

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

In the Matter of the 2008 Resource Plan of)
Kansas City Power & Light Company Pursuant)
to 4 CSR 240-22.)
Case No. EE-2008-0034

STAFF RECOMMENDATION TO GRANT VARIANCES WITH CONDITIONS

COMES NOW the Staff (“Staff”) of the Missouri Public Service Commission (“Commission”) and, recommends that the Commission conditionally grant Kansas City Power & Light Company (“KCPL” or “Company”) additional variances¹ from the Commission’s Electric Utility Resource Planning (“RP”) reporting requirements, as set forth in Chapter 22 of the Commission’s Rules, for KCPL’s August 2008 RP submission. In support thereof, the Staff respectfully states as follows:

1. On February 5, 2008, KCPL filed an Application requesting four (4) variances from the RP reporting requirements for its August 2008 RP submission. As noted in the Application, KCPL agreed to make its 2008 RP submission by August 5, 2008, as part of a Non-Uniform Stipulation And Agreement (“Agreement”) approved by the Commission on April 12, 2007 in Case No. EO-2007-0008. That Agreement also contains KCPL’s commitment to make a good faith effort to request any variances from the Commission’s RP reporting requirements by August 5, 2007 (12 months before August 5, 2008). Although it did not file this request until February 5, 2008, KCPL maintains it has met that commitment.

¹ This is the second request for variance in connection with KCPL’s August 2008 submission. On September 25, 2007, the Commission granted the Company, a total of fifteen (15) variances from certain of the Commission’s RP reporting requirements. Ten (10) were variances from provisions of 4 CSR 240-22.030 (load analysis and forecasting); one (1) variance was from 4 CSR 240-22.040 (supply-side resources analysis); and four (4) were variances from 4 CSR 240-22.050 (demand-side resource analysis).

2. On February 6, 2008, the Commission issued an order in which, among other things, it directed the Staff to file by March 7, 2008 either a recommendation regarding KCPL's request for additional variances or a status report indicating a date certain by which the Staff would file its recommendation.

3. According to the Application, KCPL seeks three variances from 4 CSR 240-22.040 (Supply-Side Resource Analysis) and one variance from 4 CSR 240-22.050 (Demand-Side Resource Analysis). The Application asserts that KCPL provided e-mail notification to the Staff, the Office of the Public Council and the Missouri Department of Natural Resources of its intention to seek these additional variances shortly after it identified the need for them. The Staff notes that it participated with the other parties in a conference call regarding these four variance requests on February 1, 2008.

4. In the one demand-side variance request, KCPL seeks to use energy market pricing instead of the "avoided direct running cost per kWh" required by 4 CSR 240-22.050(2)(C)1. The Staff believes that, since KCPL will use these costs only for purposes of screening demand-side resources and will conduct further analysis pursuant to 4 CSR 240-22.060 (Integrated Resource Analysis) and 4 CSR 240-22.070 (Risk Analysis and Strategy Selection), energy market prices are a reasonable substitute for avoided direct running costs. However, in its August 5, 2008 RP filing, KCPL needs to explain how it derived energy market prices and to document the manner in which it calculated these prices.

5. KCPL also requests a variance from the rule 4 CSR 240-22.040 (2) requirement that the pre-screening of the costs of technologies on the supply side be expressed in nominal dollars,² and instead requests that it be allowed to express those costs in constant year dollars.

² "Nominal dollars mean future or then-current dollar values that are not adjusted to remove the effects of anticipated inflation." 4 CSR 240-22.020(41).

The Staff believes that the same supply-side options will pass the pre-screening regardless of whether nominal dollars or constant year dollars are used. However, KCPL needs to document in its August 5, 2008 RP submission the supply-side resources that were rejected and to provide the reasons why each supply-side resource option was rejected, as required by 4 CSR 240-22.040(9)(A)3. The documentation should include a discussion of the nominal versus constant year dollars for the particular resource, if costs were the reason for rejecting the particular supply-side option.

6. Additionally, KCPL requests a variance from 4 CSR 240-22.040(3), (6) and (7) requirements for supply-side resource analysis. KCPL requests that instead of a thorough analysis of the existing and planned interconnected generation resources, it be allowed to use several different average cost factors for various resources in pre-screening and to analyze a range of potential transmission costs in its supply-side resource analysis. KCPL is a member of the Southwest Power Pool (“SPP”) and states that SPP’s process for deriving transmission interconnection costs does not allow the identification of those costs for a wide range of potential new generating resources. In its August 5, 2008 RP submission, KCPL needs to document the SPP process for deriving the transmission interconnection costs, and then show the factors that KCPL actually used in pre-screening and how they were derived.

7. KCPL also requests a variance from requirements to specify at least two (2) levels of mitigation that are more stringent than existing environmental requirements for each pollutant identified. KCPL states that some pollutants might be controlled by a single technology and therefore the cost for mitigation would be a joint cost. KCPL also states that two levels of mitigation may not be applicable to all potential environmental regulations. To support its treatment of the mitigation of environmental requirements, for each pollutant that KCPL

identifies, the Company needs to state in its August 5, 2008 RP submission its rationale for each of the levels of mitigation it chooses, and if it does not include two or more levels, the reasons two or more levels of mitigation are not applicable.

8. The Staff's positions on KCPL's variance requests are not concurrences or acquiescence regarding language that might be proposed in a future rulemaking where changes to the Commission's 4 CSR 240-Chapter 22 Rules may be considered, or any other filing or proceeding that might occur respecting the Commission's 4 CSR 240-Chapter 22 Rules.

WHEREFORE, Staff recommends that the Commission grant the variances KCPL requests subject to the conditions that KCPL's August 5, 2008 RP submission include each and every one of the following:

- 1) An explanation of the derivation of energy market prices and documentation of the calculation of these prices;
- 2) Documentation of the supply-side resources that were rejected, and for each rejected supply-side resource, the reasons it was rejected, as required by 4 CSR 240-22.040(9)(A)3;
- 3) Documentation of the SPP process for deriving the transmission interconnection costs, as well as the factors that KCPL actually used in pre-screening and how they were derived; and
- 4) For each pollutant that KCPL identifies, a statement of the Company's rationale for each of the levels of mitigation it chooses, and if it does not include two or more levels, the reasons two or more levels of mitigation are not applicable.

Furthermore, if the Commission grants the variances KCPL requests, conditionally or otherwise, the Staff recommends that the Commission expressly state in its order that the

Commission's grant of the requested variances is a one-time authorization applicable solely to KCPL, that the Commission's 4 CSR 240-Chapter 22 Rules are still applicable to KCPL, and that said rules are not in any manner themselves affected by the Commission's grant of the requested variances.

Respectfully submitted,

/s/ Dennis L. Frey

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 7th day of March, 2008.

/s/ Dennis L. Frey