SJLP.

This process of review and analysis would allow SJLP to design and make management decisions effectively <u>without incurring excessive costs</u> while simultaneously allowing the Commission the opportunity to review and approve, in a timely manner, the process and results of SJLP's plan. SJLP believes this can avoid significant added expenses for our customers. The Commission has for several years maintained a "Small Company" rate procedure designed to mitigate the costs of processing rate cases for smaller companies. Utilizing the same principle here, the Commission should utilize a process that does not require the smaller utilities to expend so much on a mandated planning process, but still subject the process that does take place to Commission scrutiny.

SPECIFIC RECOMMENDED CHANGES

If the Commission determines that the proposed rules should be applied to St. Joseph Light & Power Company, SJLP recommends that the following specific changes be made to bring the provisions of the proposed rulemaking more in line with its stated objectives. Suggested deletions to the published version appear in brackets ("[ ]") while additions are in **boldface type.** The changes are organized by rule.

4 CSR 240-22.030 Load Analysis and Forecasting

This rule outlines the Load Analysis and Forecasting provisions. The stated purpose of the rule, as set out in the PURPOSE section, is to establish

> . . . minimum standards for the maintenance and updating of historical data, the level of detail required in analyzing and forecasting loads, and for documentation of the inputs, components and methods used to derive the load forecasts.

The Company also notes that this provision is quite specific in defining the method to be used in preparation of the forecast. SJLP recommends that the following changes be made to the proposed rulemaking.

Paragraph (1)(A)2. - The selection of categories of subclasses in any forecasting project requires the application of a great deal of experience and knowledge of the utility's service area. The cost of developing the needed data, in the real world, must be balanced against whatever gains in accuracy can reasonably be expected. For example, in a largely rural, low growth area, the

housing stock (number of gambrel splits, traditional ranches, three-story farm houses, etc.) would not be expected to change very much over time. It would make little sense to develop residential dwelling type data for a stagnant area when, for example, customer switching from propane to electric heat is the reason that residential sales patterns are changing.

SJLP presently uses subclasses more in line with primary space heating, water heating and general use as its breakdown for residential forecasting and size and heating subclasses for commercial forecasting. These subclasses seem to fit very well with the forecasting needs of the Company. The Company believes that the resources devoted to data development should be directly related to the amount of variability inherent in the data to be analyzed and the importance of that data to the overall forecast. SJLP disagrees that use of subclasses other than those stated in this portion of the rule need to be explained and justified. The relevant subclasses vary from utility to utility given their unique service area characteristics and therefore the determination of appropriate subclasses should be left to the individual company. Here are the changes SJLP proposes to deal with this:

> 2. The utility shall consider the following categories of subclasses: for residential, dwelling type; for commercial, building or business type; and for industrial, product type. [If the utility uses subclasses which do not fit into these categories, it must explain the reasons for its choice of subclasses.] **The utility shall use those subclasses that it believes best reflect the energy usage characteristics of its service area, subject to the availability of reliable data and statistical validity.**

Paragraph (1)(B)1.- The term "jurisdiction" as used in this

section is somewhat ambiguous and should be clarified. A literal reading of the last sentence of this paragraph requires the production of a weather-normalized number of customers. Numbers of customers typically do not vary with the weather and are not weather-normalized:

> 1. For each jurisdiction [for] under which the utility **has rates established and** [makes forecasts] **for which it prepares customer and energy forecasts**, each major class, and to the extent data is required to support the detail specified in paragraph (1)(A)1., for each subclass, actual **monthly energy usage and number of customers** and weather-normalized monthly energy usage. [and number of customers.]

Paragraph (1)(B)2. - The requirement of 'actual' peak demand data would require individual metering beyond that required for load research work. The Company believes that it was not the intent of the rulemaking to require such extensive metering and SJLP did not include that cost in the initial compliance cost estimates prepared and submitted. For SJLP, compliance would be over $35,000,000 (at $600 per meter installed). The exact meaning of the term 'monthly peaks' also needs to be defined as system peaks. These changes need to be made:

> 2. For each major class, **estimated** actual and weather-normalized demands at the time of monthly **system** peaks; and

Paragraph (1)(C)1. - The Company's comments regarding this paragraph are essentially the same as those relating to Paragraph (1)(A)2. The following changes need to be made:

> 1. **The utility shall consider the following** [Typical] units for the major classes [are] - residential, number of customers; commercial, square feet of floor space or commercial employment level; and industrial, production output or employment level. [If the utility uses a

different measure, it must explain the reason for choosing different units.] **The utility shall use those subclasses that it believes best reflect the energy usage characteristics of its service area subject to the availability of reliable data and statistical validity.**

Paragraph (1)(D)2. - As in paragraph (1)(B)2., the requirement of actual class monthly demand data would involve sharply higher costs than initially estimated and the Company believes that it was the original intent of the rulemaking that class level demand data be estimated. To reflect this, the following changes need to be made:

> 2. **Estimated** actual and weather-normalized class and system monthly demands at the time of the system peak and weather-normalized hourly system loads shall start from January 1990, **if available,** or for the period of time used as the basis of the utility's forecast of these loads, whichever is longer.

