BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Working Case to Draft a Rule to Modify Commission Rules Regarding Renewable Energy Standard Requirements and Net Metering Standards	))))	File No. EW-2014-0092

REPLY COMMENTS OF KANSAS CITY POWER & LIGHT COMPANY AND KCP&L GREATER MISSOURI OPERATIONS COMPANY

COMES NOW Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company (collectively referred to as "KCP&L" for this document) offer the following reply comments to the proposed revisions to the Missouri Public Service Commission's ("Commission") rules at 4 CSR 240-20.100 and 4 CSR 240-20.065.

KCP&L offered comments on February 14, 2014 and have reviewed the comments offered by others in this case. KCP&L has completed its initial review of the comments offered by Earth Island Institute d/b/a Renew Missouri ("RenewMO"), Missouri Solar Energy Industries Association ("MOSEIA"), Wind on the Wires, and Brightergy, LLC ("Brightergy") and offers these reply comments in response. KCP&L's failure to address a particular comment does not necessarily mean that KCP&L agrees with the comment.

A. RenewMO

1. RenewMO devotes a significant amount of their comments, proposing to reintroduce elements into the rule that were specifically removed by the Commission in 2010, in response to a decision by the Joint Committee on Administrative Rules (JCAR). Specifically, RenewMO seeks to add geographic sourcing in multiple forms and locations within the rule:

- Proposed revision #4 - Eliminate the purchase of RECs as a means for compliance, instead requiring the purchase of electricity.
- Proposed revision #6 - Reinstate geographic sourcing language, specifically paragraph (2)(A) removed by the Commission.

- Proposed revision #7 - Modifying the terms of RES compliance, specifically paragraph (2)(B)2 removed by the Commission.
- Proposed revision #20 – Proposes when adjusting the portfolio in response to rate impact caps, providing a priority to RECs associated with energy sold to Missouri.

At the time of the rulemaking, the Commission filed an order with the Secretary of State on January 26, 2011, withdrawing the geographic sourcing provisions and again asking that the provisions not be published or become effective. KCP&L believes the Commission acted appropriately in removing these paragraphs from the proposed rule as limiting compliance options can result in higher costs for retail customers. The proposal to reinstate the provisions into the rule by RenewMO should be rejected.

2. In proposed revision #9, RenewMO proposes that RECs acquired in connection with Green Pricing programs cannot be used for compliance. The current rule states RECs retired for Green Pricing programs cannot be used. KCP&L believes the current rule is correct and this revision should be rejected. Compliance is accomplished through the retirement of RECs and S-RECs, not at the point of purchase. Under the current rule, a utility could purchase RECs intended for use in a green pricing program but then choose to retire them for compliance purposes, a flexibility that could help contain costs for retail customers.

3. In proposed revision #14, RenewMO proposes to reintroduce another element into the rule that was specifically removed by the Commission in 2010. Specifically, RenewMO proposes to reinstate language requiring a standard offer contract. In File No. EX-2010-0169 the Commission deleted the requirement instead including the discretionary language part of the current rule. KCP&L provided comment in that case, expressing its concern that requiring a standard offer contract is beyond the scope of the statute and may represent additional costs to customers. KCP&L stands by those comments and believes the Commission acted appropriately

in revising the proposed rule. The proposal to revert the rule as proposed by RenewMO should be rejected.

4. Additionally, in proposed revision #14, RenewMO proposes language that would institute numerous new terms into the Standard Offer Contract section. KCP&L rejects the addition of these new terms. Of specific concern is a proposal to set a 10-year fixed price for S-RECs. This provision ties the utility to a given price, not allowing the REC price to be adjusted for changing market conditions and utility compliance needs.

5. In proposed revision #19 RenewMO seeks to add a number of avoided costs into consideration of the rate impact, including all "other known and measurable avoided costs." KCP&L suggests this change be rejected as this indirect approach to include a perceived range of benefits into the rate impact calculation is not appropriate. KCP&L is concerned that adding additional factors into the rate impact comparison will not achieve any material change in the impact and will only serve to complicate the process. Great care must be taken to avoid double counting or introducing a bias into the impact comparison. KCP&L suggests the Commission focus on establishing a workable rate impact methodology before significantly changing the elements considered.

B. MOSEIA

6. Mr. Karl Rabago, on behalf of MOSEIA, offered comments on the HB142 rulemaking. Mr. Rabago spoke at a recent MOSEIA meeting, endorsing the Value of Solar ("VOS") approach for distributed solar but is otherwise new to the renewable energy initiatives in Missouri. The VOS method, originally developed by Mr. Rabago during his time with Austin Energy, a community-owned utility in the city of Austin, Texas. Under this method customers are billed the normal retail rate for energy consumed but are paid a solar rate reflective of the

"value" received for all generation. The value of solar rate is generally greater than the retail rate. For Austin Energy, the "values" include guaranteed fuel, plant O&M, generation capacity, avoided T&D capacity costs, and avoided environmental compliance costs resulting in a rate near $0.12 per kWh. By comparison, the highest block in the Austin Energy residential rate is $0.114.

