

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT ON

KANSAS CITY POWER & LIGHT COMPANY

**CHAPTER 22
ELECTRIC UTILITY RESOURCE PLANNING
2013 ANNUAL UPDATE FILING**

FILE NO. EO-2013-0537

August 20, 2013

JEFFERSON CITY, MISSOURI

**** Denotes Highly Confidential Information ****

PR

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the 2013 Kansas City)
Power & Light Company Annual IRP)
Update Report)

File No. EO-2013-0537

AFFIDAVIT OF JOHN A. ROGERS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Rogers, employee of the Staff of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in the preparation of the accompanying Staff Report, and the facts therein are true and correct to the best of his knowledge and belief.



John A. Rogers

Subscribed and sworn to before me this 20th day of August, 2013.



Notary Public

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Background

On April 9, 2012, Kansas City Power & Light Company (“KCPL” or “Company”) filed its Chapter 22 Electric Utility Resource Planning triennial compliance filing (“2012 Filing”) in File No. EO-2012-0323. The 2012 Filing was KCPL’s first Chapter 22 triennial compliance filing to comply with the Missouri Public Service Commission’s (“Commission”) revised Chapter 22 rules.¹

On November 19, 2012, KCPL, the Commission Staff (“Staff”), the Office of the Public Counsel (“OPC”), the Missouri Department of Natural Resources (“MDNR”), the Natural Resources Defense Council (“NRDC”), and the Sierra Club (collectively, the “Signatories”) filed a joint filing² (“Signatories’ Joint Filing”) that includes remedies to many of the alleged deficiencies and concerns previously highlighted, raised or discussed in the respective reports of the non-utility Signatories’ filed on September 6, 2012, in File No. EO-2012-0323. The Signatories’ Joint Filing also lists and describes twenty-five (25) alleged deficiencies and concerns identified as unresolved.

On December 19, 2012, the Commission issued its *Order Regarding 2012 Integrated Resource Plan* in which the Commission: 1) approved the remedies to the alleged deficiencies and concerns proposed in the Signatories’ Joint Filing, and 2) ordered KCPL to address in its 2013 annual update report the twenty-five (25) alleged deficiencies and concerns identified as unresolved in the Signatories’ Joint Filing.

On June 20, 2013,³ KCPL filed its 2013 annual update report (“2013 Annual Report”). The 2013 Annual Report is KCPL’s first annual update report to comply with 4 CSR 240-22.080(3) of the Commission’s revised Chapter 22 rules. On July 11, 2013, the Company held its annual update workshop with its stakeholders as required by 4 CSR 240-22.080(3)(B). On July 22, 2013, KCPL filed its summary report as required by 4 CSR 240-22.080(3)(C).

¹ 4 CSR 240-22 Rules effective June 30, 2011.

² The Midwest Energy Consumers Group (“MECG”), Dogwood Energy, LLC (“Dogwood”), Missouri Industrial Energy Consumers (“MIEC”), Earth Island Institute, d/b/a Renew Missouri, the Missouri Joint Municipal Electric Utility Commission (“MJMEUC”), and the Southern Union Company, d/b/a Missouri Gas Energy (“Southern”) intervened in File No. EO-2012-0323, but they are not Signatories to the Joint Filing.

³ As part of the Signatories’ Joint Filing, the Signatories agreed that KCPL would file, pursuant to Commission Rule 4 CSR 240-22.080(13) and (15), for a variance to extend the 2013 annual update report and the 2013 annual update workshop by three (3) months, such that KCPL would submit the 2013 annual update report no less than twenty (20) days prior to the 2013 annual update workshop, which would be extended to on or about July 1, 2013.

This Staff Report provides Staff's comments in File No. EO-2013-0537 concerning KCPL's 2013 Annual Report, annual update workshop, summary report, its compliance otherwise with 4 CSR 240-22.080(3), and its compliance with the Commission's December 19, 2012 *Order Regarding 2012 Integrated Resource Plan* in File No. EO-2012-0323.

