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6 TRANSCRIPT OF PROCEEDINGS
7 On-the-Record Presentation
8 January 30, 2008
9 Jefferson City, Missouri
10 Volume 2
11
12 In the Matter of the Resource)
13 Plan of Aquila, Inc., d/b/a)Case No.
14 Aquila Networks - MPS & Aquila)EO-2007-0298
15 Networks - L&P Pursuant to)
16 4 CSR 240-22)
17
18 RONALD D. PRIDGIN, Presiding,
19 SENIOR REGULATORY LAW JUDGE
20 JEFF DAVIS, Chairman,
21 CONNIE MURRAY,
22 ROBERT M. CLAYTON, III,
23 LINWARD "LIN" APPLING,
24 TERRY M. JARRETT,
25 COMMISSIONERS

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1 P R O C E E D I N G S

2 JUDGE PRIDGIN: Good morning, we are on the
3 record. This is the on-the-record stipulation hearing
4 in Case EO-2007-0298 in the matter of the resource
5 plan of Aquila Incorporated, d/b/a Aquila Networks MPS
6 and Aquila Networks L&P pursuant to 4 CSR 240-22.

7 I'm Ron Pridgin. I'm the Regulatory Law Judge
8 assigned to preside over this stipulation hearing
9 being held on January 30, 2008, at the Governor's
10 Office Building in Jefferson City, Missouri. The time
11 is approximately 10:07 in the morning.

12 If I could, I would like to get entries of
13 appearance from counsel, please, beginning with the
14 Commission's staff.

15 MR. WILLIAMS: Nathan Williams, Deputy
16 General Counsel, P.O. Box 360, Jefferson City,
17 Missouri 65102.

18 JUDGE PRIDGIN: Mr. Williams, thank you.

19 On behalf of Aquila, please.

20 MR. BOUDREAU: Let the record reflect the
21 appearance of Paul Boudreau with the law firm of
22 Brydon, Swearngen and England, Post Office Box 456,
23 Jefferson City, Missouri.

24 JUDGE PRIDGIN: Mr. Boudreau, thank you.

25 On behalf of the Office of the Public Counsel,

1 please.

2 MR. MILLS: Lewis Mills, my address is Post
3 Office Box 2230, Jefferson City, Missouri 65102.

4 JUDGE PRIDGIN: Thank you, Mr. Mills.

5 On behalf of the Missouri Department of Natural
6 Resources, please.

7 MS. WOODS: On behalf of the Missouri
8 Department of Natural Resources, Shelley Ann Woods,
9 Assistant Attorney General, Post Office Box 899,
10 Jefferson City, Missouri 65102.

11 JUDGE PRIDGIN: Thank you, Ms. Woods.

12 On behalf of Dogwood Energy, L.L.C., please.

13 MR. DeFORD: Paul DeFord with the law firm
14 of Lathrop and Gage, 2345 Grand Boulevard, Kansas
15 City, Missouri 64108, on behalf of Dogwood Energy.

16 JUDGE PRIDGIN: Mr. DeFord, thank you.

17 On behalf of the City of Kansas City, Missouri,
18 please.

19 MR. COMLEY: Mark W. Comely of the law firm
20 of Newman, Comely and Ruth, 601 Monroe, Suite 301,
21 Jefferson City, Missouri 65101, on behalf of the City
22 of Kansas City.

23 JUDGE PRIDGIN: Mr. Comley, thank you.

24 On behalf of the City of St. Joseph, Missouri,
25 please.

1 MR. STEINMEIER: Please let the record
2 reflect the appearance of William D. Steinmeier,
3 William D. Steinmeier, P.C. of Jefferson City,
4 Missouri, on behalf of the City of St. Joseph.

5 JUDGE PRIDGIN: Mr. Steinmeier, thank you.
6 On behalf of Sedalia Industrial Energy Users
7 Association, please.

8 No appearance for that organization.

9 Have I missed anyone?

10 All right, very good.

11 Just to alert the parties how I would like to
12 proceed, I would like to go and see, by party, who has
13 brought whom to answer Commission questions, and I'll
14 ask counsel to introduce whoever you have brought to
15 potentially answer questions.

16 And I plan to swear everyone in at once just to
17 save time. And also, I think -- parties, I'll try to
18 keep this as informal as I can -- the parties are not
19 required to come to the witness stand or the podium,
20 largely stay where you are, but if you could be pretty
21 close to a microphone in case there is someone from
22 the Commission or the public who want to follow along.
23 So, as long as you are near a microphone you are not
24 required to be any certain place.

25 Let me start with Aquila and Mr. Boudreau. If you

1 could introduce who you brought, please.

2 MR. BOUDREAU: This may take a while. Here
3 today I have a whole phalanx of potential witnesses,
4 but what I'd like to do is introduce them to you and
5 the Commissioners and ask them, as I introduce them,
6 if they will stand up so that we can connect a face
7 with the names. Some of them I don't think have been
8 before the Commission.

9 First, I'd like to introduce Davis Rooney. Mr.
10 Rooney is here to address the issues of load growth,
11 and he had overall responsibility for the IRP filing
12 made by the company.

13 The next individual I'd like to introduce is Jim
14 Flucke, and he is available to answer general
15 questions regarding the IRP process. There may be
16 some crossover between those two topics.

17 The third individual is Kevin Noblet. He is here
18 to address any questions the Commissioners might have
19 about the company's generation portfolio.

20 Also here is Mr. Block Andrews, who is available
21 to address issues related to the environmental
22 compliance.

23 Also here is Mr. Brian Hedman. Mr. Hedman is with
24 Quantec Corporation, which is Aquila's demand-side
25 management consultant, and as you might expect, he is

1 here to be available to answer questions regarding
2 demand-side management and demand response programs.

3 Also available here today is Mr. John Empson to
4 address, to the extent they come up, issues concerning
5 corporate policy.

6 And to my left -- to my immediate left -- is Gary
7 Clemens, who has overseen the regulatory aspects of
8 the company's filing and is here and available to
9 answer questions to the extent that they touch on that
10 topic as well. And that's it for today. Thank you.

11 JUDGE PRIDGIN: Thank you, Mr. Boudreau.

12 Mr. Williams, on behalf of Staff?

13 MR. WILLIAMS: Staff has Lena Mantle, who
14 is available as overview; Daniel Beck, who is
15 available for integrating supply-side and forecast
16 information as well as risk or things such as
17 environmental. David Elliott is available for
18 questions regarding supply-side. Jim Busch is
19 available for questions regarding load forecast. And
20 while he is not here presently, I expect Henry Warren
21 to be available for demand-side management related
22 questions.

23 JUDGE PRIDGIN: He just came in right as
24 you said that.

25 Mr. Mills?

1 MR. MILLS: Public Counsel has Ryan Kind
2 available to take all questions.

3 JUDGE PRIDGIN: Congratulations, Mr. Kind.
4 Missouri Department of Natural Resources?

5 MS. WOODS: The Department has Brenda
6 Wilbers and John Noller available to take any
7 questions, primarily dealing with the demand-side
8 management issues, either one of them, I believe, is
9 fully capable of answering pretty much any questions,
10 although Mr. Noller may know a little bit more about
11 the details.

12 JUDGE PRIDGIN: Ms. Woods, thank you.
13 Dogwood Energy?

14 MR. DeFORD: I'm here alone, Your Honor.

15 JUDGE PRIDGIN: Mr. DeFord, thank you.
16 City of Kansas City?

17 MR. COMLEY: I share the same
18 characteristic as Dogwood Energy.

19 JUDGE PRIDGIN: Mr. Comley, thank you.
20 For the City of St. Joseph?

21 MR. STEINMEIER: Ditto, Your Honor.

22 JUDGE PRIDGIN: Mr. Steinmeier, thank you.

23 I don't believe we have an entry from Sedalia
24 Industrial Energy Users Association. Have I missed
25 anyone? All right.

1 I would like to open the floor up to Commissioner
2 Clayton, I believe he will have some questions. And
3 again, I understand we may do some jumping around, and
4 I'll do my best not to interrupt, but I'll try to ask
5 folks as much as they can to be near a microphone.

6 For what it's worth, there are some empty
7 microphones back here, so if you are being asked a
8 question if you could be reasonably close to these
9 microphones I would appreciate it.

10 If I could get everybody who was introduced to
11 stand; Aquila, Staff, OPC and DNR. All raise your
12 right hand to be sworn, please.

13 (At which time Judge Pridgin swore in all
14 participants.)

15 JUDGE PRIDGIN: Thank you very much. Let
16 the record reflect that all parties, or all witnesses,
17 raised their right hand, were sworn in and agreed to
18 tell the truth.

19 Is there anything further before Commissioner
20 Clayton has the floor?

21 COMMISSIONER CLAYTON: This is kind of like
22 a Senate hearing, everybody's being sworn in. It's
23 intimidating a little bit.

24 I didn't want to jump in front of Commissioner
25 Murray if she had any questions.

1 COMMISSIONER MURRAY: No, I told the Judge
2 to pass me.

3 COMMISSIONER CLAYTON: You are just here
4 for the entertainment.

5 I want to thank everyone for coming down today. I
6 can probably take responsibility -- well, I know I
7 can, not probably -- take responsibility for
8 requesting this on-the-record presentation for
9 Aquila's integrated resource planning and the process
10 that went with that.

11 And the reason I asked for this is not so much to
12 focus in specifically on Aquila or the plan,
13 necessarily, but to give me an opportunity to ask some
14 questions about the process, about the IRP, about the
15 filings, about what the future will bring this
16 utility, what it could bring for all Missouri
17 utilities, to get an idea of what Staff is doing in
18 reviewing these policies, what Public Counsel's role
19 is, and certainly what DNR is doing in terms of energy
20 efficiency and demand-side management.

21 So, I apologize for dragging everyone to Jefferson
22 City, and I appreciate your patience in allowing me to
23 go forward with this.

24 I was talking to the Judge, and I was hoping this
25 could be a little less formal than a normal hearing

1 would be. There are some chairs up here. I know I'm
2 going to have questions for the DNR witnesses, and I'm
3 probably going to have questions for Staff.

4 Really, come on up. And I'm hoping this can be
5 more of a conversation than coming up to the podium
6 and giving a response and going back. I want everyone
7 to feel comfortable here and kind of lull you into a
8 sense of candor.

9 I thought that I would start, if I could -- I have
10 tried to read almost all of the filing. There's a lot
11 of paper here, there's a lot of material that,
12 frankly, goes beyond probably what Commissioners
13 normally read. I don't understand all of it, but much
14 of it I do understand, and I follow along with what's
15 going on.

16 I wanted to ask, first of all, looking at Staff,
17 there is a unanimous stipulation and agreement in
18 this, and I tried to go through and understand each of
19 Staff's concerns that were raised initially. And all
20 of those have been either disposed with in terms of
21 future filings or with additional information that has
22 been provided.

23 I wanted to ask Staff why, in the IRP process, it
24 seems that Staff regularly will take a position of,
25 well, if an issue wasn't addressed in this filing

1 we'll just put it off to the next filing? And there's
2 a number of points that are raised where, rather than
3 dealing with an issue or concern in this IRP filing,
4 it is punted until the next one, which I think is in
5 2009.

6 QUESTIONS BY COMMISSIONER CLAYTON:

7 Q. So, I guess in a big picture view,
8 Ms. Mantle, if you could kind of give me an idea of
9 how Staff approaches the IRP process and what you
10 think is important to be addressed now and what could
11 we push down the road?

