Exhibit No.:	
Issue:	*Annualized Sales for Energy Efficiency*
Witness:	*John A. Rogers*
Sponsoring Party:	*MO PSC Staff*
Type of Exhibit:	*Surrebuttal Testimony*
Case No.:	*ER-2016-0156*
Date Testimony Prepared:	*September 2, 2016*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

ENERGY RESOURCES

SURREBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2016-0156

Jefferson City, Missouri
September 2016

SURREBUTTAL TESTIMONY

OF

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KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2016-0156

Q. Please state your name and business address.

A. My name is John A. Rogers, and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position at the Missouri Public Service Commission ("Commission")?

A. I am a Utility Regulatory Manager in the Energy Resources Department of the Commission Staff Division.

Q. Please state your educational background and experience.

A. These are contained in Schedule JAR-s1.

Q. Would you please summarize the purpose of your surrebuttal testimony?

A. I discuss certain aspects of the rebuttal testimony of GMO's witness Tim M. Rush regarding GMO's adjustment to annualize kWh sales in this general rate case as a result of GMO's Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 1 demand-side programs. I explain why GMO's annualization of kWh in this rate case due to its Cycle 1 demand-side programs is prohibited under the Non-Unanimous Stipulation and Agreement Resolving KCP&L Greater Missouri Operations Company's MEEIA Filing on October 29, 2012 in Case No. EO-2012-0009 ("Cycle 1 Stipulation"), the Non-Unanimous Stipulation and

Agreement Resolving MEEIA Filings on November 23, 2015 in Case Nos. EO-2015-0240 and EO-2015-0241 ("Cycle 2 Stipulation) and GMO's Cycle 2 DSIM Rider.[1]

Only Cycle 2 demand-side programs can be used when annualizing kWh sales in accordance with GMO's Cycle 2 Stipulation and Cycle 2 DSIM Rider.

Q. Please respond to Mr. Rush's rebuttal testimony: "The language used in the MEEIA 2 Stipulation, "all active MEEIA programs", was purposefully broad to include MEEIA Cycle 1 and Cycle 2 programs. Nowhere in the stipulation did it exclude Cycle 1 or specify Cycle 2 as the only programs to be reflected in the adjustment."[2]

A. The language "all active MEEIA programs" in the Cycle 2 Stipulation[3] does not express or create an unintended opportunity for GMO to annualize kWh sales from its Cycle 1 demand-side programs. To the contrary, Cycle 1 demand-side programs are explicitly excluded from the annualization process in the Cycle 2 Stipulation and the Cycle 2 DSIM Rider because:

1. The language "all active MEEIA programs" occurs exactly four (4) times in the Cycle 2 Stipulation and all four (4) occurrences are in paragraph 10. Annualizations of the Cycle 2 Stipulation;

2. Paragraph 10 of the Cycle 2 Stipulation clearly specifies that the various steps to annualize kWh sales for "all active MEEIA programs" is the methodology in GMO's Tariff Sheets 138.4 and 138.5;

3. GMO's Tariff Sheets 138.4 and 138.5 refer only to "programs", "all programs" or "Cycle 2 programs" and do not refer to "all active programs," "all active MEEIA programs" or "Cycle 1 programs";

[1] KCP&L Greater Missouri Operations Company, P.S.C.MO. No. 1, Original Sheet Nos. 138 through 138.8.
[2] Rebuttal testimony of Tim M. Rush, page 5, lines 3 - 6.
[3] Cycle 2 Stipulation paragraph 10. Annualizations.

4. GMO's Tariff Sheet 138.5 explicitly defines "Programs" as Cycle 2 programs and does not include Cycle 1 programs: Programs – MEEIA Cycle 2 programs listed in Tariff Sheet R-3.01 and added in accordance with the Commission's rule 4 CSR 240-20.094(4); and,

5. GMO Tariff Sheet R-3.01 includes only GMO's MEEIA Cycle 2 demand-side programs and is provided as Schedule JAR-s2.

Other than Cycle 1's unrecovered balances being recovered through the Cycle 2 DSIM Rider, Cycle 1 and Cycle 2 are mutually exclusive of each other.

Q. Please respond to Mr. Rush's rebuttal testimony: "The [Cycle 2] Stipulation addresses both Cycle 1 and Cycle 2 in numerous places throughout the [Cycle 2] agreement."[4]

A. The Cycle 2 Stipulation addresses Cycle 1 in only two ways:

The first way the Cycle 2 Stipulation addresses Cycle 1 is that it provides for GMO's Cycle 1 unrecovered balances for Cycle 1 program costs and Cycle 1 throughput disincentive (TD-NSB Share), as well as any Commission-approved Cycle 1 performance incentive award, to be recovered over a 24-month period as set out in the Cycle 2 DSIM Rider. The Cycle 2 DSIM Rider is provided as Schedule JAR-s3 and contains numerous provisions for the collection of unrecovered balances for Cycle 1 to be recovered through the Cycle 2 DSIM Rider. For example Tariff Sheet 138 provides:

> Charges passed through this DSIM Rider reflect the charges approved to be collected from the implementation of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 2 Plan ***& any remaining unrecovered charges from the MEEIA Cycle 1 Plan DSIM***. Those charges include:
>
> 1) Program Costs, Throughput Disincentive (TO), and Earnings Opportunity Award (EO) ,if any, for the MEEIA Cycle 2 Plan; ***as well as, Program Costs and TD-NSB Share for any unrecovered balances from the MEEIA Cycle 1 Plan, as outlined in Stipulation & Agreement in Docket No E0-2015-0241 and any earned Performance Incentive earned (and ordered) attributable to MEEIA Cycle 1, as set out in Case No. E0-2012-0009.***

[4] Rebuttal testimony of Tim M. Rush, page 5, lines 7 – 9.

> 2) Reconciliations, with interest, to true-up for differences between the revenues billed under this DSIM Rider and total actual monthly amounts for:
>
> i) Program Costs incurred in Cycle 2 ***and/or remaining unrecovered amounts for MEEIA Cycle 1.***
>
> ii) TD incurred in Cycle 2, ***and/or remaining unrecovered amounts for MEEIA Cycle 1.***
>
> iii) ***Amortization of any Performance Incentive Award or Earnings Opportunity ordered by the Missouri Public Service Commission (Commission), as set out in E0-2012-0009*** or E0-2015-0241.

The second way the Cycle 2 Stipulation addresses Cycle 1 is that it provides a transition between Cycle 1 and Cycle 2 to accommodate the later completion of previously approved Cycle 1 C&I Custom Rebate program projects. Paragraph 12. Transition Between MEEIA Cycles of the Cycle 2 Stipulation includes in paragraph 12. a. the following schedule for completion of the Cycle 1 C&I Custom Rebate program:

> a. The last day to submit an application for the Cycle 1 C&I Custom Rebate program is December 15, 2015. The last day for approval of an application for the Cycle 1 C&I Custom Rebate program is January 31, 2016. The last day for completion of customer projects and submission of complete paperwork by customers is June 30, 2016. The final payment by KCP&L/GMO of rebates for all Cycle 1 projects is July 31, 2016.

Finally, the Cycle 2 Stipulation's paragraph 12. d. includes the following condition:

> d. ***Recovery of all Cycle 1 DSIM costs including all program costs, all throughput disincentive and any performance incentive for Cycle 1 C&I Custom Rebate program projects will be achieved through the Cycle 1 DSIM subject to prudence review for Cycle 1 DSIM costs.*** As the result of the agreements in this Stipulation, KCP&L and GMO shall use their respective Cycle 1 2015 DSMore files to calculate the Cycle 1 gross benefits to determine the TD-NSB for projects completed under the C&I Custom Rebate program between January 1, 2016 and June 30, 2016. These projects will be modeled in DSMore with a completion date of December 31, 2015. The Cycle 1 performance incentive amounts will result from full retrospective EM&V. [***Emphasis added.]***

Q. What do you conclude from your previous answer?

A. The relationship between Cycle 1's demand-side programs and DSIM and Cycle 2's demand-side programs and DSIM is very narrowly defined to include only the recovery of unrecovered Cycle 1 balances for program costs and for throughput disincentive and any Commission-approved Cycle 1 performance incentive award through the period of the Cycle 2 DSIM Rider. Other than Cycle 1's unrecovered balances being recovered through the Cycle 2 DSIM, Cycle 1 programs and Cycle 2 programs are mutually exclusive of each other. The Cycle 2 Stipulation and Cycle 2 DSIM Rider contain no provision for the annualization of Cycle 1 demand-side programs in this rate case proceeding.

GMO's Cycle 1 Throughput Disincentive Net Shared Benefit ("TD-NSB") does not and should not allow annualization of kWh sales due to Cycle 1 demand-side programs.

Q. What is the origin of GMO's TD-NSB and how does GMO's Cycle 1 TD-NSB work?

A. GMO modeled its Cycle 1 TD-NSB after Ameren Missouri's Cycle 1 TD-NSB. In fact, GMO received a copy of Ameren Missouri's Cycle 1 TD-NSB electronic work papers and modified those work papers to construct its own but similar Cycle 1 TD-NSB model. A general description of how the TD-NSB model works is contained in the Ameren Missouri 2013 – 2015 Energy Efficiency Plan[5] and is provided as Schedule JAR-s4. Figure 2.2 on page 4 of Schedule JAR-s4 demonstrates that for Ameren Missouri's 2013 – 2015 Energy Efficiency Plan, with general rate cases assumed to occur every 18 months, it is expected to take many years and several rate cases to properly capture the effects of energy efficiency in rates due to regulatory lag. Page 5 of Schedule JAR-s4 concludes with Ameren Missouri's general description of the TD-NSB model as follows:

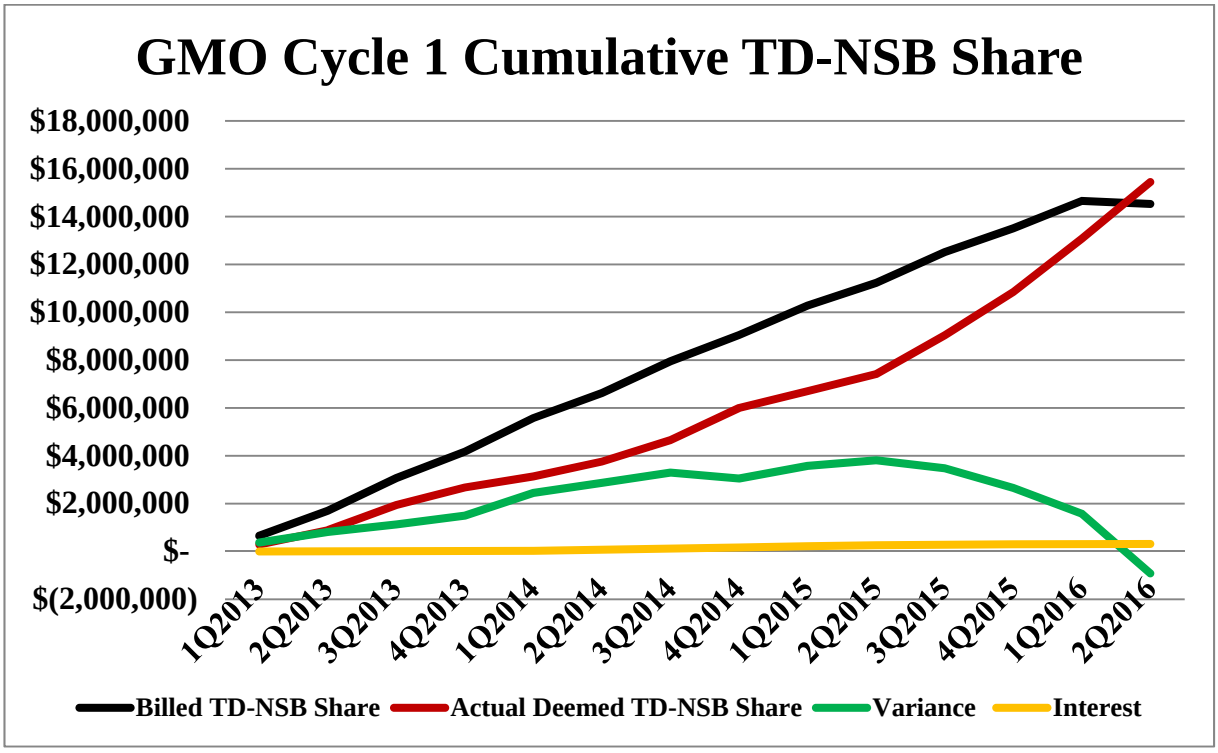
[5] Case No. EO-2012-0142.

> This [regulatory lag] effect dramatically delays the time in which the effects of energy efficiency programs are fully incorporated into rates. It is possible to mitigate this effect by annualizing the test year billing units for the effects of energy efficiency but this is not standard practice in Missouri. ***The analysis for Ameren Missouri's proposed DSIM does not assume the energy efficiency savings have been annualized for the test year.*** [***Emphasis added***]

GMO's Cycle 1 TD-NSB is a tracker mechanism which is described in paragraph 5. b. i., paragraph 6. b., and Appendix A of the Cycle 1 Stipulation. GMO's Cycle 1 Stipulation including Appendix A is included as Schedule JAR-s5. Appendix A of the Cycle 1 Stipulation explains the origin of the rates used to bill customers for the cost of GMO Cycle 1 TD-NSB. Specifically, referring to Appendix A, GMO's 2013 – 2015 Cycle 1 plan is modeled to have a throughput disincentive of $17.14 million over the 2013 – 2019 time period and the $17.14 million when discounted using GMO's 7.06% cost of capital has a net present value ("NPV") of $14.93 million. GMO's Cycle 1 plan included NPV program costs of $39,053,053, NPV benefits of $149,244,770 and NPV net benefits of $110,191,717. GMO's TD-NSB sharing percentage is 13.55% (= $14,930,000 / $110,191,717). The rates used to bill customers for 90% of GMO's cycle 1 throughput disincentive were approved as part of GMO's Cycle 1 tracker mechanism in Case No. ER-2012-0175 and are $0.00215 per kWh for residential customers and $0.00264 for business customers. Paragraph 5. b. i. of the Cycle 1 Stipulation provides additional requirements for the monthly accounting for the TD-NSB amounts while paragraph 6. b. of the Cycle 1 Stipulation provides requirements for the true-up of the TD-NSB over- or under-collected amounts with interest.