The Commission pointedly stated in its December 19, 2012 *Order Regarding 2012 Integrated Resource Plan* in File No. EO-2012-0323:

. . . Since KCP&L will be revising a substantial portion of the IRP in its 2013 annual update report as part of the proposed remedies, the Commission concludes it would be premature to make a determination now on whether the IRP complies with Chapter 22 of the Commission rules or to schedule a hearing at this time on the unresolved deficiencies and concerns alleged by the parties. Rather, given the continuous nature of the IRP filings, the Commission will require KCP&L to address these unresolved deficiencies and concerns in its 2013 annual update report.

Summary

As a result of its limited review of KCPL's 2013 Annual Report, its participation in and review of materials provided by KCPL for the annual update workshop, and its review of the KCPL summary report, Staff notes that the Company has generally complied with applicable Chapter 22 rules, the Signatories' Joint Filing and the Commission's *Order Regarding 2012 Integrated Resource Plan*. However, Staff identifies instances when the Company has not complied with applicable Chapter 22 rules, the Signatories' Joint Filing or the Commission's *Order Regarding 2012 Integrated Resource Plan*; the most significant of those instances include:

1. KCPL's request in its 2013 Annual Report that the Commission acknowledge under 4 CSR 22.080(17) "planning that includes a joint company view – consistent with GMO's and KCP&L's business planning processes, is reasonable" cannot be given - in whole or in part - by the Commission because:
 - a) 4 CSR 240-22.080(17) does not provide a means for Commission acknowledgment as a result of an annual update report; and
 - b) KCPL did not request - and has not received - a waiver from 4 CSR 240-22.080(17);
2. Until there is a legally recognized, lawful merger of KCPL and KCP&L Greater Missouri Operations Company ("GMO"), KCPL and GMO are required to perform and file separate Chapter 22 Electric Utility Resource Planning triennial compliance filings and annual update filings, unless a waiver is requested and received from the Commission

respecting the requirements of Chapter 22 Electric Utility Resource Planning⁴ so as to allow joint company planning. No such waiver was requested; and

3. KCPL's decision to not *use minimization of the present worth of long-run utility costs as the only selection criterion in choosing its preferred resource plan*⁵ results in additional requirements pursuant to : a) 4 CSR 240-22.010(2)(C), which requires the Company to "*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;*" and b) 4 CSR 240-22.070(1), which requires the company to "*describe and document the process used to select the preferred resource plan, including the relative weights given to the various performance measures and the rationale used by utility decision-makers to judge the appropriate tradeoffs between competing planning objectives and between expected performance and risk.*" The 2013 Annual Report did not incorporate this additional analysis, narrative and documentation; thus, it is not compliant with 4 CSR 240-22.010(2)(C) and 4 CSR 240-22.070(1).

To remedy/address these deficiencies the following activities are required:

1. KCPL should withdraw its request for "acknowledgment" under 4 CSR 22.080(17) that "planning that includes a joint company view – consistent with GMO's and KCPL's business planning processes, is reasonable;"
2. Before KCPL performs future Chapter 22 joint company planning, KCPL should request and receive approval from the Commission for waivers from specific Chapter 22 Electric Utility Resource Planning rules. Such waiver requests should include: a) a detailed proposal for allocating capacity and energy and the cost of each between KCPL and GMO, and if GMO's MPS and L&P rate districts are not eliminated, between GMO's MPS and L&P rate districts; and b) KCPL and GMO should file a definitive plan for merging KCPL and GMO into one electrical corporation. As an alternative, KCPL and GMO could enter into a long-term contract for KCPL to supply capacity and energy to GMO after GMO issues a Request for Proposal for a long term Purchased Power Agreement and evaluates the responses it receives. If KCPL's bid were the low cost

⁴ A waiver request to perform joint company planning should identify each specific Chapter 22 rule section from which a waiver is requested and the good cause that exists for Commission approval of each waiver.