12 A. I believe the objective of the Resource
13 Planning Rules, Chapter 22, is to get the utilities
14 into a good planning process. This is the first
15 filing that Aquila has made since the waiver ended in
16 2005.

17 Q. When was the last filing by Aquila?

18 A. It probably would have been '98, it has
19 been quite a while. They did do their six-month
20 updates with us during the time the waiver was in
21 effect. But Aquila -- as we've seen with all the
22 utilities during that time -- did not do resource
23 planning as outlined in the rule. And the rule -- one
24 of Dr. Proctor's favorite sayings when this rule was
25 being written is: Planning is everything, plans are

1 useless.

2 The objective is to get utilities looking at this
3 information to find out how their customers use
4 electricity, how that affects their systems, deliver
5 the broad variety of supply-side and demand-side
6 options that are out there. So, that's the objective
7 of the rule.

8 Q. What is the date of the rule, when was it
9 written?

10 A. It became effective, I believe -- it says
11 March 29, 1993. I thought it was May. But it was
12 1993.

13 Q. The year would be fine. So, 1989?

14 A. In '93. Union Electric at that time filed
15 the first filing December of '93.

16 Q. Were you on staff in 1993?

17 A. Yes, I was.

18 Q. And would you have participated in the
19 first filings that would have come in following the
20 promulgation of the rule?

21 A. I have participated in every filing
22 regardless of the rule.

23 Q. Prior to 1993, if there was no planning,
24 how did you address issues of load growth and
25 generation of portfolio of fuel if there was no

1 official planning process, what happened pre-1993?

2 A. The utilities all had planning processes.
3 And before we even started writing this rule there was
4 a massive undertaking of surveying all of the Missouri
5 IOUs at that time; what kind of load forecasts did
6 they do, how did they do the supply-side analysis,
7 were they doing any demand-side analysis, exactly how
8 were all those intertwined. And, of course, different
9 utilities had different stages and were better in some
10 areas than others.

11 In the late 70's early 80's we had all the base
12 load coal plants came online, which I believe -- and I
13 don't remember which case -- Dr. Proctor even
14 testified in one that the forecast was not done well,
15 and that was one of the reasons that they overbuilt.

16 So, all of this was the genesis of these rules and
17 to get all of our utilities looking at a starting
18 point. If the utilities want to do a better job than
19 what's in these rules they can go for it. This is a
20 baseline, what we believe should be reviewed in the
21 planning process.

22 Q. And the Commission, basically, in the
23 promulgation of that rule, did not include for itself
24 a role of proving any particular plan but focusing on
25 the planning process and reviewing whether the filing

1 was compliant with the rule in that form; is that
2 correct?

3 A. That's correct.

4 Q. So, each of the utilities were kind of
5 doing different things, they each had some sort of
6 planning process, but they were different, they looked
7 at different things, they did some things better than
8 others. And so, this set the baseline, as you said,
9 for the planning process for all utilities?

10 A. Yes.

11 Q. When were the waivers -- when did they
12 start being granted in favor of utilities to not have
13 to comply with the rule?

14 A. The waiver went into effect in 1999.

15 Q. Was that a blanket waiver for everybody?

16 A. Yes, it was.

17 Q. And do you recall what was the reason
18 behind that?

19 A. At the time there was a lot of
20 restructuring talk going on in the nation, different
21 states were restructuring their electric industries.
22 There had been some legislation proposed at the
23 Missouri Legislature. Things were in great flux at
24 that time on what the future of the electric industry
25 was, and the utilities came in and talked with

1 Commissioners, with Staff, and the waiver then was
2 agreed to.

3 Q. Okay. The waivers that were granted in
4 1999, were they for a certain amount of time, or were
5 they just on an annual basis?

6 A. They specifically laid out two filings for
7 each of the utilities.

8 Q. They waived two filings?

9 A. Yes.

10 Q. So then, the first obligation following
11 those waivers would have been what year, 2006 or 2007?

12 A. It would have been, I believe, AmerenUE's
13 filing in late 1999 and then the 2002 filing for UE.

14 Q. So, those were waived. When would the
15 first IRP come in following the waivers?

16 A. Following the waivers was December 2005.

17 Q. Thank you. Okay. And what is the amount
18 of time that is to elapse between filings, say, if UE
19 has one in 2005, when is its next scheduled filing?

20 A. According to the current rules,
21 three years.

22 Q. Every three years?

23 A. Every three years.

24 Q. And Aquila filed this IRP when -- it would
25 have been '07, but what part of '07?

1 A. Just about a year ago, February of '07.

2 Q. And their next one will be due April of
3 2010 maybe?

4 A. February 2010. Although, as Dan has
5 pointed out, they are going to accelerate their next
6 resource plan filing to August 5th of 2009.

7 Q. Does Staff believe every three years --
8 actually, you have reduced it here -- but is
9 three years a good window for these filings?

10 A. Staff believes that resource planning
11 should be an ongoing process at the utility. That it
12 should not start and stop with these filings. And it
13 should not just be done for these filings. And
14 ideally this would be okay as a snapshot. At your
15 point in time, what does your resource planning
16 process look at, at the time that you are scheduled to
17 file.

18 So, that's -- every three years, to come in and
19 show us what you are doing, as long as there's
20 continuous planning in between, Staff believes is
21 adequate.

22 Q. In terms of Staff's concerns, I started
23 going through each of them, and some I understood and
24 some I didn't follow as well. What was the greatest
25 concern that Staff found in the Aquila filing? Was it

1 a supply-side issue, was it a demand-side issue, was
2 it a lack of forecasting data?

3 There are references to end use statistics,
4 breaking things down by subclasses, cost-benefit
5 analysis not being conducted. What was the
6 greatest -- if you could just pick a big picture
7 issue -- what was the greatest concern you had?

8 A. The biggest issue would probably be the
9 integration and risk analysis.

10 Q. And when you say integration and risk
11 analysis, what do you mean?

12 A. The plan selection. How to select the
13 preferred plan. Contingency analysis. We don't
14 believe enough of that was done. The planning is
15 looking at what may happen in terms of trying to react
16 to that and to have some contingency analysis out
17 there for it. If this happens; this is the way we
18 deviate from our plan.

19 Q. On generation you mean?

20 A. Generation, demand-side, either one.
21 Probably secondary to that I would be very concerned
22 about their load forecast.

23 Q. You were concerned?

24 A. I still am concerned.

25 Q. Too high or too low?

1 A. I don't know because it fluctuates so much,
2 every six months it changes. I'm concerned that when
3 we ask them about the economic factors that drive
4 their forecast they couldn't tell us why those
5 economic factors change.

6 Q. Give me an example, what economic factors?

7 A. GDP. Staff believes they met the
8 requirements of the rule, but we also felt it
9 important to point out that we have concerns with --
10 you can't just do things by rote, you have got to have
11 an analyst, somebody look at it, somebody that says
12 does this make sense. So, just going through the
13 process may give you an answer, but it needs to be
14 looked at, too.

15 They did apply for a lot of waivers in the
16 forecasting section just as all the other electric
17 utilities have.

18 Q. The Commission tends to get this stuff just
19 when it's teed up for some of these kind of
20 interrogatory -- just as these orders come up
21 requesting waivers. It's very rarely a big picture
22 issue.

23 And on this case, the issue that comes before us
24 is whether -- we just say whether they have complied
25 with the filing or not, but we really don't dig into

1 any of these specifics.

2 On the waiver issue, I don't think Staff has ever
3 opposed any request for waiver on the IRP since I've
4 been here. Would you agree with that?

5 A. AmerenUE and KCPL filed their waiver
6 requests when they filed their resource plans, so we
7 more or less treated them as deficiencies. Well, I'll
8 take that back. AmerenUE didn't ask for any waivers,
9 they just said if any of them are needed that the
10 Commissioners should grant them to them, and we were
11 supposed to pick out where those waivers were needed.

12 Since that time, Staff and the other parties, OPC
13 and DNR, they report very practically with the
14 utilities on "what do you see them need a waiver for"
15 ahead of time. Because, ideally, waivers should be
16 done far enough ahead of time that if the Commission
17 says no that the company can still go through with
18 their plan and incorporate those other things.

19 So, Staff and OPC and DNR have worked very closely
20 with the utilities in developing each waiver request
21 and how they are asking for the waivers.

22 So, the fact you did not see us opposing a waiver,
23 that speaks more to the fact that we have worked with
24 the companies beforehand when they were developing
25 these waiver requests.

1 Q. So, there potentially have been
2 disagreements on whether waivers should be granted,
3 but those issues, in most cases, worked out ahead of
4 the motion actually being filed; is that correct?

5 A. That's correct.

6 Q. I'm assuming that Staff would not sign a
7 stipulation and agreement, or would file some sort of
8 pleading suggesting that we should make a filing of
9 non-compliance, if a utility ever failed to address
10 any of the deficiencies or concerns that you have?

11 A. Yes, we would.

12 Q. Has Staff ever done that, has Staff ever
13 sought to deny a utility an order for -- that says
14 they have complied with the IRP rule?

15 A. There were some problems with the KCPL
16 filing. I don't remember if it was their first
17 resource plan filing back in the mid-1990s or their
18 second resource plan filing, but we did say they were
19 in non-compliance.

20 Off the top of my head, I don't remember exactly
21 how that played out. But I do know that we had a lot
22 of concerns that we took to the Commission with the
23 KCPL resource plan filing.

24 Q. Would you agree with me that 1993 and 2008
25 are significantly different years in terms of utility

1 planning and forecasting, and the issues involving
2 utilities are quite different today than they were in
3 1993?

4 A. Yes.

5 Q. And I think there's been some discussion
6 that the IRP rule needs to be updated, corrected or
7 rewritten to address some of those new circumstances
8 in today's market. Would you agree with that?

9 A. That's right.

10 Q. Can you identify some big picture -- I
11 don't want to get into specifics -- but big picture
12 issues that a new IRP rule would address. And I know
13 you are going to be getting additional help to write
14 those. So, big picture issues, what differences would
15 you see in that future role with what is being done
16 today or what is in the rule today?

17 A. One of the biggest areas would be load
18 forecasting. When these rules were written there were
19 end use forecasting models and methods available to
20 the utilities. They were very data intensive and
21 required a lot of analysis on the part of the
22 utilities.

23 When the waiver was granted the utilities decided
24 that that was not necessary. Now, they weren't the
25 only utilities. Across the nation utilities have

1 moved away from end use forecasting. Well, I don't
2 believe now -- I still believe there should be some
3 type of end use analysis done.

4 Q. Can you describe what end use analysis is,
5 what that actually means?

6 A. End use would be heating, cooling, water
7 heater for commercial --

8 Q. So, you break out percentages of what the
9 overall load at any given time relates to each of
10 those issues over the course of a year? Break that
11 down. I understand it breaks it out into separate end
12 use, but how is it measured and how is it analyzed?

13 A. The idea was -- let's say air conditioners,
14 they are getting more efficient so that usage is
15 tabling off, not increasing like it used to be. But
16 at the same time computer usage is taking off. Each
17 of those affects the forecast.

18 And the idea was to get a good idea of how the
19 customers -- what kind of appliance end uses they
20 have, would give you a better idea of what the
21 utility's load is going to look like in the future.

22 So, the end use models did exactly that, you know,
23 what the saturation of air conditioners were, what
24 their efficiencies were, it got into great detail.
25 They used to come up with those models, but now they

1 no longer support them. So, we do need to revisit the
2 load forecasting -- the forecasting load analysis
3 section.