Section (3) - As discussed in recommended changes to previous sections, the Company believes that the level of subclassification should be left to the discretion of the utilities given what is appropriate for the data to be analyzed. The term "end use" means that the utility will attempt to inventory all energy-using hardware in a class and then attempt to forecast sales by multiplying the number of appliances by some estimate of use per appliance. "End use" sounds technical and precise but it is still an estimate of 'use per something' that is expensive to implement and may or may not improve on use per customer, employee etc. The expense of "end use" analysis should be employed only when more traditional and less costly measures do not work.

There is also an inference in this section of the rule that utilities all have historical data on major classes by end use and

that the utility is to analyze this data. For SJLP, this data simply does not exist and will require extensive additional investment over time to obtain. While it may be of interest to have this information, a monumental task and expense will be incurred to retrieve the information with little benefit. Section (3) needs to be changed as follows:

> (3) Analysis of Use Per Unit. For each major class, the utility shall analyze historical, **if available,** use per unit [by end use].

Paragraph (3)(A)1. - While some type of end-use information is theoretically applicable to any class of customer, it is expensive and time consuming to develop. End-use analysis should only be done where it can be cost justified to develop the data. To do end-use analysis just because it is possible would be wasteful.

> 1. Where applicable **and cost justified** for each major class, end-use information shall be developed for at least lighting, motor drives, space cooling, space heating, water heating and refrigeration.

Paragraph (3)(A)3. - This paragraph presumes that if end-use data does not exist at the current time, it will at some future time whether it is cost-justified and appropriate or not. The following changes are necessary:

> 3. If the utility has not [yet] acquired end-use information on space cooling or space heating for a major class, the utility shall determine the effect that weather has on the total load of that major class. [by disaggregating the load into its cooling, heating and nonweather-sensitive components.] If the cooling or heating components **or both** are a significant portion of the total load of the major class, then the cooling or heating components **or both** of that load shall be designated as end uses for that major class.

Subsection (3)(B) - Again, the Company believes that the proposed rulemaking should not make an absolute requirement of end-

use data. The following changes are needed:

> (B) **If the utility finds it cost effective to develop and utilize end-use data, the** [The] data base and historical analysis required for each end use shall include at least the following:

Subsection (5)(B) - The Company believes that the level of analysis required should be flexible and left to the discretion of the utility analyst. For example, if the utility defines one of the major classes suggested in subsection (1)(A) to be lighting, it may not be appropriate to maintain the number of light fixtures served as a quantification. In SJLP's case, lighting is currently treated as a major class. However, because some of the class is metered and some of the class is individually identified, it would not be appropriate to maintain and forecast number of units and user per unit. The following changes need to be made:

> (B) Load Component Detail. For each major class the utility shall produce, **where appropriate,** separate forecasts of the number of units and use per unit components based on the analysis described in sections (2) and (3) of this rule.

Subparagraph (5)(B)1.A. - Driver variables are the data which are used by the forecaster to help predict the change in energy or customers. For example, non-manufacturing employment may be used as a variable to help explain the use patterns over time for the commercial class. The forecaster would retrieve the historical pattern of non-manufacturing employment and also develop or acquire a forecast of non-manufacturing employment. This could then be applied to the energy or customer forecast.

As used in this subparagraph, driver variables refer to those variables that are used to explain changes in the data that is

being forecast. The explanatory variables are 'drivers' in that their behavior in the future determines the forecast. For example, use per residential space heating customer could be expected to vary depending on how hot the summer is (cooling load), how cold the winter is (heating load), household income and the price of electricity. The forecast of use per residential space heating customer will, therefore, be 'driven' by what values are expected for the weather measures used, household income and electricity prices. Driver variable forecasts can be evaluated for reasonableness in a number of different ways depending on the nature of the data. In the example used here, most analysts would not look at the weather measures in quite the same way they would evaluate income and price data. The Company does not believe that it is appropriate to specify a single approach to all driver variables. Therefore, the following changes need to be made:

> A. The forecasts of the driver variables shall be specified and [clearly] documented. [These forecasts shall be compared to historical trends, and significant differences between the forecasts and long-term and recent trends shall be analyzed and explained.]