Q. Has GMO's Cycle 1 TD-NSB recovery mechanism allowed GMO to recover its Cycle 1 throughput disincentive?

A. Yes. The quarter by quarter history of GMO's Cycle 1 TD-NSB is presented in the following chart developed by Staff from GMO's work papers for GMO's Surveillance Monitoring Report for the period ending June 30, 2016 (see Schedule JAR-s6).



This chart illustrates that for Cycle 1's first fifteen (15) quarters, GMO's cumulative billed TD-NSB Share exceed its cumulative actual deemed TD-NSB Share. Only in the second quarter of 2016 (the last quarter of Cycle 1's C&I Customer Rebate program) did GMO's cumulative actual deemed TD-NSB Share exceed its cumulative billed TD-NSB Share and this occurred only because GMO stopped billing under its Cycle 1 tracker and began billing under its Cycle 2 DSIM Rider.

Q. Does the GMO's Cycle 1 Stipulation explicitly include a provision for the annualization of kWh sales in GMO's general rate cases to account for the impact of Cycle 1 demand-side programs?

A. No.

Q. Why not?

A. As explained earlier in this testimony, the TD-NSB in Appendix A of the Cycle 1 Stipulation is designed to compensate GMO during the 2013 – 2015 time period for the present value of GMO Cycle 1 throughput disincentive which is expected to occur during 2013 – 2019 time period without any annualization of kWh sales in its general rate cases.

Q. Is Ameren Missouri requesting annualization of kWh sales in its current general rate case (Case No. ER-2016-0179) due to its Cycle 1 demand-side programs?

A. No. Ameren Missouri's Cycle 1 throughput disincentive DSIM does not assume the energy efficiency savings have been annualized for the test year of future general rate cases.

Q. Do you have any further surrebuttal testimony?

A. No.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service	))))	Case No. ER-2016-0156

AFFIDAVIT OF JOHN A. ROGERS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JOHN A. ROGERS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

John A Rogers
JOHN A. ROGERS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of August, 2016.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070

D Suzie Mankin
Notary Public

Educational Background and Work Experience of John A. Rogers

I have a Master of Business Administration degree from the University of San Diego and a Bachelor of Science degree in Engineering Science from the University of Notre Dame. My work experience includes 34 years in energy utility engineering, system operations, strategic planning, regulatory affairs, general management and management consulting. From 1974 to 1985, I was employed by San Diego Gas & Electric with responsibilities in gas engineering, gas system planning and gas operations. From 1985 to 2000, I was employed by Citizens Utilities primarily in leadership roles for gas operations in Arizona, Colorado and Louisiana. From 2000 to 2003, I was an executive consultant for Convergent Group (a division of Schlumberger) providing management consulting services to energy utilities. From 2004 to 2008, I was employed by Arkansas Western Gas and was responsible for strategic planning and resource planning. I have provided expert testimony before the California Public Utilities Commission, Arizona Corporation Commission, Arkansas Public Service Commission and Missouri Public Service Commission in general rate cases, applications for special projects, gas resource plan filings, electric resource plan filings, demand-side management programs and demand-side programs investment mechanism cases. I have been employed by the Missouri Public Service Commission since December 2008 and am responsible for the Commission Staff's review of and recommendations concerning electric utility resource planning, demand-side management programs, demand-side programs investment mechanisms, and fuel adjustment clauses.

John A. Rogers
Testimony, Reports and Rulemakings

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

File Number	Company	Issues
ER-2010-0036	Ameren Missouri	Fuel Adjustment Clause Demand-Side Programs (DSM) DSM Cost Recovery
EX-2010-0368 EW-2010-0254	Missouri Public Service Commission	Missouri Energy Efficiency Investment Act Rulemaking
EX-2010-0254 EW-2009-0412	Missouri Public Service Commission	Electric Utility Resource Planning Rulemaking
EO-2009-0237	KCP&L Greater Missouri Operations Company	Electric Utility Resource Planning Compliance Filing
ER-2009-0090	KCP&L Greater Missouri Operations Company	Fuel Adjustment Clause
ER-2010-0355	Kansas City Power and Light	DSM Cost Recovery Fuel Switching
ER-2010-0356	KCP&L Greater Missouri Operations Company	Fuel Adjustment Clause DSM Cost Recovery Fuel Switching
AO-2011-0035	All Electric Utilities	DSM Status Report
EO-2011-0066	Empire District Electric Company	Electric Utility Resource Planning Compliance Filing
ER-2011-0028	Ameren Missouri	DSM Cost Recovery
EO-2011-0271	Ameren Missouri	Electric Utility Resource Planning Compliance Filing
EO-2012-0009	KCP&L Greater Missouri Operations Company	Demand-side Programs Investment Mechanism
EO-2012-0142	Ameren Missouri	Demand-side Programs Investment Mechanism

John A. Rogers
Testimony, Reports and Rulemakings

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION (cont.)

File Number	Company	Issues
ER-2012-0166	Ameren Missouri	DSM Cost Recovery Demand-side Programs Investment Mechanism
ER-2012-0174	Kansas City Power & Light Co.	DSM Cost Recovery
ER-2012-0175	KCP&L Greater Missouri Operations Company	DSM Cost Recovery Demand-side Programs Investment Mechanism
ER-2012-0345	Empire District Electric Co.	DSM Cost Recovery
EO-2012-0323	Kansas City Power & Light	Electric Utility Resource Planning Compliance Filing
EO-2012-0324	KCP&L Greater Missouri Operations Company	Electric Utility Resource Planning Compliance Filing
EO-2013-0537	Kansas City Power & Light Co.	Electric Utility Resource Planning Annual Update
EO-2013-0538	KCP&L Greater Missouri Operations Company	Electric Utility Resource Planning Annual Update
EO-2013-0547	Empire District Electric Company	Electric Utility Resource Planning Compliance Filing
EX-2014-0205	Dogwood Energy, LLC	Rulemaking Petition
EO-2014-0095	Kansas City Power & Light Co.	Demand-side Programs Investment Mechanism
EO-2015-0084	Ameren Missouri	Electric Utility Resource Planning Compliance Filing
EO-2015-0254	Kansas City Power & Light Co.	Electric Utility Resource Planning Compliance Filing
EO-2015-0252	KCP&L Greater Missouri Operations Company	Electric Utility Resource Planning Compliance Filing

John A. Rogers
Testimony, Reports and Rulemakings

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION (cont.)

File Number	Company	Issues
EO-2015-0055	Ameren Missouri	Demand-side Programs Investment Mechanism
EO-2015-0240	Kansas City Power & Light Co.	Demand-side Programs Investment Mechanism
EO-2015-0241	KCP&L Greater Missouri Operations Company	Demand-side Programs Investment Mechanism
EO-2016-0223	Empire District Electric Company	Electric Utility Resource Planning Compliance Filing

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

Docket Number	Company	Issues
07-079-TF	Arkansas Western Gas	Arkansas Weatherization Program
07-078-TF	Arkansas Western Gas	Initial Energy Efficiency Programs
07-041-P	Arkansas Western Gas	Special Contract
06-028-R	Arkansas Western Gas	Resource Planning Guidelines for Electric Utilities
05-111-P	Arkansas Western Gas	Gas Conservation Home Weatherization Program

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No.	1	1st	Revised Sheet No. R-3.01
Canceling P.S.C. MO. No.	1		Original Sheet No. R-3.01

KCP&L Greater Missouri Operations Company For All Territory Served as L&P and MPS
KANSAS CITY, MO 64106

RULES AND REGULATIONS
ELECTRIC

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM

APPLICABILITY:

This rider is applicable to all non-lighting kilowatt-hours (kWh) of energy supplied to customers under the Company's retail rate schedules, excluding kWh of energy supplied to "opt-out" customers.

Charges passed through this DSIM Rider reflect the charges approved to be collected from the implementation of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 2 Plan & any remaining unrecovered charges from the MEEIA Cycle 1 Plan DSIM. Those charges include:

1) Program Costs, Throughput Disincentive (TD), and Earnings Opportunity Award (EO) ,if any, for the MEEIA Cycle 2 Plan; as well as, Program Costs and TD-NSB Share for any unrecovered balances from the MEEIA Cycle 1 Plan, as outlined in Stipulation & Agreement in Docket No EO-2015-0241 and any earned Performance Incentive earned (and ordered) attributable to MEEIA Cycle 1, as set out in Case No. EO-2012-0009.
2) Reconciliations, with interest, to true-up for differences between the revenues billed under this DSIM Rider and total actual monthly amounts for:
   i) Program Costs incurred in Cycle 2 and/or remaining unrecovered amounts for MEEIA Cycle 1.
   ii) TD incurred in Cycle 2, and/or remaining unrecovered amounts for MEEIA Cycle 1.
   iii) Amortization of any Performance Incentive Award or Earnings Opportunity ordered by the Missouri Public Service Commission (Commission), as set out in EO-2012-0009 or EO-2015-0241.
3) Any Ordered Adjustments. Charges under this DSIM Rider shall continue after the anticipated 36 month plan period of MEEIA Cycle 2 until such time as the charges described in items 1) and 2) above have been billed.

Charges arising from the MEEIA Cycle 2 Plan that are the subject of this DSIM Rider shall be reflected in one "DSIM Charge" on customers' bills in combination with any charges arising from a rider that is applicable to post-MEEIA Cycle 2 Plan demand-side management programs approved under the MEEIA. This may also include any unrecovered amounts for Program Costs, TD-NSB Share from MEEIA Cycle 1 and any Performance Incentive, etc. earned/remaining from MEEIA Cycle 1 that is expected to begin payout in January 2017. The Cycle 1 Performance Incentive Award methodology can be found in the October 29, 2012 Non-Unanimous Stipulation & Agreement found in EO-2012-0009.

DEFINITIONS:

As used in this DSIM Rider, the following definitions shall apply:

"Company's Throughput Disincentive (TD) is meant to represent the utility's lost margins associated with the successful implementation of the MEEIA programs. The detailed methodology for calculating the TD is described beginning in Tariff Sheet No. 138.4.

"Effective Period" (EP) means the six (6) months beginning with January of 2016, and each six month period there-after.

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

"Evaluation Measurement & Verification (EM&V) means the performance of studies and activities intended to evaluate the process of the utility's program delivery and oversight and to estimate and/or verify the estimated actual energy and demand savings, utility lost revenue, cost effectiveness, and other effects from demand-side programs.

"Incentive" means any consideration provided by the Company, including buy downs, markdowns,rebates, bill credits, payments to third parties, direct installation, giveaways, and education, which encourages the adoption of program measures.

"MEEIA Cycle 1 Plan" consists of the 12 demand-side programs and the DSIM (including Program Costs, TD-NSB Share, Performance Incentive, etc.) described in the approved MEEIA Cycle 1 Filing in Docket No. EO-2012-0009 and its corresponding tariffs.

"MEEIA Cycle 2 Plan" consists of the 16 demand-side programs and the DSIM described in the MEEIA Cycle 2 Filing, which became effective following Commission order and approval of the MEEIA Cycle 2 Plan under Docket No EO-2015-0241.

"Program Costs" means any prudently incurred program expenditures, including such items as program planning, program design; administration; delivery; end-use measures and incentive payments; advertising expense; evaluation, measurement, and verification; market potential studies; and work on a statewide technical resource manual.

"Cycle 2 Earnings Opportunity" (EO) means the incentive ordered by the Commission based on actual performance verified through EM&V against planned targets. The Company's EO will be $10.4M if 100% achievement of the planned targets are met. EO is capped at $20.0M, which reflects adjustment for TD verified by EM&V. Potential Earnings Opportunity adjustments are described on Sheet No. 138.6. The Earnings Opportunity Matrix outlining the payout rates, weightings, and caps can be found in 138.8.

"Short term Borrowing Rate" means the daily one month USD LIBOR rate, using the last actual rate for weekends and holidays or dates without an available LIBOR rate, plus (ii) the Applicable Margin for Eurodollar Advances as defined in the Pricing Schedule of the current GMO Revolving Credit Agreement. A simple mathematical average of all the daily rates for the month is then computed.

"AFUDC Rate" means the Allowance for Funds Used During Construction rate computed in accordance with the formula prescribed in the Code of Federal Regulations Title 18, Part 101.

Recovery Period (RP) includes the day the DSIM Rider Tariff becomes effective through July 31, 2016 and each six month period thereafter.

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

DETERMINATION OF DSIM RATES:

The DSIM during each applicable EP is a dollar per kWh rate for each rate schedule calculated as follows: DSIM = [NPC + NTD + NEO + NOA]/PE

Where:

NPC = Net Program Costs for the applicable EP as defined below,

NPC = PPC + PCR

PPC = Projected Program Costs is an amount equal to Program Costs projected by the Company to be incurred during the applicable EP, including any unrecovered Cycle 1 Program Costs that will utilize an amortization as outlined in Stipulation & Agreement filed in Docket EO-2015-0241.

