STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service Commission held at its office in Jefferson City on the 18th day of July, 1997.

In the matter of the Application of Kansas City Power & Light Company's Electric Resource Plan, pursuant to 4 CSR 240-22, and its request for extension of time to file ERP.	)	**Case No. EO-97-522**

ORDER APPROVING JOINT AGREEMENT

This docket was opened on June 3, 1997 to accept an Application by Kansas City Power & Light Company (KCPL) for an extension of time in which to file its second electric Integrated Resource Plan, per Chapter 22 of 4 CSR 240-22.

In its Application KCPL states that its second filing was scheduled to be filed on July 1, in accordance with the Commission's rules. Given the fundamental changes in the industry and the pending plan of merger with Western Resources, Inc., KCPL requests the Commission grant an extension of time in which to make its compliance filing.

On June 30 a Joint Agreement was filed between the Staff of the Commission (Staff), the Office of the Public Counsel (OPC) and KCPL in which the parties recognize the extensive changes in the electric utility industry and propose an extensive series of meetings, requirements and filings as an alternative to the filing requirements of the Commission's original Integrated Resource Planning rules. The Joint Agreement is appended to this order as Attachment A.

The parties state that the purpose of the agreement is to set aside the filing requirements of the Commission's Integrated Resource Planning rules as they apply to this filing and, at the same time, go forward with various current issues involving Electric Resource Planning as it applies to the changing regulatory environment. The Commission agrees that this plan is reasonable and in the public interest, particularly in light of the inception of wholesale electric competition and various proposals for retail competition.

After review, the Commission finds the Joint Agreement, appended hereto and marked as Attachment A, to be reasonable and designed to fulfill the purposes of the Integrated Resource Planning rules as they now apply to the electric utility industry. The Commission will accept the agreement as an alternative plan for full compliance by KCPL with the Commission's Integrated Resource Planning rules, and will order KCPL to comply with the terms and conditions of the Joint Agreement.

IT IS THEREFORE ORDERED:

1. That the Joint Agreement by and between the parties hereto, appended to this order as Attachment A, is found to be reasonable and in the public interest and is hereby approved in accordance with 4 CSR 240-22, as set out above.

2. That Kansas City Power & Light Company is ordered to comply with all terms and conditions of the Joint Agreement.

3. That this order shall become effective on July 29, 1997.

BY THE COMMISSION

Cecil I. Wright

Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., Crumpton, Drainer,
Murray, and Lumpe, CC., Concur.

ALJ: Derque

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Electric Resource Plan Pursuant to 4 CSR 240-22.	)))	Case No. EO-97-522

JOINT AGREEMENT AND FILING

Comes now Kansas City Power & Light Company (KCPL or Company); Staff of the Missouri Public Service Commission (Staff); and Office of Public Counsel (OPC), pursuant to 4 CSR 240-22.080(8) of the Commission's rules on Electric Utility Resource Planning, and submit this Unanimous Agreement regarding the recommendations parties have made regarding KCPL's Electric Resource Plan.

To the extent that all of the parties agree, this document constitutes a unanimous agreement between KCPL and such parties as to these recommendations. Furthermore, the parties waive their respective rights under section (9) of 4 CSR 240-22.080 to file a response or comments and therefore, the parties submit that there will be no need for a hearing by the Commission. The parties are ready and willing to respond to any questions of the Commission which may arise during its consideration of this unanimous agreement.

This Joint Agreement and Filing has resulted from extensive negotiation among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Joint Agreement and Filing in total, then this Joint Agreement and Filing shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

In the event the Commission accepts the specific terms of the Joint Agreement and Filing, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1, RSMo 1994 to present testimony, cross-examine witnesses, and present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 1994; and their respective rights to judicial review pursuant to Section 386.510 RSMo 1994.

If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Joint Agreement and Filing. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any further proceeding or in this proceeding whether or not the Commission approves this Joint Agreement and Filing. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the signatories to the Joint Agreement and Filing.

