BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation of the Cost to Missouri's Electric Utilities Resulting from Compliance with Federal Environmental Regulations	)))	File No. EW-2012-0065

KANSAS CITY POWER & LIGHT COMPANY AND KCP&L GREATER MISSOURI OPERATIONS COMPANY'S RESPONSE TO COMMISSION ORDERS

COMES NOW Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company ("Company") and pursuant to the Missouri Public Service Commission's July 30, 2014 Order Directing Response to Certain Questions and August 6, 2014 Order Directing Response to Additional Questions the Company hereby submits written responses as Exhibit 1.

Respectfully submitted,

/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 25th day of August, 2014, to all parties of record.

/s/ Roger W. Steiner

Roger W. Steiner

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KCP&L and GMO RESPONSE TO ORDER DIRECTING RESPONSE TO CERTAIN QUESTIONS

Date: August 25, 2014

Kansas City Power & Light Company (KCP&L) and KCP&L Greater Missouri Operations Company (GMO) are pleased to provide responses to the MPSC Staff stakeholder questions regarding the "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units" issued by the Environmental Protection Agency (EPA or Agency) pursuant to section 111(d) of the Clean Air Act (CAA or Act) (hereinafter, the "Clean Power Plan"). 79 Fed. Reg. 34830 (June 18, 2014). These responses are not meant to be KCP&L's and GMO's comprehensive comments on the proposed Clean Power Plan as the Companies continues to review this rule that was only recently issued. In addition, these responses reflect several significant assumptions that are subject to change including, but not limited to, other existing and anticipated EPA regulations, customer Demand-Side Management program effectiveness, KCP&L/GMO's interpretation of the Clean Power Plan and how it ultimately may be implemented.

I. Building Block 1 – Reduce CO_2 emissions by 6% due to heat rate improvements

a. The EPA has estimated that a 6% reduction in the CO_2 emission rate of the coal-fired EGUs in a state, on average, is a reasonable estimate of the amount of heat rate improvement that can be implemented at a reasonable cost through a combination of best practices and equipment upgrades. By plant, list (and describe) the heat rate improvements necessary to achieve a 6% improvement from most cost-effective to least cost-effective. Include the cost (both O&M and capital) for each improvement and the expected heat rate increase.

KCP&L has identified 35 specific projects (see Appendix for details) that would decrease the heat rate at its coal-fired generating units. These projects are for generating units that KCP&L anticipates will remain in service over at least the next 20 years. In total, these projects would reduce the KCP&L and GMO coal plant heat rate by 1.6%. The total capital cost of these projects is estimated at $60 million with a $2.5 million annual O&M cost. KCP&L and GMO do not expect that a 6% remaining coal fleet heat rate improvement is reasonably achievable.

EXHIBIT 1

II. Building Block 2 – Re-dispatch generation from coal to existing natural as combined cycle (NGCC)

a. Is the EPA's assumption of 4.8 million MWhs for NGCC dispatch in 2012 accurate?

Yes, in 2012 approximately 4.8 million MWh's of generation has been confirmed for the four Missouri combined-cycle EGUs that are covered resources under the Clean Power Plan.

b. Are there transmission constraints (either gas in or electricity out) or operational or market constraints that make the EPA's target of 12.78 Million MWhs for NGCC problematic? Explain. If there are any constraints, what steps would be necessary to relieve them? What are the costs of those steps?

There are natural gas transmission constraints which will limit increases in natural gas-fired generation in Missouri. For example, Southern Star Central Gas Pipeline's Line Segment 235 serves KCP&L's Hawthorn station, GMO's South Harper, Greenwood and Ralph Green 3, and Kelson Energy's Dogwood Energy Center. Assuming there is no other demand on Line Segment 235, it does not have sufficient capacity to serve the simultaneous maximum hourly flows all of these units. Even though Dogwood and South Harper also have access to Panhandle Eastern Pipeline, only recently has a small amount of forward haul capacity become available.

The natural gas pipelines serving Missouri were designed to serve winter heating load. They do not have the capacity to simultaneously serve winter natural gas heating load and coal-fired generation displaced to natural gas. Based on the relatively small natural gas pipeline capacity upgrades we have investigated in the past, an upgrade of the magnitude necessary to support the EPA's target could be substantial. The pipelines would need to develop those cost estimates. Cost of generation would also be significantly higher for the generation displaced from coal to natural gas. First, natural gas is more expensive than coal. Second, the increased demand for natural gas resulting from the EPA's proposed rule will further drive up the price of natural gas.