4 Q. So, the forecasts do not include that
5 information now?

6 A. They include some information on heating
7 and air conditioning, some saturation information.

8 Q. How do you use that information, that end
9 use data?

10 Does Staff take that -- and I'm going to ask Staff
11 and DNR -- but if you see a trend of computer usages
12 going up, more and more power is being devoted for
13 computers, modems, printers, and that equipment that
14 is supposedly dragging on the system, how do you use
15 that information, and how is it different that you use
16 that versus that refrigerators are going down, and how
17 does that affect your analysis?

18 A. One of the things we have seen, and I'm not
19 sure whether it was with Aquila or not, is the
20 category of "other" end uses increasing greatly.

21 Typically we have heating, cooling and "other" end
22 uses. And we see the "other" end uses using more and
23 more electricity as time goes on. To us, that signals
24 that the utilities need to start digging into that
25 "other" classification, what is driving that.

1 Q. But so what? Tell me why that matters.
2 Why do you need to know where the power is being used?

3 A. Heating is probably the easiest one. If
4 the heating is increasing, then two things;
5 demand-side programs can emphasize both heating and
6 cooling, and the other is what type of plants do you
7 build to meet that load.

8 If the heating was not increasing, then more
9 peakers in an immediate-type capacity could be built.
10 And with demand-side, then what end uses do you target
11 with your programs. Do you want to start putting in
12 heat pumps with gas backups, some type of program that
13 attacks that area and helps to modify that load.

14 Q. Does Staff look at both supply-side and
15 demand-side solutions if you identify a trend on end
16 use data?

17 For example, if you see the trend on air
18 conditioners going up, does that mean you are going to
19 look at trying to curtail some of that air conditioner
20 growth?

21 Does that mean you communicate it to DNR and they
22 come up with a strategy to address that, or do you
23 just say we need a coal fire or a peaker unit?

24 A. We will use those. We don't have the
25 resources, of course, to do the analysis ourselves,

1 but what that does is give us a sanity check on what
2 type of demand-side programs are they proposing. Does
3 the supply-side resource they are proposing make sense
4 with what they are saying how their load is going to
5 grow?

6 Q. When you say you don't have the resources,
7 what resources would you need?

8 A. People.

9 Q. People?

10 A. People.

11 Q. Engineers, economists?

12 A. Yes.

13 Q. Lawyers?

14 A. I'm not going to answer that.

15 Q. Some things are best not on the record.

16 So, you need people. Would that be the case for
17 all utilities, all IRP filings, you would need more
18 people to do more analysis?

19 A. The workload we currently have at the
20 Commission, unfortunately we don't have people that
21 are only set aside for resource plan analysis. These
22 same people are dragged into rate cases, to territory
23 agreements, to merger cases, to every case that comes
24 in, and we are constantly fighting what's our
25 priority. And I know that resource planning is very

1 important and is a priority, but rate cases are, too.
2 It's how do we utilize our resources that we have.

3 Q. Would you agree that the IRP process in
4 this planning though is increasing in importance as
5 utilities are trying to meet their loads with
6 different generation or supply-side or demand-side
7 resources?

8 A. Yes, it is. It is becoming -- back in the
9 1990's nobody was looking at building much of anything
10 for five or ten years, or even 15, because we had so
11 much overbuild in the 70's and 80's, so they had way
12 too much capacity.

13 So, now we are looking at a period where utilities
14 are looking at how do they meet their loads in the
15 next four or five years, ten years and 15. So, yeah,
16 it's vitally important, now, that the resource
17 planning process be a good one so our rate payers
18 don't end up paying for mistakes.

19 Q. So, it's more important now and it's taking
20 more and more time today than it would have in 1993?

21 A. We had more resources for it in 1993.

22 Q. In terms of people?

23 A. In terms of people. Yes, sir.

24 Q. So, you had attrition or changes in
25 obligation for your staff --

1 A. Yes.

2 Q. -- or whoever is downstairs?

3 A. Commission priorities. Because there
4 wasn't -- the waivers happened, then the Commission,
5 rightly, moved positions to other departments and used
6 those resources in a way to help them better. All
7 across the Commission, not just in one area.

8 Q. You just can't put up a coal plant like you
9 used to, can you?

10 A. No, you can't.

11 Q. No, you can't. Okay.

12 What I did, I went through most of the material,
13 then I went back to the executive summary because it
14 reduces everything down. And I don't want to get into
15 too much detail so I'm going to go through this and
16 try to move quickly.

17 And if anyone has any questions about the topics
18 that were brought up, I don't want to monopolize this.

19 A. You did ask which sections of the rules
20 needed reworked and I only brought up forecasting.

21 Demand-side analysis also needs some work. We
22 need some more work on getting transmission and
23 distribution planning, and we have very little about
24 transmission and distribution planning in the current
25 rule. We believe that that really needs to be beefed

1 up. Of course, the environment for transmission
2 planning is a lot different now than it was in the
3 mid-1990s.

4 So, those are the biggest areas. I'm not saying
5 the other areas don't need anything at all, but we do
6 have a good integration, risk analysis, strategy
7 selection, we feel pretty good about those sections.
8 The utilities may not, but we feel like we are asking
9 them to go through a fairly rigorous process to look
10 at those things.

11 Q. Any other changes, big issues?

12 A. No, that would be it.

13 Q. I think the estimates on load growth -- and
14 really, Aquila, feel free to chime in with whoever
15 your person is if I misstate something.

16 The load growth on an annual basis for energy is
17 two-and-a-half percent, I think is what I had. Does
18 everybody agree with that?

19 And peak load growth is estimated to be 2 percent
20 per year for the next 20 years. Does anyone disagree
21 with that? Okay. I don't hear a disagreement.

22 How different is that load growth from other IOUs
23 in the State of Missouri, roughly? Are they all
24 growing at 2 percent in peak growth, or is this
25 unique?

1 A. It's not out of the range. Of course, I
2 can't give -- how many of these other utilities would
3 be highly confidential.

4 Q. Is that highly confidential?

5 A. No, not for Aquila, but for other
6 utilities. But it is in the range. We have utilities
7 that are higher and we have utilities that are lower.

8 Q. Well, that helps me get an overview of the
9 state; some are higher and some are lower.

10 Would this be average? This is about right?

11 A. This is about average, yes.

12 COMMISSIONER CLAYTON: Do you have any
13 comments, Mr. Kind?

14 MR. KIND: I think I could add just a
15 little bit. From my recollection, the utilities --
16 the two largest utilities that serve the major
17 metropolitan areas, I think their load growth, in
18 terms of both energy and demand, are a little bit
19 lower than that. And if there's one that would be
20 higher I would expect it to be Empire, but I don't
21 remember the specifics of Empire.

22 MS. MANTLE: And Empire would have the
23 Branson area that's growing. Aquila has the outskirts
24 of Kansas City where people are moving out to the
25 suburbs and into their territory. So, all that needs

1 to be looked at and evaluated as to whether this is an
2 appropriate number or not, so their relationships to
3 each other -- each of the forecasts -- do make sense.

4 COMMISSIONER CLAYTON: From DNR's
5 perspective, do you have any comments on load growth
6 or how this utility compares? Any comments?

7 MS. WILBERS: Not really. We are familiar
8 with it to the extent of what Ryan Kind said, but
9 that's not an area we look at except to measure what
10 is being proposed for DSM programs to reduce that.

11 COMMISSIONER CLAYTON: In DNR's role, the
12 Energy Center, are you all looking at trying to limit
13 load growth in your analysis, or are you just looking
14 at implementing programs?

15 I don't know how you do your analysis, but is it a
16 goal of your office to reduce load growth or try to
17 limit load growth?

18 MS. WILBERS: I think that would be a goal
19 of our office, yes, to try to do that through energy
20 efficiency and demand-side program, yes. We don't
21 have the staff to get into the load forecasting
22 analysis, or the expertise to do that, so we don't
23 analyze that initially.

24 COMMISSIONER CLAYTON: Well, let me ask the
25 question this way. The end use data that I was

1 talking with Ms. Mantle about, that issue, is that
2 information or data that you all take in evaluating
3 DSM programs or projects?

4 MS. WILBERS: Yes. When we receive that
5 from the utilities that is something that we look at.

6 An alternative has been, with some of the other
7 utilities, to identify the best practice of programs.
8 And there have been waivers associated with doing the
9 end use analysis instead of going more straight to the
10 programs. And that has been an approach that has been
11 used more frequently. But we do look at the end use
12 measurements.

13 COMMISSIONER CLAYTON: So, you are looking
14 at best practices rather than trying to meet a certain
15 goal of, say, limiting load growth or trying to reduce
16 demand by a particular appliance or something, or a
17 particular use.

18 Rather than trying to meet a goal that way, you
19 are looking at identifying best practices, assuming
20 that that will offer a return on reductions in energy
21 and demand?

22 MS. WILBERS: I think that's what the
23 utilities and their consultants are using more, is
24 looking at those best practice programs.

25 Our goal, of course, is to try to reduce the load

1 growth. But without a lot of Missouri-specific data
2 it's difficult to do that.

3 COMMISSIONER CLAYTON: So, are you saying
4 you don't get enough data to deal with
5 Missouri-specific issues because you don't have the
6 resources or whatever?

7 I'm just trying to understand what DNR's role is
8 in this process, and how you use the data that's
9 provided, and how you set your goals, and what
10 programs are going to be implemented by utility.
11 That's where I'm going.

12 MR. NOLLER: Well, first, as Brenda said,
13 we have not spent a lot of our staff analytic time at
14 looking at these IRPs on the load growth forecasting,
15 partly because we don't have any economist on staff
16 and we have limited resources to do analysis of the
17 IRP filings.

18 With respect to demand data, there is no
19 Missouri-specific end use data available from the
20 Energy Information Administration. They do this kind
21 of analysis only every three years and on a regional
22 basis. And we look at what is available from EIA or
23 from studies such as the penetration study that was
24 sponsored across the state by several utilities about
25 a year or so ago. We look at that as an indication of

1 areas of load growth where we might want to look for
2 effective ideas and programs. But we really don't
3 have access to sufficient Missouri-specific data to
4 base our DSM analysis entirely on that. I guess I
5 would say we take EIA data as a certain indicator of a
6 place we might look.

7 Specifically with respect to the other category
8 that Lena was talking about, it is difficult to get a
9 handle on precisely what end uses are contributing to
10 that rapid growth rate. And I think it is fair to say
11 that this has been an issue not just for us but for
12 analysts in EIA and around the nation. Because, you
13 know, clearly there is some growth in end use in
14 consumer electronics and office equipment, a whole
15 range in a changing array of electricity end uses.
16 When you look at national analysis, that tends to be
17 one big slice of the pie and not broken down into
18 smaller subcategories.

19 So, I guess the bottom line is that we look at
20 what information is available to us, but we don't have
21 the resources to sponsor the expensive surveys
22 ourselves to gather that data, and we do the best we
23 can with what's available.

24 COMMISSIONER CLAYTON: Does DNR agree or
25 disagree with the statement that DSM reduces load

1 growth by up to -- was it 1.6 percent per year, was
2 that the percentage? It's Aquila, that means you all
3 have to make sure that's correct.

4 A reduction of 218 mega-watts over 20 years was
5 the estimate on the DSM side. And I guess I'm looking
6 for DNR's input on that. Is that something you agree
7 with, does that sound right, not right?

