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**Review of Kansas City Power & Light Company  
Electric Utility Resource Planning  
Compliance Filing  
Case No. EE-2008-0034**

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Prepared by  
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## **PREFACE OF THE OFFICE OF THE PUBLIC COUNSEL**

This report is filed by the Office of the Public Counsel (Public Counsel or OPC) pursuant to 4 CSR 240-22.080(6), which provides that Public Counsel may file a report that identifies deficiencies in a utility's compliance with the provisions of Chapter 22, and any other deficiencies that cause the utility's resource acquisition strategy to fail to meet the fundamental objectives of the planning process as set forth at 4 CSR 240-22.010(2).

4 CSR 240-22.080(8) requires Public Counsel to work with Kansas City Power & Light Company (KCPL or the Company) in an attempt to reach an agreement, within forty-five days of the date that this report was filed, on a plan to remedy deficiencies. Should Public Counsel and KCPL be unable to reach such an agreement, Public Counsel recommends that the Commission find, pursuant to 4 CSR 240-22.080(13), that KCPL's filing does not comply with the requirements of Chapter 22 and that KCPL's resource acquisition strategy does not meet the fundamental objectives of the planning process as set forth in 4 CSR 240-22.010(2)(A)-(C).

This report is less comprehensive and much shorter than the reports that Public Counsel submitted in the mid 1990s shortly after the IRP rule went into effect. The abbreviated nature of this report should not be construed to reflect any changes in OPC's view that the formal IRP process is important to consumers. Instead, the abbreviated nature of this report is due to the finite resources that OPC has for IRP analysis and other Commission issues and activities that are currently taking place, not the least of which are the large number of rate cases that have been processed recently at the Commission. In order to provide meaningful feedback on KCPL's IRP filing, we have focused our attention primarily on those areas where the greatest deficiencies occurred in KCPL's filing. Public Counsel has not attempted to address the load forecasting portion of KCPL's filing in this report. Therefore, no conclusions should be drawn regarding OPC's views of the degree to which KCPL's filing in the forecasting area complies with the provisions in Chapter 22.

## Public Counsel's List of Deficiencies

**1. 4 CSR 240-22.050 (3) and (7) – KCPL failed to analyze street lighting (and other outdoor lighting) retrofits and alternative rate structures as end use measures and as Demand-Side programs.** KCPL acknowledged on page 54 of Volume 1 – S that it “did not evaluate alternative rate structures in conjunction with DSM planning.” End-use measure is defined in 4 CSR 240-22.020(15) as “an energy efficiency measure or an energy management measure.” Alternative rate structures such as time of day pricing and critical peak pricing (CPP) should be considered, especially for those residential and small commercial customers that are not eligible to participate in the MPower demand response program.

**2. 4 CSR 240-22.050 (6) – KCPL failed to comply with the requirement in the rule for it to “develop a set of potential demand-side programs that are designed to deliver an appropriate selection of end-use measures to each market segment.”** Outdoor lighting programs, alternative rate structures, and DSM energy efficiency measure financing programs should have been developed so that KCPL would have a “set of potential demand-side programs that are designed to deliver an appropriate selection of end-use measures to each market segment.” Other utilities such as Mid American Energy Company offer financing of energy efficiency programs as an alternative to using rebates to attract residential and small commercial customers to participate in energy efficiency programs and KCPL should explore this option so it does not just rely on rebates to encourage participation.

**2. 4 CSR 240-22.060 (3) – KCPL failed to develop any alternative resource plans that had new DSM programs in them prior to 2010 so it does not know how such plans would perform relative to the plans that were developed and analyzed.** There is a gap of almost one and one-half years between the time when KCPL made its filing and the time when it will begin to implement its new programs in 2010. KCPL acknowledges in its new DSM implementation plan filed on December 24, 2008 that there is a potential funding deficiency in one of its largest current programs, the C & I Custom Rebate-Retrofit program, but it has no plans to even keep this program fully funded until the new programs would start in 2010.

**3. 4 CSR 240-22.070(1), (2), (3) and (5) – KCPL did not comply with this requirement which states that “the utility shall use the methods of formal decision analysis to assess the impacts of critical uncertain factors on the expected performance of each of the alternative resource plans developed pursuant to 4 CSR 240-22.060(3)...”** KCPL identified 3 additional critical uncertainties on page 13 of Volume 1-S and none of these newly identified critical uncertain factors were analyzed in the analysis that KCPL performed pursuant to 4 CSR 240-22.070. In addition to these factors, KCPL should have identified its Production Tax Credits (PTC) for wind, federal or state renewable portfolio standards (RPS) and “maintaining adequate credit ratings” as critical uncertain factors (as discussed below) and analyzed these factors as well in the analysis that KCPL performed pursuant to 4 CSR 240-22.070.

**4. 4 CSR 240-22.070(1) and (2) - Failure to identify all of the uncertain factors that are critical to the performance of the resource plan by performing the analysis required by this section of the rule for the independent uncertain factors and documentation of this analysis as required by 4 CSR 240-22.070(11).**

On page 29 of Volume 1-S, KCPL identifies Production Tax Credits (PTC) for wind, federal or state renewable portfolio standards (RPS) and “maintaining adequate credit ratings” as factors that area critical to determining whether it can implement its preferred plan. Since KCPL may no longer choose to implement the wind resources in its preferred plan if there are adverse outcomes for these uncertain factors, its should have identified these 3 factors as critical uncertain factors because KCPL believes that all three are critical to the performance of its preferred resource plan.

