

VOLUME 8:
**FILING SCHEDULE AND
REQUIREMENTS**

**KCP&L GREATER MISSOURI
OPERATIONS COMPANY (GMOC)**

INTEGRATED RESOURCE PLAN

CASE NO. EE-2009-0237

4 CSR 240-22.080

**** PUBLIC ****



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VOLUME 8: FILING SCHEDULE AND REQUIREMENTS

PURPOSE: This rule specifies the requirements for electric utility filings to demonstrate compliance with the provisions of this chapter. The purpose of the compliance review required by this chapter is not commission approval of the substantive findings, determinations or analyses contained in the filing. The purpose of the compliance review whether the utility's resource acquisition strategy meets the requirements stated in 4 CSR 240-22.010(2)(A)–(C).

SECTION 1: FILING REQUIREMENTS

(1) Each electric utility which sold more than one (1) million megawatt-hours to Missouri retail electric customers for calendar year 1991 shall make a filing with the commission every three (3) years that demonstrates compliance with the provisions of this chapter. The utility's filing shall include at least the following items:

1.1 LETTER OF TRANSMITTAL

(A) Letter of transmittal;

The letter of transmittal is provided at the beginning of this filing.

1.2 SUMMARY AND PRESS RELEASE

(B) Summary information and any press release related to the filing;

GMO has not submitted any press releases with respect to the 2009 GMO IRP filing.

1.3 REPORTS AND INFORMATION

(C) Reports and information required by 4 CSR 240-22.030(8), 4 CSR 240-22.040(9), 4 CSR 240-22.050(11), 4 CSR 240-22.060(6) and 4 CSR 240-22.070(11);

All reports and information required by the IRP rules are provided in the individual subject matter volumes.

(D) A narrative description and summary of the reports and information referred to in subsection (1)(C). The narrative shall specifically show that the resource acquisition strategy contained in the filing has been officially approved by the utility and that the methods used and the procedures followed by the utility in formulating the resource acquisition strategy comply with the provisions of this chapter;

The narrative descriptions are included in Volume 1, Executive Summary. The official approval of the Resource Acquisition Strategy is included under Volume 7 in Appendix 7A, Implementation Plan and Resource Acquisition Strategy.

(E) A request for a protective order from the commission if the utility seeks to protect anything contained in the filing as trade secrets, or as confidential or private technical, financial or business information; and

Order of protection for confidential information is included in the Letter of Transmittal.

(F) Tariff sheets as required by 4 CSR 24014.040(2) for demand-side programs that are promotional practices as defined by 4 CSR 240-14.010(6)(L).

GMO does not have any tariff sheets to file as part of this IRP filing.

SECTION 2: NONTRADITIONAL ACCOUNTING FOR DEMAND-SIDE RESOURCE COSTS

(2) The electric utility's compliance filing may also include a request for nontraditional accounting procedures and information regarding any associated ratemaking treatment to be sought by the utility for demand-side resource costs. If the utility desires to make any such request, it must be made in the utility's compliance filing pursuant to this rule and not at some subsequent time. If the utility desires to continue any previously authorized nontraditional accounting procedures beyond the three (3)-year implementa-

tion period, it must request reauthorization in each subsequent filing pursuant to this rule. Any request for initial authorization or reauthorization of these nontraditional accounting procedures must—

2.1 DEMAND-SIDE PROGRAMS

(A) Be limited to specific demand-side programs that are included in the utility's implementation plan; and

This request for nontraditional accounting procedures is only for the proposed demand-side programs included in the Preferred Resource Plan.

2.2 SPECIFIC PROPOSAL INFORMATION

(B) Include specific proposals that contain at least the following information:

1. An explanation of the specific form and mechanics of implementing the proposed accounting procedure and any associated ratemaking treatment to be sought;

In 2008, GMO filed tariffs that mirrored the customer program tariffs KCP&L offered in its Comprehensive Energy Plan which included a portfolio of energy efficiency, demand response, and affordability programs classified as demand-side management ("DSM") programs. The DSM programs were filed as pilot programs to run for a period of time, subject to continuing Commission review.

