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August 28, 1992

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

RE: Case No. EX-92-299

Dear Mr. Stewart:

Enclosed for filing are the original and fourteen (14) copies of KCPL's Reply Comments in the above-referenced case.

Thank you for your assistance in this matter.

Sincerely,

BEFORE THE PUBLIC SERVICE COMMISSION OF THE
STATE OF MISSOURI

Proceeding to Adopt Rules for Electric Utility Resource Planning 4 CSR 240-22.010 et seq.	))))	Case No. EX-92-299

REPLY COMMENTS OF KANSAS CITY POWER & LIGHT COMPANY

COMES NOW Kansas City Power & Light Company (KCPL or Company) and submits its reply comments concerning the proposed rules for Electric Utility Resource Planning. It should not be inferred that KCPL agrees with the initial comments of any party solely on the basis that KCPL has not addressed such comments in these Reply Comments. The KCPL employees identified on page 3 of KCPL's Initial Comments will be available for questioning by the Hearing Examiner and Commissioners regarding these Reply Comments.

I. PLAN APPROVAL

In their Initial Comments, the Missouri Industrial Energy Consumers (MIEC) state that plan approval and "pre-approval of resource additions contained in the plans leading to automatic cost recovery" are "closely related, and for convenience these Comments will refer to both simply as pre-approval." (MIEC Initial Comments, p. 2, fn 1). MIEC then goes on to discuss why such lumped-together "pre-approval" is illegal and unwise.

The flaw in MIEC's position comes from their mistaken assertion that plan approval is essentially the same thing as pre-approval of resource additions with automatic cost recovery. In fact the two concepts are completely different. Plan approval, as supported by KCPL and by other parties to this case (including Public Counsel), does not imply automatic cost recovery. No parties to this case have advanced any proposals that would lead to automatic cost recovery of resource additions. The reasons KCPL supports plan approval are set forth at pages 3-7 of the Company's Initial Comments.

II. DSM DISINCENTIVES

At pages 40-41 of its Initial Comments, Staff accurately describes several disincentives for investing in demand side programs that exist with current accounting and ratemaking practices. These disincentives prevent utility companies from considering demand side and supply side investments on an equivalent basis, even though such equivalent consideration is an objective of the proposed rules. (4 CSR 240-22.010(2)(A)).

Staff does not appear to deny that the disincentives exist. Neither does Staff advance any proposals to remove those disincentives. In fact, Staff appears to oppose any proposals that attempt to compensate for these disincentives. This is a curious position. The fact is that experience in other states indicates that significant investment in demand side resources is necessarily dependent upon equivalent

consideration of demand and supply side resources, which in turn is necessarily dependent upon removal of disincentives.

III. FUEL SUBSTITUTION

A. Public Counsel

Public Counsel states on page 4 of its Initial Comments that fuel substitution should be considered a demand side resource in 4 CSR 240-22.050, and that, accordingly, certain definitions should be modified or added in Section 22.020, and language should be added to 22.050(2)(D).

On page 8, Public Counsel states that fuel substitution language included in an earlier draft of the rule was removed because "it would require electric utilities to consider the cost effectiveness of having their customers switch some of their end-uses from electricity to other energy sources" and because "this requirement would be unfair since the gas utilities are not subject to similar regulations at this time." Public Counsel suggests that electric utilities would be justified in seeking a waiver from fuel switching provisions until gas utilities are subject to similar rules.

It certainly is correct that adoption of such a requirement for electric utilities, but not gas utilities, would place electric utilities at a competitive disadvantage. However, Public Counsel's comments present an incomplete and inaccurate picture of KCPL's position and concerns. KCPL's position is that the manner in which analysis of fuel substitution benefits currently is covered by the proposed rules is adequate and more appropriate than Public Counsel's proposal. For example, the

proposed rules require electric utilities to analyze the benefits and costs of load building in one or more alternative resource plans. Once a plan with a load building program is filed with the Commission, a gas utility would have the opportunity to provide information and analysis to the Commission regarding the impact of the load building program on that utility. This is a logical method to deal with fuel substitution. It is absurd to require or to contemplate that either an electric or a gas utility would deliberately provide consideration to its customers[1] to switch to a competing fuel source.