PCR = Program Costs Reconciliation is equal to the cumulative difference, if any, between the PPC revenues billed resulting from the application of the DSIM through the end of the previous EP and the actual Program Costs incurred through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short- Term Borrowing Rate.

NTD = Net Throughput Disincentive for the applicable EP as defined below,

NTD = PTD + TDR

PTD = Projected Throughput Disincentive is the Company's TD projected by the Company to be incurred during the applicable EP, including any any unrecovered Cycle 1 TD-NSB that will utilize an amortization as outlined in Stipulation & Agreement filed in Docket No. EO-2015-0241. For the detailed methodology for calculating the TD, see Sheet 138.4.

TDR = Throughput Disincentive Reconciliation is equal to the cumulative difference, if any, between the PTD revenues billed during the previous EP resulting from the application of the DSIM and the Company's TD through the end of the previous EP calculated pursuant to the MEEIA Cycle 1 or 2 application, as applicable(which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under- balances at the Company's monthly Short-Term Borrowing Rate.

NEO = Net Earnings Opportunity for the applicable EP as defined below,

NEO = EO + EOR

EO = Earnings Opportunity is equal to the Earnings Opportunity Award monthly amortization multiplied by the number of billing months in the applicable EP.

The monthly amortization shall be determined by dividing the Earnings Opportunity Award by the number of billing months from the billing month of the first DSIM after the determination of the Earnings Opportunity Award and 24 calendar months following that first billing month.

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

EOR = Earnings Opportunity Reconciliation is equal to the cumulative difference, if any, between the EO revenues billed during the previous EP resulting from the application of the DSIM and the monthly amortization of the Performance Incentive Award through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under- balances at the Company's monthly Short-Term Borrowing Rate.

NOA = Net Ordered Adjustment for the applicable EP as defined below,

$$NOA = OA + OAR$$

OA = Ordered Adjustment is the amount of any adjustment to the DSIM ordered by the Commission as a result of prudence reviews and/or corrections under this DSIM Rider. Such amounts shall include monthly interest at the Company's monthly Short-Term Borrowing Rate.

OAR = Ordered Adjustment Reconciliation is equal to the cumulative difference, if any, between the OA revenues billed during the previous EP resulting from the application of the DSIM and the actual OA ordered by the Commission through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short- Term Borrowing Rate.

PE = Projected Energy, in kWh, forecasted to be delivered to the customers to which the DSIM Rider applies during the applicable RP.

The DSIM components and total DSIM applicable to the individual rate schedules shall be rounded to the nearest $0.00001.

Allocation of costs for each rate schedule for the MEEIA Cycle 1 Plan will be made in accordance with the Stipulation in Docket No EO-2012-0009. MEEIA Cycle 2 Plans will be allocated as outlined in the Stipulation in Docket No EO-2015-0241.

This DSIM Rider shall not be applicable to customers that have satisfied the opt-out provisions contained in Section 393. Section 393.1075.7, RSMo.1075.7, RSMo.

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

CALCULATION OF TD:

Monthly Throughput Disincentive = the sum of the Throughput Disincentive Calculation for all programs applicable to (1) Residential and (2) Non-Residential customers.

For purposes of this tariff, the term "Residential Class" and "Non-Residential Class" shall refer to the rates as outlined in Table of Contents, Sheet No 1 and 2. Residential Class includes General Use and Electric Space Heating, Other Use, Space Heating/Water Heating-Separate Meter Frozen and Residential Service Time-Of-Day. Non-Residential Class all categories under General Service, Large General Service, Large Power Service, Gemneral Service Time-Of-Day, Thermal energy Storage Pilot Program Frozen, Real-Time Price Program and Special Contract Rate. All classes include both L&P and MPS territories.

Throughput Disincentive Calculation
The Throughput Disincentive Calculation for each program shall be determined by the formula:

$$TD\$ = MS \times NMR \times NTGF$$

Where:

TD$ = Throughput Disincentive Dollars to be collected for a given calendar month, for a given class.

RB = Rebasing Adjustment. The Rebasing Adjustment shall equal the CAS applicable as of the date used for the MEEIA normalization in any general rate case resulting in new rates becoming effective during the accrual and collection of TD$ pursuant to this MEEIA Cycle 2. In the event more than one general rate case resulting in new rates becoming effective during the accrual and collection of TD$ pursuant to this MEEIA Cycle 2, the Rebasing Adjustment shall include each and every prior Rebasing Adjustment calculation..

LS = Load Shape. The Load Shape is the monthly loadshape percent for each program, (attached as Appendix G to the Stipulation filed in EO-2015-0241).

NMR = Net Margin Revenue. Net Margin revenue values for each class are provided on Tariff Sheet No.138.8.

NTGF = Net to Gross Factor. The Net to Gross Factor is 0.85.

MS = The sum of all Programs' Monthly Savings in kWh, for a given month, for a given class. The Monthly Savings in kWh for each Program shall be determined by the formula:

$$MS = (MAS_{CM} + CAS_{PM} - RB) \times LS + HER$$

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

CALCULATION OF TD (Cont.):

Where:

MC = Measure Count. Measure Count, for a given month, for a given class, for each measure is the number of each measure installed in the current calendar month.

ME = Measure Energy. Measure Energy will be determined is given as follows, for each Measure:

a. Prior to finalization of EM&V for Cycle 2, Year 1 programs, for Measures not listed under those programs listed in (c) below , the ME is the annual total of normalized savings for each measure at customer meter per measure defined in the TRM (attached as Appendix F to the Stipulation filed in EO-2015-0241).
b. After finalization of EM&V for Cycle 2, Year 1 programs, for Measures not listed under those programs listed in (c) below , the ME is the annual total of normalized savings for each measure at customer meter per measure defined in the updated TRM (which will be updated based on EM&V ex-post gross adjustments determined for Year 1 no later than 24 months after the commencement of Cycle 2).
c. For Measures Business Energy Efficiency Rebate – Custom, Strategic Energy Management, Block Bidding , Whole House Efficiency, Income-Eligible Multi-Family, the ME will be the annual value attributable to the installations reported monthly by the program implementer.

MAS = The sum of MC multiplied by ME for all measures in a program in the current calendar month.

CAS = Cumulative sum of MAS for each program for MEEIA Cycle 2

CM = Current calendar month

PM = Prior calendar month

HER = Monthly kWh savings for the Home Energy Reports program measured and reported monthly by the program implementer.

Measure – Energy efficiency measures described for each program attached as Appendix A.

Programs – MEEIA Cycle 2 programs listed in Tariff Sheet No. R-3.01and added in accordance with the Commission's rule 4 CSR 240-20.094(4).

TRM – Company Technical Resource Manual (attached as Appendix F) and updated based on EM&V ex-post gross adjustments determined for Year 1 no later than 24 months after the commencement of Cycle 2.

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

Earnings Opportunity Adjustments

The Earnings Opportunity shall be adjusted for the difference between the TD$ billed and what the TD$ billed would have been if:

(1) The ME used in the calculation were the normalized savings for each measure at customer meter per measure determined through EM&V ex-post gross analysis for each program year, and,
(2) The NTGF used in the calculation was the net-to-gross values determined through EM&V, except that if the NTG value determined through EM&V is less than 0.80, the recalculation shall use 0.80 and if the NTG value determined through EM&V is greater than 1.0, the recalculation shall use 1.0.
(3) If the above adjustments are greater than the otherwise applicable Earnings Opportunity, these adjustments shall be limited to the value of the otherwise applicable Earnings Opportunity.
(4) If the above adjustments plus the otherwise applicable Earnings Opportunity, are greater than $20M, these adjustments shall be limited to the difference between the otherwise applicable Earnings Opportunity and $20M.

Other DSIM Provisions

COMPANY shall file an update to NMR rates by month by class contemporaneous with filing any compliance tariff sheets in any general rate case reflecting the rates set in that case, and the billing determinants used in setting rates in that case.

Annual kWh savings per measure will be updated prospectively in KCP&L/GMO's TRM no later than 24 months after the commencement of the Plan based on EM&V ex-post gross adjustments determined for Year 1.

KCP&L/GMO shall each file a general rate case at some point before the end of year 5 of the Cycle 2 period to address the TD through the rebasing of revenues used to establish base rates, and if KCP&L/GMO fails to do so, the accrual and collection of the TD terminates beginning in year 6 of the Cycle 2 period. The Signatories agree that the filing of a rate case by each company utilizing an update or true-up period that ends between 30 months and 60 months after the effective date of the tariffs implementing MEEIA Cycle 2 satisfies this requirement.

FILING:

After the initial DSIM Rider rate adjustment filing, the Company shall make a DSIM Rider rate adjustment filing to take effect each August and February under the Term of this MEEIA Rider. DSIM Rider rate adjustment filings shall be made at least sixty (60) days prior to their effective dates.

PRUDENCE REVIEWS:

A prudence review shall be conducted no less frequently than at twenty-four (24) month intervals in accordance with 4 CSR 240-20.093(10). Any costs, which are determined by the Commission to have been imprudently incurred or incurred in violation of the terms of this DSIM Rider, shall be returned to customers through an adjustment in the next DSIM Rider rate adjustment filing and reflected in factor OA above.

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

Discontinuing the DSIM:

The Company reserves the right to discontinue the entire MEEIA Cycle 2 portfolio, if the Company determines that implementation of such programs is no longer reasonable due to changed factors or circumstances that have materially and negatively impacted the economic viability of such programs as determined by the Company, upon no less than thirty days' notice to the Commission. As a result of these changes, the Company may file to discontinue this DSIM. Similar to Program discontinuance, the Company would file a notice indicating that it is discontinuing the DSIM Rider. This notice would include a methodology for recovery of any unrecovered Program Costs and TD.

DEMAND SIDE INVESTMENT MECHANISM CHARGE:

Effective upon Commission approval in Case No. EO-2015-0241 of MEEIA Cycle 2 Filing.

Current DSIM Components

Rate Schedule	NPC/PE ($/kWh)	NTD/PE ($/kWh)	NEO/PE ($/kWh)	NOA/PE ($/kWh)	DSIM Charge* ($/kWh)
Residential Service	$0.00138	$0.00024	$0.00000	$0.00000	$0.00162
Non- Residential Service	$0.00544	$0.00045	$0.00000	$0.00000	$0.00589

Reconciliation of Base DSIM and DSIM Charge

Rate Schedule	Base DSIM* ($/kWh)	Adjustment ($/kWh)	DSIM Charge* ($/kWh)
Residential Service	$0.00311	$(0.00149)	$0.00162
Non- Residential Service	$0.00202	$0.00387	$0.00589

*It is the intent of the Company to remove the Base DSIM ($/kWh) from base tariffs in the Company's next rate case. At such time as the Base DSIM ($kWh) in base rates is removed, the DSIM Charge ($/kWh) shall continue under this tariff and the rate shall be as identified above.

- DSIM Charge ($/kWh) per Case No. EO-2015-0241 (MEEIA Cycle 2) effective April 1, 2016. The DSIM Charge includes any over / under recovery of the Base DSIM rate.
- Base DSIM ($/kWh) per Case No. EO-2012-0009 as reflected in each base rate tariff sheet.

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

Net Margin Revenue Rates by Rate Class by Month & Earnings Opportunity Matrix:

	January	February	March	April	May	June	July	August	September	October	November	December
RES Margin less fuel	$0.04213	$0.04346	$0.04341	$0.05014	$0.05415	$0.09378	$0.09496	$0.09506	$0.09500	$0.05233	$0.05109	$0.04383
SGS Margin less fuel	$0.04105	$0.04199	$0.04167	$0.04438	$0.04512	$0.06367	$0.06163	$0.06159	$0.06179	$0.04328	$0.04447	$0.04169
LGS Margin less fuel	$0.02868	$0.02884	$0.02870	$0.02924	$0.02928	$0.03831	$0.03776	$0.03771	$0.03805	$0.02883	$0.02932	$0.02896
LP Margin less fuel	$0.01782	$0.01796	$0.01811	$0.01806	$0.01815	$0.02081	$0.02059	$0.02053	$0.02040	$0.01784	$0.01822	$0.01788

	GMO						
Proposed Metric	Payout rate	Payout unit	% of Target EO	GMO 100% payout	GMO Cap	Cap/100% Multiplier	Target @ 100%
Opower: criteria will be effective, prudent spend of budget	*N/A*		5.06%	**$525,000**	$525,000		
EE & Tstat MWh (Excl. Opower, DRI, & IEMF): criteria will be the cumulative of the 1st yr incremental MWh during the 3 year plan	$12.97	$/MWh	19.17%	**$1,990,436**	$2,587,567	130%	153,464.602
EE Coincident MW (Excl. Opower,DRI, Tstat, & IEMF): criteria will be cumulative of the 1st year MW reduction during the 3 year plan, coincident with system peak	$122,507.02	$/MW	33.40%	**$3,468,419**	$5,202,628	150%	28.312
Thermostat MW impact: criteria will be cumulative of the MW reduction during 3 year plan, coincident with system peak	$92,799.91	$/MW	15.17%	**$1,575,000**	$2,362,500	150%	16.972
DR Incentive (DRI) MW of Ramping (growth from year 1 planned to year 3 actual) (year 1 is 10 MW - KCP&L-MO and 20 MW in GMO)	$75,000.00	$/MW	25.28%	**$2,625,000**	$3,412,500	130%	35.000
Income Eligible Multi-Family (IEMF): criteria will be effective, prudent spend of budget	*N/A*		1.93%	**$200,000**	$200,000		
			100%	**$10,383,855**	**$14,290,195**		
Total Cap Including TD Adjustments					**$20,000,000**		

Note:
1. Targets based on cumulative savings at the meter
2. The payout rate will be multiplied by the payout unit up to the maximum
3. MWh & MW targets are rounded to the nearest kWh & kW
4. Payout rate rounded to the nearest $0.01

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Issued by: Darrin R. Ives, Vice President

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Service Commission
EO-2015-0241; YE-2016-0232

distinguish between the legitimate benefits of energy efficiency that reduce the revenue requirement and the regulatory lag "savings" associated with the ratemaking process. Those regulatory lag "savings" represent a windfall to customers since energy efficiency does not reduce fixed costs between rate cases. Those extra "savings" are a major economic barrier to the implementation of energy efficiency which, unless removed, will ultimately prevent the customers from realizing the benefits associated with energy efficiency. Notice that even after providing fixed cost recovery to the utility, customers still benefit compared to the No DSM case. In fact, the TRC analysis of energy efficiency programs demonstrates that energy efficiency programs provide benefits of more than twice the costs when correctly excluding the extra regulatory lag "savings". Therefore, the mitigation of the throughput disincentive in no way diminishes the benefits of energy efficiency since those benefits are solely based on the legitimate reduction in ongoing revenue requirements. The unintentional effect that regulatory lag has on fixed cost recovery is not a legitimate benefit of energy efficiency but is a very real barrier to implementation of energy efficiency.