8 MR. EMPSON: Mr. Clayton, reducing from
9 2 percent to 1.6 percent was the forecast.

10 COMMISSIONER CLAYTON: So, I wrote it down
11 wrong. So, it's four-tenths of 1 percent. I'm glad
12 you followed the question even though I asked it
13 incorrectly.

14 Is that an average reduction of a DSM program, is
15 there a rule of thumb, is there a target that DNR
16 wants to see from a utility?

17 It may be true in this instance, I'm not saying
18 it's not true, but should the target be greater, less?
19 I don't know, give me some feedback.

20 MS. WILBERS: We have made some proposals
21 in other states, you know, looking at what other
22 states are doing in other utilities cases. And
23 starting at a lower goal is understandable. Ten
24 ramping up to 25 percent of annual load growth
25 reductions from demand-side programs we think could

1 easily achieve that.

2 More aggressive goals of achieving 50 percent of
3 load growth, which at 2 percent annual load growth
4 would be 1 percent, approximately, of annual sales.
5 That is a very meaningful reduction, and I don't think
6 you can get there just immediately, it's going to take
7 years to ramp that up.

8 COMMISSIONER CLAYTON: I understand. How
9 does Aquila compare where it stands today -- I know
10 you don't get there overnight, but how does it stand
11 with what it's doing right now?

12 Is there room to be doing more, and did you
13 address that in your filings, are you actively working
14 with the utility to try to increase that? Tell me
15 where they stand and where you are trying to go.

16 MS. WILBERS: What Aquila proposed in their
17 plan, we think it was very meaningful. Just looking
18 at their total DSM budgets, and a subset of that,
19 their energy efficiency program budgets, we had -- in
20 a prior rate case there was an agreement to try to
21 achieve 1 percent of the budget for efficiency
22 programs to be 1 percent of their annual sales. And
23 they would do that if they implemented the programs
24 that they proposed, very easily.

25 So, we were happy with our proposed commitment,

1 and now we need to work through and get the programs
2 implemented.

3 COMMISSIONER CLAYTON: Let me ask you about
4 that. So, you are using the rule of thumb of
5 1 percent of sales as a dollar amount to be spent?

6 MS. WILBERS: Yes, in my second example,
7 because that's what was the goal in the previous rate
8 case.

9 COMMISSIONER CLAYTON: So, if you take that
10 assumption -- and then what did you say, the assumed
11 reduction in growth, or the assumed savings in energy
12 usage that you are supposed to get from that?

13 You have got a dollar amount that is to be spent,
14 that is how that is measured, that's measured in
15 dollars spent. But is there an assumption that that
16 amount of money then will translate into either a
17 certain number of reduced capacity or a certain number
18 of kilowatt hours that won't be used? Does that
19 convert into an amount of reduction energy usage?

20 MS. WILBERS: Well, it really depends on
21 the portfolio of programs. It's going to vary, so I
22 don't think there's --

23 COMMISSIONER CLAYTON: So, no --

24 MS. WILBERS: No.

25 COMMISSIONER CLAYTON: So, the answer is

1 no, there's no correlation. Okay.

2 Should the focus be on the dollar spent or should
3 the focus be on reduction in the capacity or reduction
4 in kilowatt hours versus used?

5 MS. WILBERS: I think a more meaningful
6 goal is the latter, a reduction in the demand rather
7 than a goal for a dollar spent. But in the absence of
8 a lot of Missouri-specific data it's been difficult to
9 identify what appropriate goals are.

10 COMMISSIONER CLAYTON: Even if you had that
11 data, would you know what to do with it, would you all
12 be able to use that data in a meaningful way that
13 would create opportunities for reductions in growth?

14 MS. WILBERS: We would probably need to
15 work with a consultant or with technical assistance
16 from Lawrence Berkeley National Lab. We would have to
17 develop that expertise.

18 COMMISSIONER CLAYTON: Mr. Kind, I want to
19 ask you. Because you can look at the dollar amount
20 that is spent on energy efficiency or demand response,
21 but if you look at trying to reduce energy usages as
22 being a goal then you also have to look at
23 economically what does that do to rates.

24 In terms of your role, how do you all look at this
25 issue?

1 MR. KIND: The way we look at it is just
2 more, I think, in the -- I mean, these general sort of
3 high level ways of looking at this issue, I think
4 they're useful to help you get started thinking about
5 it, but to get into the specific details you have to
6 get into the quantitative analysis that's done in the
7 IRP process, and that involves going back to the
8 question of do you have enough end use data to do good
9 quantitative analysis, as was discussed earlier.

10 For instance, do we know if the average SEER of
11 the air conditioners out in the utility service
12 territory are the 8 SEER or 10 SEER currently, and
13 what is the variation around that average as well, is
14 useful information. So, when we get a feel for that
15 kind of thing then you can go in, and what we suggest
16 that the utilities do in the last several filings,
17 where we thought that utilities have been coming in
18 sort of with one level of DSM programs, one level of
19 funding that gets a certain level of impact, and we
20 don't know would it be cost-effective for you to build
21 beyond that is or is that beyond the point that really
22 is cost-effective.

23 So, the way we have tried to deal with that in
24 some of the recent stipulations and agreements, that
25 included the recent AmerenUE stipulation, and there's

1 also something similar in this stipulation, is to
2 require these utilities, when they do their IRP
3 filing, two come up with two sets of DSM programs and
4 label one of those sets DSM programs and an aggressive
5 set of DSM programs. Meaning, you are going to have a
6 higher budget and you are going to be getting larger
7 impacts.

8 And then there's those kind of things you really
9 need a good consultant to figure out exactly, you
10 know, are there sort of some diminishing returns to
11 higher levels of expenditures. Maybe at a certain
12 point there's increasing returns if it's too small.

13 COMMISSIONER CLAYTON: It sounds like you
14 are relying on the utility to do all that analysis,
15 that it's not coming from -- the beginning of the
16 process is from the utilities filing their analysis on
17 what the proposal is rather than Public Counsel coming
18 and saying we think this is the best plan, how does it
19 fit within this particular utility.

20 It sounds like the utility has to start that
21 analysis rather than coming from DNR or from Public
22 Counsel or Staff.

23 MR. KIND: Yeah, and I think that's
24 generally a good observation and a good approach for
25 how to do things. But in order for that approach to

1 work you've got to have the IRP rule structured right
2 to require them to do the right kind of analysis. And
3 it's got to be structured right in terms of requiring
4 them to do that analysis in a transparent way and
5 provide work papers that all of us can review to see
6 how that analysis was done.

7 And I think part of the intent of this second part
8 of the IRP process, where all the parties that are
9 here today get in and review the filings and talk with
10 the utilities about what they have done, we can look
11 at that detailed analysis and we can say, as people
12 have in their reports, instead of doing it this way
13 you should have done it this way.

14 Sometimes you can actually work with the utilities
15 as they're creating their filings and doing their
16 analysis, and they can sort of come to you at an
17 intermediate step, as we have been doing recently as
18 part of the AmerenUE process that's been going on for
19 the last year or so, and involved literally dozens of
20 meetings, where consultants can say this is what I was
21 intending to do, and get our feedback on that.

22 And again, it has to be done in a very transparent
23 way. The models they are using have to have some
24 transparency so we understand how those models are
25 working.

1 So, specifically, the provision I was referring to
2 in the Aquila IRP stipulation is Item 33 on Page 17 of
3 the filing where --

4 COMMISSIONER CLAYTON: You are looking at
5 the stipulation?

6 MR. KIND: Yes.

7 And it says in its next resource plan filing, as
8 discussed with Staff, OPC and DNR, it will employ its
9 best efforts to utilize alternative approaches to the
10 integration of DSM programs and will use its best
11 efforts to include a second more aggressive set of DSM
12 programs.

13 So, that was -- I certainly have lots to say about
14 the other subjects you have been talking about with
15 others, such as Ms. Mantle today, but that's the gist
16 of that point.

17 COMMISSIONER CLAYTON: If you have other
18 comments feel free to jump in. I'll forget to go
19 back. But remember you have a conference call at
20 12:30, so don't get carried away.

21 MS. MANTLE: Before he gets into the other
22 area -- from the area of demand-side -- I believe we
23 have to be very careful to remember that these are
24 rate payer funds that are paying for these programs;
25 and therefore, they should be cost-effective for the

1 rate payer and the utility.

2 Energy efficiency; I don't know anybody that would
3 say that's a bad idea -- or demand response program --
4 there's nobody that's going to come up and say don't
5 do it, it's a bad idea. But we need to look at it in
6 the context of this is rate payers' money, what are
7 the rate payers getting out of it.

8 COMMISSIONER CLAYTON: I agree 100 percent
9 with that. The problem with a lot of these issues,
10 and I know I've mentioned it to the DNR folks before,
11 is that by the time energy efficiency comes up as an
12 issue in a case it's choosing between probably two
13 positions out of maybe 30 contested issues, we're
14 deciding a certain dollar amount, it's at the end of
15 the case, it's one of the lesser issues, it doesn't
16 get as much attention, not as much scrutiny, it's
17 usually at the end of the hearing process, everyone is
18 tired, we are breezing through it to meet deadlines,
19 and it doesn't always get attention.

20 Sure, generally speaking, energy efficiency is
21 good. We want to reduce energy usage. It has to be
22 cost-effective. I would like to think you would want
23 to meet some goals associated with that. But what
24 doesn't always come out is those goals should have
25 some impact on this IRP process.

1 At what point are you going to need to build new
2 peaking generation or base load generation? Are these
3 DSM issues being addressed with that in mind? I mean,
4 how can we push off into the future the need for more
5 construction?

6 MS. MANTLE: And I don't believe a rate
7 case is the appropriate place to make those decisions.

8 COMMISSIONER CLAYTON: I agree, and that's
9 why we are here today.

10 MS. MANTLE: They need to have a good
11 resource planning process. To have good demand-side
12 management efficiency programs they need to have upper
13 management backing, they need to have somebody that is
14 pushing it within their organization that will really
15 put that on a level playing field with supply-side.

16 COMMISSIONER CLAYTON: In what forum would
17 the Commission have the opportunity to be able to
18 choose among different opinions on these issues?

19 For example, DNR comes in with an aggressive DSM
20 plan. Maybe it's very expensive, maybe it sets goals,
21 maybe it doesn't, who knows. The Public Counsel comes
22 in looking at the rate payer's side of it a lot more
23 aggressively, Staff comes in with whatever its
24 position is. If not in a rate case, when will the
25 Commission ever have the ability to set out where it

1 stands or to be able to choose among these to get the
2 input from the parties, or even the utility? I
3 shouldn't leave the utility out because it's in the
4 utility's interest as well.

5 But in what forum do we get that, is it a
6 rulemaking? And if so, how would we do that? If not,
7 is it here, is it in the IRP process?

8 Because the IRP process, this thing is stipulated
9 out. We just approve whether they filed it properly,
10 we are not approving any DSM plans. When do we deal
11 with these issues?

12 MS. MANTLE: I don't know.

13 COMMISSIONER CLAYTON: Or do we not deal
14 with it and let you all handle it?

15 MS. MANTLE: I'm not going to answer that.

16 MR. KIND: I guess I'm going to respond to
17 that. I was going to try to maybe not bring up this
18 issue of these differences of opinion that I have with
19 Lena regarding the IRP rules and whether their sole
20 focus is just on the planning process and there is no
21 focus in them to the Commission making some finding
22 about the appropriateness of the plans that are the
23 outcomes of that process.