The Staff shall also have the right to provide, at any agenda meeting at which this Joint Agreement and Filing is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

SCHEDULE FAD-3
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I. THE CONTEXT OF THE AGREEMENT

A. The Status of KCPL's Resource Plans

In Case No. EO-94-360, KCPL filed with the Commission its Electric Resource Plan (ERP) in July, 1994. In that filing KCPL's Preferred Resource Plan showed the need for a 136 MW combustion turbine (CT) in 1998 and four additional CT units in the year 2000. These ERP filings were reviewed by the Staff and the OPC as well as other intervenors and the findings were reported to the Commission. The reports and the subsequent agreements between the parties associated with these reviews were also filed in Case No. EO-94-360. Case EO-94-360 was concluded with the Commission's order on December 5, 1995.

Since that filing KCPL has installed a new 142 MW combustion turbine called Hawthorne 6. In addition KCPL currently plans to purchase the equivalent of 3 CT units through capacity purchases beginning in the year 2000. Although KCPL's load is growing, the purchases in the year 2000 are primarily needed to replace the capacity that is currently supplied through long-term purchased power agreements that will expire in the year 2000. KCPL conducts annual "Needs Assessments" to monitor its load growth, demand-sided resources and the resulting supply-side resource requirements. Since its anticipated supply-side capacity additions are for peaking or intermediate capacity, KCPL is not currently in the process of purchasing these resources, but instead will continue to re-evaluate this decision prior to its 2000 resource plan filing.

The parties to this agreement have also discussed the possibility that KCPL and Western Resources, Inc. (WRI) will consummate their announced merger. There is a consensus that the consummation of this proposed merger would also have a major impact upon KCPL's current ERP process since the resources of KCPL and WRI would be merged, and planning for the future would be done by a combined company. The proposed merger of KCPL and WRI would in all likelihood alleviate the need for a KCPL-specific ERP in 2000.

B. Changes in the Electric Industry

The changes in the electric industry since the Commission adopted its Electric Resource Planning Rules have been extensive. In 1993, the electric industry was viewed as having a vertically integrated structure in which the utility reading customers' meters is the same one adding generation plant to meet the growing demands of those same customers. Building new generation plant or long-term purchases from available capacity were generally considered the standard way to meet growing demands. While competitive bidding for supply-side resources was being considered by some utilities in Missouri, the resulting short-term purchased power agreements were primarily seen as a method for filling in reserve requirements on a year-to-year basis. In the context of emerging competition for retail customers, utilities are now looking to short-term purchases acquired through competitive bids as the preferred method for adding capacity.

At the time the Commission's Electric Resource Planning rules were adopted, demand-side resources were either peak shaving or conservation. Peak shaving had the greatest potential for lowering the present value of revenue requirements without raising rates. Retail competition has raised a concern by the utilities about the potential for conservation options raising rates and increasing the likelihood of losing customers to alternative generation supplies. At the same time, increasing competition to be the customer's energy services provider has resulted in most utilities focusing on planning and implementing marketing programs, some of which have demand-side components.[1]

C. Reports and Briefings During the Transition

In Missouri, the next several years is a transition period during which the electric industry's focus will be on issues surrounding retail competition. To make a workable transition for those involved in the electric resource planning filings and reviews, this agreement proposes periodic reports and twice-a-year briefings by KCPL on its resource implementation plans.

The intention of having scheduled briefings by KCPL is to provide a forum in which an ongoing dialogue will occur about the increasing effect that the potential for retail competition is having on KCPL's supply-side and demand-side resource acquisition process. The emphasis on the supply-side will be on the emerging market structures for wholesale generation resources. The demand-side will focus on two basic concerns. First is a concern that market barriers to the least-cost provision of electric services for low-income customers be addressed. Second is a concern that because large customers may be seen as more profitable than small customers, residential and small commercial customers may not have the same opportunities for energy services that are likely to be offered to large customers.

The parties to this agreement recognize the Commission's recent order in Case

[1]The distinction between demand-side and marketing programs is that demand-side programs focus on removing market barriers that are obstacles to customer implementation of energy efficiency measures, while marketing programs are designed to sell energy services in a market environment that is competitive.