Finally, to illustrate the point further it is constructive to imagine a case where all fixed costs are collected in the customer charge. This is typically referred to as Straight-Fixed Variable rate design and is more common for natural gas utilities. In the context of Figure 2.1, the fixed system costs (blue bars) would be zero and the customer charge (green bars) would increase sustainably to include all fixed system costs. As a hypothetical situation, it is apparent that when fixed costs are not being collected in kWh related charges the economic disincentive to reducing sales through energy efficiency is eliminated. So whatever the form of the mitigating mechanism, the outcome is the same; that is, customers retain the true benefits of energy efficiency and the utility recovers its fixed system costs.

2.2 Throughput Disincentive

The throughput disincentive is a result of the traditional regulated utility business model in which the utility's revenues are linked to its sales or "throughput," creating a financial disincentive for the utility to engage in any activity that could reduce sales, such as promoting energy efficiency programs.

Traditional ratemaking is intended to allow utilities to recover both their fixed and variable costs and earn a fair return on their investments. Variable costs are those that vary with the production of energy, such as the cost of fuel and purchased power, while fixed costs are associated with activities that do not vary with energy production, like the cost of a plant, plant addition, environmental upgrades and new substations or extending distribution or transmission lines. The Fuel Adjustment Clause ("FAC") governs the over- or under-collection of the Company's variable costs, while the fixed costs are largely collected using a variable rate, expressed as ¢/kWh or a combination

of ¢/kWh and $/kW, applied to weather normalized and "static" test year sales. The rates developed based on this snapshot of the relationship between the revenue requirement and sales will remain unchanged until the utility's next rate case.

Ignoring the customer charge, for the sake of illustration, it is important to understand that outside of a rate case, in a future period, the utility's actual revenue will be determined by the variable rate (developed based on the snapshot of test year sales), multiplied by the actual amount of electricity sales. Under traditional ratemaking, if retail electricity sales increase beyond the level used to develop the utility's rates, the utility keeps the additional revenue. This creates an incentive for the utility to maximize the "throughput," or sales. Typically, the additional revenues are not simply a bonus to the utility but rather an offset to the rising costs of service, like wages and general material costs, between rate cases. Thus, a traditional ratemaking framework does not align the utility's financial incentives with helping customers use energy more efficiently, because cost recovery and fair returns on investment are achieved by selling volumes of electricity.

The implementation of energy efficiency programs causes a decrease in electricity sales, which causes the utility to lose revenue that it would have otherwise collected. But even more importantly, it prevents the utility from recovering a portion of its fixed costs. Any increase in regulatory lag and/or time between rate cases amplifies the disincentive for a utility to support a reduction in sales volume It is also important to recognize that utility sponsored programs are only one source of fixed cost recovery erosion. To fully align utility incentives such that the utility can partner with third party energy efficiency or conservation efforts, the throughput disincentive must be adequately addressed.

Energy efficiency is unique as a source of sales variation because it is only associated with downward pressure on electricity sales. Other causes of sales variation, like weather and the economy, can cause both increases and decreases to sales volumes. Another unique aspect of energy efficiency is that although it can happen naturally, there are ways to induce it. In this case we are discussing the impacts of utility-run programs, but other sources that can induce energy efficiency include programs run by government agencies, building efficiency codes, and appliance efficiency standards. This is in contrast to other sources of variation, like the weather and the economy, which are clearly outside the control of the utility and any other single party.

Having defined the throughput disincentive above, there are three main factors that drive the magnitude of the throughput disincentive. First is rate design. Designing rates to recover fixed costs through volumetric charges is the origin of the throughput disincentive. As the percentage of revenues collected through volumetric charges decreases, so does the throughput disincentive. The duration of time between rate

cases is another driver of the throughput disincentive, since the negative financial impact of reduced kWh sales due to energy efficiency savings compounds quickly between rate cases. The third main factor that drives the throughput disincentive is the expansion rate of energy efficiency programs. As energy efficiency programs and their resultant energy savings grow rapidly, the effects between rate cases compound rapidly, creating greater financial disincentive.

As mentioned previously, rate design is a main component to the throughput disincentive. Ameren Missouri's current rate design collects a vast majority of its fixed costs through volumetric rates. For example, 90% of residential fixed costs are collected in volumetric rates. The percentages for the other rate classes are similar. This heightens the sensitivity of utility earnings to sales volumes and amplifies the challenge of sustainable energy efficiency program implementation.

Figure 2.2 illustrates how the throughput disincentive is manifested through the ratemaking process. The analysis assumes rate cases are filed every 18 months, although the actual rate case timing will be determined as necessary. The solid lines represent rate effective dates and the dotted lines represent the test year end dates with each rate case represented by a different color. The shaded area represents the magnitude of throughput disincentive. The chart also includes the quantification of the throughput disincentive, which is experienced between rate cases. If Ameren Missouri were to implement the proposed Realistic Achievable Potential portfolio of programs over 2013-2015, absent a mechanism to address the throughput disincentive, it would collect approximately $105 million less fixed cost revenue from 2013 through 2018 than without its energy efficiency programs. The choppiness of the throughput disincentive is a reflection of seasonal rates and energy savings. This clearly is a severe impediment to the opportunity for the Company to earn its allowed return on equity. Again, the additional revenues are not a bonus to the utility but rather an offset to the rising costs of service, like costs associated with the Company's continued substantial capital investments in its system, and wages and general material costs, between rate cases. Furthermore, the plain and simple economic signal associated with the current rate design and regulatory mechanisms is to minimize spending on energy efficiency[9].

[9] Case No. ER-2011-0028, *Report and Order*, p. 37

Figure 2.2 Depiction of Throughput Disincentive

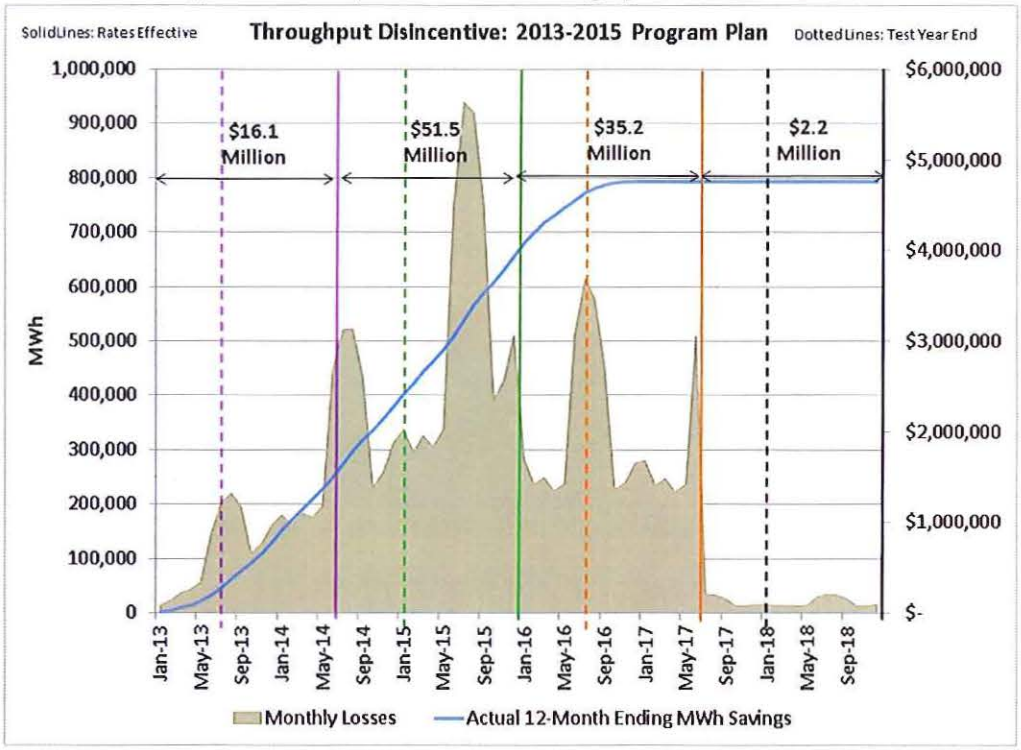

Figure 2.3 further illustrates the issue. The crux of the figure is to demonstrate that it takes many years and several rate cases to properly capture the effects of energy efficiency in rates. Although the effects of energy efficiency are eventually included in rates, the losses between rate cases are permanent and unrecoverable. The historical test year lag introduces a disconnect between the amount of savings being achieved and the amount included in the calculation of the existing rates. The red line represents the energy efficiency savings included in rates while the blue line represents the actual energy efficiency savings. The large "steps" in the red line are a reflection of an increase in the savings included in rates associated with rate cases. The shaded blue area highlights the significant differences between the energy savings actually occurring and the energy savings embedded in rates at any given time. Even when new rates go into effect, they do not incorporate all of the savings achieved up to that point, which reflects the regulatory lag of a historical test year. Eventually, over the course of many years and multiple rate cases, all energy savings are reflected in rates. If the red line were directly on top of the blue line then the throughput disincentive would be eliminated. The distance between the two lines in any given month is an indication of the magnitude of the utility's financial losses. For example, in May 2015, there would be approximately 50,000 MWh of energy efficiency savings in rates but there would be 500,000 MWh of actual energy efficiency savings. The utility would permanently lose revenues on the 450,000 MWh difference between the actual savings and the savings included in rates.

Figure 2.3 Billing Unit Regulatory Lag

The regulatory lag effect illustrated in Figure 2.3 is important to the accurate analysis of energy efficiency and the proper alignment of utility incentives and customer interests. When rates are set they are based on the revenue requirement and billing units from a historical test year. Using a historical test year introduces one layer of regulatory lag but there is another layer associated with the effects of energy efficiency. For example, consider a test year that is simply a calendar year from January 1st to December 31st. During implementation of energy efficiency programs there are efforts throughout the year to engage customers in energy efficient behaviors. So in each month there are new customers installing new energy efficient measures. If a customer installs a measure on January 1st then the test year includes twelve months of savings but if a customer installs a measure on December 1st then the test year only includes one month of savings. Here is the extra layer of regulatory lag; for the period in which rates will be effective there will be twelve months of actual energy savings for that measure installed on December 1st while only one month was included in rates. This effect dramatically delays the time in which the effects of energy efficiency programs are fully incorporated into rates. It is possible to mitigate this effect by annualizing the test year billing units for the effects of energy efficiency but this is not standard practice in Missouri. The analysis for Ameren Missouri's proposed DSIM does not assume the energy efficiency savings have been annualized for the test year.

2.3 Savings vs. Benefits

Although all energy reductions are eventually included in the test year and rates, the periods between rate cases cause a distortion in the economics of energy efficiency. In

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Application for Approval of Demand-Side Programs and For Authority to Establish A Demand-Side Programs Investment Mechanism	)))))	Case No.: EO-2012-0009

NON-UNANIMOUS STIPULATION AND AGREEMENT RESOLVING KCP&L GREATER MISSOURI OPERATIONS COMPANY'S MEEIA FILING

COME NOW KCP&L Greater Missouri Operations Company d/b/a KCP&L ("GMO"), Kansas City Power & Light Company (KCPL), the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("OPC"), the Missouri Department of Natural Resources ("MDNR"), the Natural Resources Defense Council, Sierra Club and Earth Island Institute d/b/a Renew Missouri (collectively, the "Environmental Interveners"), the Missouri Industrial Energy Consumers ("MIEC"), Wal-Mart Stores East, L.P. and Sam's East, Inc. (collectively referred to as "WAL-MART"), (together, the "Signatories") and present this Non-Unanimous[1] Stipulation and Agreement ("Stipulation") to the Commission for the Commission's approval, and in support thereof respectfully state as follows:

BACKGROUND

1. On December 22, 2011, GMO filed an application under the Missouri Energy Efficiency Investment Act ("MEEIA") and the Commission's MEEIA rules, along with its direct testimony. Rebuttal testimony was filed on March 20, 2012, and surrebuttal and cross-surrebuttal testimony was filed on May 10, 2012.