GMO supports the development of comprehensive DSM programs for its customers and a regulatory environment in which energy efficiency resources are considered a preferred resource option. GMO believes that DSM programs are greatly in the public interest as important and necessary resources, that should be a key component of any comprehensive energy plan designed to meet the future energy needs of Missouri customers for adequate, safe, efficient, and reliable electric service. GMO sees a unique opportunity to develop DSM programs in a way that benefits customers, the environment, the state economy, and the Company.

Two of GMO's key core principles related to the advancement of energy efficiency are:

- 1) To the customer, energy efficiency programs should demonstrate significant economic and societal benefits. Customers desire more influence and control over their own energy and demand usage through greater access to information that enables them to make informed decisions related to energy usage. The utility should be allowed to ensure those benefits are promoted to the customer and allow the customer a solid rationale for participation in these programs.
- 2) To the utility, energy efficiency should be treated as a preferred resource option, or at minimum on a level playing field with supply-side generation. As such, investments in energy efficiency should receive regulatory treatment so as not to discourage utilities from investing in energy efficiency programs.

DSM programs by their very nature pose financial challenges to utilities. The goal of such programs is to reduce customer usage and demand. By lowering customer usage and demand, the billing determinants are lowered on which the utility's charges are assessed. Each kWh and kW reduction leads to less revenue for the utility. While the utility can avoid the variable costs of providing the additional service, the net impact is almost always a reduction in net revenue and earnings -- often referred to as "lost margins." While the impact from the reduction of sales attributable to DSM can usually be re-established in the next rate case, there is still a net loss of allowed revenue between rate cases. GMO will experience this revenue, earnings and cash flow loss if it continues the current regulatory model, which includes a historical test year as the basis for establishing rates and recovery of and on the investment in energy efficiency, because the historical test year sets the sales levels of customers at a level that DSM programs are reducing. The current model for GMO's investment in DSM programs results in a disincentive to the development and implementation of energy efficiency programs as a more sustainable resource

due to the detrimental shareholder impact that such investments currently have on GMO.

GMO seeks to continue its commitment to DSM programs. In order to aggressively pursue this commitment, the financial disincentives highlighted above need to be eliminated and DSM investments treated on at least an equal playing field to investments in traditional supply resources.

Rule 22.080(2)(B)1 requires an explanation of the specific form and mechanics of implementing the proposed accounting procedure and any associated ratemaking treatment to be sought. The following explanation meets this rule:

Specifically, GMO seeks Commission approval of non-traditional rate making associated with expenditures for the proposed DSM programs included in the 2009 IRP Preferred Plan. In order to continue offering DSM programs to customers, GMO proposes the following components for cost recovery:

- 1) Return of and on DSM investments;
- 2) Recovery of lost margins; and
- 3) Performance mechanism for meeting or exceeding DSM program energy savings goals.

The following is a discussion of each of the three components listed above:

Return Of and On DSM Investments: GMO proposes to defer the costs of DSM programs in Account 186 and calculate allowance for funds used during construction (AFUDC) monthly. When new rates go into effect reflecting amortization recovery as a result of future general rate proceedings, GMO will transfer the prudently-incurred costs included in the Account 186 balance to Account 182.3 and include such costs in rate base; stop accruing AFUDC on the amount included in rate base; and begin amortizing the balance over a ten (10) year period. Additional DSM program costs incurred after the effective date of a final Report and Order recognizing these costs will be treated in the same manner, but will be deferred in a different sub-account by

vintage. DSM program costs are defined as those costs, both capital and expense, incurred incrementally above existing costs in rates.

Recovery Of Lost Margins: GMO proposes to recover lost margins through an annual energy efficiency rider that is intended to reduce regulatory lag and mitigate the earnings erosion that historically has been associated with GMO's DSM initiatives. The Company proposes to establish the rider at the time the Commission approves tariffs required to implement DSM initiatives. At the time the Company applies for approval of the various tariffs, the Company will submit an analysis estimating the cost and impact of the initiatives. When the tariff is approved, the rider will be established to recover the projected lost margin over the following 12 months. In the ninth month of the rider, the Company will file an updated analysis projecting the lost margin for the next twelve months. Six months after the first 12 months, The Company will make a true-up filing to either return over recovery or collect under recovery of lost margin, based on the success of the implementation of the initiative. At the time new rates are established as a result of a general rate case, the rider would be set at zero, as the rates will reflect lost margins at that time.

