

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 2nd day of
June, 2010.

In the Matter of the 2009 Resource Plan of KCP&L)	
Greater Missouri Operations Company Pursuant to)	<u>Case No. EE-2009-0237</u>
4 CSR 240-22)	

**ORDER APPROVING NONUNANIMOUS STIPULATION AND
AGREEMENT AND ACCEPTING INTEGRATED RESOURCE PLAN**

Issue Date: June 2, 2010

Effective Date: June 12, 2010

KCP&L Great Missouri Operations Company (“GMO”) filed its Integrated Resource Plan (“IRP”), as required by 4 CSR 240 – Chapter 22, on August 5, 2009. The deadline for the participants to this non-contested case to file the Joint Agreement described in Commission Rule 4 CSR 240-22.080(8) was April 9, 2010, and the deadline for the participants to file comments or other responses to the Joint Agreement was April 26, 2010.

On April 12, 2010, GMO, the Staff of the Commission (“Staff”), the Office of the Public Counsel (“Public Counsel”), the Missouri Department of Natural Resources (“MDNR”), and Dogwood Energy, L.L.C. (“Dogwood”), filed a non-unanimous stipulation and agreement (“Agreement”) that purports to remedy all alleged deficiencies and concerns in the IRP filing. GMO also filed a “Stakeholder Process Agreement” (“SPA”) as an appendix to the Agreement. The same signatories to the Agreement executed the SPA. The remaining participants, the Sedalia Industrial Energy Users’ Association (“SIEUA”), the City of Kansas City, Missouri (“KCMO”), and the Missouri Joint Municipal Electric Utility Commission (“MJMEUC”) are not signatories to the Agreement or the SPA.

The Agreement reflects that three concerns of MDNR were not fully resolved by the Agreement itself, but rather an alternative solution has been agreed upon in the SPA.

Those issues are described in paragraphs 58-60 of the Agreement as follows:

58. In what MDNR labels as "MDNR Deficiency #19," MDNR, citing 4 CSR 240-22.070(10)(D), states that "the methodology adopted by KCP&L-GMO for compliance with the requirements of 4 CSR 240-22.070(10)(D) does not account for the volatile and continuous nature of these critical prices and interest rates. Additionally, this methodology does not fully capture the interaction of different factors in creating circumstances that will warrant a change in resource plan." GMO will provide supporting documentation showing the calculation of "Conditional Probability" values listed in the Risk Tree provided in Figure 1, Volume 7, Page 10 of the initial GMO filing. On April 6, 2010 GMO provided MDNR some supplementary information regarding the probabilities assigned to each scenario listed in the Risk Tree. This information did not resolve MDNR's concerns about the calculation of the probabilities associated with the scenarios listed in the Risk Tree figures.

59. In what MDNR labels as "MDNR Deficiency #21," MDNR, citing 4 CSR 240-22.080(2), states that "KCP&L-GMO's proposed performance incentive mechanism would provide excessive returns compared to normal regulatory practice. In MDNR's view, the goals for demand-side program savings included in KCP&L-GMO's preferred resource plan do not achieve meaningful levels of savings. KCP&L-GMO's proposed performance incentives are not appropriate relative to its level of proposed DSM investments and risk." GMO agrees to withdraw the request for non-traditional accounting procedures that it made pursuant to 4 CSR 240-22.080(2) in its August 2009 IRP compliance filing and reserves the right to make a new request for non-traditional accounting procedures in its revised IRP filing in December 2010. The issue of non-traditional accounting procedures will be discussed and may be resolved, in the stakeholder process described in the "DSM Cost Recovery Modeling" section of Appendix 1.

60. In what MDNR labels as "MDNR Deficiency #22," MDNR, citing 4 CSR 240-22.080(2), states that "KCP&L-GMO's proposed performance incentive mechanism would provide excessive returns compared to normal regulatory practice. In MDNR's view, the goals for demand-side program savings included in KCP&L-GMO's preferred resource plan do not achieve meaningful levels of savings. KCP&L-GMO's proposed performance incentives are not appropriate relative to its level of proposed DSM investments and risk." GMO agrees to withdraw the request for non-traditional accounting procedures that it made pursuant to 4 CSR 240-22.080(2) in its August 2009 IRP compliance filing and reserves the right to

make a new request for non-traditional accounting procedures in its revised IRP filing in December 2010. The issue of non-traditional accounting procedures will be discussed and may be resolved, in the stakeholder process described in the "DSM Cost Recovery Modeling" section of Appendix 1.