24 So, I need to refer to a certain provision in the
25 IRP rules, and that's CSR 240-22.080, Section 13,

1 which requires the Commission to make a finding about
2 whether or not the resource acquisition strategy
3 that's included in the utility's IRP filing is
4 reasonable. And the resource acquisition strategy has
5 three elements; it's a preferred plan, it's an
6 implementation plan and a contingency plan.

7 So, in this case, we have filed a preferred plan,
8 which has, for 20 years, here's the resources that the
9 company intends to put in place, and implementation
10 plans or shorter plans that cover a three-year time
11 period.

12 And one of the issues that came up in this case
13 was that some of the parties -- I know OPC made this
14 point -- was that we didn't have a sufficient
15 implementation plan on the demand-side as part of the
16 filing. And so, the company supplemented their filing
17 to include additional both supply-side and demand-side
18 three-year implementation plans.

19 So, those things, I think from our perspective,
20 the Commission has a role in the process that's
21 required by the rule. I do understand your position
22 of when there are no longer any disputed issues and
23 the parties bring to you an agreement. But not
24 withstanding that agreement, the rule gives you this.
25 It requires you to make a finding.

1 COMMISSIONER CLAYTON: I understand what
2 you are saying in that. The problem with that though,
3 is that in this instance you have a unanimous
4 stipulation and agreement, and presumably you don't
5 have the input to necessarily make those decisions,
6 you know. We are not allowed to go downstairs and
7 bring in expertise. We are just a couple of us
8 upstairs, you know, being able to look at this.

9 So, unless you have vigorous filings, or filings
10 that set out everyone's positions and deal with the
11 dispute, it's hard for us to make some decision, at
12 least in this type of process.

13 MR. KIND: However, I will point out that
14 the Commission did make something of a decision
15 recently in AmerenUE's last IRP filing.

16 You didn't make a decision that their plan was or
17 was not appropriate, but there was not a unanimous
18 stipulation that resulted from their last filing, and
19 OPC, at least, was opposing it and recommending that
20 the Commission find that their resource acquisition
21 was not reasonable and set it for hearing.

22 And by making a decision to set that case for
23 hearing as opposed to just saying, well, there's a
24 non-unanimous stipulation, Staff's pleased with it and
25 we'll just let this go, by making the decision that

1 you are going to have a hearing, that led to some
2 additional intensive negotiations that had a much
3 better outcome from that round of an IRP filing, from
4 the perspective of OPC.

5 COMMISSIONER CLAYTON: So, even though we
6 weren't really involved in whatever those ultimate
7 decisions were, by our action -- we didn't realize we
8 were doing it at the time -- it led to something.

9 I'm glad to have a role. Perhaps that's not the
10 role that -- basically, it's not like any member of
11 the Commission, or the Commission as a whole, has much
12 of a substantive role. Maybe it's not appropriate in
13 the way the administrative -- this tribunal is set up.

14 MR. KIND: It would have led to a more
15 substantive role for the Commission if we had not
16 negotiated a settlement and taken away the need for a
17 hearing.

18 I would also suggest that there was one time, back
19 in the early 1990's, when OPC recommended that the
20 Commission find that the resource acquisition strategy
21 was not reasonable, and the Commission ultimately made
22 a ruling in that case -- it was a KCPL case -- that it
23 was, in fact, not reasonable.

24 Now, I don't think there was a whole lot of
25 follow-up to that, and that may be another issue.

1 COMMISSIONER CLAYTON: Does anyone else
2 have any comment? Does Aquila want to say anything,
3 or do you want to exercise your right to remain
4 silent?

5 MR. BOUDREAU: Probably more of the latter
6 than the former.

7 I would point out that I think your question is
8 interesting. I think, from my client's perspective --
9 and I'll keep my comments to my client's
10 perspective -- there's a lot of good to be said for
11 the parties with diverse views and interests to reach
12 an agreement and bring it to the Commission.

13 That is not to say that the Commission doesn't
14 have a role in understanding what's brought before it,
15 but I hope the idea that the parties have gotten
16 together and worked hard at reaching an agreement -- I
17 hope it's not being minimized, because there's quite a
18 bit of work that goes into any agreement of this sort.

19 And I think I can conclude my comment with that.

20 COMMISSIONER CLAYTON: And maybe I haven't
21 reviewed the filings in this instance closely enough,
22 but how do we identify specific goals or what each
23 party is trying to reach?

24 For example; DNR, do you have a goal that you are
25 trying to meet on a demand-side issue? Does Staff

1 have a goal that it's trying to meet on that issue?
2 Does Public Counsel have a specific goal so that we
3 can see more of how each of the competing plans would
4 try to reach whatever that goal is, what policies are
5 being implemented?

6 We go to neighborhood meetings and we talk about
7 policy in general, about what's going on in other
8 states, but most of the time, by the time a decision
9 comes to us, maybe it's framed up in a completely
10 different way. How do we chime in with suggestions or
11 goals or approaches that aren't even being considered?
12 Is there a forum for that if not in the IRP process?
13 Does that make sense?

14 MS. WILBERS: I can see where -- could you
15 possibly have a docket where you hear from all of the
16 utilities about where their initiatives are, what
17 goals they are reaching, what they are proposing? It
18 could be an opportunity for a forum for you.

19 COMMISSIONER CLAYTON: Because, I mean,
20 another example, you start talking about renewable
21 energy. Missouri doesn't have mandatory standards,
22 you have these voluntary limits. Potentially,
23 renewable resources are going to -- one, they are
24 probably going to cost more, so there are issues that
25 Public Counsel will have on renewable. You don't want

1 to say 100 percent of your portfolio is renewable.

2 It's not possible.

3 But, you know, what is Public Counsel's goal with
4 regard to renewable energy? Does it have a goal, is
5 it even considering that, or is it looking at it case
6 by case, rate case, IRP filings? How are you all
7 weighing your role and setting your policy? And I
8 guess for each entity is what I'm trying to get here.

9 MR. KIND: Well, I'll start. I'll say that
10 I don't think we have a specific goal. We have
11 general experience, a lot of general background
12 knowledge about the value of renewable resources and
13 demand-side resources to utility systems, especially
14 in the current circumstances where there's, I think,
15 general sentiment in the utility industry that some
16 sort of carbon regulation is imminent in the next five
17 to ten years.

18 The way we really approach it is that we have a
19 pretty decent rule that's a good starting point for
20 structuring the analysis that gets done, and we may
21 need to make sure that the rule is applied correctly,
22 that the utilities are actually doing analysis either
23 as it's prescribed in the rule or some other
24 alternative to it. They can show us something else
25 that is just as good or better.

1 One of the shortcomings, if any, of the few that
2 we see in the current rule is that it may not be
3 exclusive enough with respect to instructing the
4 utilities to develop a diverse set of alternative
5 resource plans that will be evaluated and compared and
6 integrated in risk analysis.

7 And it's really important that you create
8 different alternative plans that are expected to
9 provide superior performance under a future scenario,
10 and that could be something like carbon taxes at \$20
11 or carbon taxes at \$40 per ton, but once you get
12 utilities involved in analyzing a diverse set of plans
13 then you can see -- once they go through all this
14 complex modeling in the integrated and risk
15 analysis -- you can see how they perform under
16 different future scenarios.

17 And then you can move on to the next step, that
18 this plan is best under this scenario and this one is
19 best under this scenario, and look and say this plan
20 is more robust, it's best under all these scenarios
21 and it performs only slightly worse than the optimal
22 plan does, say, under a certain scenario. You can do
23 that sort of assessment of trade-offs, which is really
24 important.

25 A lot of things you look at, in terms of sort of

1 the performance characteristics of a plan, are what's
2 the average system rate that comes out of this plan.
3 Which is sort of the same thing as what is the
4 long-term present value of revenue requirement and
5 other things in terms of what's the average rate
6 increases that are taking place at different points in
7 time, just various ways of measuring and assessing how
8 good a plan is.

9 But a lot of it gets down to what you are
10 suggesting, is that Public Counsel's concerned
11 about -- we have to be concerned about the rate payers
12 who actually fund these plans ultimately. But usually
13 I don't see that there's any contradiction between our
14 interest in that area, really, that standard just
15 drives you to want to make sure that the utilities are
16 doing the best plan. And it doesn't mean doing energy
17 efficiency that costs twice as much as some other
18 lower cost energy efficiency when you still haven't
19 exploited that opportunity to it fullest.

20 COMMISSIONER CLAYTON: I would presume --
21 this may be wrong -- that Public Counsel's position
22 would be contrary to setting just a dollar amount to
23 be spent on energy efficiency or demand-side issues.
24 If you say we are going to spend 1 percent of revenues
25 on energy efficiency, it's basically focusing on

1 dollars being spent without any connection to
2 measuring the benefits that would come from that. So,
3 I can see where there would be a conflict between two
4 entities in that situation.

5 Does Public Counsel, before a case, or in general,
6 identify goals it wants to meet, or how it establishes
7 whether something is cost-effective or not, whether
8 it's an efficient way to run an efficiency program?

9 Do you all actively do that, or do you just look
10 at each individual company's filing and assess their
11 planning process?

12 MR. KIND: No, we do. I mean, part of your
13 question has to do with, I think, a review of best
14 practices in the utility industry for DSM, and that's
15 something I've been involved in for a long, long time,
16 since the early 90's.

17 And I think the approach that DNR suggested, of
18 looking at certain expenditure levels, we don't see
19 those as being probably the ultimate answer to
20 deciding exactly what a utility should do. On the
21 other hand, I think we see some value in those things
22 just as general higher level policy guidance that
23 utilities should be doing more in this area.

24 And we look at states -- we have seen the
25 experience of states like Wisconsin, where they have

1 had aggressive DSM programs over the years, where they
2 have had requirements for spending certain amounts on
3 DSM, and we have seen that those expenditures have
4 generally been cost-effective.

5 COMMISSIONER CLAYTON: And have they
6 brought benefits to the rate payers?

7 MR. KIND: They have.

8 COMMISSIONER CLAYTON: Other than just
9 reducing greenhouse gasses or reducing energy usage,
10 they do deliver something to the rate payers?

11 MR. KIND: They are reducing average system
12 rates. Whenever a program is cost-effective it meets
13 the average system rates. That doesn't mean it's
14 going to lower rates for each individual rate payer.

15 But we generally think it's a good thing to lower
16 average system rates as long as you have DSM programs
17 out there that are offered in a manner that provides
18 opportunities for nearly all customers to participate
19 and get the benefits from participating in DSM
20 programs.

21 MS. MANTLE: Of course, when there's
22 something like a goal of dollars to be spent -- we had
23 one utility in the state, in the mid-1990's, that
24 spent a lot of money on DSM, but they set up each
25 program to fail, and surprise, they did.

1 So, there was a lot of money spent and nothing
2 much came out of it. And it wasn't necessarily the
3 programs were bad or the ideas were bad, but they were
4 set out to fail to start with.

5 COMMISSIONER CLAYTON: So, with that
6 experience, that knowledge, does Staff look at each of
7 the IRP filings that have come in subsequent to that
8 to ensure that doesn't happen again? How has that
9 changed your role?

10 MS. MANTLE: I don't think the reason for
11 that was improper planning. The reason for that was
12 upper management did not believe in it, there was no
13 support for it in upper management. That kind of
14 stuff you can't put in a resource planning rule.