Any changes to the initiatives that result in impacts that differ from those in the general rate case would necessitate another rider based on the next 12 months.

Performance Mechanism For Meeting Or Exceeding DSM Program Energy

Savings Goals: GMO is proposing to determine the net economic benefits of the energy efficiency programs for purposes of developing an annual performance plan. Specifically, GMO proposes a performance mechanism for meeting or exceeding the DSM energy savings goals based on the net economic benefits of the DSM programs.

Estimated net benefits are equal to the sum of each program's total avoided cost minus program costs. Avoided costs are the cost that would otherwise be incurred by a utility to serve the load that is avoided due to an energy efficiency program.

GMO proposes a performance plan based on a sliding scale on the energy savings achieved as a percentage of the energy savings goal for each year of the program. If GMO achieves less than 50 percent of its Commission-approved energy savings goal for the year, it will earn no incentive. If GMO achieves energy savings equal to or greater than 50 percent, but less than 75 percent of its approved energy savings goal for the year, GMO will retain 10 percent of the net economic benefits. If GMO achieves 75 percent but less than 100 percent of its approved energy savings goal, GMO will retain 15 percent of the net economic benefits. If GMO achieves 100 percent or greater of its approved savings goals, GMO will retain 20 percent of the net economic benefits. A chart showing the proposed incentive percentages is provided below:

ANNUAL SAVINGS AS A PERCENTAGE OF SAVINGS GOAL	PERFORMANCE PAYOUT %
0 – 50%	0 %
51 – 74%	10 %
75 - 99%	15 %
> 99%	20 %

2. A discussion of the rationale and justification of the need for a nontraditional treatment of these costs;

The analysis done to arrive at the Preferred Plan is an outcome of MIDAS, an hourly load dispatching software package that provides the Net Present Value of Revenue of Requirements (NPVRR) over a period of time under specific conditions and circumstances. The annual revenue requirement used in the NPVRR calculation are converted into annual average rates. In other words the MIDAS model assumes perfect ratemaking, both in terms of time and amount. It is this analysis from which the Preferred Plan was chosen.

This “perfect ratemaking” never occurs in actuality, due to the nature of Regulatory ratemaking. KCP&L-GMO believes nontraditional DSM ratemaking is necessary due to this mismatch.

3. An explanation of how the specific proposal meets this need for nontraditional treatment; and

The proposed cost-recovery mechanism and financial incentive would, as a package, allow GMO to increase its commitment to DSM without suffering significant financial harm. In other words, DSM initiatives would have earnings impacts similar to or better than those of supply-side investments, depending on performance, and would meet the Commission’s objective to develop DSM programs as a more sustainable resource. GMO may at some point seek additional or modified measures to further prevent revenue and earnings erosion, but this initial proposal would at least address the most detrimental financial impacts of DSM programs.

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

GMO calculated the impact on net income due to the lack of non-traditional rate making on DSM expenditures. The results of this analysis for the Preferred Plan is detailed in below.

Table 1: Earnings Impact – Non-traditional Rates ** Highly Confidential **

Net Income - \$M	2010	2011	2012
No Rate Treatment			
Non-Trad. Rate			
Loss of Earnings			

SECTION 3: COMPLIANCE FILING TIMELINE

(3) The electric utilities shall make their initial compliance filings on a staggered basis in order of decreasing size of gross annual Missouri operating revenues from retail electric sales for calendar year 1991. The electric utility

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with the largest gross annual Missouri operating revenues shall make its initial filing seven (7) months (December 1993) after the effective date of this chapter (May 5, 1993). The remaining electric utilities shall make their initial filings in successive increments of seven (7) months from the effective date of this chapter (May 5, 1993).

From the Non-Unanimous Stipulation and Agreement of Case EO-2007-0298, it was agreed that the next resource plan filing would be August 5, 2009.

SECTION 4: DOCKET ESTABLISHMENT

(4) The commission will establish a docket for the purpose of receiving the compliance filing of each affected electric utility. The commission will issue an order that establishes an intervention deadline, sets an early prehearing conference and provides for notice.

Case No. EE-2009-0237 was established for submittal of the 2009 GMO IRP.

