

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

In the Matter of the Resource Plan of)
Kansas City Power & Light)
Greater Missouri Operations Company)

File No. EO-2013-0538

**NATURAL RESOURCES DEFENSE COUNCIL'S RESPONSE TO GMO AND
RENEWED REQUEST FOR HEARING**

Natural Resources Defense Council ("NRDC") hereby submits these comments in response to the September 13, 2013 filing (item number 40 in this docket) by Kansas City Power and Light Greater Missouri Operations ("GMO") in response to the Commission's Order Directing Filing in response to comments by NRDC and others.

GMO's filing does not resolve the deficiencies identified by NRDC in our comments on the utility's 2012 IRP submission (EO-2012-0323, filing number 28) and in our comments on the utility's 2013 Update submission (EO-2013-0538, filing number 35). The utility has had numerous opportunities to address these deficiencies: first in the process leading up to its 2012 IRP submission; then in the collaborative process leading to the Joint Filing and stipulations intended to resolve that submissions numerous deficiencies; again in the 2013 Update filing, in which the utility was ordered by this Commission to finally address the deficiencies; and for a fourth time in its September 13th filing. Each time, the utility has sought to push off compliance until the next filing.

Now GMO claims that there is no need for hearings to address these deficiencies because its "resource acquisition strategy does not include making any significant generating resource decisions between now and the next IRP Annual Update to be filed in March 2014." In other words, GMO seeks to continue to ignore the deficiencies stakeholders identified and the Commission recognized in its 2012 IRP Order, and instead produce pro-forma filings on a schedule that presume all previous filings were wholly adequate, thereby disregarding the directive the Commission set out in its 2012 IRP Order as well as the Commission's Rules and these proceedings.

NRDC and other intervenors have identified deficiencies so significant that they call into question both the factual and procedural basis of GMO's IRP submission. To allow these deficiencies to persist unresolved through the second year of the three-year planning timeframe would undermine the purpose of Missouri's integrated resource planning laws and procedures.

GMO produced a plan with an inadequate basis of knowledge, the information it has gathered in the draft and final versions of the potential study is being ignored by the utility in its planning documents. GMO's recent filing to does nothing to remedy this persistent and fundamental flaw, nor does it justify the utility's failure to comply with the Commission's procedural requirements¹ in to select a preferred plan that would be good for their customers by basing its selection of a preferred plan primarily on minimization of NPVV.

For these reasons, NRDC reiterates its request that the Commission schedule hearings and proceedings to address the deficiencies in GMO's planning documents.

¹ 4 CSR 240-22.010(2)(B).

Argument: GMO's Response to NRDC's Comments Does Not Address the Deficiencies in the 2013 Update Filing or in the 2012 IRP Submission

In NRDC's comments on the 2013 Update filing, we identified six particularized deficiencies, which provide evidence of the utility's fundamental failure to base its planning process on a solid foundation of knowledge, pursue all cost effective energy efficiency, evaluate demand side resources on an equal footing with other resources, and use minimization of long term customer cost as the primary factor in selecting its preferred plan. These six deficiencies and the inadequacy of GMO's response are described below:

1. The IRP filing and Update filing rely on flawed and incomplete assessments of DSM potential, which artificially deflate estimates for what constitutes cost-effective energy efficiency in the plan.

GMO's response reiterates its assertion that the potential study was developed with stakeholder involvement, but it does not discuss the utility's failure to address flaws identified by stakeholders during these processes. NRDC believes that the potential study could have provided a reasonable basis for estimating DSM potential in the IRP if several major flaws with the study, which resulted in underestimates of the true energy efficiency potential in the utility's territory, had been corrected. We communicated this position to the utility in the April 15, 2013 memorandum the utility references in its response. The utility has ignored the substance of that memo, opting instead to attempt to distort its contents by citing a single introductory remark out of context.

GMO neither corrected these flaws in its study in its planning documents, nor did it pursue even the deflated levels of RAP that the study identified. For this reason, the utility's reliance on the incomplete and flawed study in selecting a preferred plan that pursues levels of DSM below even what the study identifies as reasonably achievable remains a significant unresolved deficiency in the plan.