**5. 4 CSR 240-22.070(9)(B) - Failure to create an adequate implementation plan for Demand-Side resources.**

4 CSR 240-22.070(9)(B) requires “a schedule and description of ongoing and planned demand-side programs, program evaluations and research activities. In an attempt to satisfy this requirement, KCPL provided a new “IRP Preferred Plan DSM Program Implementation Plan” as part of its December 24, 2008 supplemental filing. This plan does not include a schedule and description of ongoing and planned demand-side programs, program evaluations and research activities as required by the rule. The DSM implementation plan that KCPL filed on August 5, 2008 (Appendix 1.C) has a table on page 7 that contains the schedule and milestones for KCPL’s DSM programs that were part of its regulatory plan but the Company has not provided a similar table with the schedule and milestones for the new DSM programs in its preferred plan.

**6. 4 CSR 240-22.070(9)(C)(D) - Failure to create an adequate implementation plan for Supply-Side resources.**

4 CSR 240-22.070(9)(C) requires “a schedule and description of all supply-side resource acquisition and construction activities.” KCPL’s supply-side implementation plan does not include a schedule and description of many of its most significant construction activities such as completing the construction of Iatan 2, completing the environmental upgrades to Iatan I and the activities related to the planning and execution of environmental upgrades for its other coal-fired plants. Page 32 of Volume S-1 shows the budgets for KCPL’s environmental retrofits over the implementation period but the activities and milestones associated with these budgets are not identified in the supply-side implementation plan

**7. 4 CSR 240-22.070(10)(C) - Failure to specify the ranges or combinations of outcomes for the critical uncertain factors and explain how limits were determined.**

KCPL did not identify all of the critical uncertain factors prior to performing its risk analysis (additional factors were identified in its December 24, 2008 supplemental filing) so it could not satisfy this requirement.

**8. 4 CSR 240-22.070(10)(D) - Failure to specify a set of contingency options for the critical uncertain factors as part of an officially adopted resources acquisition strategy.**

KCPL did not identify all of the critical uncertain factors prior to the official

adoption of its resource acquisition strategy (additional factors were identified in its December 24, 2008 supplemental filing) and it did not satisfy this requirement. On page 28 of Volume 1-S, KCPL appears to imply that one of its contingency options is that it will not implement its new DSM programs without “adequate cost recovery.” This implication is rather odd because: (1) KCPL did not even mention the importance of DSM cost recovery in its August 5, 2008 filing and (2) KCPL does not explain how the lack of “adequate cost recovery” for DSM would cause the Company to choose a different resource plan (presumably with little or no DSM) as its preferred plan even though the IRP rules require Missouri electric utilities to use minimization of PVRR as the primary plan selection criteria.

**9. 4 CSR 240-22.070(10)(E) - Failure to create and provide full documentation of a credible process for monitoring the critical uncertain factors and reporting to managers/officers.** The Table of Rules Compliance in Volume 7 of KCPL’s filing does not contain any references to where the information relevant to this rule requirement can be found.

**10. 4 CSR 240-22.070(11)(F) - Failure to include a discussion of the process used to select the preferred plan.** The Table of Rules Compliance in Volume 7 of KCPL’s filing does not contain any references to where the information relevant to this rule requirement can be found. On page 23 of Volume 7, the Company says that the requirements of 22.070(10) are discussed in Volume 1, Section 5, but the information required by this rule provision is not in Volume 1, Section 5. The introduction to Section 3 on page 18 of Volume 1 says that this type of information can be found in Volume 7.

**11. 4 CSR 240-22.070(10) and 4 CSR 240-22.080(1)(D) - Failure to officially adopt a resource acquisition strategy.** The Corporate Approval Statement on page 30 of Volume 1 does not explicitly adopt a resource acquisition strategy. It does not even identify alternative resource plan 19 as the preferred plan that has been selected by KCPL. KCPL has not created supply or demand-side implementation plans or contingency plans that meet the rule requirements at the time this approval statement was signed. Also, certain elements of KCPL’s resource acquisition strategy were modified by KCPL’s supplemental filing on December 24, 2008 and there was no new adoption statement included in the supplemental filing.

**12. 4 CSR 240-22.080(2) - KCPL’s request for non-traditional accounting procedures for DSM expenses does not fully comply with the requirements of this section of the rule and the filing of a complex DSM recovery mechanism that goes far beyond anything previously proposed in an IRP case just 2 weeks before Public Counsel’s report on KCPL’s filing is due does not leave adequate time for review.** The “simplistic estimation of the lost margin” contained in KCPL’s supplemental filing does not satisfy the requirements in 4 CSR 240-22.080(2)(B)4 for a quantitative comparison of earnings with and without the proposed non-traditional accounting procedures. Public Counsel would be glad to discuss an extension of the non-traditional accounting procedures for DSM cost recovery that were already approved as part of KCPL’s current regulatory plan and possible changes to the existing arrangement, but the

broad sweeping changes proposed by KCPL are difficult to respond to in the limited time that OPC has had to review them.

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been emailed to all parties this 7th day of July 2008.

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