⁵ 4 CSR 240-22.010(2)(B)

solution, a bilateral contract between KCPL and GMO would have to meet the requirements of 4 CSR 240-20.015 Affiliate Transaction rule;

3. Prior to making its planned 2013 MEEIA filing, KCPL should comply with all of the requirements of 4 CSR 240-22.070(1) and 4 CSR 240-22.010(2)(B) and (C) and *redo* its resource acquisition strategy selection process to: a) 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 long-run utility costs,⁶ and b) utilize a decision scorecard to describe and document the process used to select the preferred resource plan, including the relative weights given to the various performance measures and the rationale used by utility decision-makers to judge the appropriate tradeoffs between competing planning objectives and between expected performance and risk; and
4. Should KCPL's resource acquisition strategy or adopted preferred resource plan change as a result of KCPL *redoing* its resource acquisition strategy selection process to comply with all of the requirements of 4 CSR 240-22.070(1) and 4 CSR 240-22.010(2)(B) and (C), the Company should notify the Commission in writing of the change in accordance with the requirements of 4 CSR 240-22.080(12).

While Staff is not asking for hearings, if the Commission schedules hearings in this case, the Commission should schedule hearings to address the following issues: a) acknowledgement, b) joint company planning, and c) resource acquisition strategy selection.

⁶ From the information in the 2013 Annual Report the other considerations which may constrain or limit the minimization of the present worth of expected long-run utility costs include: i) risks associated with critical uncertain factors that will affect the actual costs associated with alternative resource plans; ii) risks associated with new or more stringent legal mandates that may be imposed at some point within the planning horizon; iii) rate increases associated with alternative resource plans; iv) economics of retirement of the Montrose Station in 2016 (Plan ADBKA - low cost plan) [is identified by the Company in its response to Staff Data Request 0005 as a constraint to the Company's use of minimization of the present worth of long-run utility costs as the only selection criterion in choosing the preferred resource plan]; v) impact of a tracker - similar to the GMO tracker approved in File No. EO-2012-0009 - upon annual revenue requirement and retail customers' rates for Plan ADBKA (low cost plan) and Plan FDHKA (adopted preferred resource plan); vi) impact of a rider - constructed such that it functions similar to the GMO tracker approved in File No. EO-2012-0009 - upon annual revenue requirement and retail customers' rates for Plan ADBKA (low cost plan) and Plan FDHKA (adopted preferred resource plan); and vii) any other constraints the Company identifies which restricts its utilizing only Present Value of Revenue Requirement ("PVR") to select the Company's adopted preferred resource plan.

Acknowledgment

KCPL in its June 20, 2013, cover letter from Roger W. Steiner for the 2013 Annual Report submission and in the 2013 Annual Report itself, in File No. EO-2013-0537, requests that the Commission acknowledge under 4 CSR 22.080(17) “planning that includes a joint company view – consistent with GMO’s and KCP&L’s business planning processes, is reasonable.” However, in Staff’s opinion, a correct reading of the Commission’s Chapter 22 rules does not provide a means for Commission acknowledgment as a result of an annual update report. The Chapter 22 rules were never intended to do so. There is no provision in the rules for it.

4 CSR 240-22.080(17) on which KCPL relies does address acknowledgment but 4 CSR 240-22.080(17) only refers to a finding of acknowledgment by the Commission if the filing achieves substantial compliance with the requirements in 4 CSR 240-22.080(16). 4 CSR 240-22.080(16) refers to other subsections of 4 CSR 240-22.080, specifically for example (9) and (10), which relate to the *triennial filing*, not the annual updates:

- 4 CSR 240-22.080(17) states: “If the commission finds that the filing achieves substantial compliance with the requirements outlined in *section (16)*, the commission may acknowledge the utility’s preferred resource plan or resource acquisition strategy as *reasonable at a specific date*.” [Emphasis added.];
- 4 CSR 240-22.080(16) states: “The commission will issue an order which contains its findings regarding at least one (1) of the following options:
 - (A) That the electric utility’s filing pursuant to this rule 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;
 - (B) That the commission approves or disapproves the joint filing on the remedies to the plan deficiencies or concerns developed pursuant to *section (9)* of this rule [addressing deficiencies or concerns with a triennial filing];
 - (C) That the commission understands that full agreement on remedying deficiencies or concerns is not reached and pursuant to *section (10)* of this rule [addressing reports or comments related to deficiencies or concerns with a *triennial* filing], the commission will issue an order which indicates on what items, if any, a hearing(s) will be held and which establishes a procedural schedule; and

(D) That the commission establishes a procedural schedule for filings and a hearing(s), if necessary, to remedy deficiencies or concerns as specified by the commission.” [Emphasis added.].

- Acknowledgment is defined in 4 CSR 240-22.020(1) as “an action the commission may take with respect to the officially adopted resource acquisition strategy or any element of the resource acquisition strategy including the preferred resource plan.

“ . . . Acknowledgment means that the commission finds the preferred resource plan, resource acquisition strategy, or the specified element of the resource acquisition strategy to be *reasonable at a specific date, typically the date of the filing of the utility’s Chapter 22 compliance filing or the date that acknowledgment is given*. Acknowledgment may be given in whole, in part, or not at all. Acknowledgment shall not be construed to mean or constitute a finding as to the prudence, pre-approval, or prior commission authorization of any specific project or group of projects.” [4 CSR 240-22.020(1) Emphasis added.]

As previously noted, 4 CSR 240-22.080(17) states: “If the commission finds that the filing achieves substantial compliance with the requirements outlined in *section (16)*, the commission may acknowledge the utility’s preferred resource plan or resource acquisition strategy as *reasonable at a specific date*.” [Emphasis added.].

The Commission’s Chapter 22 rules only anticipate Commission acknowledgment as part of the triennial filing process and do not provide a means for Commission acknowledgment as a result of an annual update report. Further, KCPL has not requested – and therefore has not have received – a waiver from 4 CSR 240-22.080(17).

Finally, Commission’s *Order Regarding 2012 Integrated Resource Plan* issued on December 19, 2012, includes the following beginning at the bottom of page 2:

. . . Since KCP&L will be revising a substantial portion of the IRP in its 2013 annual update report as part of the proposed remedies, the Commission concludes it would be premature to make a determination now on whether the IRP complies with Chapter 22 of the Commission rules or to schedule a hearing at this time on the unresolved deficiencies and concerns alleged by the parties. Rather, given the continuous nature of the IRP filings, the Commission will require KCP&L to address these unresolved deficiencies and concerns in its 2013 annual update report.

As a consequence, the Staff filed a Motion For Clarification on December 28, 2012 in which it asked the following question:

Is the Commission leaving open the possibility of further determinations and actions, including hearings, based upon:

- (a) the contents of KCPL's 2013 annual update report and summary report,
 - (i) in reflection of the remedies / resolutions in the Signatories' November 19, 2012 *Joint Filing*, and (ii) as directed by the Commission in "The Commission Orders That" section, item "2" in the December 19, 2012 *Order*; and
- (b) Stakeholder comments concerning (i) KCPL's 2013 annual update report and (ii) KCPL's summary report, filed by Stakeholders within thirty (30) days of KCPL's filing of its summary report?

The Commission issued an Order Granting Motion For Clarification in which it stated in part as follows:

. . . Staff's motion asks the Commission to clarify whether it intends to take administrative action in the future concerning the 2013 annual update report and whether that update report and associated filings should be made in a new file number. The Commission determines that the 2013 annual update report and associated filings should be made in a new file number, and that no further clarification of its previous order is required.

Regardless of the Commission's December 19, 2012 Order and what GMO is seeking to do as a consequence, there is no provision respecting the annual update phase of the Chapter 22 Electric Utility Resource Planning Rules permitting GMO what it is proposing regarding acknowledgment. Moreover, GMO has not taken the action necessary for its filing to warrant the acknowledgment that it is requesting.