2. The utility failed to adequately account for DSM potential increases from energy efficiency technologies that are reasonably expected to be available during the planning horizon relevant to the IRP.

To the extent that any adjustments for reasonably anticipated advances in energy efficiency technology are included in the study, the assumptions made are so unreasonable as to render that consideration meaningless. As we stated in our previous comments, the preliminary study employed in the Update models significant energy consumption reduction in the baseline case due to codes and standards, but it does not model similar reduction in consumption in the efficient equipment due to technological advances.

The study assumes, contrary to history and all indications to the contrary, that technological advances will not at least keep pace with changes in codes and standards. The lack of effort to model the more likely outcome of continued technological advances and to sustain DSM impacts throughout the IRP period is a major flaw in the modeling that unfairly increases the PVRR of the more aggressive DSM alternative resource plans. GMO's response does not address any of these deficiencies, nor does it explain why the IRP filing and Update fail to correct or account for this deficiency in the study in its DSM scenarios.

3. The utility relies on analysis that contains unexplained inconsistencies and errors that undermine the transparency and validity of planning decisions in the filings.

GMO's purported explanation for the apparent errors and inconsistencies identified by NRDC does nothing to remedy the fundamental flaw that the analysis applies inconsistent metrics, and contains either errors or misleading information. While we limited our examples in our previous comments to errors in the KCP&L Update, the GMO filings are similarly opaque or inconsistent. NRDC believes these apparent inconsistencies result in disguised distortions in the basis and outcome of the study. In its response to our comments, the utility provides no justification for its misallocation of costs and benefits of DSM programs across years or for its mixing of metrics with different methodologies. This lack of transparency renders it impossible for stakeholders to assess the accuracy of GMO's estimates through this back-and-forth, paper-based process alone, and is one of the primary reasons a hearing is necessary in this case.

4. The range of scenarios modeled is unreasonably tilted towards optimizing the utility's preferred plan, without providing adequate consideration of the range of higher-DSM scenarios available.

In its response to our comment identifying this deficiency, the utility improperly attempts to rely on having modeled the minimal range of non-optimized higher-DSM scenarios in a separate effort to comply with the stipulated resolution to a deficiency identified by Staff. This response is wholly irrelevant to the still-unresolved deficiency raised by NRDC that GMO has not evaluated demand-side resources on an equivalent basis. It has failed in this because it did not model a reasonable range of optimized DSM scenarios comparable to the range of scenarios it modeled for its preferred lower level of DSM.

A single post-hoc model for each of a small handful of higher-DSM scenarios does not constitute evaluation on an equivalent basis. This deficiency remains unresolved and should be addressed in hearings before the Commission.

5. The utility has failed to adequately consider the impacts of rate design options as components of the DSM scenarios.

The study's minimal treatment of Demand Response does not satisfy Chapter 22's requirements that utility consider the full DSM resource potential from demand side rates, nor do the utility's IRP submission and Update incorporate the full potential of demand side rates. As we noted previously, rate design alone has been shown to have the potential to produce savings of 4% or more of annual electricity consumption and to increase overall energy efficiency potential by shortening payback periods. Further, time of use rates designed to reduce peak loads, such as critical peak pricing, can produce additional peak load reduction of 10% or more. These reductions could potentially allow for retirement of plants or reductions of future supply-side plants and better integration of intermittent renewable resources into the grid. GMO has not resolved this deficiency, nor has it incorporated an assessment of this potential into its resource plan.

6. The utility has selected as its preferred plan a scenario that does not minimize NPVRR without an adequate basis for doing so.

GMO has offered no additional justification for its failure to utilize minimization of NPVRR as its primary criterion in selecting its preferred plan. This failure alone is sufficient to render the plan

non-compliant with Chapter 22, and NRDC urges the Commission to schedule hearings and proceedings to address this serious deficiency, which GMO has made no effort to resolve.

Conclusion:

For the reasons given, we request that the Commission (1) find the IRP non-compliant with Chapter 22 and with the Commission's Order, (2) order the utility to complete a compliant IRP, and (3) establish a schedule for proceedings and hearings to address the unresolved deficiencies and concerns.

Respectfully submitted,

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