No. EW-97-245 as having two possible connections to this agreement. First, a significant level of resource will need to be devoted to the questions raised by the possibility of retail competition. The time and efforts of those scheduled to file and review electric resource plans takes resources away from these critical questions. Second, there are longer-term questions about how the objectives of the Commission's Electric Resource Planning rules might change or be better implemented in the context of retail competition.

The intent of this agreement is to provide a way for the parties to set aside the filing requirements of the Commission's rule as they apply to KCPL's second resource plan filing, and at the same time go forward on issues that jointly relate to electric resource planning and retail competition. It is the hope of the parties that this will free significant resources that can then focus on the longer-term questions concerning retail competition. One of the purposes of the scheduled briefings is to improve the understanding of the parties regarding the impact of retail competition on the electric resource planning process.

The briefings and periodic reports detailed in the next section of this agreement are obviously not a full and comprehensive substitute for the detailed analysis and filing requirements that are set forth in the Electric Resource Planning rule. Therefore, since this process is different from the requirements of 4 CSR 240-22, the objectives achieved by this process may be different from the objectives that are set forth in 4 CSR 240-22.010.

II. THE CONTENT OF THE AGREEMENT

Resource Plan Requirements:

With respect to 4 CSR 240-22 of the Commission's chapter on electric resource planning and in lieu of its 1997 filing to meet the detailed list of requirements of that chapter, KCPL agrees to brief the Staff and OPC on or about November 1, 1997; May 1, 1998; November 1, 1998; May 1, 1999; and November 1, 1999.

(1) These briefings shall include information on the following:

- **Any changes in load forecasts for seasonal class energy and peaks with an explanation of those changes;**
- **Any changes in implementation plans for both demand-side and supply-side resources with an explanation for those changes; and**
- **Any changes in uncertainties, sensitivities, risks and contingency plans with an explanation for those changes.**

Load Analysis and Forecasting Requirements

With respect to 4 CSR 240-22.030 of the Commission's rules and in lieu of its 1997 filing to meet the detailed list of requirements on 4 CSR 240-22.030, KCPL will meet the following load analysis and forecasting filing requirements.

(2) In its November 1997, 1998 and 1999 briefings, KCPL will provide Staff and OPC with the information regarding the status of the following activities:

- **Update to its historical data base on driver variables, seasonal energy and peak demands for its major classes;**
- **Forecasts of units and use per unit by season for the Residential and Commercial classes;**

- **Forecasts of annual energy by end-use for the Residential and Commercial classes;**

- **Forecasts of seasonal energy for all other classes;**

- **Forecasts of driver variables for all classes at the appropriate level of aggregation; and**

- **Report on the load forecast that documents any changes made in load forecasting methods, compares both load forecasts and driver variable forecasts to historical trends and compares load forecasts and driver variable forecasts to those from the previous year.**

Updated forecasts and historical data bases will be provided as developed by KCPL for planning purposes but not less than every three (3) years, first beginning January 1998.

Supply-Side Resource Requirements:

Kansas City Power and Light's current resource plan shows that current capacity contracts totaling 350 MW will expire in the year 2000. KCPL expects to continue to meet its capacity needs with incremental purchases of up to 650 MW over the year 2000-04 time frame. KCPL does not show the addition of a generating unit until the year 2005. Since this need is expected to be for peaking or intermediate capacity, which has a shorter lead time than base load capacity, KCPL does not currently need to commit to the purchase of those resources but instead will continue to re-evaluate this need prior to KCPL's 2000 resource plan filing.

With respect to 4 CSR 240-22.040 and in lieu of its 1997 filing to meet the detailed list of requirements on 4 CSR 240-22.040, KCPL will meet the following supply-side filing requirements:

(3) In its May 1998 briefings, KCPL will provide Staff and OPC with a summary report that evaluates the overall cost effectiveness of maintaining versus refurbishing versus retiring of existing generating units, taking into account the uncertainties associated with the following areas - component failure, cost of replacement power, availability of replacement power, peak load growth, environmental regulations, and retail competition.