[1] Southern Union Company d/b/a Missouri Gas Energy ("MGE") and Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri") have indicated that they do not oppose this Stipulation.

SPECIFIC TERMS AND CONDITIONS

2. Complete Settlement of Case. As a result of extensive settlement discussions among all of the Signatories, the Signatories have agreed upon the terms[2] and conditions set forth below in full and final resolution of all remaining issues in this case.

3. Approval of Plan. The Signatories agree for purposes of this Stipulation, the "Plan" the Commission should approve for GMO to implement consists of the 15 demand-side programs ("MEEIA Programs") described in GMO's December 22, 2011 MEEIA Application (modified to reflect the terms and conditions herein), and the demand-side programs investment mechanism ("DSIM") described in this Stipulation.

4. Implementation and Term of the MEEIA Programs. GMO agrees to make its best effort to begin implementation of most of its 15 MEEIA Programs on the effective date of new base rates resulting from a Commission Order in Case No. ER-2012-0175. The three-year Plan period will end three years from the effective date of the tariff sheets of the first MEEIA Programs to be implemented. In the event that some MEEIA Programs (most likely the Residential Lighting and Appliance Program, Residential Energy Report Program (pilot), Multi-Family Rebate Program, Commercial & Industrial Prescriptive Rebate Program and Appliance Turn-In Program) start on a different date, the end date will be on the same date as the end date for GMO's other MEEIA programs.

5. DSIM. The Signatories agree to the DSIM described in this Stipulation. The DSIM addresses recovery of MEEIA Programs' costs, GMO's Throughput Disincentive Net Shared Benefits ("TD-NSB") Share and GMO's Performance Incentive Award. GMO shall recover through the general rates set in Case No. ER-2012-0175 ("base rates") estimated MEEIA

[2] Unless specifically defined herein, the terms used in the Stipulation are defined in the Commission's rules, 4 CSR 240-20.093(1) and 4 CSR 240-20.094(1)

Programs' costs and ninety percent (90%) of the estimated annualized GMO TD-NSB Share. The MEEIA Programs' costs and TD-NSB Share will be trued-up later, as described in paragraphs 6a and 6b. GMO will not recover any Performance Incentive Award until after the end of the three-year Plan period. Because certain non-residential customers may opt-out of participation in MEEIA Programs and such customers may not be charged for any of the DSIM revenue requirements for those programs, how MEEIA Programs' costs, the GMO TD-NSB Share and GMO's Performance Incentive Award are recovered from customers is addressed differently in this Stipulation for customers in residential versus the non-residential customer classes.

It is the intent of the Signatories that GMO shall ultimately collect from customers an amount as close as reasonably practicable to the MEEIA Programs' costs, the GMO TD-NSB Share and GMO's Performance Incentive Award earned as provided for herein. The Signatories contemplate that unless a rider that allows charges or changes in rates between general electric rate cases as contemplated in this Stipulation is available or they otherwise agree, the method to accomplish this intent will be to create regulatory assets and/or regulatory liabilities for the overcharge/undercharge so that such differences can be billed/returned through future general electric rate proceedings.

a. *MEEIA Programs' Costs*. One third of the estimated costs of the MEEIA Programs[3] ($13,944,367) for the MEEIA Programs shall be added to GMO's revenue requirement determined as if the Plan did not exist, both in Case No. ER-2012-0175 and in each subsequent GMO general electric rate case where new GMO general electric rates

[3] MEEIA Programs' costs include expenditures on items such as program design, administration, delivery, end-use measures and incentive payments, evaluation, measurement and verification, market potential studies and work on the technical resource manual.

("base rates") will become effective before the end of the three-year Plan period of the MEEIA Programs.

GMO shall track, with carrying costs, the differences between the estimated program costs billed to customers through rates and the actual program costs, separately for residential and non-residential customers, for recovery/return of the cumulative differences after the end of the three-year Plan period ("true-up"). Unless recovered/returned between general rate cases through a rider, the recovery/return shall be effectuated by using three-year amortizations of the ending cumulative differences as of the end of the last period used to update or true-up the test year used for setting new rates and including the annual amounts of those amortizations in GMO's revenue requirement upon which its general electric rates are set as well as the class cost of service upon which those rates are designed, i.e., there will be an annual amount included in the cost of service for residential customers and an annual amount included in the cost of service for non-residential customers. This may occur in more than one GMO general electric rate case. Because it is probable that there will be differences over the course of the three-year Plan period between the estimated costs of the programs billed to customers and GMO's actual costs for those programs as it incurs them, each month GMO shall apply a carrying cost using GMO's short-term borrowing rate to the cumulative differences (regulatory asset or regulatory liability accounts). No provision of this paragraph affects the Commission's ability to disallow imprudently incurred program costs through the prudence review process addressed in the Commission's MEEIA rules, and as provided for in paragraph 22 of this Stipulation. After the conclusion of the three-

year Plan period, one or more true-ups will be performed to reflect actual MEEIA Programs' costs for the three-year Plan period, as provided for in paragraph 6.a below.

b. *GMO TD-NSB Share.*

i. Net Shared Benefits ("NSB") Relating to the Throughput Disincentive ("TD"). The GMO TD-NSB Share shall be based on the actual number of energy efficiency measures installed each month during the three-year Plan period; however, over the three-year Plan period GMO shall recover in base rates a portion of estimated GMO TD-NSB Share as follows. In addition to the above-mentioned one third of the estimated costs of the MEEIA Programs ($13,944,367), $4,788,509 (90% of estimated annualized GMO TD-NSB Share) also shall be added to the revenue requirement determined as if the approved Plan did not exist, in Case No. ER-2012-0175, and in each subsequent GMO general rate case where new base rates will become effective before the end of the three-year Plan period. The $4,788,509 (as illustrated in Appendix A) is equal to ninety percent (90%) of the estimated amount of GMO's TD-NSB Share. "GMO's TD-NSB Share" or "GMO TD-NSB Share" is the annualized value of a three-year annuity of 13.55%[4] of the actual pre-tax NSB which the Signatories agree GMO is to recover to offset the TD associated with the MEEIA Programs. NSB are the present value of the lifetime avoided costs (i.e., avoided energy, capacity and transmission and distribution, and probable environmental compliance costs) for the approved MEEIA Programs using the deemed values of demand-side measures for each program less the present value of the MEEIA Programs' costs.

[4] The 13.55% is calculated using an assumed combined marginal federal/state tax rate of 38.39% and the customer charge as established in File No. ER- 2010-0356 for each of GMO's rate districts.

The Residential Appliance Turn-in Program will have a NTG ratio of 0.52 that will be used in the calculation of NSB. The revenue requirement addition provided for in this paragraph 5.b shall be trued-up as provided for in paragraph 6.b below.

ii. NSB Relating to the Performance Incentive. After the conclusion of the three-year Plan period, using final Evaluation, Measurement and Verification ("EM&V") results, GMO will be allowed to recover the performance incentive award, which is a percentage of NSB as described on Appendix B attached hereto and incorporated herein by this reference (the "Performance Incentive Award"). The cumulative annual net megawatt-hours ("MWh") and megawatts ("MW") determined through EM&V to have been saved during the three-year Plan period as a result of the MEEIA Programs will be used to determine the amount of GMO's Performance Incentive Award. The cumulative annual net MWh performance achievement level (expressed as a percentage) will be equal to cumulative annual net MWh savings determined through EM&V divided by GMO's total targeted 150,346 MWh (which is the cumulative annual net MWh savings in the third year of the three-year Plan period).[5] The cumulative annual net MW performance achievement level (expressed as a percentage) will be equal to cumulative annual net MW savings determined through EM&V divided by GMO's total targeted 37.521 MW (which is the cumulative annual net MW savings expected to be captured in the third year of

[5] The cumulative 150,347 MWh and 37.521 MW net (net-to-gross ratios are equal to 1.0 except for the Appliance Recycling Program which is equal to 0.52) energy and demand savings are based upon GMO having no approved opt-out customers. The use of a net to gross of 1 is not precedent setting.

the three-year Plan period).[6] The MWh performance achievement level (expressed as a percentage) will be weighted 80% and the MW performance achievement level (expressed as a percentage) will be weighted 20% to determine the overall level of achievement for the Plan when determining the Performance Incentive Award amount. The targeted net energy and demand savings shall be adjusted annually for full program year impacts on targeted net energy and demand savings caused by actual opt-out. [7] Actual net energy and demand savings will be determined through the EM&V, including full retrospective application of net-to-gross ratios at the program level using EM&V results. The total evaluated net cumulative annual net energy and demand savings achieved by the end of the three-year Plan period will be used to determine the amount of the Performance Incentive Award. Recovery of the Performance Incentive Award is addressed in paragraph 6.c.

6. Final Recovery/True-up. It is the Signatories' intent that GMO shall recover as close as reasonably practicable (separately for the residential and non-residential customer classes):

- its actual MEEIA Programs' costs;

- the GMO TD-NSB Share amounts; and

- the Performance Incentive Award determined in accordance with paragraph 5.b.ii. and Appendix B.

Initially, as detailed above, estimates of the MEEIA Programs' costs and 90% of estimated annualized GMO TD-NSB Share shall be recovered through base rates, with the

[6] Because peak demand savings are only relevant during a specific time (i.e., they do not accumulate over time) the *cumulative annual* MW savings in year 3 reflects simply the total peak demand savings achieved in year 3.
[7] This is based on a net-to-gross ratio equal to 1.0 except for the Appliance Recycling Program equal to 0.52.

difference between GMO's estimated and actual MEEIA Programs' costs and the difference between 90% of the estimated annualized GMO TD-NSB Share and actual GMO TD-NSB Share tracked for recovery by means of an amortization in a future general electric rate case. Similarly, GMO's Performance Incentive Award shall be recovered through base rates set in a future general electric rate case by using an amortization described in paragraph 6 c. However, if the pending challenge (currently before the Missouri Western District Court of Appeals in Case No. WD 74676) to the lawfulness of a DSIM rider is ultimately resolved in favor of it being lawful prior to any final true-up of the MEEIA Programs' costs or GMO's TD-NSB Share, then the respective associated regulatory asset or regulatory liability balance, or award shall (except as otherwise provided for in paragraph 7) be recovered from/returned to customers via such a rider. Furthermore, if the pending challenge (currently before the Missouri Western District Court of Appeals in Case No. WD 74676) to the lawfulness of a DSIM rider is ultimately resolved in favor of it being lawful prior to any determination of the amount of GMO's Performance Incentive Award, then (except as otherwise provided for in paragraph 7) the award shall be recovered from customers via such a rider. The basic terms of the riders referenced above are outlined in paragraph 7.

a. *Final Recovery/True-up of Program Costs*: Because the MEEIA Programs' costs to be included in the revenue requirement in Case No. ER-2012-0175, and in each subsequent GMO general electric rate case where new base rates will become effective before the end of the three-year Plan period, are estimated, a true-up will be required to reflect actual MEEIA Programs' costs as compared to the billed amount. Because it is probable that there will be differences over the course of the three-year Plan period between the amount of MEEIA Programs' costs billed in rates to the residential

and non-residential customer classes and the amount of MEEIA Programs' costs GMO actually incurs for the residential and non-residential customer classes, GMO shall track such differences and apply each month a carrying cost using GMO's short-term borrowing rate to the cumulative amount of the under- or over-recovery. Unless GMO's cost recovery component of a DSIM is being implemented through a rider, the true-up to reflect differences between billed and actual MEEIA Programs' costs will be effectuated through an amortization (implemented in one or more future general electric rate proceedings) of the balance in a regulatory asset or regulatory liability account. This amortization will reflect the difference between the amount of actual monthly MEEIA Programs' costs and the billed amount of monthly MEEIA Programs' costs at the end of the last period (separately for the residential and non-residential customer classes) used to update or true-up the test year used for setting new general electric rates. With respect to recovery/return of the difference between the amount of billed and the amount of actual MEEIA Programs' costs (separately for the residential and non-residential customer classes), the Signatories agree as follows:

i. Interest shall be applied monthly at GMO's short-term borrowing rate to the cumulative differences between the billed amount of monthly MEEIA Programs' costs and the monthly MEEIA Programs' costs actually incurred.

ii. If the regulatory asset or regulatory liability balance is not being recovered from/returned to customers via a rider, then in any general electric rate proceeding occurring after the conclusion of the three-year Plan period and concluding prior to when the entire difference between actual and billed MEEIA Programs' costs (separately for the residential and non-residential customer

classes) have been recovered/returned, the regulatory asset or regulatory liability balance (with interest) as of the end of the last period used to update or true-up the test year used for setting new electric rates in such a general electric rate proceeding shall be amortized over three years and the resulting annual amount included in the revenue requirement used to determine base rates in that general electric rate proceeding. The unamortized balance of any regulatory asset or regulatory liability will be included in GMO's general electric rate base (separately for the residential and non-residential customer classes) in that general electric rate proceeding. It is the intent of the Signatories that GMO shall ultimately bill customers for an amount as close as reasonably practicable (separately for the residential and non-residential customer classes) to the MEEIA Programs' costs. The Signatories contemplate that unless they otherwise agree, the method to accomplish this intent will be to create a regulatory asset or regulatory liability for the overage/underage so that such difference can be billed/returned through future general electric rate proceedings.

iii. The provisions of this paragraph 6.a do not affect the Commission's ability to disallow imprudently incurred MEEIA Programs' costs through the prudence review process addressed in the Commission's MEEIA rules, and as provided for in paragraph 22 of this Stipulation.

b. *Final Recovery/True-up of GMO's TD-NSB Share*: Throughout the three-year Plan period, GMO will determine the monthly energy (KWh) and demand (KW) savings achieved through the demand-side programs to determine GMO's TD-NSB.