Electric transmission constraint information should come from SPP regional modeling.

III. Building Block 3 – Increase generation from zero- and low-emitting sources

a. Is the EPA's assumption of 1.3 million MWh of renewable generation in 2012 correct?

Yes, in 2012 approximately 1.3 million MWh's of generation has been confirmed for the nine Missouri renewable EGUs that are included under EPA's eligibility rules for renewables.

b. How could Missouri grow renewable generation from 1.3 million MWh to 2.8 million MWh? What would be the difference in cost of taking this path versus the business-as-usual path? What would be the difference in rate impact versus the business-as-usual path?

Using wind additions as an example, adding an additional 1.5 million MWhs of new renewable generation equates to approximately 400 MW of wind capacity in the state of Missouri at a cost of $650 - $700 million. The difference in cost versus the business-as-usual path would depend upon the power purchase agreement price offers or the cost to own at the time a request for proposal was issued. In addition, the difference in cost would be heavily dependent on whether or not the wind additions qualified for the current or potential future federal Production Tax Credit (PTC).

c. EPA's proposed rule solicits comment on an alternative method of calculating the renewable energy target under building block 3 based on economic and technical potential of renewable energy generation in each state. Under this alternative method in the proposed rule, Missouri's RE target under building block 3 would be 12.8 TW-h of renewable energy beginning in 2020 (0.5 TW-h of Utility scale solar, 4.9 TW-h of wind generation, 0.2 TW-h of biomass, and 7.2 TW-h of hydropower) (vs. 2.7 TW-h of renewable energy generation by 2030 in the proposed method). Could Missouri achieve this alternative RE target. If so, at what cost?

(It should be noted that the following response does not include discussion of hydropower as KCP&L is not experienced with this type of generation resource.) It is potentially possible for the solar, wind and biomass additions to be achieved in Missouri by 2020 but planning and development strategies would need to begin post haste to ensure a 2020 timeframe to achieve these aggressive additions. Estimation of the potential cost was derived as follows: Reducing the target renewable generation (RE) for each category by RE that was in place in 2012 results in the need of approximately 340 MW of utility-scale solar, 1,200 MW of wind, and 17 MW of Biomass capacity additions. Based on current assumptions for cost and capacity factor for each of these generation types, it is estimated that it could cost $1.2 Billion for utility-scale solar, $2 Billion for wind, and $76 Million for biomass additions. It should be noted that potential additional transmission upgrade costs that could be required due to these resource additions are not reflected in these estimates.

d. Please comment on EPA's treatment of "at risk nuclear" in computing Missouri's emissions target.

The EPA included 5.8% of Callaway Energy Center's potential generation at an assumed 90% capacity factor in calculating Missouri's

emission rate targets. Since Callaway is expected to remain in service, EPA's treatment has little impact on Missouri's ability to meet its emission rate reduction targets. Should Callaway in any given year generate less energy than what EPA assumed in setting Missouri's emission rate target, the state would need to offset any shortfall. This could be accomplished with additional generation from other zero-emitting resources such as wind or energy efficiency.

Likewise, the EPA included 5.8% of Wolf Creek's potential generation at an assumed 90% capacity factor in calculating the Kansas emission rate targets.

e. Please comment on EPA's treatment of a revenue shortfall for "at risk nuclear".

Since the revenue shortfall issue is applicable to nuclear generating units that operate in states with competitive retail markets (i.e., retail wheeling) it is not an issue for Callaway or Wolf Creek generating stations.

f. Please comment on EPA's treatment of nuclear generation generally.

In general, EPA's treatment of nuclear generation does not raise significant concerns for Missouri or Kansas. However, EPA's treatment of new nuclear generation is likely to cause concern in states with new nuclear generation units under construction (Tennessee, South Carolina and Georgia). Since state targets include an assumption that these plants will be completed and generate at a 90% capacity factor, construction delays could significant impact a state's ability to meet is targets.