(4) In its May 1999 briefings, KCPL will provide Staff and OPC with a copy of the competitive bidding request for proposal (RFP) if KCPL decides to use a competitive bidding process to solicit KCPL's capacity needs which begin in the year 2000. In its November 1999 briefing, KCPL will provide Staff and OPC with KCPL's evaluation of the competitive solicitations that KCPL received in response to its competitive RFP, or a briefing on its alternative process of selection. This evaluation should include the elements on risk analysis and plan selection as described in 4 CSR 240-22.070.

Demand-Side Analysis Requirements:

KCPL has re-screened a comprehensive list of demand-side measures and provided Staff and OPC with those results in May of 1996. The results from another re-screening at this point in time are not likely to provide additional information about the cost effectiveness of the measures.

Since its original filing in July 1994, KCPL has met with Staff and OPC twice with updates of current and proposed programs. In addition, KCPL has continued to develop and offer energy services through its marketing department. Because of their profit potential, competitors are also offering energy services to some of KCPL's customers.

Low-income customers face a significant market barrier from high up-front costs for energy efficiency. It is not clear that the competitive market will meet these customers' need for basic energy services provided in the most cost-effective manner. KCPL has taken an initial step towards meeting this need with planned programs targeting this market. A pilot will shortly begin for a portion of those programs. These programs are generally designed to work in conjunction with assistance agencies and depend, in part, upon the passing of enabling legislation. More details of these programs can be found in Attachment 1 which is an executive summary from the Company's market assessment of these programs.

With respect to 4 CSR 240-22.050 and in lieu of its 1997 filing to meet the detailed list of requirements on 4 CSR 240-22.050, KCPL agrees to provide the following:

(5) **By September 1, 1997, KCPL will provide to Staff and OPC a report explaining how demand-side measures that have passed the screening process are developed into programs. This report will at least include:**

- **demand-side measures included in all current and planned demand-side and marketing programs;**
- **for those measure that did not pass measure screening, a description of why they were included in a program;**
- **a description of why those measures that passed measure screening were not included in a program;**
- **the demand and energy impacts of current and planned demand-side programs and marketing programs containing demand-side measures;**
- **a description of how the determination is made as to which services will be offered for competitive purposes and which will be offered for other purposes.**

(6) **By November 1, 1997, KCPL will provide to Staff and OPC a plan for expanding its efforts to provide efficient basic service for low-income customers in coordination with the Kansas City, Missouri Weatherization Department. In addition, KCPL will give a status report on its Vendor Payment Protection Program and its support for the Welfare-To-Work program.**

(7) **KCPL will continue its evaluation and improvement of currently implemented programs with emphasis on refining customer market segments**

and identifying the market barriers for these segments. It will also continue to review measures for potential inclusion in demand-side programs. KCPL will update Staff and OPC in its twice a year briefings on the status of its demand-side and marketing programs. These updates will include:

- **Estimated demand and energy impacts of implemented and planned programs;**
- **Evaluation results on market barriers and customer market segments;**
- **Implementation and evaluation schedules;**
- **A description of how KCPL determines whether energy services will be offered for competitive purposes or for other purposes;**
- **Its list of current and planned energy services that are or will be offered for competitive purposes and those which will be offered for other purposes; and**
- **Its progress in providing efficient basic service for low-income customers and related programs for low-income customers such as the Vendor Payment Protection Program and the Welfare-To-Work Program.**

Contingency Plan Requirements:

With respect to 4 CSR 240-22.070 of the Commission's rules and in lieu of its 1997 filing to meet the detailed list of requirements on 4 CSR 240-22.070, KCPL agrees to file:

(8) By November 1, 1998 - a contingency plan that includes the following elements:

- **The ranges or combinations of outcomes for the critical uncertain factors that define the limits within which the preferred resource plan is judged to be appropriate;**
- **An explanation of how these limits were determined;**

- **A set of contingency options that are judged to be appropriate responses to extreme outcomes of the critical uncertain factors;**

