

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 31st day of
October, 2012.

In the Matter of a Determination of Special	)	
Contemporary Resource Planning Issues to be	)	
Addressed by KCP&L Greater Missouri Operations	)	<u>File No. EO-2013-0107</u>
Company in its Next Triennial Compliance Filing or	)	
Next Annual Update Report	)	

**ORDER ESTABLISHING SPECIAL CONTEMPORARY RESOURCE
PLANNING ISSUES**

Issue Date: October 31, 2012

Effective Date: November 1, 2012

A provision in the Missouri Public Services Commission's revised electric utility resource planning rule, 4 CSR 240-22.080(4), requires Missouri's electric utilities to consider and analyze special contemporary issues in their triennial compliance filings and in their annual update reports. The regulation provides that by September 15 of each year, Staff, Public Counsel, and other interested parties may file suggested issues for consideration. The regulation allows the utilities and other parties until October 1 to file comments regarding the suggested issues. The regulation requires the Commission to issue an order by November 1 of each year specifying the list of special contemporary issues that each electric utility must address.

The Commission's Staff, the Missouri Department of Natural Resources (MDNR), and the Sierra Club filed suggested special contemporary issues for KCP&L Greater Missouri Operations Company (GMO) to analyze and respond to in its next integrated

resource plan (IRP) filing. GMO filed responses to those suggestions. The Commission must now determine what special contemporary issues GMO should address.

This is not a contested case. The Commission does not need to hear evidence before reaching a decision and does not need to make findings of fact and conclusions of law in announcing that decision.¹ The Commission's rule gives the Commission broad discretion in determining what issues a utility should be required to address, indicating:

[t]he purpose of the contemporary issues lists is to ensure that evolving regulatory, economic, financial, environmental, energy, technical, or customer issues are adequately addressed by each utility in its electric resource planning. Each special contemporary issues list will identify new and evolving issues but may also include other issues such as unresolved deficiencies or concerns from the preceding triennial compliance filing.²

It is also important to note that the Commission's IRP rules require GMO to file a full IRP study once every three years. GMO does not need to file its next full IRP study until April 1, 2015.³ That means GMO would need to address the special contemporary issues identified in this order in its 2013 annual update report, not in a full IRP study. This distinction is important because in its annual update report, the electric utility is only expected to address "changing conditions since the last filed triennial compliance filing or annual update filing."⁴ For that reason, the requirement to examine special contemporary issues should not expand the limited annual update report into something more closely resembling a triennial compliance report.

After considering these factors, the Commission will adopt the list of special contemporary issues set forth in this order.

¹ *State ex rel. Public Counsel v. Public Service Com'n*, 259 S.W.3d 23, 29 (Mo App. W.D. 2008)

² 4 CSR 240-22.080(4).

³ 4 CSR 240-22.080(1)(A).

⁴ 4 CSR 240-22.080(3)(B).

THE COMMISSION ORDERS THAT:

1. KCP&L Greater Missouri Operations Company shall analyze and document the following special contemporary issues in its 2013 annual update report:

- a. Investigate and document the impacts on the Company's preferred resource plan and contingency plans of aggressive regulations by the FERC, regional transmission organizations ("RTOs") or Missouri statutes or regulations to allow aggregators of retail customers ("ARCs") to operate and market demand response services in Missouri;
- b. Investigate and document the impacts on the Company's preferred resource plan and contingency plans of a new much more aggressive renewable energy standard (e.g., at least double the current standard for Missouri) with no rate cap;
- c. Investigate and document the impacts on the Company's preferred resource plan and contingency plans of a very aggressive energy efficiency resource standard (e.g., annual energy savings of 1.5% each year for 20 years and annual demand savings of 1.0% each year for 20 years from electric utility demand-side programs) with no rate cap in Missouri;
- d. Investigate and document the impacts on the Company's preferred resource plan and contingency plans of a loss of significant load for the short term and potentially for the long term that may be the result of: 1) a prolonged double-dip recession, and/or 2) the largest customer or a group of customers no longer taking service from Company;