Subparagraph (5)(B)1.B. - Forecasts can be presented and evaluated in a number of different ways depending on the nature of the data. The Company does not believe that it is appropriate to specify a single approach to all forecasts of number of units. Therefore, the following changes need to be made:

> B. The forecasts of the number of units for each major class shall be **documented.** [compared to historical trends. Differences believed to be significant between the forecasts and long-term and recent trends shall be analyzed and explained].

Subparagraph (5)(B)2.A. - The process of creating a forecast involves translating a theoretical relationship (hot weather causes more load due to air conditioning) into a mathematical model (load equals B megawatts plus X megawatts per each degree that the temperature exceeds seventy-two). It is possible that a driver variable will have a theoretical impact on use per unit but it may be impossible to quantify that relationship. For example, it is logical that as the price of electricity increases, the use of electricity will fall as consumers substitute relatively cheaper energy sources (own-price elasticity) and that as the price of gas increases, use of electricity will grow as consumers substitute electricity for the relatively more expensive gas (cross-price elasticity). If the price of electricity and the price of gas have moved in the same direction over time, it is mathematically impossible to separate the effects of each on energy use. The Company does not believe that it is appropriate to require explanations of what may be impossible to estimate, and therefore recommends the following changes:

> A. The forecasts of driver variables for the use per unit shall be [specified] **documented.** [The utility shall document how the forecast of use per unit has taken into account the effects of real prices of electricity, real prices of competitive energy sources, real incomes and any other relevant economic and demographic factors.]

Subparagraph (5)(B)2.B. - As proposed, this subparagraph could be interpreted as requiring data for all possible end uses for each major class. It also could be read as requiring seasonal demand forecasts for each major class whether sufficient data is available to make those forecasts or not. To remedy this, the

following changes are needed:

> B. End-use detail. For each major class [and for each end use] **for which the utility has adequate data available,** the utility shall forecast both monthly energy use and demands at time of the summer and winter system peaks.

Subparagraph (5)(B)2.D. - Forecasts can be presented and evaluated in a number of different ways depending on the nature of the data. The Company does not believe that it is appropriate to specify a single approach to all forecasts of number of units. Therefore, it recommends the following changes:

> D. The major class forecasted use per unit shall be **documented.** [compared to historical trends in weather-normalized use per unit. Significant differences between the forecasts and long-term and recent trends shall be analyzed and explained.]

Section (6) - As noted in Subparagraph (5)(B)2.A, it is possible that a driver variable will have a theoretical impact on use per unit but it may be impossible to quantify that relationship. The Company does not believe that it is appropriate to require sensitivity analysis of relationships that may be impossible to estimate. Further, the variables listed in the rule may not be those used in the ultimate forecast. Sensitivity analysis can, by definition, only be done for those variables that have a statistically significant impact on the data being forecast and whose impact has been quantified. In addition, not all driver variables warrant an in-depth analysis of sensitivity. For example, key variables in modeling a major industrial customer's load could be the timing of a two-week maintenance shutdown (e.g., will it be the last two weeks of July or the first two weeks of

August?), strikes, or naturally occurring disruptions such as floods. Using variables to account for these events in creating a model of the customer's use are important so that their effects do not get mixed up statistically with employment, weather etc., but, since they are specific events rather than ongoing phenomena, sensitivity analysis is not necessary. Therefore, the following changes need to be made:

> (6) Sensitivity Analysis. The utility shall analyze the sensitivity of the components of the base-case forecast for each major class to variations in the key driver variables **that it believes to be subject to unusually high levels of fluctuation.** [, including the real price of electricity, the real price of competing fuels, and economic and demographic factors identified in section (2) and subparagraph (5)(B)2.A.]

Subsection (8)(H) - Provisions in this subsection regarding end-use have been addressed previously. The provisions are redundant and imply a requirement that the utility develop end-use data.

> (H) The utility shall provide a description of the methods used to develop all forecasts required by this rule, including an [annotated] summary that shows how these methods comply with the specific provisions of this rule. [If end-use methods have not been used in forecasting, an explanation as to why they have not been used shall be included. Also included shall be the utility's schedule to acquire end-use information and to develop end-use forecasting techniques, or a discussion as to why the acquisition of end-use information and the development of end-use forecasting techniques are either impractical or not cost-effective.]