- **An explanation of why these contingency options are judged to be appropriate responses to the specified outcomes;**

- **A process for monitoring the critical uncertain factors on a continuous basis and reporting significant changes in a timely fashion to those managers or officers who have the authority to direct the implementation of contingency options when the specified limits for uncertain factors are exceeded; and**

- **Consideration of the following critical uncertain factors in KCPL's contingency analysis:**

  - **The price of purchases of short-term capacity and energy, as well as how those prices might vary with increasing demands made by KCPL within a given year;**

  - **The limits to the amount of capacity available for purchase in the short-term markets;**

  - **The level of growth in summer peak demand and the likelihood of achieving demand-side reductions; and**

  - **The operational life of KCPL's existing generating units.**

Filing Requirements:

The parties to this agreement understand that if there are any significant changes in the preferred resource plan which KCPL currently has on file with the Commission, the requirements of 4 CSR 240-22.080(10) still apply. Specifically, KCPL will notify the Commission within sixty (60) days of its determination to change its preferred resource plan. If this change results in KCPL's intention to implement resource options before its 2000 filing that are different from those in its preferred resource plan, KCPL will include in its filing a revised implementation plan.

WHEREFORE, the signatories respectfully request the Commission to issue its order approving the terms of this Joint Agreement and Filing as soon as practicable.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 30th day of June, 1997.

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ATTACHMENT 1

KANSAS CITY POWER & LIGHT COMPANY'S

LOW INCOME CUSTOMER

SERVICE PROGRAM

Executive Summary

Recommendation

Developing a low income service package which meets customer needs, reduces energy costs and provides an acceptable return for KCPL requires carefully balancing these seemingly opposing goals. Implementing an effective low income program will need to overcome many more hurdles than the typical residential or commercial marketing program due to public policy issues surrounding the current wave of welfare reform.

The Low Income Project Team investigated a multitude of options for a low income program. Team members are Vickie Myers, Terry Blattel, Jim Fitzgeralds, Jim Murray, Cotton Sivils, David Christian, Carla Liberda and Judy Spinner. The team consensus is to recommend a three-phased program. This three-phased program will meet the multiple goals of developing a program acceptable to regulators; developing a program which mirrors and supports the current public policy environment; developing a program which provides energy assistance and builds loyalty for a broad spectrum of low income customers; and developing the most cost effective program for KCPL. The three phases are:

- Implement a Conservation Program (CP) in 1997 for Missouri customers using the Kansas City Missouri Weatherization Department. This will be targeted at low income elderly with single family homes and high usage. This will address the interests of regulators in a weatherization component and provide customers with a permanent reduction in energy costs. The program will focus first on those low income elderly with electric space heat, then on low income elderly with other types of space heating equipment. End-use repairs can include electric furnace tune-ups or replacements, air conditioner tune-ups or replacements, replacing incandescent bulbs with fluorescents, inefficient refrigerator replacements, air infiltration improvements and insulation. Maximum expenditures per home will not exceed $2500. Replacement criteria and other program specifics will be developed once the program is approved by KCPL management.

- Implement a Vendor Payment Protection Program (VPPP) concurrent with the implementation of the welfare reform restructure of the Missouri Welfare System. The VPPP will provide customers with a 10% bill discount and guaranteed electric service. In return, the customer agrees to approve the State redirecting a portion of their state income maintenance payment to KCPL for electric service. The program also allows customer to pay-off arrearages over time. The per-customer discount totals approximately $75 per year based on a monthly discount cap of 750 kWh. This program is targeted to those individuals currently receiving state income maintenance checks, primarily Aid to Families With Dependent Children (AFDC).

This program will redu he customers' electric expense an esult in substantial savings of customer service, collection and bad debt expense for KCPL.

- Implement a program to support the Welfare-to-Work (WTW) initiative offering those customers who are participating in the Welfare-To-Work (WTW) program a 20% discount. This program will be structured the same as the VPPP but substituting a 20% discount for the 10% discount. The higher discount indicates KCPL's support of the WTW movement. Eligible participants are those in the Local Investment Commission's (LINC) WTW initiative which is currently targeting AFDC recipients in Jackson County. Participants enter a two to four year program targeted to move them from welfare to independence through job training and subsidies. This program has the same benefits to KCPL as the VPPP and provides significant marketing opportunities to spotlight KCPL in media articles on welfare reform.