In addition, while nuclear, wind and hydro generation can all be considered zero-emitting resources; the EPA has treated them differently under the Clean Power Plan. For example, all wind generated energy can be included in a state's compliance plan, where only 5.8% of nuclear generation can be included. This disparate treatment will bring challenges to EPA's proposal.

g. Please comment on the potential to use Callaway Energy Center or Wolf Creek Generating Station to comply with the EPA's proposal.

Please see the response to III.d. above.

h. Please provide information regarding the remaining useful life of Callaway Energy Center and Wolf Creek Generating Station, and any upgrades that will increase their generating capacity, or extend their useful life. If part of your response is the same as information you provided in a previously submitted Integrated Resource Plan or other similar document filed with this Commission, you may state where the information can be found as part of your answer. Please specify the exact location of the information by filing, document, and page number.

Currently, there are no planned generating capacity upgrades for Wolf Creek. The station regularly evaluates and engages in projects necessary to keep the plant operating through the duration of its current operating license which expires in 2045.

IV. Building Block 4 – Increase cumulative benefits of energy efficiency programs

a. What will it take for Missouri to achieve the demand-side EE targets in the proposed rule: Starting in 2017 ramp up incremental demand-side EE by 0.2% per year until it reaches 1.5% per year, and then continue achieving 1.5% incremental EE growth each year thereafter with cumulative demand-side EE savings of 9.92% of electricity sales in 2030? Please include in your response an analysis of the EPA's findings on energy efficiency potential in comparison to the utility's findings from its most recent potential study, and from actual results from MEEIA programs, if applicable.

Based on the KCP&L IRP Annual Update filed in March 2014, KCP&L anticipates it will be just short of the 1.5% incremental EE growth target. However, given that KCP&L EE programs are projected to exceed the early year EPA targets, the cumulative EE savings are projected to exceed the 9.92% cumulative target in 2030.

While the GMO IRP Annual Update filed in March 2014 anticipates GMO can just exceed the 1.5% incremental EE growth target, it is not expected to be sustainable. However, given that GMO EE programs are projected to exceed the early year EPA targets, the cumulative EE savings are projected to exceed the 9.92% cumulative target in 2030.

It is important to note that these KCP&L and GMO EE impacts are estimates and are subject to change as the companies gain more experience with these programs.

b. How could Missouri achieve the 8.7 million MWh of avoided generation attributable to energy efficiency used in EPA's calculation? What would be the difference in cost of taking this path versus the business-as-usual path? What would be the difference in rate impact versus the business-as-usual path?

Based on information from the KCP&L and GMO IRPs completed in 2014, the 8.7 million MWh of avoided generation attributable to energy efficiency (EE) appears achievable for the state. The KCP&L and GMO IRPs included approximately 2.8 million MWh of EE in 2030. This represents over 30% of the state's target. Since the KCP&L and GMO retail load is about 20% of Missouri's total retail electric energy use, EE programs implemented at a state level equivalent to the KCP&L and GMO programs would exceed the 8.7 million target for the state. In addition, according to the Missouri Statewide DSM Market Potential Study (KEMA, 2011) economic potential for the state of Missouri, which is based on efficiency measures that are cost effective as determined by the Total Resource Cost test (TRC), is estimated at 23.4

million MWh by 2020. This estimate seems aggressive when compared to our potential study. One reason that the state-wide estimate is higher than what is implied by the KCP&L and GMO estimates is that the companies' estimates reflect the impact of retail customers that have the ability to "opt-out" of utility driven EE programs.

In regards to EE program cost impacts, KCP&L and GMO IRP analysis done to date indicates that DSM programs at RAP levels reduce the 20-year customer revenue requirements and is therefore beneficial for retail customers as a whole.

V. General Questions

a. Do you agree with the methodology EPA used to come up with Missouri's proposed emissions reduction goal? If no, what about the proposed methodology do you disagree with?

Heat Rate Improvement

KCP&L and other utilities are always trying to maintain or improve the heat rate of our units. We do not believe the additional proposed heat rate improvement is generally available for all generating units.