4 CSR 240-22.040 Supply-Side Resource Analysis

Section (1) specifies the minimum resource options which are to be considered in the plan, and what minimum information the utility shall compile for each of those options. SJLP, due to its

size, is limited to what it can construct for supply side options. From a practical point of view, major base load supply side options, such as large coal-fired steam plants, are simply too expensive for SJLP to develop on its own.

As a result, SJLP's practice has been to participate in projects developed and operated by others; an example being the Iatan Plant, of which SJLP is only an 18 percent owner. Since SJLP has little control over the development of these projects, the Company's planning tends to treat them as an opportunity. If a new project becomes available and participation is offered by the developer, SJLP reviews the economic feasibility of participation.

SJLP believes that it is unnecessary and impractical for multiple parties to each provide the same detailed planning information for the same resource option. Accordingly, SJLP requests that it be exempted from the requirements to provide rigorous reporting for projects which it cannot reasonably expect to develop on its own. That responsibility should fall on the participant with the largest share.

SJLP proposes the following language changes to the first sentence of section (1) to accomplish these goals:

> (1) The analysis of supply side resources shall begin with the identification of a variety of potential supply-side resource options **which the utility can reasonably expect to develop and implement solely through its own resources or for which it will be the major participant.**

Section (2): SJLP believes that the screening process is necessary and supports the concept. Nevertheless, SJLP should be exempted, and requests specific exemption, for the reasons

mentioned with regard to section (1), from the requirements to rigorously evaluate those facilities which it cannot reasonably be expected to develop using its own resources or in which it would not be the participant with the largest share.

Section (3): SJLP does not believe that it is cost effective or reasonable to have each utility in the state prepare a separate analysis of the regional transmission system. This is currently being done on a regional basis in the context of the MO-KAN long range planning study and studies prepared by the Southwest Power Pool (SPP), the Mid-Continent Area Power Pool (MAPP), and the Mid-America Interconnected Network (MAIN); the general results of which are used by SJLP in preparing its company-specific resource plan. To remedy this problem, SJLP proposes adding the following language to section (3):

> (3) The analysis of supply-side resource options shall include a thorough analysis of existing and planned interconnected generation resources. **The analysis can be performed by the individual utility or in the context of a joint planning study with other area utilities.** The purpose of this analysis ... .

Section (4). SJLP believes that it is reasonable to maintain data on the physical condition of existing plants and the cost effectiveness of life extension. This is currently being done at SJLP.

Section (5). SJLP believes that it is reasonable to consider the availability of purchased power in supply planning and currently issues RFPs to determine the availability of such.

Section (6). SJLP believes it is reasonable to determine

additional transmission requirements associated with a supply plan. This is currently being done at SJLP.

Section (7). SJLP believes it is reasonable to evaluate the efficiency of its transmission and distribution system. Loss evaluation is currently a component of SJLP transmission and distribution system planning and is factored into the decision making process for T&D projects. As a result, SJLP believes that the intent of this section (7), i.e., cost-effective reduction of electrical losses in SJLP's T&D system, is already being done, and that it is unnecessary to impose burdensome and prescriptive analyses and reporting on the Company. Accordingly, SJLP believes that it should be exempted from the provisions of section (7).

Section (8). As currently proposed, this would require SJLP to retain expensive consultants to provide highly detailed estimates on fuel costs, capital costs, operating and maintenance costs, and sulfur dioxide (SO_2) emissions. SJLP has used consultants in the past, as well as obtaining information from the various power pool planning studies, but has also used its own in-house expertise as well as industry provided data, e.g., from the Electric Power Research Institute. SJLP suggests a state-wide joint study to provide this data, but opposes the requirement to hire its own individual consultants to provide the information. In SJLP's opinion, the information may already be available from other less costly sources. SJLP requests that it be exempted, again due to its size, from the requirement to use consultants to provide cost estimates for fuel costs, capital costs, operating and

maintenance costs, and SO_2 emissions allowances for these purposes.

Section (9). Other than the requested exemptions previously mentioned, SJLP has no specific comments pertaining to reporting requirements for supply planning.

4 CSR 240-22.050 Demand-Side Resource Analysis

In general, the DSM portion of the rules is overly prescriptive in the type of methods to be utilized. DSM is a dynamic environment and methods for evaluating DSM are continually changing. Many rules written today may not be applicable in the near future. SJLP agrees that structure and a framework for comparison of DSM options are necessary, but standardization to the degree reflected in the proposed rules may be inefficient, especially for a utility of SJLP's size.

