

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

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

**STAFF’S RECOMMENDATION TO GRANT KCP&L GREATER MISSOURI
OPERATIONS COMPANY VARIANCES FROM CHAPTER 4 CSR 240-22
FOR ITS 2009 INTEGRATED RESOURCE PLAN SUBMISSION**

Comes now the Staff of the Missouri Public Service Commission (Staff) and for its recommendation the Commission grant KCP&L Greater Missouri Operations Company (GMO) variances from Chapter 4 CSR 240-22 for GMO’s 2009 integrated resource plan submission states:

1. GMO filed its application with the Commission seeking variances from the requirements of Chapter 4 CSR 240-22 for purposes of GMO’s 2009 integrated resource plan submission. It lists the variances requested as “waiver request” nos. 1-15 on Schedule 1 to its application.

2. In particular, GMO seeks relief from compliance with fifteen different requirements of the chapter. Eight (8) of the requirements are found in Rule 4 CSR 240-22.030, Load Analysis and Forecasting; three (3) in Rule 4 CSR 240-22.040, Supply-Side Resources Analysis; three (3) in Rule 4 CSR 240-22.050, Demand –Side Resource Analysis; and one (1) in Rule 4 CSR 240-22.070, Risk Analysis and Strategy Selection.

3. The eight (8) Load Analysis and Forecasting variance 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 “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 served formerly by the entity known as Aquila – Networks MPS, and January 1996 for the service territory served by the entity formerly known as Aquila Networks – L&P, instead of January 1982 as required by the rule. GMO explains that consistent historic monthly and class 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. Staff recommends the Commission grant “waiver request 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 the databases shall start 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. Staff has reviewed the availability of this information with GMO. Prior to 2002, GMO’s predecessor—St. Joseph Light & Power Company (SJLP)—retained an outside consultant to compile load research data used to calculate the SJLP’s class cost of service data. Because of the poor quality of load research data produced by the consultant, Staff

recommended, as part of the 2002 merger of Aquila, Inc. (now GMO) and SJLP, that future load research be conducted 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. Staff understands that some datasets prior to the start dates listed by GMO may be corrupt or unavailable. 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. GMO states that it will, however, analyze as end uses the categories of heating, cooling and other. Since these are the major end-uses, 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 are requests for relief from the requirements of Rule 4 CSR 240-22.040 (2) (B) 2 and (2) (B) 4. Those requirements are that the utility to 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. Staff believes this request is satisfactory as long as GMO also provides a satisfactory explanation of why two levels of

mitigation are not applicable. 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 (2) (B) 4.

8. GMO requests variances from Supply-Side Resources Analysis requirements in “waiver request 10,” which are requests for relief from Rule 4 CSR-240.22.040 (3) and (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 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 Staff if GMO contemporaneously provides a satisfactory explanation of how the factors and average cost were derived and applied. Staff recommends the Commission grant GMO the relief it requests in “waiver request 10” from Rule 4 CSR-240.22.040 (3) and (6).

9. GMO requests relief from Supply-Side Resources Analysis requirements in “waiver request 11,” which are requests for relief from fuel price forecast requirements in Rule 4 CSR-240.22.040(8)(A) and (8)(D)2. This rule requires 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 can result in a reasonable forecast. Staff recommends the Commission grant GMO the relief it requests in “waiver request 11” from Rule 4 CSR-240.22.040(8)(A) and (8)(D)2.

10. GMO requests relief from commission imposed Demand-Side Resource Analysis requirement 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 (2)(D)), and “waiver request 14 (from Rule 4 CSR-240.22.050(3)(F) and (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 requests 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.” “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 measures and programs with probable environmental costs as required by the rule. GMO states in its 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.” Staff believes that granting the variances requested in “waiver requests 12-14” will not preclude GMO from screening a wide variety of measures to be passed on to the integration process. Staff recommends the Commission grant GMO “waiver requests” 12 through 14. Staff recommends the Commission grant GMO the relief it requests 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 (2)(D), and waiver request 14 from Rule 4 CSR-240.22.050(3)(F) and (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 integrated 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.

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

WHEREFORE, Staff, for the reasons stated above, recommends the Commission grant the variances KCP&L Greater Missouri Operations Company has requested in its application, subject to the conditions stated above.

Respectfully submitted,

/s/ Nathan Williams

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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 13th day of January 2009.

/s/ Nathan Williams