15 They reviewed each of those programs very
16 carefully, and they screened positive effective. But
17 when they are just set up -- it says to give
18 implementation plans, but as it currently is we are
19 not a process of that. Although we have been lately
20 with all the utilities that we collaborate into the
21 plan. But some of it has to do with the attitude of
22 the utility that's implementing the program.

23 MR. KIND: If I could follow-up on that.
24 Some of that attitude has to do with what has been at
25 times just sort of a utility mindset of we are just

1 going to take care of load growth by doing things on
2 the supply side. That is clearly something that is
3 part of the rationale for having IRP rules in the
4 first place.

5 I think recently, because of the likelihood of
6 carbon regulations, we are seeing something happening
7 at the level of senior management where they can no
8 longer ignore the huge risk that major supply-side
9 investments have, and they see it as being in their
10 own self-interest to get aggressively engaged in load
11 growth.

12 COMMISSIONER CLAYTON: I understand how the
13 utility's perspective can change in that way. Has the
14 perspective of DNR, Staff or OPC changed over, say,
15 the last five, ten years on demand-side issues, or has
16 it been consistently the same, or is it now even more
17 so?

18 MS. WILBERS: I think our perspective is
19 that, as we see successes in other states, and we see
20 that Missouri has a lot of potential for demand
21 reductions, because we haven't had, historically, high
22 investments in that area, that it's a very good
23 avenue.

24 And we think that, you know, to set it up
25 properly, you know, a utility can't be negatively

1 impacted by trying to do demand-side management
2 programs.

3 If you do these at a big level, and you are going
4 to see some significant reductions, how does the
5 utility benefit from that? There's just a built in
6 disincentive, so setting this up properly is
7 important.

8 If they are going to spend a lot of funding on DSM
9 there needs to be some monitoring and verification
10 protocols where we can ensure that there are results
11 from these so it's not just spending of the funding,
12 that these programs are cost-effective but you are
13 getting the results, too.

14 COMMISSIONER CLAYTON: It seems, and I may
15 be incorrect, that those have been set up in the past
16 during rate cases, and you have got limited
17 discussion, and certainly we have limited involvement,
18 frankly.

19 MS. WILBERS: What has been set up?

20 COMMISSIONER CLAYTON: Any particular DSM
21 program or project. It seems like the only time we
22 talk about it is during a rate case. There is one
23 issue out of 30 in a rate case.

24 MS. WILBERS: Historically, that has been
25 the case.

1 COMMISSIONER CLAYTON: Does DNR, Public
2 Counsel and Staff have ongoing discussions with
3 utilities in trying to -- I mean, are you always
4 trying to convince them to do something new, or not,
5 is it just during the rate case, is it just a matter
6 of dollars?

7 In the IRP process, I think I was under the
8 assumption that DNR would come in and say we really
9 think you ought to be trying to reduce your load
10 growth more than what you are doing, your proposal is
11 only four-tenths of a percent, and we think the
12 national average should be 1 percent, or something
13 like that, and we'd like to see you meet a goal that
14 way.

15 It doesn't sound like that happens here. So, if
16 it doesn't happen in the IRP process, and a rate case
17 is bad, then when should it happen?

18 MS. WILBERS: I think the process is
19 beginning. When we see Aquila come in with a robust
20 portfolio of programs, we are thrilled. It is a
21 start. They do have a goal. They are showing some
22 results if these things are implemented correctly.
23 So, we think that's a good start.

24 And we are -- and Staff and OPC also -- working
25 with about every regulated utility now and ongoing

1 advisory groups on DSM programs, and those are set up
2 in rate cases or through the IRP cases. I think
3 that's a very positive thing.

4 MR. COMLEY: I know that Kansas City may be
5 somewhat of a small player in all this, but I think
6 Mr. Jackson, who has appeared many times on the low
7 income weatherization, would want me to say something.

8 I'm not too sure whether the Commission can fully
9 eliminate the rate case as a place for you to analyze
10 the effectiveness of demand-side management programs.
11 And as Ms. Mantle has pointed out, as Ryan has pointed
12 out, many times those programs are funded by the rate
13 payer, and there are occasions when the utility itself
14 has helped fund those programs.

15 I think that as a team player with DNR, the City
16 of Kansas City would welcome the IRP process, or even
17 a workshop process, to fully analyze what DSM programs
18 are useful and cost-effective and how utilities as an
19 industry can incorporate those into their ongoing
20 operations.

21 I think there are probably three areas where the
22 Commission can be active in reviewing them. And that
23 would be a rate case, when you determine whether the
24 rate level is correct. I thought it was innovative to
25 use the IRP process as sort of an offshoot of the

1 Aquila rate case, because DSM was addressed in this
2 IRP as a consequence of the rate case. And then
3 finally, if you decided to have some sort of working
4 docket, where not only the DSM things but perhaps
5 working into, say, for instance, new resources like
6 landfill generated methane as a means of energy
7 production in the state. I think that is going to
8 become a factor, too, very shortly.

9 MR. BOUDREAU: If I might just address that
10 point. I think I agree with Mr. Comely's comment to
11 the extent -- believe it or not -- that he says it can
12 often be a rate case issue. You can't eliminate it,
13 because you are talking about what the company is
14 budgeted for, and any time you are talking about costs
15 that the company seeks to recover I don't know that
16 you can eliminate this sort of topic from a rate case.

17 I would want to interject a note of caution about
18 a workshop as an approach to talk about the utility
19 industry's DSM projects, because it's kind of like
20 trying to figure out what a generic rate of return for
21 everybody is going to be. You are not going to be
22 able to do it, is my point, because DSM programs are
23 tied into a specific company's actual operations.

24 I'm just concerned that kind of a general talk
25 will be just that, will just be a general talk and

1 probably won't result in anything meaningful with
2 respect to any particular utility.

3 COMMISSIONER CLAYTON: If not a workshop
4 for Aquila then what would be the best way to be
5 engaged on that issue?

6 I understand; a rate case, you can't avoid that.
7 But that's not where you design a project. And there
8 ought to be ongoing planning ahead of that,
9 involvement of Staff, Public Counsel and DNR, in
10 trying to set up some goals of energy reduction or
11 peak reduction or whatever you are doing. If not a
12 workshop, tell me --

13 MR. BOUDREAU: I'll say something shocking,
14 and say I agree with the DNR witness who said this is
15 the process. I think that you are seeing --

16 COMMISSIONER CLAYTON: During the IRP?

17 MR. BOUDREAU: During the IRP.

18 A company comes in with its proposal, and we have,
19 I think, in this case, a very interactive process of
20 looking at what the company -- in this case, my
21 client -- has prepared to propose and getting some
22 feedback from Staff and Public Counsel and DNR and the
23 other parties that were involved.

24 And I think you are starting to see that now, as
25 these filings, now, after the waivers have exhausted,

1 are becoming more frequent, and I think you can see
2 them be more robust generally.

3 But in this case, hopefully the parties will agree
4 with me that the company came forward with a rather
5 extensive and meaningful proposal.

6 COMMISSIONER CLAYTON: No one is disputing
7 that. I am just trying to understand -- some of this
8 is just looking at numbers.

9 From Aquila's perspective, is four-tenths of 1
10 percent reduction in annual load growth an ambitious
11 goal, is that just a reasonable goal, is it not so
12 ambitious? What are other utilities doing?

13 And how does Aquila see that reduction? I know
14 what you are going to say, but how do you see that
15 reduction in growth? Could the company do more with,
16 you know, under the right circumstances, under the
17 right regulatory policy, maybe the Commission needs to
18 mandate some things or do some rules, are there
19 circumstances where we could be more ambitious?

20 I'm kind of analogizing this to, like, area code
21 exhaustion. It comes back to numbering, and you are
22 energy people and don't pay attention to this, but
23 pushing off very difficult decisions into the future.

24 If an area code is going to exhaust -- is kind of
25 what we have been doing -- I analogize that to putting

1 off building a plant. It's expensive, costly,
2 controversial, a lot of uncertainty and risk that goes
3 with it, and you want to push it off into the future
4 somewhere. That's really a goal here, isn't it?
5 Would you agree with that?

6 MR. BOUDREAU: Pushing what off into the
7 future?

8 COMMISSIONER CLAYTON: Pushing the need for
9 new construction. Maybe it's not, maybe I'm looking
10 at this wrong. Ten years ago it probably wasn't that
11 way. But now, with all the uncertainty in Washington
12 and everything else, with other issues that have come
13 up regarding construction and generation, and if you
14 look at load growth and load forecasting and DSM
15 projects, is it a good or bad thing trying to push off
16 the need for new generation into the future?

17 MR. BOUDREAU: Well, I think any time any
18 electric utility-- I'm going to limit it to this
19 industry -- seeks to add new capacity to its system
20 it's a risky venture for them.

21 So, I think that from my client's perspective, and
22 probably every electric utility's perspective, they
23 want to do it carefully and at a time where there
24 really genuinely is a need. I don't think that you
25 are going to see this desire to build a plant for the

1 sake of building a plant. So, in terms of pushing it
2 off, I think to the extent that you can do some
3 prudent management before having to make that
4 decision, that financial commitment to a new facility,
5 I think that's part of just prudent planning.

6 COMMISSIONER CLAYTON: That's the goal of
7 using a demand-side resource, so you avoid having to
8 use a supply-side resource.

9 MR. BOUDREAU: I think there's some truth
10 to that. It certainly has that effect.

11 COMMISSIONER CLAYTON: We're not just doing
12 it just to do it. The purpose is that maybe it's more
13 environmentally friendly, maybe it's more
14 cost-effective, maybe the company is going to have
15 difficulty.

16 I mean, Table ES3 sets out some -- is anything in
17 the executive summary "HC?" No?

18 Table ES3, on Page 5 of the executive summary,
19 sets out capacity and forecasted needs in the future.
20 And I mean, there are some negative numbers, in terms
21 of capacity reserves, beginning in '08, '09, fluctuate
22 these around. That's kind of what -- that suggests a
23 need for additional supplies or some sort of resource
24 to meet those deficiencies.

25 MR. BOUDREAU: At this point, let me defer

1 to Davis Rooney.

2 MR. ROONEY: That table is showing what our
3 existing planned resources are. Yes, it is showing in
4 the planning process what kind of need we are trying
5 to fill, so that is showing what our future needs are
6 and in what years they occur.

7 The rest of the plan goes into what resources we
8 proposed to fill that need with. So, you know, over
9 the 20-year planning period that we used there would
10 be a need to buy 800 mega-watts. And 200 mega-watts
11 of that was proposed to be met by demand-side
12 management, so fully a fourth of that need was being
13 targeted to be addressed by demand-side management
14 type programs, and then the rest of it through
15 conventional resources, primarily, to fill the rest of
16 the need.

17 MS. MANTLE: Commissioner Clayton, I might
18 add that one of the things with DSM right now is in
19 the State of Missouri we have very little experience
20 with DSM. We don't have end use information. We
21 don't have a lot of the information.

22 We know what California -- people have done on the
23 West Coast and what people have done on the East Coast,
24 but very few Missourians would agree that we are the
25 same as California or the East Coast.

1 COMMISSIONER CLAYTON: I agree.

2 MS. MANTLE: So, all of the utilities, not
3 just Aquila, have been very tentatively on -- it's
4 almost a shot in the dark with just a little bit of
5 glimmer of light to show them where they can get to,
6 and these first round of filings is a beginning. This
7 is what we are thinking.