The actual energy and demand savings will most likely vary from the estimated energy and demand savings used to calculate the estimated TD-NSB Share to determine the $4,788,509 to be included in GMO's revenue requirement in Case No. ER-2012-0175, as also provided for in paragraph 5.b.i. above. Moreover, $4,788,509 is 90% of the estimate of GMO's TD-NSB Share, and the amount actually billed will almost certainly vary from the $4,788,509 to be reflected in GMO's revenue requirement in Case No. ER-2012-0175. The Signatories agree there is a need to true-up (separately for the residential and non-residential customer classes) the amount of the 90% of estimated annualized GMO TD-NSB Share that is billed to the amount of the GMO TD-NSB Share. GMO shall track the differences (separately for the residential and non-residential customer classes) between the amount billed and the dollar amount that equates to GMO's TD-NSB Share (determined using the actual measure energy and demand savings each month). EM&V shall not be utilized to calculate the actual NSB for the purposes of determining the amount of the GMO TD-NSB Share.

In order to determine the net present value of lifetime energy and demand benefits used to calculate the monthly NSB, GMO will use DSMore XLS Version 6.0.1, GCG Version 6.0.6 and the applicable DSMore electronic spreadsheets, provided as electronic workpapers (labeled as GMO DSMore Files 10-29-12), by month. The values in the DSMore electronic spreadsheets shall not be changed except as provided for in the discussion of each MEEIA Program below. The monthly NSB shall be the sum of cells D41 and B36 of the Test Results tab less cell B46 of the Test Results tab for all updated DSMore electronic spreadsheets.

Cool Homes – Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

MPower – GMO will change DSMore cells as necessary to model each participant's contracted curtailable load. GMO will model each MPower contract individually per each participant's contracted agreement for curtailable load and participant incentive payments. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87. GMO will enter the appropriate load profile on the Program Input sheet, MS-Excel cell A12 and A13. GMO will enter the appropriate electric rate on the Utility Input sheet, MS-Excel cell range A7 through D37.

Optimizer - Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

Multi-Family - Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

Low-Income Weatherization – The agencies currently managing LIW programs are:

1. Missouri Valley Community Action Agency –MVCAA
2. West Central Missouri Community Action Agency—WCMCAA
3. City of Kansas City, Missouri—KCMO
4. Green Hills Community Action Agency—GHCAA
5. Community Services Inc—CSI

Other communities' agencies that decide to offer LIW programs within GMO's service territory may be included: The Community Action Partnership of Greater St. Joseph is planning to offer a LIW program. GMO will develop the energy savings from the National Energy Assessment Tool (NEAT), which was developed by the Oakridge National laboratory. GMO shall prorate the kWh listed on the NEAT report for the actual measure(s) installed as follows:

GMO incentive payment / total cost on the agency payment sheet x NEAT kWh

GMO shall input the kWh information developed above into the DSMore spreadsheet for the Low Income Weatherization program in cell B21of the Program Input tab and DSMore will calculate the kW savings. The Customer Participation cells (Cell

D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) will also be updated with GMO's payment to the agency as the incentive costs, plus GMO's administrative cost, implementation cost, and other costs. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

C&I Custom Rebate Program - All rebate applications are submitted to GMO's implementation contractor, a consulting firm that evaluates the potential savings from each project. After the rebate application is submitted, the implementation contractor returns a project evaluation report to GMO with its best independent estimate of the impact savings data by project for measures that were actually installed. GMO will update cells of the DSMore electronic spreadsheets with the implementation contractor's estimate of impact savings data as necessary to calculate the lifetime energy and demand benefits for each project for monthly tracking. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. New construction is not eligible for T12 retrofit rebates in any program year. Standard T8 will be the baseline technology used to calculate energy and demand savings for all linear fluorescent new construction projects in program years one, two and three. Rebates for T12 retrofits will not be available in program year three. Standard T8 will be the baseline technology used to calculate energy and demand savings for all linear fluorescent retrofits in program year 3. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two

columns, to cells C79 through Y87. GMO will enter the appropriate load profile on the Program Input sheet, MS-Excel cell A12 and A13. GMO will enter the appropriate electric rate on the Utility Input sheet, MS-Excel cell range A7 through D37.

Residential Reports - Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

Energy Star New Homes - Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

Home Performance with Energy Star - Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data

on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

Residential Appliance Turn-in - Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

Residential Lighting and Appliances - Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

C&I Prescriptive Rebate Program - Customer Participation (Cell D34 of the Program Input tab) and Utility Program Costs, including incentives (Cells D43 through D46 of the Program Input tab) shall be updated to reflect actual values. New construction is not eligible for T12 retrofit rebates in any program year. Standard T8 will be the baseline technology used to calculate energy and demand savings for all linear fluorescent new construction projects in program years one, two and three. Rebates for T12 retrofits will not be available in program year three. Standard T8 will be the

baseline technology used to calculate energy and demand savings for all linear fluorescent retrofits in program year 3. In program year 2, the escalation rate data on the utility input tab, in columns D79 through AA87 will be shifted left one column, to cells C79 through Z87. In program year 3, the escalation data on the utility input tab, in columns E79 through AA87 will be shifted left two columns, to cells C79 through Y87.

Home Energy Analyzer – There are no demand or energy savings associated with this program.

Business Energy Analyzer – There are no demand or energy savings associated with this program.

Building Operator Certification Program – There are no demand or energy savings associated with this program.

If any true-up relating to GMO's TD-NSB Share is not being effectuated through a rider then that true-up shall be effectuated through an amortization (implemented in one or more future general electric rate proceedings) of the balance in a regulatory asset or regulatory liability account (separately for the residential and non-residential customer classes) that will reflect the difference between the actual amount billed and the dollar amount that equates to the actual GMO TD-NSB Share based on the actual measure savings each month. With respect to recovery/return of the difference between the amount billed through base rates and the dollar amount of GMO's TD-NSB Share, the Signatories agree as follows:

i. Interest shall be accrued at GMO's Allowance for Funds Used During Construction ("AFUDC") rate applied (separately for the residential and non-residential customer classes) to the monthly cumulative differences between

the billed amount for GMO's TD-NSB Share (which is based upon 90% of GMO's estimated TD-NSB Share) and the amount of the GMO TD-NSB Share based on actual measure savings each month.

ii. If the regulatory asset or regulatory liability balance is not being recovered from/returned to customers via a rider, then in each GMO general electric rate proceeding that occurs after new general electric rates become effective in Case No. ER-2012-0175 and concludes prior to when the entire difference between the amount billed and the amount of GMO's actual TD-NSB Share (separately for the residential and non-residential customer classes) has been recovered/returned, the regulatory asset or regulatory liability balance (plus accrued carrying costs at GMO's AFUDC rates) at the end of the last period used to update or true-up the test year used for setting new general electric rates in such a general electric rate proceeding shall be amortized over three years and the resulting annual amount included in the revenue requirement used to determine base rates in that general electric rate proceeding. The unamortized balance of any regulatory asset or regulatory liability will be included in rate base. If such a general electric rate proceeding during the three-year Plan period, the true-up will only be partial, meaning at least one more true-up will occur (separately for the residential and non-residential customer classes) in later general electric rate proceedings concluding after the three-year Plan concludes. It is the intent of the Signatories that GMO shall ultimately bill customers for an amount as close as reasonably practicable (separately for the residential and non-residential customer classes) to the amount of GMO's TD-NSB Share. The Signatories contemplate

that unless they otherwise agree, the method to accomplish this intent will be to create a regulatory asset or regulatory liability for the overage/underage so that such difference can be billed/returned through general electric rate proceedings.

c. *Recovery of Performance Incentive Award*:

If GMO does not recover its Performance Incentive Award amount through a rider, then GMO shall recover its Performance Incentive Award amount through an amortization of the award amount included in GMO's rate base in a general electric rate case that concludes after the Performance Incentive Award amount is determined for the end of the three-year Plan period. With respect to recovery of GMO's Performance Incentive Award amount through an amortization, the Signatories agree that in the first general electric rate proceeding for which the end of the last period used to update or true-up the test year used for setting new general electric rates occurs after the last of the three year Plan EM&V cycles have been completed, the amount of the Performance Incentive Award (plus an accrued carrying cost equal to GMO's short-term borrowing rate calculated from the end of the three-year Plan period until recovery begins) shall be amortized over two years and the resulting annual amount included in the revenue requirement used to determine base rates in that general electric rate proceeding. It is the intent of the Signatories that GMO shall ultimately bill customers for an amount as close as reasonably practicable (separately for the residential and non-residential customer classes) to the Performance Incentive Award earned as provided for in paragraph 5.b.ii. and Appendix B. The Signatories contemplate that unless they otherwise agree, the method to accomplish this intent will be to true-up the balance in the regulatory asset or regulatory liability to bill/return the difference between the amount previously billed for

the Performance Incentive Award amount and the amount of the Performance Incentive Award earned.

7. If a rider is utilized in lieu of recovery/true up for the items reflected in paragraphs 5 and 6 above, it shall provide for rate adjustments outside general rate proceedings. The rider will be designed so that sums to be billed/returned via the rider will be billed/returned within two years of the annual period in which the sums being recovered under the rider were recognized in GMO's financial statements prepared in accordance with Generally Accepted Accounting Principles. Sums to be billed/returned under the rider shall bear interest at GMO's short-term borrowing rate until fully billed/returned. The rider will also provide for further adjustments as necessary after the billing/return period is complete to true-up any differences in the sums to be billed/returned and the actual billings/returns caused by a difference between the kilowatt-hour sales used to calculate the rider rate versus the actual kilowatt-hour sales that occurred during the billing/return period. The Signatories agree to cooperate in the creation of the riders referenced in this paragraph, including the tariff sheets to implement it. Notwithstanding anything to the contrary contained in this Stipulation, if the Commission does not approve an agreed-upon rider or a rider meeting the basic terms outlined in this paragraph 6, in either case within a time period that will not result in a delay in any amortization that would otherwise have occurred absent the use of a rider, then a rider shall not be used for recovery/true up for the items reflected in paragraphs 5 and 6 above, and recovery/true-up of such items shall occur as otherwise provided for in this Stipulation, the same as if the lawfulness of a DSIM rider had not ultimately been resolved in favor of it being lawful.

8. Demand-Side Management ("DSM") Programs Tariff Sheets. The tariff sheets in the form of the exemplar tariff sheets attached hereto and incorporated herein by reference as

Appendix E shall be filed as compliance tariff sheets concurrently with the filing of compliance tariff sheets in Case No. ER-2012-0175[8]. The five new programs, Multi-Family Rebate Program, Residential Lighting and Appliance Program, Appliance Turn-In Program, Commercial & Industrial Prescriptive Rebate Program and the Residential Reports Program, will become effective on that date, but could take up to six months to fully implement. The Signatories agree that the exemplar tariff sheets attached hereto (subject to inserting for each individual program the effective start date and end date in the applicable blanks) should be approved in Case No. ER-2012-0175.

The Signatories agree that GMO will be allowed to fulfill all obligations resulting from the existing DSM program tariff sheets.

Customers who opt-out of the demand-side programs will be permitted to participate in the Energy Optimizer and MPower programs. GMO will file tariff sheets that cap the level of participation in its MPower program for each year at the budgeted load curtailment levels (kW) by year shown below. GMO is permitted to propose modified MPower program tariffs that increase availability beyond these budgeted load curtailment levels after the initial tariffs become effective. The MPower program shall have a one year program life.

Year	kW
2013	14,308
2014	18,132
2015	21,637

GMO agrees that it will recommend to Kansas City Power & Light Company ("KCPL") that KCPL utilize DSM programs (i.e. MPower and Energy Optimizer) that are consistent with

[8] Appendix E does not reflect the final formatting of all tariff sheets. When final formatting is completed, the individual tariff sheets' numbers may change for the exemplar tariff sheets filed in Case No. ER-2012-0175.

the agreements in this paragraph. GMO and KCPL also agree that they will not assert in future proceedings that customers who opt out of the demand-side programs should not be permitted to participate in the Energy Optimizer and MPower program as long as the Section 393.1075.10, RSMo Cum. Supp. 2010 is not amended.

9. Case No. ER-2012-0175 Base Rate Schedules/Customer Bills. GMO's rate schedules, which will be submitted as part of its compliance tariff sheets filed in accordance with the Commission's Report and Order to be issued in Case No. ER-2012-0175, shall reflect the residential and non-residential class's allocation of program costs for GMO's demand-side programs in effect prior to the time the MEEIA demand-side programs to be approved as provided herein begin, but those programs' costs will not be reflected in a separate line item on GMO's bills to customers. Said rate schedules shall also reflect the residential and non-residential class's allocation of program costs ($13,944,367) and GMO's TD-NSB Share ($4,788,509) provided for in paragraph 5 relating to the MEEIA Programs. The charges resulting from the sums relating to the MEEIA Programs shall be reflected in a separate line item on GMO's bills that reads: "DSIM Charge." Customers who have opted out of participation in utility demand-side programs as provided in 4 CSR 240-20.094(6) shall not be charged for pre-MEEIA demand-side programs as set out above or the "DSIM Charge." The base rate schedules will also include language providing for the true-ups to be performed as provided for herein and for the prudence reviews referenced in paragraph 22 below. A sample calculation of the rate to be charged for the residential and non-residential class is attached as Appendix C.

