

**BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE OF MISSOURI**

In the Matter of the Resource Plan of Kansas City)
Power & Light Company Pursuant to 4 CSR 240-22) File No. EO-2016-0232

In the Matter of the Resource Plan of KCP&L Greater)
Missouri Operations Company Pursuant to 4 CSR 240-22) File No. EO-2016-0233

COMMENTS OF UNITED FOR MISSOURI, INC.

COMES NOW, United for Missouri, Inc., pursuant to 4 CSR 240-22.080(3)(D), and files these its comments in the above referenced cases:

I. Legal Standard.

The Missouri Public Service Commission (“Commission”) has promulgated rules designed to achieve and identify the objectives that an electric utility resource plan must serve. The fundamental objective of the resource planning process, as expressed in 4 CSR 240-22.010(2) (more generally referred to hereafter as the “IRP Rule”), is “to provide the public with energy services that are safe, reliable, and efficient, at just and reasonable rates, in compliance with all legal mandates, and in a manner that serves the public interest and is consistent with state energy and environmental policies.” More specifically, this fundamental objective requires that electric utilities do the following:

(A) Consider and analyze demand-side resources, renewable energy, and supply-side resources **on an equivalent basis**, subject to **compliance with all legal mandates** that may affect the selection of utility electric energy resources, in the resource planning process; [and]

(B) Use **minimization** of the present worth of long-run utility costs as the **primary selection criterion** in choosing the preferred resource plan, subject to the constraints in subsection (2)(C) (emphasis added)

This is the standard by which the Commission must judge an electrical utility's integrated resource plan according to its own rules.

II. Factual Background.

On March 15, 2016, KCP&L Greater Missouri Operations Company ("GMO") filed its integrated resource plan ("IRP") 2016 Annual Update Report in the above referenced case. On April 16, 2016, GMO and Kansas City Power & Light Company ("KCP&L") conducted a consolidated stakeholder meeting on the GMO 2016 Annual Update Report (File No. EO-2016-0233) and the KCP&L 2016 Annual Update Report case (File No. EO-2016-0232). Finally, in response to the stakeholder meeting, GMO and KCP&L filed notices in the two cases advising the Missouri Public Service Commission ("Commission") that the companies are making no changes to the March 15, 2016 Annual Update Reports filed.

The GMO 2016 Annual Update report, under the heading "1.3 2016 Annual Update Preferred Plan," starting at page 6, states, in part, as follows:

Based in part upon current Missouri RPS rule requirements, the Preferred Plan includes 10 MW of solar additions and 310 MW of wind additions over the twenty-year planning period. It should be noted that the solar resource addition in 2016 is expected to consist of ownership in 2 MW Commercial and Industrial rooftop installations and 3 MW of a central station solar facility located at Greenwood, Missouri. The 260 MW wind addition is planned for 2017.

The KCP&L Annual Update report, under the same heading, starting at page 7, states, in part, as follows:

Based in part upon current Missouri RPS rule requirements, the Preferred Plan includes 10 MW of solar additions and 650 MW of wind additions over the twenty-year planning period. It should be noted that the solar resource addition in 2016 is expected to consist of ownership of 3 MW of Commercial and Industrial rooftop installations. A 350 MW wind addition was recently placed in service. An additional 300 MW of wind is planned for 2017.

Also, in response to the Commission's orders in File Nos. EO-2016-0038 and EO-2016-0039, GMO and KCP&L provided substantially similar discussions regarding the options available to KCP&L and GMO for providing customer financing for energy efficiency measures. GMO's response, starting at page 121, is quoted below for the Commission's reference:

While GMO has offered customer financing options in the past, GMO currently has no programs in place to provide direct customer financing for energy efficiency measures. The current Customer Information System is not designed to support this financing process functionality which would limit the implementation of such options across both service territories. The Company is, however, currently in development of a new combined CIS platform that could potentially handle such processes. If the ongoing exploration and program evaluation indicates this offering is advantageous, the financing option will be investigated further.