Including avoided distribution capacity costs in the analysis may not be appropriate for many programs. A peak-shifting DSM program may shift demand away from the Company's peak but may increase distribution capacity. The screening analysis prescribed will show a distribution capacity benefit for a DSM program which would increase distribution capacity requirements. Distribution capacity benefits should be included in the screening analysis only where appropriate.

Subsection (4)(G) requires the utility to perform the utility benefits test for informational purposes. This test is not required to complete the integrated resource planning process.

SJLP proposes the following language changes based on the

above concerns:

Paragraph (3)(A)2.:

2. The utility shall calculate the annual capacity cost of each new generation option and new transmission [and distribution] facilities as the sum of the levelized capital cost per kilowatt-year and the fixed operation and maintenance cost per kilowatt-year.

Subparagraph (3)(C)2.A.:

A. This calculation shall include the costs of any new generation, transmission [and distribution] facilities that are delayed or avoided because of the specified load decrement.

Paragraph (3)(D)1.:

1. Demand period avoided demand costs. Avoided demand costs per kilowatt-year for the demand periods of each season shall include avoided transmission [and distribution] capacity costs, plus the smaller of the avoided generation capacity cost allocated to the demand period or the avoided capacity cost of peaking capacity.

Paragraph (3)(D)5.:

5. Annual avoided demand and energy costs. Annual avoided demand costs shall include avoided transmission [and distribution] capacity costs, plus the smaller of the annual avoided generation capacity costs or the avoided capacity cost of peaking capacity. Annual avoided energy costs shall include annual avoided running costs plus any avoided capacity costs not included in the annual demand costs.

Subsection (4)(G):

(G) [For each end-use measure that passes the probable environmental benefits test, the utility shall also perform the utility benefits test for informational purposes. This calculation shall include the cost components identified in subsection (4)(C).]

Paragraph (11)(D)1.:

1. A description of the type and timing of new supply resources, including transmission [and distribution] facilities, used to calculate avoided capacity costs.

An additional change is necessary in 4 CSR 240-22.020(1)(A) where avoided utility costs is defined.

Subsection (1)(A):

(A) Avoided utility costs developed pursuant to 4 CSR

240-22.050(3)(D), which include energy cost savings plus demand cost savings associated with generation, transmission [and distribution] facilities; and

4 CSR 240-22.060 Integrated Resource Analysis

In general, this rule may require many iterations and would be very time consuming and costly to implement. Less detail should be required for the least cost-effective alternative resource plans.

The assumption in the analysis that rates are adjusted annually is not realistic and may not be appropriate when analyzing the elasticity of rates. Two small rate increases may not have the same elasticity effect as one large increase.

The requirements to quantify the effects of load-building programs, as set forth in these rules, will be extremely difficult to accomplish and conflicts of opinion as to what constitutes a load-building program will surely be argued during compliance hearings. SJLP believes that it would be futile to attempt to quantify the difference between DSM programs and load-building programs. (See the "load-building" discussion on page 9 hereof for further explanation of SJLP's position.) To avoid this controversy, SJLP specifically recommends that the Commission eliminate all load-building program references.

SJLP proposes the following language changes:

4 CSR 240-22.060(4)(B):

[(B) The modeling procedure shall be based on the assumption that rates will be adjusted annually, in a manner that is consistent with Missouri law. This provision does not imply any requirement for the utility to file actual rate cases, or for the commission to accord any particular ratemaking treatment to actual cost incurred by the utility;]

4 CSR 240-22.020(29):

[(29) Load-building program means an organized promotional effort by the utility to persuade energy-related decision makers to choose electricity instead of other forms of energy for the provision of energy service, or to persuade existing customers to increase their use of electricity, either by substituting electricity for other forms of energy or by increasing the level or variety of energy services used. This term is not intended to include the provision of technical or engineering assistance, information about filed rates and tariffs, or other forms of routine customer service.]

4 CSR 240-22.050(10):

[(10) Demand-side programs shall be designed and administered, and demand-side program costs shall be classified so as to permit a clear distinction between these costs and the costs of load-building programs to promote increased sales, attract new customers, or induce customers to switch to electricity from other forms of energy supply for the provision of end-use energy services. The costs of demand-side activities that also serve other functions shall be allocated between the functions served.]