7. KCP&L rejects that addition of VOS concepts into the rule because the Company is regulated under cost of service regulation. As such, rates are not set based on perceived values, but instead are based on verifiable costs. Similarly, KCP&L recommends rejection of the MOSEIA comment for Net Metering (20.065), in that it proposes compensation for excess generation at the full, avoided cost, not the avoided fuel cost.

8. KCP&L also rejects the position offered that solar rebates are not included in the rate cap. Multiple times in the MOSEIA comments, Mr. Rabago remarks that the solar rebates are separate and not considered a cost of compliance to the RES rule. KCP&L believes this is incorrect and represents a misinterpretation of the statutes. Solar rebates would not exist except for the implementation of the Renewable Energy Standard. Further, rebates have proven to be significant expenditures, exceeding most expectations and exceeding the levels that some parties have calculated for the 1% rate impact limit. KCP&L believes rebates costs should be part of the customer impact measured in this rule and recommendations to the contrary should be rejected.

9. Similarly, Mr. Rabago incorrectly interprets the HB142 language suggesting that rebates are allowed to exceed the 1% limit. On page 4 of the MOSEIA comments, Mr. Rabago applies the language out of context, ignoring the fact that the "exceed" language occurs only after the utility has determined the limit will be hit and has applied to suspend the rebate. The excess rebate amount noted in the law is to allow rebates to continue and avoid impact to

customers while the Commission considers the company's suspension filing, not an open-ended extension of rebate payments. The Commission should reject any premise that solar rebates are not constrained by the rate impact.

10. Starting on page 5, Mr. Rabago offers a series of structure issues that he believes should be addressed in this rulemaking:

- Proposes amortization of solar costs and benefits over a 30 year period, even if periods analyzed are less than 30 years. Costs are not normally amortized in the planning process. KCP&L believes this recommendation should be rejected.
- Offers that historic costs should not be considered in the rate impact. KCP&L believes MOSEIA again misstates the statute and the recommendation should be rejected. The statute does not include any mention of historic costs. Further, claiming that historic costs cannot raise retail rates is counter to basic ratemaking principles of the state. All rate changes are based on historic costs. As such, these costs should be part to the rate impact evaluation.
- Proposes adding transmission costs, capacity costs, fuel risk, and line losses into the cost comparison and reducing compliance costs to reflect tax breaks and insurance paid by customers. As offered with proposed additions suggested by RenewMO, KCP&L is concerned that adding a laundry list of factors into the rate impact comparison will not achieve any material change in the impact and will only serve to complicate the process. Some of the identified costs are not impacted by renewables and others may be beyond the scope identified in the statute. Great care must be taken to avoid double counting or introducing a bias into the impact comparison. KCP&L suggests the Commission focus on establishing a workable rate impact methodology before significantly changing the elements considered.
- Proposes that system impacts of solar should be considered from a DSM perspective. MOSEIA provided few specifics on how this would be accomplished. KCP&L is concerned that this recommendation would have potential unexpected consequences. Given that DSM in the state is now executed under the provision of the MEEIA statute and includes a number of provisions concerning cost, benefit, and recovery, linking solar and DSM would further complicate the matter from both perspectives. Would solar be subject to TRC cost/benefit tests and EM&V? Would solar rebate cost now be part of DSIM recovery? KCP&L proposes this consideration be rejected.

C. Brightergy

11. KCP&L has limited reply comments concerning the changes suggested by Brighergy for the Net Metering rule. Specifically, KCP&L believes the proposal to include

"leasee" in the definition of Customer Generator is not supported by the net metering statute but is unique to the RES and the solar rebate. KCP&L discussed this with Staff when revising our Net Metering tariff. In that effort, KCP&L ultimately added a separate sub-part of the definition, specific to solar, that met the terms of the solar rebate provisions while preserving the terms in the net metering rule. KCP&L suggests the Commission utilize a similar method to incorporate Brightergy's language.

12. Brightergy proposes making the definition of "operational" contingent on generation that can be measured, not necessarily utility meter measurement. KCP&L does not support this recommendation. KCP&L believes the operational date of a system must be tied to the installation of a utility billing meter. The role of the billing meter is to record the components to be used for customer billing, achieving the offset of customer usage outlined in the net metering statutes. KCP&L recognizes the concerns offered by Brightergy regarding the timing of meter installation and has included an allowance for that in the current tariffs. If this allowance is not sufficient to address the concern, KCP&L suggests any rule change for this concern match, or at least parallel the language from its tariffs.

WHEREFORE, KCP&L respectfully requests that the Commission consider these reply comments in the revision of the Commission's rules at 4 CSR 240-20.100 and 4 CSR 240-20.065.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed this 21st day of February 2014, to all subscribers and certified stakeholders as listed in the Commission's Electronic Filing Information System for this case.

/s/ Roger W. Steiner

Roger W. Steiner