In Q4 2015, GMO hosted several residential customer panelist discussions and surveys across the service territory. One of the questions inquired about interest in on-bill financing for residential HVAC systems. Of the 784 panelists who completed the survey, only about 25% expressed interest. Those who were interested were mainly college educated, 35-84 years old, employed full time with a 'mid-level' income. These results align with those of the American Council for an Energy-Efficient Economy (ACEEE) research on utility financing. ACEEE found that "homeowner financing programs historically draw low participation rates and tend to attract educated and higher income-level homeowners who are the least in need of financing opportunities. Financing for those who are most in need, people with low or fixed incomes and poor credit, has had low success" <http://aceee.org/topics/energy-efficiency-financing>.

Note that while GMO not currently offer a financing option, there are other financing opportunities and funding sources available to the Company's customer base and encourages customers to explore these options. In fact, options like PACE or local. State or Federal funding have been promoted on the GMO Energy Efficiency website.

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In the near-term, GMO will continue to monitor the marketplace and performance of the MEEIA programs. If the Company determines that additional financing options are needed to meet the Company's goals, the Company will then consider additional financing options including a deeper assessment of the new CIS platform functionality and the possibility of incorporating this mechanism into the program.

III. Comments

UFM has comments on these two aspects of KCP&L's and GMO's 2016 Annual Update: their preferred plan and their customer financing options. First, regarding their preferred plans, the preferred plans are out of accord with the policy and directives of the IRP Rule. UFM refers specifically to GMO's 3 MW of a central station solar facility located at Greenwood, Missouri and, by extension, to the 2 MW Commercial and Industrial solar rooftop installations. As to the former, UFM presumes GMO refers to the solar facility for which the Commission recently granted GMO a certificate of public convenience and necessity in File No. EA-2016-0256; as to the latter, UFM presumes it refers to a docket in which an application has not yet been filed in File No. EA-2016-0043. UFM also refers specifically to KCP&L's 10 MW of solar additions and 3 MW of Commercial and Industrial rooftop installations.

To highlight the policy and requirements of the IRP Rule again, the rule requires GMO to (1) consider and analyze demand-side resources, renewable energy, and supply-side resources **on an equivalent basis** and (2) use **minimization** of the present worth of long-run utility costs as the **primary selection criterion**. With regard to these solar additions, the preferred plans comply with neither of these requirements.

As the Commission's *Report and Order* in File No. EA-2016-0256 finds, the Greenwood station is not needed to serve GMO load and is not presently needed to comply with GMO's Renewable Energy Standard obligations. Further, the Commission found that the Greenwood station is not the least cost option for GMO.¹ The Commission

¹ UFM also refers the Commission to the KCPL Response to Eubanks Claire Interrogatories – MSC 20160421. The data request response was designated as Highly Confidential, so no further discussion will be included in these comments.

found that public policy desires beyond meeting environmental mandates, i.e. “building a bridge to the future,” public opinion, and a need for a pilot project justified investment in the Greenwood station. These considerations are not part of the IRP Rule planning paradigm and they distort the proper analysis dictated by the IRP Rule. They produce an unequal treatment of demand-side resources, renewable energy, and supply-side resources to the advantage of solar energy. Therefore, it is a necessary conclusion that the companies did not consider and analyze the solar investments on an equivalent basis to other supply side options, but gave them preferential treatment. It is also impossible to conclude that the companies used long-run cost minimization as the primary selection criterion for these solar investments.

Second, regarding the companies’ energy efficiency financing, while UFM finds that the companies’ discussion is not at odds with the requirements of the IRP Rule, it would like to provide some clarifying comments. Quite frankly, as UFM observed in its comments in File Nos. EO-2016-0038 and EO-2016-039, energy efficiency financing is not exactly an apt special contemporary issue in an integrated resource planning process. However, in response to the Commission making it a special contemporary issue and the companies treatment of the issue in their 2016 Annual Updates, UFM has some observations.