4 CSR 240-22.060(5):

[(5) Analysis of Load-Building Programs. If the utility intends to continue existing load-building programs or implement new ones, it shall analyze these programs in the context of one (1) or more of the alternative plans developed pursuant to section (3) of this rule, and using the same modeling procedure and assumptions described in section (4). This analysis shall include the following elements:

(A) Estimation of the impact of load-building programs on the electric utility's summer and winter peak demands and energy usage;

(B) A comparison of annual average rates in each year of the planning horizon for the resource plan with and without the load-building program;

(C) A comparison of the probable environmental costs of the resource plan in each year of the planning horizon with and without the proposed load-building program; and

(D) An assessment of any other aspects of the proposed load-building programs that affect the public interest.]

4 CSR 240-22.060(6)(F):

[(F) A description of any proposed load-building

programs, a discussion of why these programs are judged to be in the public interest, and for all resource plans that include these programs, plots of the following over the planning horizon:

1. Annual average rates with and without the load-building programs; and

2. Annual utility costs and probable environmental costs with and without the load-building programs.]

4 CSR 240-22.070 Risk Analysis and Strategy Selection

Section (1): SJLP believes that it is reasonable to use decision analysis techniques to facilitate resource strategy selection. However, SJLP believes that the level of detail required by the proposed rules and resulting cost will far exceed the incremental benefit which the more rigorous analysis may provide. In an effort to comply with the intent of this section but reduce the cost of compliance, SJLP requests that either it be specifically exempted as a small utility, or section (1) be modified to reduce the costs to all utilities so there is no requirement to quantify the "value of better information concerning critical uncertain factors", in the following fashion:

> (1) The utility shall use the methods of formal decision analysis to assess the impacts of critical uncertain factors on the expected performance of each of the alternative resource plans developed pursuant 4 CSR 240-22.060(3), to analyze the risks associated with alternative resource plans, [to quantify the value of better information concerning the critical uncertain factors,] and to explicitly state and document the subjective probabilities that utility decision makers assign to each of these uncertain factors. This assessment shall include a decision tree representation of the key decisions and uncertainties associated with each alternative resource plan.

Section (2): SJLP believes that it is reasonable to use

decision analysis techniques to facilitate resource strategy selection.

Section (3): SJLP believes that it is reasonable to prepare a decision tree diagram of the appropriate resource plans.

Section (4): SJLP believes that it is reasonable to have at least two chance nodes for load growth uncertainty.

Section (5): SJLP believes that it is reasonable to attempt to quantify the risk associated with various resource plans. However, SJLP also believes that the rigorous method proposed by the Staff may not be cost effective for a utility the size of SJLP. Accordingly, SJLP requests that it be specifically exempted from the provisions of this section, or alternatively, that all companies be required to provide only a narrative of the anticipated risks. This can be accomplished through the following changes:

> (5) The utility shall use the decision tree formulation to [compute the cumulative probability distribution of the values of each performance measure] **determine the relative risk impacts of the factors** specified pursuant to 4 CSR 240-22.060(2), contingent upon the identified uncertain factors and associated subjective probabilities assigned by utility decision makers pursuant to section (1) of this rule. Both the expected performance and risks of each alternative resource plan shall be [quantified] **in a narrative format.**
>
> [(A) The expected performance of each resource plan shall be measured by the statistical expectation of the value of each performance measure.
>
> (B) The risk associated with each resource plan shall be characterized by some measure of the dispersion of the probability distribution for each performance measure, such as the standard deviation or the values associated with specified percentiles of the distribution.]

Section (6): SJLP currently develops expected emergency power

requirements in its resource planning.

Section (7): SJLP believes that it is reasonable to select a resource plan which strikes a balance between environmental, financial and reliability factors.

Section (8): As previously indicated with regard to section (1), SJLP questions the cost effectiveness for a utility its size to be required to quantify "the expected value of better information". SJLP requests that it either be exempted from the requirements of section (8), or, if other utilities are to be similarly protected, section (8) should be struck in its entirety.

Section (9): SJLP believes that it is reasonable to provide a resource implementation plan.

Section (10): SJLP believes that it is reasonable for a utility to demonstrate a commitment to a resource plan, provided that the Commission issues an order approving the substance of the plan. Notwithstanding the approval issue, the Company also believes that documentation of a plan to the extent required by these rules will make revisions to that plan (as they become necessary) overly difficult and time consuming. SJLP believes they will be time consuming to the extent that opportunities which pose themselves may be missed due to the forced commitment required by this section. SJLP believes the needs of its customers will be better served by providing the Company the latitude, as it has now, to modify its resource plans on short notice without having the requirement to completely modify its formal resource plan.