8 The next round, I would hope that there's less
9 risk, there's less uncertainties around these numbers.
10 If they start implementing programs that find out what
11 their customers want and what their customers won't
12 implement, these numbers can become more defined.

13 It's just as with the building of a generation
14 plant, you've got to spend some time and some money to
15 reduce some of those risks to make your plan more
16 secure. The same with demand-side, you have to feel
17 things out and get some more information, how can we
18 be more certain about our demand-side numbers.

19 COMMISSIONER CLAYTON: What is the goal of
20 demand-side management?

21 MS. MANTLE: I would say the goal of
22 demand-side management is to reduce the need for -- it
23 may not just be generation in the future, but the use
24 of expensive generation now. Instead of having to use
25 the costly oil peakers, how can we reduce those costs

1 through DSM or generation?

2 COMMISSIONER CLAYTON: It could be a
3 reduction in energy, a reduction in peak, a reduction
4 in future capacity.

5 MS. MANTLE: Right, but it needs to be
6 beneficial to the rate payers who are paying for it
7 also. And that would be the contingent. If you
8 reduce energy in a time period where it's really not
9 cost-effective, maybe that program shouldn't be done,
10 and most likely shouldn't. And that's the reason for
11 all this analysis.

12 COMMISSIONER CLAYTON: What is the goal of
13 DSM for DNR, does it differ from what Ms. Mantle said?

14 MS. WILBERS: I think we are more
15 interested in the environmental perspective of this
16 new generation. Fossil fuel is something we would
17 love to avoid, and demand-side management is very
18 cost-effective and it's very clean and something that
19 can be mobilized immediately.

20 COMMISSIONER CLAYTON: So, the goal of DSM
21 for you is to reduce the need for generation, reduce
22 consumption -- reduce all consumption, peak and off
23 peak, regardless of the economics of it.

24 So, where you would disagree with Staff would be a
25 point where Ms. Mantle just wouldn't care about

1 reducing demand in the middle of the night. It just
2 doesn't make any difference. Economically, in
3 Missouri, it just doesn't make any difference. Would
4 you agree with that assertion?

5 MS. WILBERS: Well, I think, looking at
6 just the economics, it doesn't always take into
7 account all the environmental and societal benefits.
8 So, to a certain extent we might disagree.

9 COMMISSIONER CLAYTON: Would you agree that
10 that is where you disagree? Staff's looking at this
11 strictly at an economic standpoint. You are not
12 looking to see those reductions of CO2. Not at this
13 point, not until it has a dollar amount attached to
14 it.

15 MS. MANTLE: Well, that would be the reason
16 for some of the risk analysis that the rule requires.
17 The demand-side could be a good resource to reduce
18 those costs.

19 COMMISSIONER CLAYTON: But you don't care
20 about the polar bears that were on the radio this
21 morning that can't find their food or whatever? I
22 mean, you are not looking at this from an
23 environmental standpoint?

24 MS. MANTLE: No, we are not. We are
25 looking at this from the standpoint of what's best for

1 the shareholder and the rate payer.

2 COMMISSIONER CLAYTON: Okay.

3 MR. KIND: We're looking at it just from
4 the perspective that it's just one of many resource
5 options that a utility can use to serve its customers,
6 and it can have a whole lot of value in today's
7 environment. It can be just as cost-effective as
8 supply-side resources that would be used in place of
9 this demand-side resource. But it goes beyond that.
10 It can also have risk mitigation benefits and
11 optionality benefits.

12 If, for example, let's assume that coal
13 gasification could become a viable commercial
14 technology in 15 years. But if you need a new base
15 load unit in ten years it's not going to be the
16 option. But the optionality benefits can be, if you
17 can defer the need for that resource out to 15 years
18 from now, when that is commercially viable, then you
19 can invest in something that you probably will have a
20 whole lot fewer regrets about in terms of the
21 implications of climate policy and the additional
22 costs that consumers could pay if you choose the wrong
23 supply-side resource that's likely to be out there
24 operating for 40 or 50 years.

25 COMMISSIONER CLAYTON: I'm going to try and

1 move along here.

2 MR. KIND: Could I briefly go back to the
3 role of rate cases?

4 COMMISSIONER CLAYTON: Yes.

5 MR. KIND: I think that the role of them in
6 DSM has been lessened recently because of some things
7 that have happened in all the rate cases for electric
8 utilities, which is they have gotten a deferral
9 mechanism for DSM expenditures. It makes it much less
10 important for us to say, okay, we are going to include
11 X number of dollars in rates for you in this rate case
12 for DSM.

13 We now have a mechanism where these groups of
14 people have discussed -- the DSM advisory groups and
15 collaboratives that we have with all these electric
16 utilities, and some of our gas utilities as well --
17 those groups can get involved in looking at DSM
18 programs outside of rate cases. And there's already a
19 cost recovery mechanism in place, so you don't need to
20 look as much anymore at cost recovery in rate cases.

21 And I think we are starting to see the impact of
22 having that deferral mechanism approved for all our
23 utilities. I think it's been a major factor in
24 getting them to move forward and actually proposing
25 some concrete budgets and getting ready to be out in

1 the field, as Empire and KCPL already are, or to be at
2 the edge of getting out there and doing some much
3 larger things, like AmerenUE and this utility Aquila
4 are.

5 COMMISSIONER CLAYTON: Are those deferrals
6 that you are talking about, are those expenses or are
7 those rate based additions?

8 MR. KIND: They have the effect of rate
9 basing DSM expenditures, and then you get involved
10 until the expenditures actually get put into rate
11 base, and then once they get put into rate base the
12 utility will get a return on and a return of those
13 investments through its rates in a future rate case.

14 COMMISSIONER CLAYTON: I didn't even know
15 we did that in Missouri.

16 MR. KIND: So long as the expenditure is
17 approved.

18 COMMISSIONER CLAYTON: Is Aquila the only
19 utility right now that has rate based treatment of
20 DSM?

21 MR. KIND: All four electric utilities.
22 Laclede has it as well up to a capped amount. And I
23 don't think there's really a cap for most of the
24 electric utilities, although for KCPL the deferral
25 mechanism is part of our regulatory plan that is

1 included in certain budget levels.

2 MS. MANTLE: AmerenUE gas also has --

3 COMMISSIONER CLAYTON: Gas does, but not
4 electric?

5 MS. MANTLE: Yes, they do for electric
6 also. All the IOUs.

7 COMMISSIONER CLAYTON: See, all this comes
8 out -- we've got rate based treatment, we are doing
9 this and that, yet Ms. Mantle still said we don't have
10 much experience in DSM and we have a long way to go.
11 Didn't you say that earlier?

12 MS. MANTLE: Yes.

13 COMMISSIONER CLAYTON: Am I misstating what
14 you said?

15 MS. MANTLE: No. We are on the edge of
16 going out and doing, we just don't have the
17 experience. We don't have any past experience other
18 than one utility that spent a lot of money and said it
19 didn't work in the mid-90's. We are trying to get
20 past that and move forward.

21 COMMISSIONER CLAYTON: That energy
22 efficiency thing over in Kansas City at the end of
23 last year, I think they said that Missouri was ranked
24 at, what, 46 or something like that? I can't even
25 show my face in the neighborhood.

8 If you don't have the data to show that HVAC or
9 furnaces or air conditioners are a problem, how do you
10 know whether -- or are you just looking at strictly
11 best practices?

12 MS. MANTLE: Aquila did look at end uses.
13 Correct me if I'm wrong. I believe the Quantec
14 consultant --

15 MR. ROONEY: In doing the analysis we did
16 rely on end uses, but we didn't rely on surveys that
17 were specific to our particular customer base. We
18 incorporated some data that was specific to our
19 customer base, we also incorporated some data that RLW
20 and Missouri had done for the State of Missouri --

21 COMMISSIONER CLAYTON: Who is that, RLW?

22 MS. WILBERS: Resource Analytics something
23 or other. It was a consultant that was used to do
24 this residential market assessment a couple years ago.

25 COMMISSIONER CLAYTON: So, you guys used

1 end use data in organizing each of these DSM resources
2 or programs; is that correct?

3 MR. ROONEY: Yes, they made assessments of
4 what they thought a reasonable amount of end use was
5 for our service territory, and they based that on data
6 that was available for either the region or our
7 service territories or from national databases.

8 COMMISSIONER CLAYTON: But I thought that
9 data wasn't sufficient in the filing, that you all
10 didn't get that end use data, and then you didn't even
11 have the resources to deal with the data that you got?

12 MS. MANTLE: For the forecasting.

13 COMMISSIONER CLAYTON: Going forward?

14 MS. MANTLE: For forecasting, is what I was
15 talking about the lack of end use data. And some of
16 that same information was used in forecasting but at a
17 very inaccurate level.

18 COMMISSIONER CLAYTON: Do you have anything
19 else you want to add? I didn't mean to cut you off.

20 MR. ROONEY: No, I'm fine.

21 COMMISSIONER CLAYTON: On DSM -- and I'll
22 send this to DNR again -- on Page 12, Table ES7, it
23 sets out the impact of energy efficiency plans in
24 five years and then it has cumulative impacts
25 associated with those programs.

1 I guess from a DNR standpoint, and Staff and OPC,
2 are those numbers that we want to see, should we be
3 looking at more ambitious goals? You look at that, it
4 doesn't seem significant in the big scheme of things.

5 MS. WILBERS: Right. You get the
6 significant impacts after you have had a number of
7 years of ongoing commitment at high levels. This is
8 showing the first five years, and states that have
9 avoided generation plants of 500 mega-watts, they have
10 been doing this for 15, 20 years. So, our position is
11 you have to start somewhere and stay the course, stay
12 committed, and continue those investments on a regular
13 basis and you are going to get savings.

14 COMMISSIONER CLAYTON: I bought two CFLs
15 last night. Two.

16 Is DNR satisfied with the scenarios that have been
17 included regarding future environmental issues and
18 carbon issues?

19 I know there's a "green proposal," there's
20 analysis of coal, no coal, gas, no gas. Is DNR
21 satisfied that enough is being reviewed in these
22 filings to cover enough scenarios for planning?

23 MR. NOLLER: I think I can say we were
24 satisfied that Aquila met the planning requirements of
25 the rule. When we go into debate, I know that, in

1 taking into account the potential environmental costs,
2 they had to make an appraisal of the likelihood of
3 relatively stringent carbon taxes. I think, if I
4 recall correctly, they said it was a 15 percent chance
5 of that occurring.

6 And if we had an offer or assessment of that, we
7 might come up with a higher percentage. But really
8 what is required is that they make that assessment.
9 And it's their plan, so I think our attitude was at
10 least they had met their part of the rule, that they
11 considered that issue, and they had provided their
12 assessment of how likely it is there would be
13 stringent carbon legislation.

14 They also provided a supplementary document that
15 stated the ways they would monitor the likely levels
16 of carbon legislation. And we assumed that in doing
17 that presumably they may change their assessment in
18 the future if more stringent legislation looks likely.

19 MR. ROONEY: I'd like to comment on a
20 couple things. One is, you asked earlier about
21 whether or not the economic assessment included
22 environmental impacts, because that was a concern of
23 DNR's, and I think the rules provide for an assessment
24 of environmental costs to be included in that economic
25 assessment.

1 So, when we analyze what is an economic way to
2 meet the load, we are analyzing it including an
3 assessment of cost for environmental cost. There may
4 be some difference of opinion as to how high those
5 environmental costs ought to be, but there is an
6 inclusion and an attempt in the process to include a
7 cost for environmental impacts to come to a conclusion
8 on what is an economic approach.