Energy efficiency financing would be a convenience for customers considering energy efficiency projects. As the companies points out, approximately 25% of a special panel of residential customers expressed an interest in some sort of financing. While it is not entirely clear, the reports seem to indicate that the proportion is higher among the educated and higher income-level homeowners. This is not an insignificant proportion of

customers interested in investing in energy efficiency projects. UFM wonders if the proportion is higher still among small business owners. If so, this convenience could attract more activity in energy efficiency services among segments of customers that have a greater potential to gain from energy efficiency services and from which the companies have a potential to achieve greater energy savings.

The Missouri Energy Efficiency Investment Act directs the Commission to “ensure that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently.” Section 393.1075.3 RSMo. On-bill financing would help align these motives. On-bill financing would create transparency and send price signals to customers because it would allow customers to compare savings from energy efficiency projects to the costs for installing those same energy efficiency projects. An entity truly motivated to help customers use energy more efficiently would be motivated to help its customers see the value of their investments.

There is an additional advantage to on-bill financing in that it focuses the buyer and the seller on the transaction itself. In the companies' MEEIA cases, File Nos. EO-2015-0240 and EO-2015-0241, there was a dispute between the companies and Brightergy, one of the companies' contractors, over the propriety of reducing the incentives offered under the business custom rebate program. The companies were concerned that the incentive was too large and thereby constituted an inefficient use of their MEEIA budget. Brightergy was concerned that reducing the incentive would reduce the number of transactions and thereby reduce its potential to sell services. Unfortunately, there was a mismatch in the parties' incentives. The companies were

incented to save money but not incented to pursue individual transaction. Brightergy was incented to enter into individual transactions to do business but not to reduce the expense of the service. A free market seller would have both incentives, to increase transactions and reduce expenses. In order to align the companies' incentives to serve its customers, its profit motive should be tied to payments from customers for services rendered. In that way, the companies will have both the motive to reduce cost, i.e. reduce the incentive, and the motive to make the sale. By merging these two incentives, the companies should be able to come to the most economically efficient transaction, minimizing cost, while at the same time getting the deal done. On-line billing will facilitate this view of the transaction, by allowing the parties to the transaction to focus on ultimate costs and benefits. The transaction can be structured to allow the companies to obtain a revenue stream from the transaction and to allow the customer to see the benefit to him on his bill.

In their discussion on on-bill financing, the companies point out that “there are other financing opportunities and funding sources.” They specifically identify governmental funding sources. UFM discourages the Commission from relying on these sources of financing for several reasons. First, MEEIA directs the Commission to align the motives of the electric utilities and their customers. It does not encourage the Commission to align the motives of government to lend money with the motives of customers to use energy more efficiently. The utilities are expected to “own” their services, not pawn them off on government. Serving the customer should remain where it most expeditiously resides, with the seller of the service.

Second, the government is not a commercial lending institution. Contrary to what many may believe, the purpose of government does not extend that far. See Article I, Section 2 of the Missouri Constitution.

Third, it is bad public policy to use money derived from the taxing power of the government or governmental systems to invest in the private efforts of individuals and business entities. In sum, the Commission should keep the borrowing transaction were it ought to be, between a willing seller of services and a willing buyer, without government intervention.

As UFM has commented in the past, energy efficiency financing is not an apt resource planning issue. Therefore, UFM does not recommend the Commission direct the companies to provide energy efficiency financing. However, if the Commission is so inclined to pursue this directive, UFM requests the Commission and the companies keep these principles in mind in designing the program.

WHEREFORE, for the foregoing reasons, United for Missouri, Inc. respectfully requests the Commission consider these its comments in this matter.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing was sent to all parties of record in the above referenced file via electronic transmission this 1st day of June, 2016.

/s/ David C. Linton