Subsection (10)(C) specifies how the Company should document

the statistical quantification of risk in its adopted resource strategy. This is the same statistical quantification which SJLP requests exemption from in section (5). Accordingly, the Company requests that it be exempted from the requirements of subsection (10)(C). As an alternate, the Company would request that all utilities only be required to document risk quantification in a narrative form.

Subsection (10)(E) would require SJLP to continually report at a microscopic level on how it manages its business. SJLP believes this requirement goes far beyond the realm of necessary regulatory oversight. Accordingly, SJLP proposes that it be specifically exempted from the provisions of subsection (10)(E), or it be struck in its entirety.

Section (11): Subsections (11)(B) and (11)(C) would require the Company to report the highly detailed risk data which SJLP requested exemption from in Section (5). SJLP accordingly requests that it be exempted from the reporting provisions of Subsections (11)(B) and (11)(C). As an alternative, SJLP requests that these two Subsections (11)(B) and (11)(C) be struck in their entirety as a narrative is already required in Subsections (11)(A) and (11)(F).

Subsection (11)(E) would require the Company to report the "expected value of better information" which SJLP requested exemption from in Sections (1) and (8). SJLP accordingly requests that it be exempted from the reporting provisions of Subsection (11)(E).

4 CSR 240-22.080 Filing Schedule and Requirements

The rule, as proposed, requires each covered electric utility in the state to perform basically the same work at approximately the same cost. For a utility the size of SJLP, in comparison to the other utilities in the state covered by this rule, it will be unduly costly to set standards such as these.

Section (1) - The Company believes that applying these rules to utilities with retail sales to electric customers of more than one million megawatt-hours is arbitrary and inappropriate. It would be more appropriate to define a rulemaking on the basis of the cost of filing versus benefits to be derived, rather than the size of the Company. If the Commission must base the requirements of this rule on the size of the Company, then SJLP supports a guideline stated in terms of a percentage of Missouri retail electric sales, as follows:

> (1) Each electric utility which **provides more than five (5) percent of total retail electric sales in the state** [sold more than one (1) million megawatt-hours to retail electric customers for calendar year 1991 as identified in the annual reports on file with the commission] shall make a filing with the commission every three (3) years that demonstrates compliance with the provisions of this chapter of rules. The utility's filing shall include at least the following items:

While the Company disagrees with the prescriptive nature of these rules, the Company supports Integrated Resource Planning as a norm for all utilities. As such, the Company believes that the Commission should use its authority to place these rules into effect for the rural electric cooperatives within the state.

Section (2) - To require that requests for non-traditional

accounting authorizations be made only when IRP filings are made is overly restrictive and ignores the dynamics of the utility's operating environment. Requiring a reauthorization of previously issued accounting procedures is also overly restrictive and introduces an unrealistic element of risk into the utility's planning.

The Commission should also include in this section a provision to allow companies the opportunity to recover lost revenues associated with implementing Demand Side Management programs. By implementing such a provision, companies will be kept whole for the rules' intended purposes. As discussed earlier, utility regulatory commissions throughout the country have provided an opportunity for utilities to recover "lost revenue". The following changes would therefore be appropriate:

> (2) The electric utility's compliance may also include a request for nontraditional accounting procedures and information regarding any associated ratemaking treatment to be sought by the utility for demand-side resource costs. **Costs that may be addressed in this context include, but are not limited to, the recovery of lost revenue associated with demand side management.** If the utility desires to make any such request it **may** [must] be made in the utility's compliance filing pursuant to this rule and not at some subsequent time. [If the utility desires to continue] Any previously authorized nontraditional accounting procedure[s] **will be extended** beyond the three (3)-year implementation period, **unless the utility requests and the Commission approves a change.** [it must request reauthorization in each subsequent filing pursuant to this rule.] Commission authorization of any nontraditional accounting procedures does not constitute a finding that the expenditures involved are reasonable or prudent, and should not be construed as approval or acceptance of any item in any account for the purpose of fixing rates. Any request for initial authorization [or reauthorization] of these nontraditional accounting procedures must-

Paragraph (2)(B)4. - Nontraditional accounting treatment, in the context of integrated resource planning, is usually granted in order to place supply and demand side options on an equivalent basis for decision making. SJLP believes that the quantitative comparison of utility earnings required in this paragraph is irrelevant to the issue and that the paragraph should be deleted, as shown below:

> [4. A quantitative comparison of the utility's estimated earnings over the three- (3) year implementation period with and without the proposed nontraditional accounting procedures and any associated ratemaking treatment to be sought.]