EPA determined in the proposed Clean Power Plan that a six (6) percent reduction (improvement) in the heat rate of existing coal-based power plants could be achieved at reasonable cost. EPA's proposed 6 percent figure is derived from a two-step process combining: 1) a four (4) percent reduction attributable to relatively lower cost operational "best practices" (including improved operation and maintenance, like-kind replacement of worn components, and certain sensor and control systems like intelligent soot blowers) and 2) a two (2) percent reduction due to higher cost hardware "equipment upgrades" (e.g., turbine overhauls or condenser replacement) which EPA proposes are available at a reasonable cost relative to other measures.

KCP&L is also concerned about how New Source Review (NSR) would be addressed for any heat rate improvement projects that the state implementation would require of the utility. KCP&L continues to review the heat rate reduction in the proposed Clean Power Plan and will provide comments to EPA on this subject.

NGCC Increased Utilization

In the proposed Clean Power Plan, EPA recognized some challenges to increasing NGCC utilization, primarily infrastructure and system considerations. However, solutions to some of these challenges depend on actions by other sectors, injecting a level of uncertainty into the discussion.

EPA apparently assumes, based on past actions, that natural gas pipeline capacity will be expanded to meet all electric sector needs. This assumption ignores realities in natural gas markets. The interaction and dynamics between electric generation, wholesale electricity markets and the natural gas and pipeline industries are much more complex than described in the proposed rule.

<u>Renewable Energy</u>

In developing the baseline and target renewable energy (RE) generation levels, EPA divided the country into six regions. For each region, the baseline RE generation level was determined by quantifying the amount of renewable generation in 2012 in each of the states within the region. These amounts were then added together to provide a total regional starting level.

The Agency then calculated a hypothetical Renewable Energy Standard (RES) requirement for each region by averaging the RES requirement of each state that currently has an RES requirement within the region. This hypothetical RES requirement was then applied to the total regional generation to yield a target regional RE generation level. EPA then calculated the growth factor that would be required to achieve the target regional RE level from the starting regional RE level. This regional growth factor was then applied to the starting RE generation level of each state, yielding state-specific target RE generation levels, beginning in 2017. In its computations, EPA stops applying the growth factor once the maximum RE generation target EPA has set for each state has been reached, and holds it constant through 2030.

EPA has not assessed whether additional renewables make sense in the context of the system as a whole, or in the context of the other three building blocks. EPA needs to look at the entire electricity generation and distribution system and how the pieces inter-relate to each other. A goal defined by the sum of its independent parts may not yield the most cost-effective or technically feasible outcome.

Renewable generation cannot be substituted for traditional dispatchable resources on a MW for MW basis. Each type of resource is able to provide and/or requires different grid services. Additional variable resources will lead to increased cycling of fossil units, decreasing their efficiency. There are technical challenges to integrating and managing large quantities of renewables into the transmission and distribution system which grow as the level of RE penetration grows. This could constrain the growth of renewables and/or limit their cost-effectiveness. The effect of renewables on wholesale markets can change the cost and market dynamics on which EPA appears to rely. Because electric systems are integrated, many renewables are developed to meet demand and/or RES requirements in neighboring states and benefit from the balancing and other integration services of the entire system whether in that state or not.

Customer Energy Efficiency

EPA assumes each state currently below the 1.5 percent annual energy savings rate can increase its incremental energy savings levels by 0.2 percent per year, which EPA calls the "pace of improvement." EPA developed this "pace of improvement" by examining the requirements of a select set of existing state energy efficiency resource standards (EERS) and the past performance of individual energy efficiency (EE) programs prior to 2011. EPA assumed that states would start ramping up EE programs in 2017 in order to reach the target annual EE savings rate no later than 2025.

On a national basis, it is not known if the 1.5 percent annual increase in energy savings is reasonable, achievable and sustainable. EPA acknowledges that this level of performance has not been sustained nationwide previously, and that this rate and the projected cumulative EE savings rate are well above the average savings that most states have achieved to date in either category.

b. Is the statewide goal established by EPA for Missouri achievable?

While KCP&L has not analyzed Missouri's ability to meet the EPA established statewide goals, KCP&L anticipates being able to meet an equivalent goal for KCP&L and GMO. This "equivalent goal" is based on KCP&L and GMO meeting the same percentage reduction in emission rates as the EPA established reduction for the state (21.3% on an adjusted basis).