B. Western Resources and Laclede Gas Company

A prime example of the broader issue of competition and fuel substitution is provided by the Initial Comments of Western Resources and Laclede Gas Company. Those comments are an obvious attempt to obtain a competitive advantage for gas use. These companies suggest that omission of certain references to fuel substitution in the proposed rules render them ineffective as an integrated resource planning tool. This is completely erroneous. As stated above, the proposed rules adequately and appropriately address fuel substitution in the analysis of load building. The Commission should be extremely circumspect with regard to addressing inter-utility competitive issues in the context of an IRP rulemaking proceeding.

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[1]Presumably, some form of consideration would be required to overcome market barriers precluding customers from selecting the most energy efficient equipment and efficiency measures.

IV. LOAD BUILDING

A. Public Counsel

On page 5 of its Initial Comments, Public Counsel suggests that expansion of service territory or efforts to attract new customers be included in the definition of load building. KCPL opposes Public Counsel's suggestion. Economic growth and efficient utilization of energy both benefit KCPL's existing customers. KCPL is committed to the growth of the communities it serves. Growth in production and in the area economy provide additional jobs which enhance the standard of living of customers in those communities. KCPL submits that its customers are benefited by jobs and by a vibrant economy even it that requires additional resources to serve the resulting increase in load.

B. Laclede Gas Company

On page 5 of its Initial Comments, Laclede proposes that 4 CSR 240-22.060(5)(D) be modified to require that load building programs include an assessment of the impact of the programs on competing providers of energy services and their customers. As stated earlier, the proposed rules already provide a competing gas utility with an opportunity to present information and analysis regarding the impact of an electric utility's load building (fuel substitution) program. The gas utility, as a result of the electric utility's filing, will have access to the information necessary to analyze the impact. Conversely, however, with no gas resource planning rule in effect, it would be impossible for electric utilities to obtain the data required to analyze the impact of a load building program on a competing gas

utility. Such an analysis would require explicit modeling of the gas utility's cost and rate structures, in that the questions to be answered are the incremental effect of a given fuel substitution or load building program on the gas company's revenues, and how this translates into rate and bill impacts for gas customers. In fact, as recently as July 23, 1992, during an IRP workshop with the Staff of the Kansas Corporation Commission, representatives of Western Resources specifically stated that they would not provide such data to KCPL.

Again, Laclede's comments regarding this issue are nothing more than competitive posturing. As stated above, the current proposed rules already ensure that only cost effective load building programs would be permitted in resource plans and that, if such a program is permitted, any impact on a competing utility will be analyzed by the competing utility and provided to the Commission before a determination is made regarding the merits of a load building program.

V. PRIMARY SELECTION CRITERIA

Missouri Public Service (MPS), Union Electric Company (UE), and MIEC have raised issues in their Initial Comments regarding the "primary selection criterion" for choosing the preferred resource plan in 22.010(2)(B) of the proposed rules. KCPL suggests the primary selection criterion in 22.010 should conform with the first three performance measures set forth in 22.060(2) and generally contain the elements of the Total Resource Cost Test as defined in 22.050(7)(D). This could be accomplished by revising 22.010(2)(B) to read as follows:

The utility shall use minimization of the present worth of total resource costs, as defined in 22.050(7)(D) ~~long-run utility costs~~ as the primary selection criterion in choosing the preferred resource plan;

VI. PROBABLE ENVIRONMENTAL COSTS

Both MPS and UE provided Initial Comments regarding the definition of probable environmental costs set forth in 22.020(45). KCPL observes that the definition is constructed from several phrases contained in 22.040(2)(B). KCPL supports changing both sections to conform to what was discussed and agreed upon during the workshops. KCPL recommends revising 22.020(45) as follows:

(45) Probable environmental cost means the expected cost to the utility of simultaneously achieving the expected level of mitigation for all identified pollutants emitted by a resource. ~~complying with new or additional environmental laws, regulations, taxes, or other costs that utility decision makers judge to have a non-zero probability of being imposed at some point within the planning horizon.~~

KCPL recommends revising 22.040(2)(B)1 as follows:

1. The utility shall identify a list of environmental pollutants for which there is, in the judgment of utility decision makers, a significant ~~non-zero~~ probability that additional laws or regulations will be imposed at some point within the planning horizon.

WHEREFORE, KCPL requests the Commission incorporate the above comments into the proposed rules as described herein.

Respectfully submitted,

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