

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

In the Matter of the 2009 Electric Resource Planning)
of KCP&L Greater Missouri Operations Company)
pursuant to 4 CSR 240-22.) Case No. EE-2009-0237

**STAFF’S CORRECTED RECOMMENDATION
TO GRANT VARIANCES FROM CHAPTER 4 CSR 240-22 REQUESTED BY
KCP&L GREATER MISSOURI OPERATIONS COMPANY
FOR ITS 2009 ELECTRIC RESOURCE PLANNING SUBMISSION**

Comes now the Staff of the Missouri Public Service Commission (Staff), through the General Counsel’s Office, and recommends to the Missouri Public Service Commission (Commission) that the Commission, subject to conditions identified by the Staff below, grant to KCP&L Greater Missouri Operations Company (GMO) the variances from Chapter 4 CSR 240-22 GMO requests for its 2009 electric resource planning submission. In support of its recommendation to conditionally grant GMO variances from Chapter 4 CSR 240-22, the Staff states:

1. GMO applied to the Commission for variances from the requirements of Chapter 4 CSR 240-22 for purposes of GMO’s 2009 electric resource planning submission. It listed the variances it requests on Schedule 1 to its application as “waiver requests” numbered one (1) through fifteen (15).

2. Each “waiver request” seeks relief from compliance with technical requirements of Chapter 4 CSR 240-22. Eight (8) of the “waiver requests” are for relief from requirements of Rule 4 CSR 240-22.030, Load Analysis and Forecasting; three (3) are for relief from requirements of Rule 4 CSR 240-22.040, Supply-Side Resources Analysis; three (3) are for relief from requirements of Rule 4 CSR 240-22.050, Demand-Side Resource Analysis; and one (1) is for relief from requirements of Rule 4 CSR 240-22.070, Risk Analysis and Strategy Selection.

3. The eight (8) Load Analysis and Forecasting requests fall into two general categories: relief from the length of historical data to be used in the required analysis “waiver request 1” (from Rule 4 CSR 240-22.030(1)(D)1) and “waiver request 2” (from Rule 4 CSR 240-22.030(1)(D)2), and relief from mandated end-use analyses and supporting information “waiver request 3” (from Rule 4 CSR 240-22.030(3)(B)2), “waiver request 4” (from Rule 4 CSR 240-22.030(4)(A)), “waiver request 5” (from Rule 4 CSR 240-22.030(4)(B)), “waiver request 6” (from Rule 4 CSR 240-22.030(5)(B)2.B), “waiver request 7” (from Rule 4 CSR 240-22.030(8)(B)2), and “waiver request 8” (from Rule 4 CSR 240-22.030(8)(E)1).

4. “Waiver request 1,” the first load analysis and forecasting variance request, is a proposal to develop data sets for actual and weather normalized monthly class and system energy usage from January 1994 for the service territory Aquila, Inc. (now GMO) served as Aquila Networks – MPS, and from January 1996 for the service territory Aquila, Inc. (now GMO) served as Aquila Networks – L&P, instead of from January 1982. GMO explains that consistent historic monthly class and system energy usage by Class Cost of Service level data is not available. While using more data is typically better, the quality of the data used is also important. The Staff recommends the Commission grant “waiver request 1” from Rule 4 CSR 240-22.030(1)(D)1.

5. In “waiver request 2” GMO proposes to develop data sets for estimated actual and weather normalized system monthly demands at the time of the system peak starting from January 1995, and estimated actual and weather-normalized class monthly demands at the time of system peak and weather normalized hourly system loads starting from January 2002. Rule 4 CSR 240-22.030(1)(D)2 requires that these databases start with January 1990. GMO explains that it only has consistent historical system data available as far back as 1995, and that its class

cost of service level data, which is calculated from load research data, has only been developed as far back as 2002. The Staff has reviewed the availability of this information with GMO. Prior to 2002, GMO (then known as Aquila, Inc.) retained an outside consultant to compile load research data used to calculate class cost of service data for Aquila. Because of the poor quality of load research data produced by the consultant, the Staff recommended, as part of the 2002 merger of Aquila, Inc. and St. Joseph Light & Power Company, that Aquila conduct future load research in-house. Since 2002, the load research has been conducted in-house with consistent results. In addition, some of the data prior to 2002 may be available only on magnetic tape and formatted for use on a mainframe computer. GMO does not have the facilities to access these tapes. The Staff understands that some datasets prior to the start dates listed by GMO may be “corrupt” or unavailable. The Staff recommends the Commission grant GMO “waiver request 2” from Rule 4 CSR 240-22.030(1)(D)2.

6. In “waiver requests” 3, 4, 5, 6, 7 and 8 GMO asks relief from required end-use analyses and supporting information. GMO states that it will, however, analyze as end uses the categories of heating, cooling and other. Since these are the major end-uses, the Staff recommends the Commission grant GMO variances as requested in “waiver request 3” (from Rule 4 CSR 240-22.030(3)(B)2), “waiver request 4” (from Rule 4 CSR 240-22.030(4)(A)), “waiver request 5” (from Rule 4 CSR 240-22.030(4)(B)), “waiver request 6” (from Rule 4 CSR 240-22.030(5)(B)2.B), “waiver request 7” (from Rule 4 CSR 240-22.030(8)(B)2), and “waiver request 8” (from Rule 4 CSR 240-22.030(8)(E)1).

7. GMO requests variances for its Supply-Side Resources Analysis in “waiver request 9,” which is a request for relief from the requirements of Rule 4 CSR 240-22.040(2)(B)2 and 4 CSR 240-22.040(2)(B)4. Those requirements are that the utility specify at least two levels

of mitigation that are more stringent than existing environmental requirements. GMO requests that it not be required to follow these requirements where two levels are not applicable, and to provide, instead, at least two levels of mitigation where it is appropriate. The Staff believes this request is satisfactory, as long as GMO also provides a satisfactory explanation of why two levels of mitigation are not applicable. The Staff recommends the Commission grant GMO the relief it requests in “waiver request 9” from Rule 4 CSR 240-22.040(2)(B)2 and 4 CSR 240-22.040(2)(B)4.