One of the critical assumptions that KCP&L and GMO made in the initial compliance evaluation is that wind resources in Kansas (both existing and under contract for future delivery) that serve Missouri retail load would be used to meet the Missouri goal. If ultimately the Kansas and Missouri state implementation plans do not allow this to occur, KCP&L and GMO would likely need to add significant wind resources in Missouri, resulting in higher costs for Missouri retail customers.

c. Should Missouri convert to a mass-based standard? Please explain.

KCP&L continues to evaluate the advantages and disadvantages of a rate-based standard and a mass-based standard. Some of the details required to complete that evaluation will not be available until the states develop their plans. At this time, KCP&L is not yet ready to support either standard and suggests that EPA provide flexibility for the states to make that determination.

d. Is there an advantage of implementing a rate-based standard or a mass-based standard? Please explain. Each utility should answer these questions from both a utility-specific perspective and from a statewide perspective. EPA staff indicated that EPA may be open to allowing a state to split geographically, with one part doing

mass-based and one part doing rate-based, so long as the split was along an RTO seam. Are there advantages to this approach for Missouri? What would the most advantageous split be?

KCP&L continues to evaluate the advantages and disadvantages of a rate-based standard and a mass-based standard.

Rate-based standards could be a state average applied directly to affected EGUs. There would be compliance flexibility through averaging among affected sources or the use of tradable credits for EE and RE. Credits could be used to adjust an EGU's CO_2 emission rate when demonstrating compliance with a rate-based emission limit. EE and RE would need to be enforceable components of a state plan to provide assurance that a sufficient amount of adjustment credits will be available to facilitate EGU compliance. A rate-based standard could be implemented state-by-state, employ multi-state averaging, or use a trading program. A rate-based standard facilitates additional generation additions as customer demand increases but needs to appropriately address generation retirements.

Mass-based standards could be a state budget applied directly to affected EGUs. This could be done either as an individual limit on CO_2 tons emitted from an affected EGU or a finite CO_2 emission budget for a group of affected EGUs that was implemented through trading. EE could be complementary to the enforceable state plan and not required to be included as enforceable measures in a state plan. EE could be used to help meet the mass-based standard; CO_2 emissions performance would be assured through the enforceable limit on mass emissions from affected EGUs. A mass-based standard directly accounts for generation retirement but does not support generation additions as customer demand increases.

The details of how a mass and rate-based standard in the same state would have to be better understood before an analysis could be completed.

e. Can a state compliance plan be written in such a way that actions taken to comply with the Missouri Energy Efficiency and Investment Act and/or the Renewable Energy Standard become a part of the compliance plan, without explicitly citing or referencing state statutory requirements? Please explain.

The Company believes that the federal enforcement issue will need to be considered carefully by the Commission. The EPA will likely require that emission reductions are federally enforceable and that it has authority to enforce the standards in any state implementation plan, including standards that may be based on state legislation.

In addition, the state compliance plan should include provisions for counting EE savings from customers that "opt-out" of MEEIA programs towards meeting that state CO_2 emission rate targets.

f. Please identify projects that you have already implemented or started that should be considered toward satisfying the various EPA building blocks. Please include any calculation for determining credit toward compliance for each project identified.

KCP&L and GMO have purchased or entered into long-term power purchase agreement for wind facilities. By 2020, it is anticipated that these wind facilities will produce over 4.2 Million MWhs of renewable energy annually. Additionally, though the Energy Efficiency programs that KCP&L and GMO have initiated through MEEIA filings, it is expected that greater than 1.4 Million MWhs will be conserved annually by 2020.

g. Please identify any best practices that you have already implemented to comply with other environmental regulations, and indicate if those best practices can be considered toward satisfying the various EPA building blocks. Please include any quantification or calculation for determining credit toward compliance.

Actions previously taken by KCP&L or GMO that can be considered towards satisfying the various EPA building blocks is described in the response to question V.f.

h. Please explain whether an Independent Operator's control over the dispatch of the generation will affect the utility's ability to control emissions and comply with EPA's proposed 111(d) requirements.