Section (3) - This section is not sufficiently specific given that some utilities in the state have revenue from other than electric retail sales and from jurisdictions outside of the state. The requirement should apply to Missouri retail electric operations exclusively, and therefore the following changes are necessary:

> (3) The electric utilities shall make their initial compliance filings on a staggered basis in order of decreasing size of gross annual **Missouri** revenues **from retail electric sales.** [as identified in the annual reports on file with the commission for calendar year 1991.]

Section (7) - As written, this section requires that the utility collect, organize and retain every scrap of information, on whatever media, relating to each filing for ten years. This requirement would not clarify the work done on the filing but would create only confusion and a mass of paperwork. SJLP believes that those documents that relate directly to the final results should be retained until the next scheduled filing and that only the formal filing document be retained any longer:

(7) All workpapers, documents, reports, data, computer model documentation, analysis, [letters, memoranda, notes, test results, studies, recordings, transcriptions and any other supporting information] **or other supporting documents that directly** [relating] **relate** to the filed resource acquisition strategy within the electric utility's or its contractors' possession, custody or control shall be preserved and made available in accordance with any protective order to the staff, public counsel and any intervenor for use in its review of the periodic filings required by this rule. Each electric utility shall retain at lease one (1) copy of the officially adopted resource acquisition strategy **for at least ten (10) years.** [and all] Supporting information [for at least ten (10) years.] **shall be retained until the next scheduled filing has been approved.**

Section (13) - The proposed rulemaking contains no provision for a Commission determination as to whether or not the filing constitutes an acceptable strategy that should be followed. It would be difficult to justify the time and expense involved in developing a plan that is in compliance with this rule if the only purpose of doing so is to "be in compliance." The Company believes that, after all the work that will be required of the utility in preparing its filing and by the Staff, the Public Counsel, any intervenors that choose to participate in the process, and the Commission in conducting reviews of the integrated resource plan, an order from the Commission approving the plan and attesting to its reasonableness and prudence for implementation at the time of review should be required. Therefore, the following changes are appropriate:

(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). **If the utility's strategy meets**

these objectives, the commission's order shall constitute a determination of reasonableness and prudence for utility implementation of the plan. The order may also [and which] address[es] any utility requests pursuant to section (2) for authorization [or reauthorization] of nontraditional accounting procedures for demand-side resource costs.

Section (14) - Because of the large expenditures required under this rule to implement the planning process, the Company supports a mechanism which would allow for the recovery of cost associated with implementing this rule. As such, the Company would propose a mechanism such as a "rider" or surcharge be allowed to be added to electric bills to customers which would be trued up at the time of the Company's next general rate case. As such, expenses associated with this rule will be immediately recovered. This is very similar to the implementation of the Residential Conservation Service program which operated under a rider mechanism on the utility's tariffs for some time and then was trued-up at a later date.

Section (15) - As discussed previously, the Company is of the opinion that the Commission should indicate in this rule the appropriate cost recovery mechanism associated with accounting for Demand Side Management programs. It is important for the utility to have knowledge of the Commission's intent for accounting treatment of such programs. By doing this, the Company will be placed in a position to have full knowledge of actions by this Commission for accounting with regard to Demand Side Management programs.

CONCLUSION

SJLP believes, as a utility with fewer than 60,000 electric customers, that the proposed planning process has a much more dramatic impact for it than for a utility with over 1,000,000 customers. SJLP already utilizes a planning process which has never been determined to be imprudent by the Commission. The costs incurred in implementing this mandated, intricate planning process would unduly burden SJLP customers with no clear tangible benefit.

Thus, SJLP requests that SJLP be exempted from the process called for by these proposed rules. Should the Company's request for exemption be denied, SJLP would be willing to file plans accomplishing the same purpose, but at much less cost to customers, by means of modified standards outlined above. These standards would allow the Commission an adequate review process. Simultaneously, it would allow SJLP reasonable flexibility in making management decisions in the planning process and a means to maintain cost-effective planning and procurement of resources for the Company's customers. This would be in line with the spirit of collaboration and cooperation that has resulted in SJLP customers, who are the citizens protected by Commission regulation, having adequate energy available at one of the most reasonable prices in the United States.

Should the Commission be unable or unwilling to accept either an exemption or the above recommendation for "small company" modified filing standards, SJLP urges the Commission to postpone implementation of these rules until four major flaws can be

eliminated:

1. The inequity of not requiring the same rules for competitors; and
2. The failure to directly address timely and adequate cost recovery mechanisms; and
3. The failure to directly address the questions related to lost revenues, and
4. The vagueness; costliness and unnecessary aspects of the load-building numbers.

Respectfully submitted,

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