10. EM&V.

a. Approximately five percent (5%) of the three-year MEEIA Programs' costs budget will be spent for EM&V. GMO will work with the stakeholder group, as

described in paragraph 11, to develop an evaluation plan to determine how best to allocate and utilize the EM&V budget.

b. The following process, as set out in Appendix D, will be used for EM&V reports:

i. 120 days after the end of each program year, the EM&V contractor will circulate a draft EM&V report to all stakeholders participating in the stakeholder group and the Commission's Independent EM&V Auditor ("Auditor"). This provision does not affect the requirement in the MEEIA rules for the EM&V contractors to provide copies of draft EM&V reports to stakeholders participating in the stakeholder group at the same time that draft reports are provided to GMO.

ii. 60 days after circulation of the draft EM&V report, the Auditor and each stakeholder group participant will provide any comments and recommendations for report changes to the EM&V contractor and to all other stakeholder group participants and the Auditor. The Signatories recognize there is a benefit to providing comments as early as possible, as providing comments and recommendations earlier to the EM&V contractor will allow for more time for the incorporation of comments and changes into subsequent drafts and the Final Report.

iii. Prior to issuing the Final Draft EM&V Report, the EM&V contractor will host at least one meeting with the Auditor and the stakeholder group participants to discuss the comments and recommendations for report changes. The EM&V contractor will determine what comments and/or changes

are incorporated into the Final Draft EM&V Report. 30 days after the deadline for comments and recommendations for report changes, a Final Draft EM&V report will be provided to all stakeholder group participants and the EM&V Auditor by the EM&V contractor.

iv. Any stakeholder group participant that still has concerns with the Final Draft EM&V Report will simultaneously provide GMO, all participating stakeholders, the EM&V Auditor, and the EM&V contractor any comments within 20 days from issuance of the Final Draft EM&V Report. The EM&V Contractor will meet at least once (likely by phone) with the commenting stakeholder and any stakeholder group participants and the EM&V auditor that choose to participate within 10 days of receipt of comments to attempt to resolve the stakeholder concerns prior to issuance of the Final EM&V Report. Following any final meetings to discuss outstanding comments, the EM&V Contractor will issue a Final EM&V Report within 15 days simultaneously to GMO, all stakeholder group participants and the EM&V Auditor.

iv. Any stakeholder group participant which wants a change to the impact evaluation portion of a Final EM&V Report will have 21 days from the issuance of the Final EM&V Report to file a request with the Commission to make such a change ("Change Request"). Any stakeholder group participant filing a Change Request will set forth all reasons and provide support for the requested change in its initial Change Request filing. Responses to a Change Request may be filed by any stakeholder group participant and are due 21 days after the Change Request is filed. The response should set forth all reasons and

provide support for opposing or agreeing with the Change Request. Within two business days after the deadline for filing a Change Request (if a Change Request is filed), the Signatories agree that the stakeholder group participants will hold a conference call/meeting to agree upon a proposed procedural schedule that results in any evidentiary hearing that is necessary to resolve the Change Request to be completed within 60 days of the filing of the Change Request, and which will recommend to the Commission that the Commission issue its Report and Order resolving the Change Request within 30 days after the conclusion of such a hearing. The Signatories anticipate a hearing with live testimony may be required to resolve a Change Request, but if a hearing is not required, they agree to cooperate in good faith to obtain Commission resolution of a Change Request as soon as possible. The Signatories will be parties to a Change Request resolution proceeding without the necessity of applying to intervene. The procedural schedule for such a Change Request proceeding will provide that data request objections must be lodged within 7 days and responses will be due within 10 days (notifications that additional time is required to respond will also be due within 7 days).

v. All Signatories agree to accept the impact evaluation energy and demand savings (MWh and MW) estimates of the Final EM&V Report, as it may be modified by the Commission's resolution of issues in a non-appealable Order related to the impact evaluation portion of the Final EM&V Report, for purposes of calculating achievements towards targeted net energy and demand savings and performance incentives.

c. Consistent with the requirements of 4 CSR 240-20.093(7), the Staff commits to take all steps within its control to complete the State procurement process and provide the Commission with an evaluation and recommendation such that the Commission may award a contract for the Auditor to begin work no later than January 2013. The Auditor will audit and report on the work of GMO's independent EM&V contractors. It is anticipated that the Auditor will (a) monitor EM&V planning, implementation, and analysis of the EM&V contractors, (b) provide on-going feedback to the Signatories on EM&V issues, (c) provide all Signatories with a copy of its final annual report in a timely manner, and (d) ensure an adequate level of independence is maintained between the EM&V contractors and GMO. If, by November 1, 2012, it becomes apparent that the State procurement process will not be completed in time for the Auditor to begin work no later than January 2013, the Staff commits to complete the Commission's local procurement process, and request Commission approval, to obtain the services of an interim Auditor from January 2, 2013 through June 30, 2013. It is anticipated that the interim Auditor will provide limited input on EM&V planning. If an interim Auditor is used, the permanent Auditor will make all reasonably practicable efforts to make the permanent Auditor's findings with respect to EM&V contractors' work completed prior to the permanent Auditor's commencement of work ("prior EM&V work") consistent with the input and findings of the interim Auditor. To the extent the permanent Auditor's input and findings about the prior EM&V work are inconsistent with those of the interim Auditor GMO shall not be required to undertake additional analysis on the prior EM&V work if such analysis would be burdensome. To the extent the permanent Auditor's input and findings about the prior EM&V work are inconsistent

with those of the interim Auditor, GMO's actions taken in reliance on the input and findings of the interim Auditor about the prior EM&V work shall have a rebuttable presumption of prudence. If at any point during the process described in this section, neither a permanent nor an interim Auditor has been hired, the process will proceed as described, without the Auditor.

11. Demand Response Programs. GMO will evaluate demand response programs as part of its currently ongoing DSM market potential study. The results of this study will be updated as necessary due to potential changes in assumptions regarding parameters including rate design, avoided costs, Southwest Power Pool (RTO) rules and regulations, and appropriate uncertainty factors will be used in GMO's April 2013 annual update filing under the Commission's Chapter 22 rules. GMO will not limit its evaluation of demand response programs by only adding demand response resources to an alternative resource plan in years where there is a need to reduce peak demand due to shortfalls in GMO's planning capacity reserve margins. Demand response program(s) that are determined to be cost-effective shall be included in at least one candidate resource plan during the integrated resource plan and risk analysis for the April 2013 annual update filing.

12. Market Potential Study. GMO will perform a market potential study meeting the requirements of 4 CSR 240-3.164(2)(A) to be completed in 2013, and will use the same in informing future program designs, future MEEIA applications and in updates to its Chapter 22 triennial compliance and annual update filings beginning with its 2013 annual update filing. GMO will evaluate demand response programs as part of its currently ongoing DSM market potential study, which will include a comprehensive analysis of demand response programs.

13. Stakeholder Meetings. GMO will continue meeting at least quarterly with its stakeholder group which shall consult with and advise GMO on at least the topics the stakeholder group currently addresses, with GMO providing at least information of the nature it currently provides. The stakeholder group will consist of the Signatories who choose to participate and their invitees. [9] The stakeholder group will: (a) receive program updates from GMO and EM&V updates and report presentations from GMO's evaluators; (b) consult with and advise GMO on the possible expansion of energy efficiency and demand response programs, and the design of such programs (possibly including co-delivery of programs with gas/water utilities); and (c) consult with and advise GMO on issues related to EM&V (including GMO's proposed EM&V Requests for Proposals, the scope of work for future EM&V projects, and issues relating to net-to-gross ratios that may be used in future MEEIA plans), and the development and use of a technical resource manual ("TRM"). GMO will solicit agenda items from all stakeholder group participants at least two weeks prior to any scheduled meeting, and will circulate a draft agenda for each stakeholder group meeting approximately one week prior to the scheduled meeting date. Any stakeholder group member can suggest items for the agenda for a stakeholder group meeting. A suggested agenda item will be included on the agenda for a stakeholder group meeting so long as a majority of the Signatories voting on inclusion of the suggested item believe it is appropriate to do so. This stakeholder group fulfills the requirements of 4 CSR 240-20.094(8)(A) regarding a utility specific collaborative. The Signatories agree to support efforts to develop a statewide TRM as set forth in 4 CSR 240-20.094 (8)(B). If a statewide TRM is approved by the Commission prior to the end of GMO's initial three-year

[9] The Signatories agree that Missouri Gas Energy, AG Processing, Inc., and Sedalia Industrial Energy Users Association may participate as a stakeholder in the stakeholder group notwithstanding that they are not a Signatory.

MEEIA programs, the Signatories agree that GMO's measurement of energy and demand savings will continue to be used for the Plan.

14. The Signatories to this Stipulation commit to work with the stakeholder group for the purpose of developing a TRM that will further support savings to be measured and deemed at the measure level relying on best available information rather than the participant level where appropriate. The collaborative will work toward consensus on a NTG framework in the next MEEIA plan. The Signatories will use their best efforts to complete the TRM within 24 months of Commission approval of this Stipulation and the NTG framework will be considered for use in the next program plan. The Signatories will support the efforts to develop a statewide TRM as established in 4 CSR 240-20.094(8)(B).

15. Rate of Return. The Signatories agree that the Commission should not make any decisions in this case regarding the impact (if any) of the approvals reflected in this Stipulation on GMO's business risk. If the Commission determines in Case No. ER-2012-0175, and in each subsequent GMO general rate case where new base rates will become effective before the end of the three-year Plan period, that approval of this Stipulation and the items addressed herein affects GMO's business risk and that consequently an adjustment to the cost of capital is warranted, such adjustment shall be made before any additions provided for in paragraphs 5.a and 5.b and the revenue requirement after such adjustment shall be considered to be the revenue requirement determined as if approved Plan did not exist.

16. No Seasonality of DSIM Rates. The DSIM rates agreed upon herein shall be uniform throughout a billing year, with no summer or winter or other seasonal differentiation.

17. Assignment and Allocation of Program Costs. With the exception of the costs of the low-income program, which will be allocated and trued-up as provided for in paragraph 20,

the costs of all residential MEEIA Programs shall be assigned to the residential class and based upon the test year kWhs used to determine base rates for those rate classes in GMO's pending general electric rate case, Case No. ER-2012-0175 and trued-up. All non-residential (Small General Services (SGS), Large General Service (LGS) and Large Power (LP) Classes) MEEIA Program costs shall be assigned to the non-residential rate classes based upon the test year kWhs used to determine base rates for those rate classes in GMO's pending general electric rate case, Case No. ER-2012-0175, after excluding the kWhs of the opt-out customers and trued-up. General and common costs associated with MEEIA programs shall be allocated to residential and non–residential customer classes based upon true up test year kWh in Case No. ER-2012-0175, excluding opt-out customers. GMO agrees to track actual program costs by rate jurisdictions for L&P and MPS and further broken down by class cost-of-service classes, i.e., SGS, LGS and LP Classes.

18. Assignment and Initial Allocation of GMO's TD-NSB Share and Performance Incentive Award. With the exception of GMO's TD-NSB Share and Performance Incentive Award associated with the low-income program, which will be allocated and trued-up as provided for in paragraph 20, the annual revenue requirement associated with GMO's TD-NSB Share and Performance Incentive Award associated with residential MEEIA Programs shall be allocated to the residential class and trued-up. Likewise, the annual revenue requirement associated with GMO's TD-NSB Share and Performance Incentive Award associated with non-residential MEEIA Programs shall be allocated to the non-residential classes based upon the test year kWhs used to determine base rates for those rate classes in GMO's pending general electric rate case, Case No. ER-2012-0175, after excluding the kWhs of the opt-out customers and trued-up.

19. Tracking of Programs Costs by Jurisdiction and Rate Class. Actual program costs will be tracked by rate jurisdictions for L&P and MPS and further broken down by class cost-of-service classes, i.e., Residential (RES), Small General Services (SGS), Large General Service (LGS) and Large Power (LP) Classes.

20. Allocation and True-Up of Program Costs, GMO's TD-NSB Share and Performance Incentive Award for the Low-Income Program. All costs for the Low-Income program (commonly referred to as Low Income Weatherization), including program costs, the annual revenue requirement of GMO's TD-NSB Share and the annual revenue requirement of GMO's Performance Incentive Award, shall be allocated to the residential and non-residential rate classes based upon the ratio of the true up test year kWh in Case No. ER-2012-0175, excluding opt-out customers to the total kWhs of all the rate classes. The difference between the actual amounts of Program Costs, GMO's TD-NSB Share and Performance Incentive Award for the Low-Income Program allocated to the residential rate class and the non-residential rate classes and the amounts billed to the residential rate class and the non-residential rate classes shall be trued-up as part of the true-up process described in paragraph 6.

21. Non-residential Class Adjustment of Initial Amounts for Program Costs and Company TD-NSB Share. The adjustment to the initial amount for the non-residential program costs will be the difference by rate class (i.e. Small General Service, Large General Service and Large Power) between the estimated and actual demand-side program expenditures arising from business demand-side programs. The adjustment to the initial amount of GMO's TD-NSB Share allocated among the affected non-residential classes will be the difference by rate class (i.e. Small General Service, Large General Service and Large Power) between the initial amounts of the Company's non-Residential TD-NSB Share allocated to affected non-residential rate classes

as described in paragraph 17 and actual amount of the Company's non-Residential TD-NSB Share based on actual energy and demand savings measures. The adjusted amounts will be used as part of the true-up process described in paragraph 6 for GMO general electric rate cases filed after Case No. ER-2012-0175.