The recommended combined program spending cap for the three programs is $1,000,000 annually. The estimated breakdown is $250,000 for the Conservation Program, $500,000 for the Vendor Payment Protection Program and $250,000 for the Welfare-to-Work program. These costs may be offset by operating costs savings and tax credits. Each program will be implemented on a pilot basis in Missouri initially to resolve any key issues and determine the actual economic impacts to KCPL.

ENVIRONMENTAL SCAN

Other Local Utility Programs:

Missouri Gas Energy (MGE) currently has two low income programs and is proposing a third. The first is a replica of KCPL's Dollar Aide program called Neighbors Helping Neighbors. MGE's second program is trial two-year Weatherization Program to assist low income customers in reducing their natural gas usage and energy bills. The program costs are recovered through rates and targets customers who have high arrearages. Only 5% of eligible customers participate in the program. MGE has spent $250,000 per year for the past two years on this pilot program.

MGE's third program is a proposed rate discount for low income customers. This was revealed by MGE's CEO, Tom Clowe, during testimony for MGE's current rate case. He stated they would be filing a tariff sometime within the next few weeks.

Governmental Environment

This project, more than most, has considerable public policy implications which are interwoven with regulatory issues, legal issues and marketing considerations.

LIHEAP Funds

Both Missouri and Kansas are concerned about the possibility of the federal government reducing or eliminating the Low Income Heating Assistance Program

(LIHEAP) funds in an effc .o balance the federal budget. To a .ress this issue, Missouri regulators and legislators are asking utilities to propose and implement programs to assist low income customers on a voluntary basis. It is in KCPL's best interest to respond to this request and move forward swiftly with a low income program which has maximum economic and marketing benefits.

Welfare Reform Initiative - State Level

In August 1996 President Clinton signed the Welfare Reform Bill into law. This law allocates block grants to each state in return for the state designing and implementing programs to move welfare recipients into the work force. When fully implemented, 80% of current welfare recipients are required to enter job training programs.

Missouri chose to delay restructuring the state welfare system until the federal law was passed. Missouri is now faced with the daunting task of revamping their entire system by the end of the next legislation session in May 1997. According to the Department of Social Services (DSS), which is responsible for administering welfare, they are unsure how the system will be restructured. Possible strategies include eliminating the state agency and creating county programs, paying recipients through ATM's and creating expanded vendor payment programs. It will be critical for KCPL to work closely with the DSS and key legislators to assure legislation favorable to KCPL's low income program strategy is passed.

Welfare Reform Initiative - Local Level

Kansas City is fortunate to be on the leading edge of welfare reform due to the establishment of the Local INvestment Commission (LINC) in 1992. LINC is a 33-person lay commission and they see to it that all federal and state monies coming into Kansas City for AFDC, Medicaid, child care, food stamps, etc. are well spent. Marcus Jackson is one of the 33 LINC commissioners.

LINC is currently overseeing the 21st Century Wage Supplement Initiative in Jackson County which redeploys AFDC and food stamps monies to employers. In turn, the employer hires a welfare recipient and uses these funds as a wage supplement and to provide job training. The welfare-to-work participant receives subsidies for child care, transportation and Medicaid during the two to four year program. At the end of that time their salary should be adequate to cover normal living expenses.

By supporting the LINC initiative, KCPL will be supporting those individuals who are trying to help themselves. KCPL will also be supporting both the national, state and local program to move people off welfare.

Regulatory/Legal Environment

Missouri - According to KCPL's Legal Department, current Missouri regulation does not allow a rate reduction for low income customers. Since MGE is about to file a low income rate tariff without new legislation, KCPL should be able to monitor the outcome to determine the actual n[illegible]ssity of new legislation. If legislati[illegible]s necessary, David Christian believes the Missouri Legislature will look favorably on passing the necessary laws to permit rate discounts since they are encouraging utilities to develop low income programs.

