

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

Application of Kansas City Power &) Case No. EO-2008-0224
Light Company for the Opening Of A)
Proceeding To File Status Report)
On Wind Investments

**MISSOURI DEPARTMENT OF NATURAL RESOURCES'
RESPONSE TO STATUS REPORT ON WIND INVESTMENTS**

Public/NC

On March 28, 2005, KCPL, the Staff of the Commission, the Missouri Department of Natural Resources (MDNR), the Office of Public Counsel (OPC), Praxair and other interested parties submitted a Stipulation and Agreement in Case No. EO-2005-0329. The Commission approved the Stipulation on July 28, 2005 and approved certain amendments to the original Stipulation on August 23, 2005.

Section 4 of the Stipulation and Agreement, page 45, as amended, provides:

100 MW of new wind generation facilities to be installed in 2006. As part of the determination respecting proceeding with the construction of the second 100 MW investment in new wind generation, KCPL will issue a Request for Proposal (RFP) for a twenty-year (20-year) purchase power agreement (PPA) for wind generation from independent third parties on a cost per kilowatt-hour basis, which includes any expected tax credits. An additional 100 MW of new wind generation facilities will be installed in 2008 if a detailed evaluation (made with input from interested Signatory Parties) supports such an action to proceed with its construction.

On January 4, 2008, KCPL filed an Application and Status Report on Wind Investments related to the second 100 megawatts (MW) of new wind generation facilities to be installed in 2008 with its decision "that it would not be prudent to proceed with the additional 100 MW of wind generation that was originally contemplated in Section 4 of the Stipulation and Agreement in Case No. EO-2005-0329"¹. The Commission's January 14, 2008, Order Directing Notice provided that other interested parties might file responses to KCPL's status report no later than February 19, 2008. The MDNR submits the following comments in response to KCPL's filing.

MDNR would like to offer comments in three areas: (1) KCPL's consideration of a power purchase agreement for the second 100 MW wind project; (2) KCPL's commitment to future wind generation; and (3) KCPL's consideration of Missouri's wind resources.

Consideration of a Power Purchase Agreement (PPA)

Section 4 of the Stipulation and Agreement provided that, as part of the determination for proceeding with the second wind generation project, KCPL would issue a "Request for Proposal (RFP) for a twenty-year (20-year) purchase power agreement (PPA) for wind generation from independent third parties on a cost per kilowatt-hour basis, which includes any expected tax credits."

As late as November 2007, KCPL informed interested parties that it had selected a proposal and planned to issue hybrid debt securities to finance construction of the second wind project (Attachment No. 2 HC). Then on December 17, 2007, KCPL informed interested parties that due to financial market conditions KCPL was unable to issue the hybrid debt securities as planned, and that it decided it was no longer prudent to proceed with the second wind project.

Had KCPL selected a PPA proposal, perhaps hybrid debt securities would have been unnecessary and changes in the financial market would have had little or no impact on the viability of KCPL's second wind project. It is unclear whether additional analysis of a PPA proposal was conducted after the financial markets changed.

¹ Application and Status Report on Wind Investments Filed by KCPL on January 4, 2008, page. 3, paragraph 8.

MDNR requests that KCPL submit an analysis of its evaluation of the factors that resulted in KCPL's decision not to proceed with a PPA after changes in the financial market affected KCPL's plans to issue hybrid debt securities for a construction and ownership option.

Commitment to Future Wind Generation

In the Status Report KCPL stated that it is “committed to evaluating the construction of additional wind generation in 2009 and beyond.”² However, there are issues identified by KCPL in “KCP&L – Wind 2007 RFP Update” (Attachment No. 2 HC) that would make it more difficult for KCPL to proceed with a wind project after 2008. The most significant of these factors are *** .

KCPL also recognized the benefit of proceeding with a 2008 project due to the *** .

Given these factors, in its resource planning processes, KCPL should give greater consideration to issues other than least-cost considerations, as provided for in Chapter 22 of the Commission’s Electric Utility Resource Planning rule, 4 CSR 240-22.010(2)(C).³ For example, such factors would address the long-term benefits to KCPL's customers from additional investments in wind energy.

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² Ibid .

³ “Explicitly identify and, where possible quantitatively analyze, any other considerations which are critical to meeting the fundamental objective of the resource planning process, but which may constrain or limit the minimization of present worth of expected utility costs. . .”

MDNR supports the development and use of Missouri's clean indigenous energy resources because of the associated environmental and economic benefits to the state. In 2005 MDNR updated Missouri's map of wind resources that is available to the public and used by wind developers to identify the areas of the state with the best wind resources. MDNR also partners with KCPL, Empire District Electric Company, AmerenUE and Aquila, Inc. to conduct tall tower wind assessments on 10 communication towers across the state to gather site-specific wind data to further inform decisions to develop Missouri's wind resources. MDNR appreciates KCPL's commitment to maintain the data collection system on its two sites for a period beyond its original commitment so that a better data set is obtained. Completion of this tall tower assessment project, anticipated to be in late 2008, should provide additional data for evaluation of Missouri's wind resources.

KCPL's decision not to proceed with the wind project in 2008 provides an opportunity to consider the factors in KCPL's evaluation that led to selection of a site ***.*** Given that Missouri's wind resources are not as robust as wind resources in some other states, other factors could be considered to encourage its development.

MDNR requests that KCPL submit an analysis that identifies Missouri regulatory and policy issues and decision-making variables, other than the issues identified in Attachment 2, that were factors in KCPL's site selection. The analysis should include recommendations and the potential impact of specific actions or policies Missouri could adopt that could increase the attractiveness of siting wind projects in Missouri.

WHEREFORE, MDNR respectfully submits this response to KCPL's Application and Status Report.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or e-mailed to all counsel of record this 19th day of February, 2008.

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