9 And then there was a comment just now, which I
10 want to make sure we didn't get wrong, which was the
11 degree to which we have included a carbon tax in our
12 assessment. We have carbon taxes in all our
13 scenarios, but we also had two different levels, a
14 high and a low level around that. So, our base plan
15 presumes there is a carbon tax at a particular level
16 in the forecast period, and we have a high and low
17 around that. We do not have a -- I don't believe we
18 had a no carbon tax scenario. But we did look at that
19 just as a comparison.

20 And in the decision tree analysis of emissions
21 cost, which is Figure 5-9, we looked at the
22 probabilities of different emissions scenarios. Our
23 base emission forecast assumed 60 percent probability.
24 And in total we assumed a 90 percent probability of
25 some CO2 tax. Our no CO2 tax scenario had a

1 10 percent probability in that analysis.

2 COMMISSIONER CLAYTON: Statistics.

3 I'm trying to finish up here. I've just got a
4 couple more things.

5 Demand response. Does DNR look at demand response
6 and evaluate programs and look at goals, what should
7 we be striving for, that sort of thing?

8 MS. WILBERS: To a certain extent. We do
9 not pay as much attention to that as we do straight
10 efficiency programs. We are involved in direct load
11 control type programs with KCPL, for example, but it's
12 not as big a focus for us.

13 COMMISSIONER CLAYTON: Staff, do you all
14 look at demand response?

15 And are you satisfied, can we be more aggressive,
16 how does Aquila compare to other utilities?

17 MS. MANTLE: And I believe -- and Davis can
18 correct me if I'm wrong, because we've looked at
19 another utility -- that Aquila didn't put as much
20 emphasis on demand response for this filing as they
21 did energy efficiency. We do believe demand response
22 is a big tool that should be used, a resource that
23 should be used. Working with your customers on
24 curtailment and those types of programs are a very
25 important tool for the utilities.

1 MR. KIND: I think this is probably a good
2 example of how the process works and working things
3 out with the utility.

4 On Page 15 of the stipulation and agreement
5 there's items that OPC pointed out that from our
6 perspective the company had not done a proper analysis
7 of direct load control of residential air
8 conditioners. The agreement that we worked out is
9 they are going to do some additional analysis, which I
10 expect to see tomorrow according to this stipulation
11 and agreement.

12 In general, we think demand response can be a
13 valuable resource especially for utilities with high
14 load growth and utilities that seem to be persistently
15 in a capacity-desperate situation like Aquila is.

16 COMMISSIONER CLAYTON: So, there's a lot of
17 room for activity on demand response?

18 MR. KIND: There is, but it's important to
19 keep in mind that it's not the resource that's given
20 additional value, to a large extent relative to
21 supply-side resource, because of carbon regulation.

22 Carbon regulation is a tax on each kilowatt hour,
23 and that's where energy efficiency can get involved in
24 greatly reducing the number of kilowatt hours of
25 consumption. When you just reduce kilowatt hours in a

1 few hours or days of the year you are not getting that
2 same cost-benefit from demand response, where you do
3 with energy efficiency programs.

4 COMMISSIONER CLAYTON: You do receive
5 benefits?

6 MR. KIND: A much lower magnitude. Mostly
7 the benefits you are getting is avoiding needing to
8 build a plant. And it's the operation of the plant
9 that creates the carbon, of course.

10 COMMISSIONER CLAYTON: But there are costs
11 that go to construction, carbon is just one factor.

12 MR. KIND: Yes.

13 MS. MANTLE: Or not having to purchase
14 energy on the market at a high market price during
15 peak periods or at times when supply is tight.

16 COMMISSIONER CLAYTON: Lastly; new
17 resources. There is a reference in the stipulation,
18 and for some reason I have lost the stipulation. I
19 have my notes from the stipulation.

20 I want to talk about new technologies, whether it
21 be renewable, waste heat, landfill gas mentioned
22 earlier, solar, whatever. Is Missouri looking enough
23 at alternative technologies, are we utilizing -- and I
24 guess that's a general question then, of course
25 focusing on Aquila -- but are we looking at

1 opportunities or addressing load growth from
2 alternative sources like waste heat?

3 I mean, up until last year I don't think I had
4 ever heard the term around here. You don't hear it
5 discussed at all. But is that something we ought to
6 be looking more aggressively at, is that something
7 that Aquila thinks is possible?

8 There are references to new technologies being
9 developed on gas fire facilities as they become more
10 efficient in the future, there's a reference to a GE
11 technology that's not supposed to mature until maybe
12 2010.

13 I want to talk a little bit about new technologies
14 and what we ought to be looking at in the future
15 beyond just traditional supply-side resources. Does
16 anyone have any comment on that?

17 MR. KIND: This was addressed by quite a
18 few parties, and I know DNR addressed some of the
19 issues with renewable generation, as did OPC.

20 Generally, we weren't satisfied with the way
21 renewables other than wind were analyzed as part of
22 the filing. And because of that there's quite a few
23 provisions in the stipulation agreement that require
24 additional analysis in that area.

25 COMMISSIONER CLAYTON: Other than wind,

1 what else are you looking for?

2 MR. KIND: Landfill gas and biomass,
3 whether it's from some sort of crops that are grown
4 for fuel.

5 COMMISSIONER CLAYTON: Are those resources
6 that you believe or that OPC believes are available,
7 and they are not being considered, or there wasn't any
8 analysis of it?

9 MR. KIND: We know there is some
10 availability of those resources in lots of different
11 ways; chicken waste or scraps from lumber processing,
12 so we didn't feel like Aquila had surveyed to the
13 extent that those resources are available in their
14 service territory.

15 And terms of growing biomass crops for fuel,
16 that's really more of a long run approach. You are
17 going to be getting farmers to substitute growing
18 those kinds of crops instead of other crops if that
19 kind of thing is going to work, and that's a long-term
20 process, making that happen.

21 MR. NOLLER: Speaking for DNR, I'd like to
22 say ditto to what Ryan just said. We also were
23 concerned that there was insufficient analysis of a
24 variety of possible conventions other than the
25 conventional utility site fossil fuel power plant.

1 And there are provisions in the stipulation in
2 which Aquila agrees to specifically analyze a variety
3 of biomass technologies; and furthermore, in our
4 six-month update meetings, to update the parties on
5 their progress in doing those analyses.

6 Similarly, there's a provision in the rule that
7 utilities should look at point-of-use resources, and
8 we would say that not only utility-owned but
9 customer-owned. And there's a provision in the
10 stipulation that they will analyze the range of those
11 resources and will update us on this at the
12 semi-annual meeting.

13 COMMISSIONER CLAYTON: So, there will be
14 some movement on some distributed generation and
15 addressing some of the interconnection issues, I mean,
16 other issues associated with --

17 MR. NOLLER: I'll add to that also the
18 potential for efficiency improvements at existing
19 plants to increase their generating potential and
20 thereby possibly avoiding the department's control of
21 the resources.

22 COMMISSIONER CLAYTON: Let me give you an
23 example that comes to mind, and it is not applicable
24 to Aquila because it's on the opposite side of the
25 state. There's been some newspaper articles coming

1 out about the potential for smaller hydro-facilities
2 on the Mississippi River.

3 There was an article in the Post Dispatch recently
4 talking about some of the upgrades on the locks and
5 dams. And I know I've talked with Ameren about this
6 in the past, but it seems like there's opportunities
7 for projects that I don't know if they are even being
8 evaluated.

9 Those types of projects, does DNR watch out for
10 those, do utilities watch out for them, is it even
11 worthwhile to consider those types of projects as a
12 place to add generation capacity?

13 MR. NOLLER: Well, certainly, to an extent,
14 we can we look out for those. I think one of the
15 demands of the Energy Center is to encourage and
16 increase diversity of the fuel sources that Missouri
17 relies on. Especially to look at opportunities for
18 additional resources rather than relying on imported
19 fossil fuels.

20 And all of these different opportunities we are
21 talking about would -- I think -- if we can find
22 cost-effective new generating sources that moves
23 Missouri toward a more robust and self-reliant fuel
24 economy.

25 So, yeah. I think that, generally, as we approach

1 the IRP filing, not only from Aquila but from all of
2 the filings from all of the utilities, we will be
3 looking for opportunities that they have screened, and
4 opportunities they might have missed in their
5 screening, and encouraging that those screenings and
6 analyses occur and, where possible, that utilities
7 pursue those opportunities.

8 COMMISSIONER CLAYTON: Anyone else want to
9 comment on that?

10 MR. CLEMENS: I would say at Aquila we are
11 looking at those items, like the wood burning --
12 compressed wood. So, we are looking at those
13 technologies.

14 COMMISSIONER CLAYTON: Do you all look at
15 waste heat or CHP? Does Aquila see those as --
16 partnering with either an incinerator or other type of
17 facility doing heat for another purpose, do you all
18 actively look for those, or are they too complicated
19 from the regulatory process of Missouri to do that?

20 MR. ROONEY: We do have occasions where we
21 have worked with customers on that. Generally, we are
22 not going out and trying to sell customers on combined
23 heat power projects, but we do work with customers
24 that have brought to us an inquiry of whether or not a
25 combined heat project would work with their particular

1 installation.

2 We're working with GSA here in Kansas City,
3 Missouri, on a possible project of that type. One of
4 our development groups has talked about, there are
5 several projects they have discussed. But a lot of
6 times, in our particular market, they haven't found
7 them to be economic for the customers. So, they are
8 discussed, but they are not hugely pushed from that
9 point of view.

10 COMMISSIONER CLAYTON: Is that information
11 that's shared with DNR, Staff or Public Counsel, do
12 you all get in on that action, or no?

13 MR. KIND: As part of the rule, it kind of
14 gets back to what Lena was talking about before. We
15 have this emphasis of every three years we take an
16 intense look at each utility, and then there's also a
17 six-month update reading that we have with most
18 utilities as well.

19 So, I think that there is an increased awareness
20 of the potential economic value of combined heat and
21 power amongst everyone participating in the process,
22 so there's been more of an emphasis on it in the last
23 year or two.

24 COMMISSIONER CLAYTON: Well, I want to
25 thank everyone for coming in here today. And I have

1 gotten a lot of value from this. And if you haven't,
2 I have, so I appreciate everyone taking their time.

3 I think, looking at some of the numbers that were
4 in the filing, where rates are expected to double in
5 20 years and revenue requirements triple and things
6 like that, there are significant issues that lie ahead
7 that will probably outdate me.

8 But at least in our role in this planning process,
9 I think it is very important that everybody is looking
10 at the right thing. So, thank you for sharing all
11 that with me.

12 Judge, I will turn it over to you.

13 JUDGE PRIDGIN: Thank you, Mr. Clayton.

14 Mr. Chairman, any questions or remarks?

15 CHAIRMAN DAVIS: I've got three more hours
16 worth of material here -- no, I think all my questions
17 have been answered. Thank you.

18 JUDGE PRIDGIN: We can play cards any time,
19 Mr. Chairman.

20 Is there anything further from counsel?

21 MR. BOUDREAU: Just a concluding remark. I
22 hope the Commission will take the proposed agreement
23 stipulation and consider it favorably. And with that
24 I will conclude my remarks.

25 JUDGE PRIDGIN: Mr. Boudreau, thank you.

1 CERTIFICATE OF REPORTER

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4 I, Mindy Vislay, Certified Court Reporter with the
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My commission expires March 19, 2011

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