8. GMO requests variances from Supply-Side Resources Analysis requirements in “waiver request 10,” which is a request for relief from Rule 4 CSR 240-22.040(3) and 4 CSR 240-22.040(6). Those provisions require the utility to include a thorough analysis of interconnected generation resources to ensure that the transmission network is capable of reliably supporting the resource options being analyzed and that transmission costs are captured in the analysis. The Federal Energy Regulatory Commission (FERC) standard code of conduct imposes restrictions on the sharing of transmission related data between the transmission group and the utility. Also, Southwest Power Pool (SPP), by rule, requires the utility to submit to SPP all interconnection requests by the utility for SPP analysis. GMO proposes to include projected transmission upgrade costs based upon an average transmission cost associated with recent projects and apply various factors to these costs. This is acceptable to the Staff, if GMO contemporaneously provides a satisfactory explanation of how the factors and average cost were derived and applied. The Staff recommends the Commission grant GMO the relief it requests in “waiver request 10” from Rule 4 CSR 240-22.040(3) and 4 CSR 240-22.040(6), with the condition that GMO provides a satisfactory explanation of how the transmission cost factors and average cost were derived and applied.

9. GMO requests relief from certain Supply-Side Resources Analysis requirements in “waiver request 11,” which is a request for relief from the fuel price forecast requirements in Rule 4 CSR 240-22.040(8)(A) and 4 CSR 240-22.040(8)(D)2. These rule provisions require fuel price forecasts from a consultant. GMO develops its fuel price forecasts on a consensus approach that considers forecasts from various sources instead of a specific firm. GMO’s consensus approach is expected to result in a reasonable forecast. Staff recommends the Commission grant GMO the relief it requests in “waiver request 11” from the requirements of Rule 4 CSR 240-22.040(8)(A) and 4 CSR 240-22.040(8)(D)2.

10. GMO requests relief from Commission-imposed Demand-Side Resource Analysis requirements in “waiver request 12” (from Rule 4 CSR 240-22.050(2)(C)1), “waiver request 13” (from Rule 4 CSR 240-22.050(2)(C)2 and 4 CSR 240-22.050(2)(D)), and “waiver request 14” (from Rule 4 CSR 240-22.050(3)(F) and 4 CSR 240-22.050(3)(G)), all of which are related to demand-side screening issues, and are similar to the variance requests Kansas City Power & Light Company made, and obtained from the Commission, in Case No. EE-2008-0034. “Waiver request 12” is related to the avoided capacity cost used in demand-side screening. Instead of the year-by-year calculations of avoided capacity costs of the rule, GMO requests to use the levelized annual cost of a peaking unit as its avoided capacity cost. “Waiver request 13” is related to avoided capacity costs of demand-side end-use measures, and a conflict between two different portions of this rule. GMO proposes to utilize “the smaller of avoided generation capacity for the demand period or peaking capacity” in calculating the cost savings of implementing demand-side end-use measures. “Waiver request 14” is for GMO to use a software package called DSMore and the results of DSMore’s Societal Benefits Test (SBT) to analyze the cost-effectiveness of demand-side end-use measures and programs with probable

environmental costs as required by the rule. GMO states in its waiver request that, to make the two tests the same, it “will not include administration, marketing and delivery cost in the SBT used in the initial screening of end-use measures.” The Staff believes that granting the variances requested in “waiver requests 12-14” will not preclude GMO from screening a wide variety of end-use measures to be passed on to the integration process. The Staff recommends the Commission grant GMO the relief GMO requests in “waiver request 12” from requirements of Rule 4 CSR 240-22.050(2)(C)1, “waiver request 13” from requirements of Rule 4 CSR 240-22.050(2)(C)2 and 4 CSR 240-22.050(2)(D), and “waiver request 14” from requirements of Rule 4 CSR 240-22.050(3)(F) and 4 CSR 240-22.050(3)(G).

11. GMO requests relief from Risk Analysis and Strategy Selection requirements in “waiver request 15,” which is a request for relief from requirements of Rule 4 CSR 240-22.070(4). Rule 4 CSR 240-22.070(4) provides:

The decision-tree diagram for all alternative resource plans shall include at least two (2) chance nodes for load growth uncertainty over consecutive subintervals of the planning horizon. The first of these subintervals shall be not more than ten (10) years long.

GMO proposes to evaluate the load growth uncertainty in the load analysis process of its electric resource planning and include the probabilistic assessment required under rule 4 CSR 240-22.070(5). GMO’s stated rationale is:

In 4 CSR 240-22.030(7), the utility is specifically required to develop a high and low case for load growth. The rule further requires that these cases shall be used in the sensitivity analysis in 4 CSR 240-22.070. In 4 CSR 240-22.070(2)(A), load growth risks are specifically required to be modeled as a high case and a low case.

Therefore, the requirements of rule 4 CSR 240-22.070(4) are unclear and are in opposition to the earlier stated rules.

The Staff agrees with GMO’s proposed alternative and recommends the Commission grant GMO the relief it requests in “waiver request 15” from the requirements of Rule 4 CSR 240-22.070(4).

WHEREFORE, the Staff, for the reasons stated above, recommends the Commission, subject to the conditions identified above, grant, for purposes of its 2009 electric resource planning submission, the variances KCP&L Greater Missouri Operations Company requests in its application for variances from Chapter 4 CSR 240-22.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 14th day of January 2009.

/s/ Nathan Williams