22. Prudence Review. A prudence review in accordance with 4 CSR 240-20.093(10) shall be conducted. Any amount ordered refunded as a result of such prudence review shall be a reduction to GMO's revenue requirement in the first general electric rate proceeding occurring after a Commission order specifying such a refund; provided, that if a rider mechanism is in place for the program costs, GMO's TD-NSB Share and the Performance Incentive Award, then a rider mechanism will be used to effectuate the results of the prudence review.

23. Methodologies for Estimation of Targeted Energy Savings (MWh) and Targeted Demand Savings (MW) and for Estimation of Actual Energy Savings (MWh) and Demand Savings (MW) for Tracking and True-Up of the GMO TD-NSB Share. The Signatories agree that the "top-down" methodology used to estimate targeted energy savings of 150,346 MWh and the targeted demand savings of 37.521 MW for this Stipulation is not the preferred methodology to estimate targeted energy savings (MWh) and targeted demand savings (MW) and will not be used in future MEEIA filings by GMO or KCPL. Similarly, the Signatories agree that the methodology described in section 6. b. *Final Recovery/True-up of GMO's TD-NSB Share* of this Stipulation to estimate the actual energy savings (MWh) and demand savings (MW) for tracking and true-up of the GMO TD-NSB Share is not the preferred methodology for estimating actual energy savings (MWh) and demand savings (MW) for tracking and true-up of the GMO TD-NSB Share and will not be used in future MEEIA filings by GMO or KCPL.

Prior to making its next MEEIA application to continue or to modify its DSM programs' plan, GMO agrees to review with the other Signatories its proposed methodologies to estimate targeted energy savings, targeted demand savings, and actual energy and demand savings for tracking and true-up of its TD-NSB share component (or an equivalent component) of its proposed DSIM so that GMO can receive input and advice from the non-utility Signatories. Further, the signatories agree that it is highly desirable to have a common methodology and modeling to estimate targeted energy savings, targeted demand savings, and actual energy and demand savings for tracking and true-up of its TD-NSB share component (or an equivalent component) of its proposed DSIM in any future MEEIA application to continue or to modify GMO's DSM programs' plan.

24. Variances. The Signatories agree that the terms and conditions in this Stipulation may be inconsistent with the following Commission rules, and that good cause exists to grant GMO variances from those rules:[10]

Variances related to timing of recovery of net shared benefits

20.093(2)(H); 20.093(2)(H)3; 20.093(1)(EE); 20.093(1)(A); 20.093(1)(C); 20.093(1)(M)5; 20.094(1)(Z); 20.094(1)(C); 20.094(1)(J)5; 3.163(1)(F)5; 3.164(1)(F)5;

Variances related to calculation of net shared benefits (related to timing)

20.093(2)(H);

Variances related to net shared benefits (annual)

3.163(1)(A); 3.163(1)(J); 20.093(1)(A); 20.093(1)(Q); 20.093(2)(M); 20.093(2)(H); 20.093(1)(EE); 20.094(1)(C); 20.094(1)(Z);

Variances related to Annual Energy and Demand Savings Goals (move forward one year)

20.094(2);

[10] All rule references are to 4 CSR Division 240.

Variances related to TRM (not statewide)

20.093(7)(E);

Variances related to rider - so can file changes at the same time as file FAC changes and so can collect GMO's TD-NSB Share and the Performance Incentive Award payments through the rider - (if rider upheld)

20.093(4);

Variances related to Promotional Practices

14.030(3);

Variances related to Chapter 22 integration analysis and Preferred Plan

20.094(3)(A)(3); and

Variances related to the market potential study

4 CSR 240-3.164(2)(A)

Variances related to annual reports (timing)

4 CSR 240-20.093(8)

GENERAL PROVISIONS

25. This Stipulation is being entered into for the purpose of disposing of the issues that are specifically addressed herein. In presenting this Stipulation, none of the Signatories shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking principle or procedural principle, including, without limitation, any method of cost or revenue determination or cost allocation or revenue related methodology, and none of the Signatories shall be prejudiced or bound in any manner by the terms of this Stipulation (whether it is approved or not) in this or any other proceeding, other than a proceeding limited to enforce the terms of this Stipulation, except as otherwise expressly specified herein. Without limiting the foregoing, it is agreed that this Stipulation encompasses this particular three-year Plan and does

not serve as a precedent for future MEEIA plans, and does not preclude a party from arguing whether the Plan has (or does not have) an impact on GMO's business risk in any pending or future proceeding.

26. This Stipulation has resulted from extensive negotiations and the terms hereof are interdependent. If the Commission does not approve this Stipulation, or approves it with modifications or conditions to which a party objects, then this Stipulation shall be void and no signatory shall be bound by any of its provisions. Moreover, if the Commission does not implement the terms and conditions agreed upon in this Stipulation in its orders in Case No. ER-2012-0175, then this Stipulation shall also become void and no Signatory shall be bound by any of its provisions.

27. If the Commission does not unconditionally approve this Stipulation without modification, and notwithstanding its provision that it shall become void, neither this Stipulation, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any Signatory has for a decision in accordance with Section 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

28. If the Commission unconditionally accepts the specific terms of this Stipulation without modification, the Signatories waive, with respect to the issues resolved herein: their

respective rights (1) to call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo 2000; (2) their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1, RSMo 2000; (3) their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000 and (4) their respective rights to judicial review pursuant to Section 386.510, RSMo Supp. 2012. These waivers apply only to a Commission order respecting this Stipulation issued in this above-captioned proceeding, and do not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation.

29. This Stipulation contains the entire agreement of the signatories concerning the issues addressed herein.

30. This Stipulation does not constitute a contract with the Commission. Acceptance of this Stipulation by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has. Thus, nothing in this Stipulation is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

31. The Signatories agree that this Stipulation resolves all remaining issues raised in this case, and that the testimonies of all witnesses whose testimony was pre-filed in this case should be received into evidence without the necessity of the witnesses taking the witness stand.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, transmitted by e-mail, or mailed, First Class, postage prepaid, this 29th day of October 2012, to counsel for all parties on the Commission's service list in this case.

/s/ Jennifer Hernandez
Jennifer Hernandez

CALCULATION OF NINETY PERCENT OF GMO TD-NSB Share

Calculation of Net Shared Benefits:

NPV Program Costs	$39,053,053
NPV Benefits	$149,244,770
NPV Net Benefits	$110,191,717

NPV Throughput Disincentive ($MM) $14.93

Sharing Percentage 13.55%

Net Benefit (PV)	$110.19		
Initial Sharing Percent	13.55%		
Initial Sharing Amount (PV)	$14.93		
Class	RES	BUS	
MWh (3-Year Cum.)	69,701	80,646	150,347
Percent Allocation*	44.8%	55.2%	100.0%
Before-Tax Rev. Req. (PV)	$6.69	$8.24	$14.93
Revenue Requirement (3-Year Annuity)	$2.39	$2.94	$5.32
Percent in Rates	90.0%	90.0%	
Final Revenue Requirement (ER-2012-0175)	$2.15	$2.64	$4.79

Discount Rate 7.06%

**Allocation based on %age of Retail Sales (Kwh) in GMO's last rate case update (3/31/2012)*

Throughput Disincentive Check

	Total	100% TD
2013	$1.39	$5.32
2014	$3.93	$5.32
2015	$6.13	$5.32
2016	$3.64	0
2017	$2.00	0
2018	$0.05	0
2019	$0.00	
Total	$17.14	$15.96
NPV	$14.93	$14.93
check	0.00	(0.00)

KCP&L Greater Missouri Operations Company - For All Territories Served As MPS and L&P
Quarter Ended, Year to Date Ended and Cumulative Total Ended June 30, 2016
SURVEILLANCE MONITORING REPORT
Missouri Energy Efficiency Investment Act of 2009 (MEEIA)
Status of Demand-Side Programs and Demand-Side Programs Investment Mechanism

DSM Program Name	Start Date	Planned End Date	Actual End Date
Residential Lighting & Appliance	01/26/2013	12/31/2015	12/31/2015
Multi-Family	01/26/2013	12/31/2015	Frozen 02/11/2015
Energy Star New Homes	01/26/2013	12/31/2015	Frozen 02/11/2015
Cool Homes	01/26/2013	12/31/2015	12/31/2015
Home Performance with Energy Star	01/26/2013	12/31/2015	12/31/2015
Low Income Weatherization	01/26/2013	12/31/2015	12/31/2015
Appliance Recycling	01/26/2013	12/31/2015	12/31/2015
C&I Prescriptive Rebates	01/26/2013	12/31/2015	06/30/2016
C&I Custom Rebates	01/26/2013	12/31/2015	12/31/2015
Energy Optimizer	01/26/2013	12/31/2015	12/31/2015 (9)
MPower	01/26/2013	12/31/2015	12/31/2015
Business Energy Analyzer	01/26/2013	12/31/2015	12/31/2015 (9)
Home Energy Analyzer	01/26/2013	12/31/2015	12/31/2015 (9)
Residential Reports	01/26/2013	12/31/2015	12/31/2015 (9)
Building Operator Certification	01/26/2013	12/31/2015	12/31/2015
Home Lighting Rebate	07/06/2014	12/31/2015	12/31/2015

Category	Descriptor		Quarter Ended June 30, 2016	YTD June 30, 2016	Cumulative Total Ended
Total Programs' Costs ($)	Planned	(1)	$ -	$ -	$ 43,944,072
Total Programs' Costs ($)	Actual	(6)	$ 8,853,364	$ 16,468,354	$ 61,473,149
Total Programs' Costs ($)	Variance		$ (8,853,364)	$ (16,468,354)	$ (17,529,077)
Total Programs' Costs ($)	Billed		$ 1,229,076	$ 4,655,799	$ 43,907,630
Total Programs' Costs ($)	Actual	(6)	$ 8,853,364	$ 16,468,354	$ 61,473,149
Total Programs' Costs ($)	Variance		$ (7,624,288)	$ (11,812,554)	$ (17,565,518)
Total Programs' Costs ($)	Interest	(9)	$ (54,380)	$ (83,364)	$ 34,846
Energy Savings (kWh)	Planned	(2)	-	-	161,280,889
Energy Savings (kWh)	Actual	(7)	24,752,036	42,373,059	187,504,958
Energy Savings (kWh)	Variance		(24,752,036)	(42,373,059)	(26,224,069)
Demand Savings (kW)	Planned	(3)	-	-	66,524
Demand Savings (kW)	Actual	(7)	5,604	9,412	84,395
Demand Savings (kW)	Variance		(5,604)	(9,412)	(17,871)
Net Benefits ($)	Planned	(4)	$ -	$ -	$ 113,027,048
Net Benefits ($)	Estimated	(10)	$ 17,454,822	$ 33,977,320	$ 113,973,731
Net Benefits ($)	Variance		$ (17,454,822)	$ (33,977,320)	$ (946,683)
Company TD-NSB Share ($)	Planned	(5)	$ -	$ -	$ 14,749,714
Company TD-NSB Share ($)	Disincentive	(8)(10)	$ 2,365,128	$ 4,590,377	$ 15,443,441
Company TD-NSB Share ($)	Variance		$ (2,365,128)	$ (4,590,377)	$ (693,726)
90 % Company TD-NSB Share ($)	Billed		$ (127,374)	$ 1,016,740	$ 14,526,982
Company TD-NSB Share ($)	Disincentive	(8)(10)	$ 2,365,128	$ 4,590,377	$ 15,443,441
Company TD-NSB Share ($)	Variance		$ (2,492,502)	$ (3,573,637)	$ (916,459)
Company TD-NSB Share ($)	Interest	(10)	$ 2,351	$ 10,086	$ 310,337

Footnotes:
(1) Total planned program costs.
(2) Total planned energy savings (kWh) savings.
(3) Total planned demand savings (kW) savings
(4) Total planned net benefits.
(5) Company TD-NSB Share ($)
(6) Actual program costs incurred
(7) Actual demand and energy savings are reported at the meter.
(8) Disincentive amounts have been adjusted to reflect the 13.55% share applied to the Net Shared Benefits @ 100%.
(9) Program ended 12/31/15 except for maintenance program costs to sustain the program until MEEIA Cycle 2 programs become effective April 1, 2016.

(10) In connection with the MPSC Staff KCP&L MO 2016 MEEIA Prudence Audit, Case No. EO-2016-0183, it was determined that the Company had not discounted program costs to 2013 in the calculation of Net Benefits and TD-NSB Share as required in the Non-Unanimous Stipulation and Agreement approved by the Commission in Case No. EO-2012-0009. The effect of correcting this error was an increase in Net Benefits of $3,971,011.10, TD-NSB Share of $524,521.97 and Interest of $13,326.67. This correction is reflected in the quarter ended March 31, 2016.

Notes for Descriptors:
1. **Planned = amounts which are consistent with and included in the Company's Commission-approved MEEIA Plan**
2. **Billed = amounts billed to customers for recovery of Programs' Costs or 90% of Company TD-NSB Share**
3. **Actual = amounts (prior to evaluation, measurement and verification (EM&V)) used to determine Estimated Net Benefits**
4. **Estimated = net benefits amounts calculated monthly using DSMore model and prior to EM&V**
5. **Disincentive = Commission-approved percentage of pre-tax Estimated Net Benefits calculated using a combined federal/state tax rate specified in the utility's Commission-approved DSIM**
6. **Variance = Planned less Actual, Billed less Actual, Planned less Estimated, Planned less Disincentive, or Billed less Disincentive**
7. **Interest = amounts of interest determined through the methodology specified in the utility's Commission-approved DSIM**

Schedule JAR-s6