The 111(d) compliance impact of an Independent System Operator's control over generation dispatch will ultimately depend on each state's implementation plan and any associated changes to the ISO's market rules. For example, a state may choose to exclusively employ Blocks 3 (renewable energy) and Block 4 (energy efficiency) for compliance that may not be significantly impacted by an ISO's current dispatch logic. However, a state implementation plan that incorporates Block 2 (combined cycle dispatch) has the potential to be greatly impacted by an ISO's dispatch decisions, such that the current fundamental dispatch logic based on economics (i.e., low cost resources get dispatched first) would need to change to incorporate environmental considerations. ISO system changes such as this would likely be costly and require a significant amount of time to implement. SPP may be able to provide further information on this issue.

i. Does EPA's proposal give rise to any concerns about reliability? If so, what are those concerns?

KCP&L believes that the proposed Clean Power Plan could create reliability concerns. EPA asserts that the proposed Clean Power Plan will not have an impact on resource adequacy or reliability and that the design of the proposed guidelines would ease pressures on system reliability. In particular, EPA notes that states can choose to include in state compliance plans measures that would reduce demand for centrally generated power, including end-use efficiency, distributed generation and combined heat and

power (CHP), thus relieving pressure on the grid. EPA also notes that the 10-year interim compliance period that starts in 2020 would relieve any further pressure on the grid by providing flexibility in timing of reductions.

Because the proposed Clean Power Plan has the potential to fundamentally change the nation's resource mix and because it puts compliance on the state, there could potentially be a reduction of electricity trade among states and regions. In these circumstances, KCP&L believes it may not be appropriate to count on intra-regional transmission exchanges for something as important as reliability without first assessing what the reserve margins of those regions are going to be. Given the limited reliability assessment done by the EPA (focused on one year (2020) and used a model that does not address intra-regional transmission constraints) significant additional analysis is needed. The Southwest Power Pool (SPP) has started a reliability analysis.

In addition to the regional analysis currently underway, it would be appropriate to build into the Clean Power Plan schedule an assessment of the potential reliability impacts of the rule after the detailed state compliance plans are completed but before implementation.

j. Please explain your perspective on the effect, if any, of HB 1631 on the utility's compliance strategy with the proposed 111(d) requirements.

KCP&L continues to evaluate the relationship between the proposed Clean Power Plan and HB 1631. We have not yet developed a perspective; although, it can yet be developed during the comment period, finalization, and implementation of the rule.

k. For utilities: Describe in detail the most cost-effective way for each utility to meet the 21% reduction on its own. What would that path cost compared to a business-as-usual path?

Since the proposed rule will undoubtedly change before it is finalized and each state would need to develop a plan to meet whatever final rule is promulgated, significant uncertainty remains as to what the final rules will ultimately require and how they will be implemented. However, given a reasonable set of assumptions it appears that KCP&L and GMO can effectively meet the interim and final targets with little change to our current long-term resource plans. The KCP&L and GMO current plans include several factors that help drive compliance. These include new wind resources under contract (including Kansas wind resources assigned to Missouri), significant DSM efforts, and potential coal plant retirements. Additional costs could be driven by changes in wholesale energy markets (impact on wholesale energy purchases and sales) and the need to re-dispatch combined cycle and/or coal-fired generation. These cost impacts have not yet been estimated.

l. Describe in as much detail as possible the comments you intend to submit to EPA. If you have already submitted comments, please provide them.

KCP&L has not yet developed or submitted comments on the proposed rule to EPA. KCP&L plans on responding to the proposed Clean Power Plan both individually and through various related groups including Edison Electric Institute, Utility Air Regulatory Group, and Electric Power Research Institute among others.

m. Under a rate-based approach, how can Missouri get credit for energy efficiency improvements made by industrial customers of IOUs that have opted out of MEEIA? If regulatory or statutory changes are necessary to get credit, what are those changes?

The Company agrees with the underlying premise of the question. Missouri should get credit for all energy efficiency improvements made in the state. The Company believes that the Commission should seek the input from the specific customers before proposing any regulatory or statutory changes.

n. Under a rate-based approach, how can Missouri get credit for energy efficiency improvements made by customers of non-IOUs under programs that are not subject to rigorous evaluation, measurement and verification? If regulatory or statutory changes are necessary to get credit, what are those changes?

The Company agrees with the underlying premise of the question- Missouri should get credit for all energy efficiency improvements made in the state. The Company believes that the Commission should seek the input of non-IOUs (cooperatives and municipals) before proposing any regulatory or statutory changes.

o. Do any of the utilities favor the idea of Missouri partnering with another state(s) on a multi-state plan? If so, which state(s) should Missouri consider partnering with? Please explain.