- e. Investigate and document the impacts of aggressive environmental regulations on Company's preferred resource plan and contingency plans;
- f. Analyze, rank, and document existing coal plant fleet as retirement candidates that includes documentation indicating the date the plant was put in service, the original design life in years and the results of any subsequent life extension studies or modifications to extend the design life, the cost in \$/kw to produce energy, and any analysis, studies, inspections, calculations used to justify the continued operation of the plant beyond its original design life;
- g. Analyze and document the impacts of opportunities to implement distributed generation, DSM programs, and combined heat and power (CHP) projects in collaboration with municipal water treatment plants and other local waste or agricultural/industrial processes with on-site electrical and thermal load requirements, especially in targeted areas where there may be transmission or distribution line constraints. In particular, develop a model or business case to identify the most cost effective CHP projects and a strategy to increase the deployment of identified cost effective CHP projects;
- h. Analyze and document analysis of DSM programs targeted to achieve energy efficiency savings in the agricultural sector;
- i. Analyze and document alternative customer information/behavior modification program options utilizing either in-house or outside industry experts or a combination of both to increase customer awareness and encourage more efficient use of energy;

- j. Analyze potential or proposed changes in state and/or federal environmental and/or renewable energy standards and report how those changes would affect Company's plans for compliance with those standards;
- k. Analyze the levelized cost of energy needed to comply with the current Renewable Energy Standards law compared to the cost of energy resulting from a portfolio comprised solely of existing resources with no additional renewable resources;
- l. Disclose and discuss the amount and impact of every state or federal subsidy the Company expects to receive with regard to any or all fuel sources it intends to use during the IRP study period;
- m. Analyze and document nuclear powered small modular reactor (SMR) as a potential supply-side resource option;
- n. In its annual update, GMO should recalibrate its forecast of the number of households to reflect the existing economic situation. The analysis should describe and document any changes in the components of the load forecast made to account for changes in the economic situation;
- o. In its annual update, GMO should provide a more detailed analysis of the market status of a number of distribution technologies as well as their potential impacts. GMO should also explore more opportunities with customer-side CHP;
- p. GMOL should describe and document the legal and administrative steps necessary to allow for IRP planning on a combined company basis;

- q. In its annual update, GMO should describe and document its approach to constructing combined plans and its allocation procedures. If the Company uses a combined planning approach in the future, the combined plan should include an articulated methodology for sharing demand side, supply side and renewable resources between companies;
- r. Address deficiencies raised by MDNR in the analysis of Special Contemporary Issues B, C, H, I, J, K and L from File No. EO-2012-0041;
- s. The prospects for continued stability of natural gas prices, especially in light of unconventional gas supplies;
- t. Analyzing and documenting the future capital and operating costs faced by each GMO coal-fired generating unit in order to comply with all existing, pending, or potential environmental standards, including:
- Clean Air Act New Source Review provisions
 - 1-hour Sulfur Dioxide National Ambient Air Quality Standard
 - Cross State Air Pollution Rule in the event the Rule is reinstated
 - Clean Air Interstate Rule
 - Mercury and Air Toxics Standard
 - Clean Water Act 316(b) Cooling Water Intake Standards
 - Clean Water Act Steam Electric Effluent Limitation Guidelines
 - Clean Air Act Section 111 Greenhouse Gas New Source Performance Standards
 - Clean Air Act Regional Haze requirements
 - Coal Combustion Waste rules;
- u. Analyzing and documenting the technical, maximum achievable, and realistic achievable energy and demand savings from demand side management, and incorporating each level of savings into GMO resource planning process; and

- v. Analyzing and documenting the levels of achievable combined heat and power and incorporating such achievable CHP into GMO's evaluation of demand side management.
2. This order shall become effective on November 1, 2012.

BY THE COMMISSION



Steven C. Reed
Secretary

(S E A L)

Gunn, Chm., Kenney and Stoll, CC.,
concur;
Jarrett, C., dissents, with separate
dissenting opinion to follow.

Bushmann, Regulatory Law Judge