Joint Company Planning

KCPL and GMO are legally separate utilities. Until there is a completed legal merger of KCPL and GMO, KCPL and GMO are required to perform and file separate Chapter 22 triennial compliance and annual update filings unless waivers of the requirements in Rule 4 CSR 240-22.080(1)(A) and Rule 4 CSR 240-22.080(3) are granted by the Commission. No such waiver was requested.

The Joint Operating Agreement⁷ made and entered in to on October 10, 2008, by and between KCPL and GMO states at the top of page 12: "KCP&L and KCP&L GMO will be operated, and planned for as separate control areas with wholesale transactions governed by

⁷ In Case No. EM-2007-0374.

applicable FERC tariffs and rules, until and unless otherwise determined by the parties and approved by all applicable regulatory bodies.”

Staff Concern F is an unresolved concern in the November 19, 2012 Signatories’ Joint Filing, which states: “KCPL and GMO do not have the proper operating agreements and/or contracts in place to correctly analyze joint company planning. In the absence of proper operating agreements and/or contracts, joint company planning must be performed in the context of a plan to merge KCPL and GMO, and no such plan to merge the two companies exists at this time.” On May 21, 2013, Staff and KCPL had a telephone call to discuss how KCPL would address Staff Concern F in its 2013 Annual Update as ordered by the Commission.⁸ Presently, Staff and KCPL continue to “agree to disagree” on a resolution to Staff Concern F, which has not been addressed by the Company as ordered by the Commission, and, therefore, remains unresolved. Mr. Steiner merely stated in his June 20, 2013 cover letter and KCPL and GMO in their 2013 Annual Update that the companies share a unique status in Missouri of being Missouri investor owned utilities held by one holding company, and the Chapter 22 Rules are silent as to how planning should be conducted given their unique situation.

KCPL and GMO are registered as individual market participants⁹ of the Southwest Power Pool (“SPP”) and as such are separate load balancing authorities.¹⁰ This means that unless KCPL and GMO have entered into bilateral contracts with each other for energy and/or capacity services, SPP will operate its energy imbalance service market and its integrated marketplace with total indifference to the fact that both utilities have the same parent. The fact that KCPL may be long on capacity and GMO may be short on capacity at any given time, does not mean that KCPL’s capacity will be utilized by SPP to meet GMO’s capacity needs. Except for

⁸ On December 19, 2012, the Commission issued its *Order Regarding 2012 Integrated Resource Plan* in which the Commission: 1) approved the remedies to the alleged deficiencies and concerns proposed in the Joint Filing, and 2) ordered KCPL to address in its 2013 annual update report the twenty-five (25) alleged deficiencies and concerns identified as unresolved in the Joint Filing.

⁹ Edison Electric Institute (“EEI”), Glossary of Electric Industry Terms, April 2005, defines market participant as: “(1) any entity that, either directly or through an affiliate, sells or brokers electric energy, or provides ancillary services to the Independent Transmission Provider, unless the Federal Energy Regulatory Commission (FERC) finds that the entity does not have economic or commercial interests that would be significantly affected by the Independent Transmission Provider’s actions or decisions; and (2) any other entity that the FERC finds has economic or commercial interests that would be significantly affected by the Independent Transmission Provider’s actions or decisions.”

¹⁰ North American Electric Reliability Corporation (“NERC”), Glossary of Terms Used in NERC Reliability Standards Updated July 22, 2013, defines balancing authority as the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

bilateral contracts, GMO's energy and capacity needs at any time will be met through the financial and operational protocol for the SPP's Integrated Marketplace at that time, which may or may not result in energy and/or capacity from KCPL.