Missouri IRP Requirements - According to KCPL's IRP filing, we are committed to submitting a formal proposal for a low income program in December 1996. Public Counsel has repeatedly stated they support low income programs incorporating weatherization measures. This is an additional reason to include weatherization in KCPL's proposal.

STRATEGIC CONSIDERATIONS

Program Advantages for KCPL

Each of the three recommended program strategies accomplishes some of targeted program goals. The combination of the three strategies accomplishes all of these goals. The following matrix indicates the advantages of each program on a five point scale with the "5" indicating the highest advantage.

Low Income Program Advantages

Program Advantages	Weatherization Program	Vendor Payment Protection	Welfare-To-Work
Encourage Conservation	5	2	1
Encourage Timely Bill Pay.	1	5	5
Easy to Administer	5	4	3
Easy to Implement	5	2	1
Build Brand Equity	4	4	5
Reduce Internal Costs	1	5	3
Satisfy IRP Requirements	5	3	3
Program Totals	**26**	**25**	**21**

Program Barriers for KCPL

The two primary obstacles to implementing either the VPPP or WTW programs are obtaining the cooperation of the Division of Social Services (DSS) and the uncertainty surrounding welfare reform. The DSS has stated they are in the throes of welfare reform and want to wait until the structure of the system is more defined before embarking on a VPPP with KCPL. It became clear during a recent meeting between the DSS and KCPL that KCPL will need to work with the DSS and key legislators to pass welfare reform legislation favorable to the VPPP strategy.

MARKETING CONSIDEI :IONS

Each of the three program phases targets a different group of low income customers as shown below:

Program Name	Target Group	Est. No. of First Year Participants
Conservation Program	Low Income Elderly	100 to 150 Homes
Vendor Payment Program	State Income Maintenance Recipients	15% of 46,000 Eligible or 6,900
Welfare-To-Work	LINC WTW Participants	15% of 10,000 Eligible or 1,500

ECONOMIC CONSIDERATIONS

The inability of customers to pay their electric bills has significant economic implications for KCPL. The most obvious is, of course, lack of payment for energy consumed. Others include costs associated with customer service expense and credit and collection activities. All three of the recommended programs produce negative ten-year EVA's, all will reduce the amount of billable revenue and all will reduce internal operating costs. The EVA models assume these costs will not be recovered through rates.

The CP will result in permanent costs savings but will impact a smaller number of customers; the VPPP will result in the most significant cost savings for KCPL and benefit the highest number of customers; and the WTW Program will result in moderate cost savings but has the greatest potential to spotlight KCPL's support of low income customers. For the Conservation Program, the Tax Department believes KCPL may be able to obtain Neighborhood Assistance Program tax credits. These tax credits are available to encourage companies to implement programs which benefit society and are only available for programs implemented through a non-profit agency. These NAP credits markedly improve the short-term EVA for the Conservation Program. The economic impact of implementing each of the three program phases is summarized below.

Low ɔome Program Economic Impᴄ .s

Program Name	1st Year Revenue Reduction	1st Year Net Operating Savings	Ten Yr. EVA
Conservation Program (With NAP Credits)	$24,704	$16,026	($317,000)
Conservation Program (W/O NAP Credits)	$24,704	$16,026	($1,037,000)
Vendor Payment	$524,138	$509,036	($128,227)
Welfare-To-Work	$229,432	$111,410	($750,955)
Total w/NAP Credits	$778,274	$636,472	($1,196,232)

Obviously the two programs which provide the best financial return to KCPL are the Conservation Program with NAP credits and the VPPP which has significant operating cost savings.

CONCLUSION

The Low Income Program Team recommendation is to implement pilot programs for all three phases of the Low Income Program before the end of 1997. The process can begin by obtaining any necessary regulatory approval for the Conservation Program. Once KCPL management approves the VPPP and WTW program concepts, we can enlist the support of key legislators to pass welfare reform and rate discount legislation favorable to KCPL's program.