The signatories to the Agreement executed the SPA and agreed that this stakeholder process will serve as the means for planning and implementing remedies for the deficiencies identified above. The terms of the SPA provide for GMO to make supplemental filings and to file a revised IRP consistent with the terms of and schedule outlined, and the signatories agree that they will strive to reach agreement regarding the specific action items and elements to be addressed in the supplements and revised IRP to be filed by GMO. The participants reserved the right to take any disputes concerning implementation or action items related to GMO's IRP, revised IRP or supplemental filings to the Commission for resolution.

Commission Rule 4 CSR 240-2.115 provides that if no objection is made to a non-unanimous stipulation and agreement within seven days of its filing, the stipulation and agreement may be treated as unanimous. No participant to this matter objected within the seven day deadline, nor were any comments or responses filed by the April 26, 2010 deadline. Because no participant has filed a timely objection to the stipulation and agreement, it will be treated as a unanimous agreement.

The purpose of the Commission's integrated resource planning rule is to require Missouri's electric utilities to undertake an adequate planning process to ensure that the public interest in a reasonably priced, reliable, and efficient energy supply is protected. Commission Rule 4 CSR 240-22.080(13) requires that after considering an electric utility's IRP filing, the Commission issue an order containing findings that the filing "either does or

does not demonstrate compliance with the requirements of this chapter, and that the utility's resource acquisition strategy either does or does not meet the requirements stated in 4 CSR 240-22.010(2)(A)-(C)."¹ Furthermore, 4 CSR 240-22.010(1) provides that a Commission finding that a utility is in compliance with these rules is not to be construed as Commission approval of the utility's resource plans, resource acquisition strategies or investment decisions.

Based on the unopposed Agreement and the unopposed SPA, the Commission finds that GMO's 2009 IRP filing, as modified and clarified by the Agreement, demonstrates compliance with the requirements of Commission Rule 4 CSR 240-22. The Commission finds that the Agreement is consistent with the public interest and shall be approved.

THE COMMISSION ORDERS THAT:

1. The Stipulation and Agreement filed on April 12, 2010, is approved and the signatory parties are ordered to comply with its terms. Approval of the Stipulation and

¹ 4 CSR 240-22.010(2) provides as follows:

(2) The fundamental objective of the resource planning process at electric utilities shall be to provide the public with energy services that are safe reliable and efficient, at just and reasonable rates, in a manner that serves the public interest. This objective requires that the utility shall –

(A) Consider and analyze demand-side efficiency and energy management measures on an equivalent basis with supply-side alternatives in the resource planning process;

(B) Use minimization of the present worth of long-run utility costs as the primary selection criterion in choosing the preferred resource plan; and

(C) Explicitly identify and, where possible, quantitatively analyze any other considerations which are critical to meeting the fundamental objective of the resource planning process, but which may constrain or limit the minimization of the present worth of expected utility costs. The utility shall document the process and rationale used by decision makers to assess the tradeoffs and determine the appropriate balance between minimization of expected utility costs and these other considerations in selecting the preferred resource plan and developing contingency options. These considerations shall include, but are not necessarily limited to, mitigations of –

1. Risks associated with critical uncertain factors that will affect the actual costs associated with alternative resource plans;

2. Risks associated with new or more stringent environmental laws or regulations that may be imposed at some point within the planning horizon; and

3. Rate increases associated with alternative resource plans.

Agreement includes approval of the Stakeholder Process Agreement. A copy of the Stipulation and Agreement will be attached to this order as Appendix A.

2. KCPL Greater Missouri Operations Company's 2009 Integrated Resource Plan is accepted as being in compliance with Commission Rule 4 CSR 240 – Chapter 22.

3. KCPL Greater Missouri Operations Company shall file its revised Integrated Resource Plan no later than December 17, 2010, the date outlined in the Stakeholder Process Agreement.

4. The Commission's acceptance of this Integrated Resource Plan does not indicate Commission approval of the utility's resource plan, resource acquisition strategies or investment decisions.

5. This order shall become effective on June 12, 2010.

(S E A L)

BY THE COMMISSION



Steven C. Reed
Secretary

Clayton, Chm., Davis, Jarrett, Gunn,
and Kenney, CC., concur.

Stearley, Senior Regulatory Law Judge