Staff continues to make the following recommendation to the Commission concerning capacity planning for KCPL and GMO:

Staff recommends that the Commission not allow GMO and KCPL to conduct joint resource planning of capacity and resources. If the Commission considers allowing joint resource planning, before the Commission allows KCPL and GMO to share capacity resources or engage in capacity resource planning together, it should require: 1) GMO and KCPL to file a detailed proposal for allocating capacity and energy between KCPL and GMO, and if GMO's MPS and L&P rate districts are not eliminated, between GMO's MPS and L&P rate districts; and 2) KCPL and GMO to file a definitive plan for merging KCPL and GMO into one electrical corporation.¹¹

An alternative available to KCPL and GMO may involve KCPL and GMO entering into a long-term contract for KCPL to supply capacity and energy to GMO after GMO issues a Request for Proposal ("RFP") for a long term PPA and evaluates the responses it receives. If KCPL's bid would be the low cost solution, a contract between KCPL and GMO would have to meet the requirements of 4 CSR 240-20.015 Affiliate Transaction rule.¹²

Resource Acquisition Strategy Selection Process

The 2013 Annual Report identifies Plan FDHKA (retire Montrose Unit 1 in 2016, retire Montrose Units 2 and 3 in 2021, and MEEIA/RAP DSM) as KCPL's adopted preferred resource plan with a 20-year PVRR¹³ equal to \$20,797 million. However, four other alternative resource plans each have lower long-run utility costs (20-year PVRR); all four plans include RAP DSM (realistic achievable potential demand-side management) and the retirement of the Montrose generating units in the early years of the 20-year planning horizon. KCPL's lowest cost alternative resource plan is Plan ADBKA (retire Montrose Station in 2016 and RAP DSM) with a 20-year PVRR equal to \$20,722 million, \$76 million lower than the adopted preferred resource plan (Plan FDHKA). Thus, KCPL did not use PVRR as the only selection criterion for choosing its adopted preferred resource plan.

¹¹ See page 246, lines 14 – 21, of Staff's Revenue Requirement Cost-of-Service Report filed on August 9, 2012, in Case No. ER-2012-0175.

¹² See page 248, lines 4 – 8, of Staff's Revenue Requirement Cost-of-Service Report filed on August 9, 2012, in Case No. ER-2012-0175.

¹³ Net present value of revenue requirements

The following Commission rules apply to the resource acquisition strategy selection process:

4 CSR 240-22.010(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 compliance with all legal mandates, and in a manner that serves the public interest and is consistent with state energy and environmental policies. The fundamental objective requires that the utility shall—

(A) Consider and analyze demand-side resources, renewable energy, and supply-side resources on an equivalent basis, subject to compliance with all legal mandates that may affect the selection of utility electric energy resources, 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, subject to the constraints in subsection (2)(C); 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 describe and 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 the resource acquisition strategy. *These considerations shall include, but are not necessarily limited to, mitigation 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 legal mandates that may be imposed at some point within the planning horizon; and*

3. *Rate increases associated with alternative resource plans.* [Emphasis added.]

4 CSR 240-22.070(1) The utility shall select a preferred resource plan from among the alternative resource plans that have been analyzed pursuant to the requirements of 4 CSR 240-22.060. *The utility shall describe and document the process used to select the preferred resource plan, including the relative weights given to the various performance measures and the rationale used by utility decision-makers to judge the appropriate tradeoffs between competing planning objectives and between expected performance and risk.* The utility shall provide the names, titles, and roles of the utility decision-makers in the preferred resource plan selection process. The preferred resource plan shall satisfy at least the following conditions:

(A) In the judgment of utility decision-makers, strike an appropriate balance between the various planning objectives specified in 4 CSR 240-22.010(2);

(B) Invest in advanced transmission and distribution technologies unless, in the judgment of the utility decision-makers, investing in those technologies to upgrade transmission and/or distribution networks is not in the public interest;

(C) Utilize demand-side resources to the maximum amount that comply with legal mandates and, in the judgment of the utility decision-makers, are consistent with the public interest and achieve state energy policies;
... [Emphasis added.]