SECTION 5: STAFF REVIEW AND REPORT

(5) The staff shall review each compliance filing required by this rule and shall file a report not later than one hundred twenty (120) days after each utility's scheduled filing date that identifies any deficiencies in the electric utility's compliance with the provisions of this chapter, any major deficiencies in the methodologies or analyses required to be performed by this chapter and any other deficiencies which, in its limited review, the staff determines would cause the electric utility's resource acquisition strategy to fail to meet the requirements identified in 4 CSR 240-22.010(2)(A)–(C). If the staff's limited review finds no deficiencies, the staff shall state that in the report. A staff report that finds that an electric utility's filing is in compliance with this chapter shall not be construed as acceptance or agreement with the substantive findings, determinations or analysis contained in the electric utility's filing.

SECTION 6: OFFICE OF PUBLIC COUNSEL OR INTERVENOR REPORT

(6) Also within one hundred twenty (120) days after an electric utility's compliance filing pursuant to this rule, the office of public counsel and any intervenor may file a report or comments based on a limited review that identify any deficiencies in the electric utility's compliance with the provisions of this chapter, any deficiencies in the methodologies or analyses required to be performed by this chapter, and any other deficiencies which the public counsel or intervenor believes would cause the utility's resource acquisition strategy to fail to meet the requirements identified in 4 CSR 240-22.010(2)(A)–(C).

SECTION 7: AVAILABILITY OF SUPPORTING DOCUMENTATION

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

SECTION 8: JOINT AGREEMENT ON A DEFICIENCIES REMEDY PLAN

(8) If the staff, public counsel or any intervenor finds deficiencies, it shall work with the electric utility and the other parties to reach, within forty-five (45) days of the date that the report or comments were submitted, a joint agreement on a plan to remedy the identified deficiencies. If full agreement cannot be reached, this should be reported to the commission through a joint filing as soon as possible, but no later

than forty-five (45) days after the date on which the report or comments were submitted. The joint filing should set out in a brief narrative description those areas on which agreement cannot be reached.

SECTION 9: SCHEDULE FOR NON AGREEMENT OF DEFICIENCIES REMEDY

(9) If full agreement on remedying deficiencies is not reached, then within sixty (60) days from the date on which the staff, public counsel or any intervenor submitted a report or comments relating to the electric utility's compliance filing, the electric utility may file a response and the staff, public counsel and any intervenor may file comments in response to each other. The commission will issue an order which indicates on what items, if any, a hearing will be held and which establishes a procedural schedule.

SECTION 10: NOTIFICATION OF CHANGE TO PREFERRED RESOURCE PLAN

(10) If the utility determines that circumstances have changed so that the preferred resource plan is no longer appropriate, either due to the limits identified pursuant to 4 CSR 240-22.070(10)(C) being exceeded or for other reasons, the utility, in writing, shall notify the commission within sixty (60) days of the utility's determination. If the utility decides to implement any of the contingency options identified pursuant to 4 CSR 240- 22.070(10)(D), the utility shall file for review in advance of its next regularly scheduled compliance filing a revised implementation plan.

SECTION 11: GRANTING OF WAIVERS

(11) Upon written application, and after notice and an opportunity for hearing, the commission may waive or grant a variance from a provision of this chapter for good cause shown.

(A) The granting of a variance to one (1) electric utility which waives or otherwise affects the required compliance with a provision of this chapter does not constitute a waiver respecting, or otherwise affect, the required compliance of any other electric utility with a provision of these rules.

(B) The commission will not waive or grant a variance from this chapter in total.

GMO filed an application for waiver's concerning certain of the Commission's Electric Utility Resource Planning (IRP) rule requirements on December 4, 2008. The Commission approved the waiver requests in their entirety on March 11, 2009. The application for waiver's and the Commission's approval are attached in Appendix 1A.

SECTION 12: EXTENSION OR REDUCTION OF TIME PERIODS

(12) The commission may extend or reduce any of the time periods specified in this rule for good cause shown.

SECTION 13: COMMISSION ORDER

(13) The commission will issue an order which contains findings that the electric utility's filing pursuant to this rule either does or does not demonstrate compliance with the requirements of this chapter, and that the utility's resource acquisition strategy either does or does not meet the requirements stated in 4 CSR 240-22.010(2)(A)–(C), and which addresses any utility requests pursuant to section (2) for authorization or reauthorization of nontraditional accounting procedures for demand-side resource costs.