While KCP&L has only begun to understand the challenges associated with participation in a multi-state plan, one concern regards the ability to develop a plan with the agreement of all participating states within the timeline allowed by EPA in the proposed Clean Power Plan. Another initial concern is that EPA does not address how it would determine which states were responsible for the failure of a multi-state plan to achieve the region's target emission rate and, therefore, could be subject to an enforcement action. However, as further discussed below, KCP&L may support a multi-state plan if it favorably addresses our concern regarding the treatment of out of state renewable resources in meetings the compliance targets in Missouri.

p. EPA's proposed rule established the state goals by crediting renewable energy generation in the state where it is generated. EPA is soliciting comment on how credit for renewable energy generation under 111(d) could be traded across state lines (similar to RECs) without double counting the RE credit. Do utilities have any thoughts about the appropriate method of crediting renewable energy generation and whether the credit could be traded across state lines without double counting?

Renewable generation should be credited to the state where the load it was built to serve is located. For example, all GMO wind resources used to meet GMO's Missouri Renewable Energy Standard compliance needs are located in Kansas. As such, GMO's wind resource should be used to meet Missouri's emission rate targets under 111(d). Renewable Energy Credits (RECs) could be used to track the crediting of renewable generation towards state 111(d) compliance requirements to prevent double counting.

At this stage of KCP&L's Clean Power Plan evaluation, a major concern is with uncertainty around the treatment of renewable resources in meeting a state's compliance targets. The state emission rate targets were established based on the renewable resources located within the state contributing 100% to the state's targets. KCP&L's long-term resource planning has evaluated the potential for CO_2 emission regulations on its resource decisions for many years. In part, this has led the Company to add significant wind resources to its supply portfolio. Given the cost-effectiveness of Kansas wind resources, the great majority of KCP&L's current and planned wind additions are located in Kansas. If these Kansas-based resources that were partially paid for by KCP&L's Missouri customers are precluded from contributing to Missouri's CO_2 compliance efforts, KCP&L may be forced to unnecessarily add what could be costly wind additions in Missouri.

KCP&L believes reasonable a system of credit for renewable energy generation under 111(d) could be developed to allow trading across state lines (similar to RECs) without double counting the RE credit.

q. EPA's proposed rule established the state goals by crediting RE and demand-side EE targets under building blocks 3 and 4 by adding RE generation and avoided generation from demand-side EE to the denominator. If the state elects to go with a rate-based approach, EPA is soliciting comment on the appropriate method of crediting EE/RE programs under state plans (i.e. add RE generation and avoided generation from EE to denominator, or determine emissions avoided and subtract the avoided emissions from the numerator). Do utilities have a preference on the appropriate method of crediting EE/RE programs under a rate-based approach. If so, why is one method preferred over another?

At this point in KCP&L's evaluation on the proposed rule, the preferred method for crediting RE/EE programs under a rate-based approach is to add RE generation and EE avoided energy to the denominator. This approach much simpler and avoids the challenges in determining the avoided emission

reductions from RE and EE programs.

r. EPA's proposed rule solicits comment about whether the final rule should establish presumptive mass-based goals for each state or if states should be able to develop the mass-based goals using their own assumptions and methodologies. Do you have a preference?

KCP&L's interpretation of section 111(d) is that states must submit plans that establish standards of performance for any existing source for any air pollutant. That is, the standards of performance that states establish are standard for emissions of air pollutants for those affected sources. KCP&L believes that section 111(d) provides the state not EPA the authority to develop standards for affected sources in that state. KCP&L would prefer that the states develop the standards for the affected sources.

s. EPA's proposed rule solicits comment about establishing consistent national guidelines for performing EM&V in order to credit EE/RE under the rule if a state uses a rate-based approach. Do you think EPA should establish such guidelines?

"Guidelines" developed nationally could be acceptable as long as they were generally written to provide policy direction on how to conduct an EMV. However, national guidelines could be overly burdensome and difficult to administer if any changes or consideration were needed for change. Our preference would be to have state guidelines that were agreed upon with input by the utilities and managed at the state level.

Appendix

Potential Plant Heat Rate Improvement Projects

Note: The entire Appendix is Highly Confidential