On page 92 of the 2013 Annual Report is the following - and the only - documentation of the Company's resource acquisition strategy selection process:

7.2.5 PREFERRED PLAN DISCUSSION

The Preferred Plan was not the lowest cost plan from a Net Present Value of Revenue Requirement (NPVRR) perspective as a higher amount of DSM would reduce the NPVRR. KCP&L's Preferred Plan includes a modified RAP level of DSM for 2014, 2015 and 2016, followed by the RAP level starting in 2017. The modification was based on the measure list from the Potential Study but at a reduced level to reflect a lower level of DSM spending. The modified DSM plan is named MEEIA/RAP. This plan assumes that the same list of programs and the marketing plan from the potential study RAP level of DSM would be used, but the amount of capacity and energy savings would be reduced proportionately to reflect the reduced amount of savings that could be achieved with the lower level of spending. The DSM savings levels for this scenario are based on the cost per kWh from the RAP level of DSM in the Potential Study results.

KCP&L developed the MEEIA/RAP alternative to reduce the short-term rate impacts that would result from the full RAP DSM levels. *Assuming KCP&L was approved for the same DSM cost recovery treatment as GMO was under its MEEIA settlement agreement,¹⁴ implementing the full RAP DSM plan in 2014 would increase retail rates by a projected 8.3% in 2016 (the first year new rates would be in effect under a 2013 KCP&L MEEIA filing).* This increase does not reflect any other potential non-DSM related costs that would also go into effect in 2016. *The MEEIA/RAP alternative reduces the rate impact to 6.3%.*
[Emphasis added]

Through its submission of data requests, Staff sought a deeper understanding of the resource acquisition strategy selection process used by KCPL's decision-makers.

Staff's Data Request 0003 states: "Concerning Section 7.2.5 of the 2013 annual update filing, please provide all materials and documentation used by the Company's decision makers during their decision-making process which resulted in selection of the adopted resource acquisition strategy and alternative resource plan FDHKA as the Company's adopted preferred resource plan." The Company's response to Staff's Data Request 0003 revealed "Senior

¹⁴ Staff understands *the same DSM cost recovery treatment as GMO [] under its MEEIA settlement agreement* to mean the tracker mechanism described in Section 5 DSIM and in Section 6 Final Recovery/True-up of the Non-Uniform Stipulation and Agreement Resolving KCP&L Greater Missouri Operations Company's MEEIA Filing, in File No. EO-2012-0009.

leadership was presented the IRP Midas results that were available by the May 20[,] 2013 meeting date for discussion purposed. The IRP discussion begins on slide 16.” Slide 16 follows:

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Staff’s Data Request 0001 states: “Concerning Section 7.2.5 of the annual update filing, please provide all analysis, descriptive material, documentation and work papers with formulas intact concerning the projected 8.3% retail rate impact in 2016 for implementation of the RAP DSM plan in 2014 and concerning the projected 6.3% retail rate impact in 2016 for implementation of the MEEIA/RAP plan in 2014.”¹⁵ The Company’s response to Staff’s Data Request 0001 revealed the following summary calculations:

¹⁵ Staff submitted this Data Request because the set of work papers provided by the Company on June 24, 2013 did not include work papers for this critical information used for the Company’s resource acquisition strategy selection process.

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Thus, “retail customers’ rates” is identified by KCPL as a constraint to the Company’s selection of Plan ADBKA (low cost plan) as its adopted preferred resource plan.

Staff Data Request 0005 states: “Is the Company willing to include as part of its officially adopted resource acquisition strategy Plan ADBKA as a contingency resource plan should the Company be allowed to seek a rider as a part of its planned 2013 MEEIA filing? This presumes that the parties to the Commission-approved Stipulation and Agreement in Case No. EO-2005-0329 file with the Commission and the Commission approves an amendment to the Case No. EO-2005-0329 Stipulation and Agreement which specifically carves out a one-time exception to the Single-Issue Rate Mechanisms language in paragraph III.B.1.c. of the Stipulation and Agreement in Case No. EO-2005-0329, thereby allowing the Company the opportunity to seek a rider as a part of its planned 2013 MEEIA filing.” The Company’s response to Staff’s Data Request 0005 follows:

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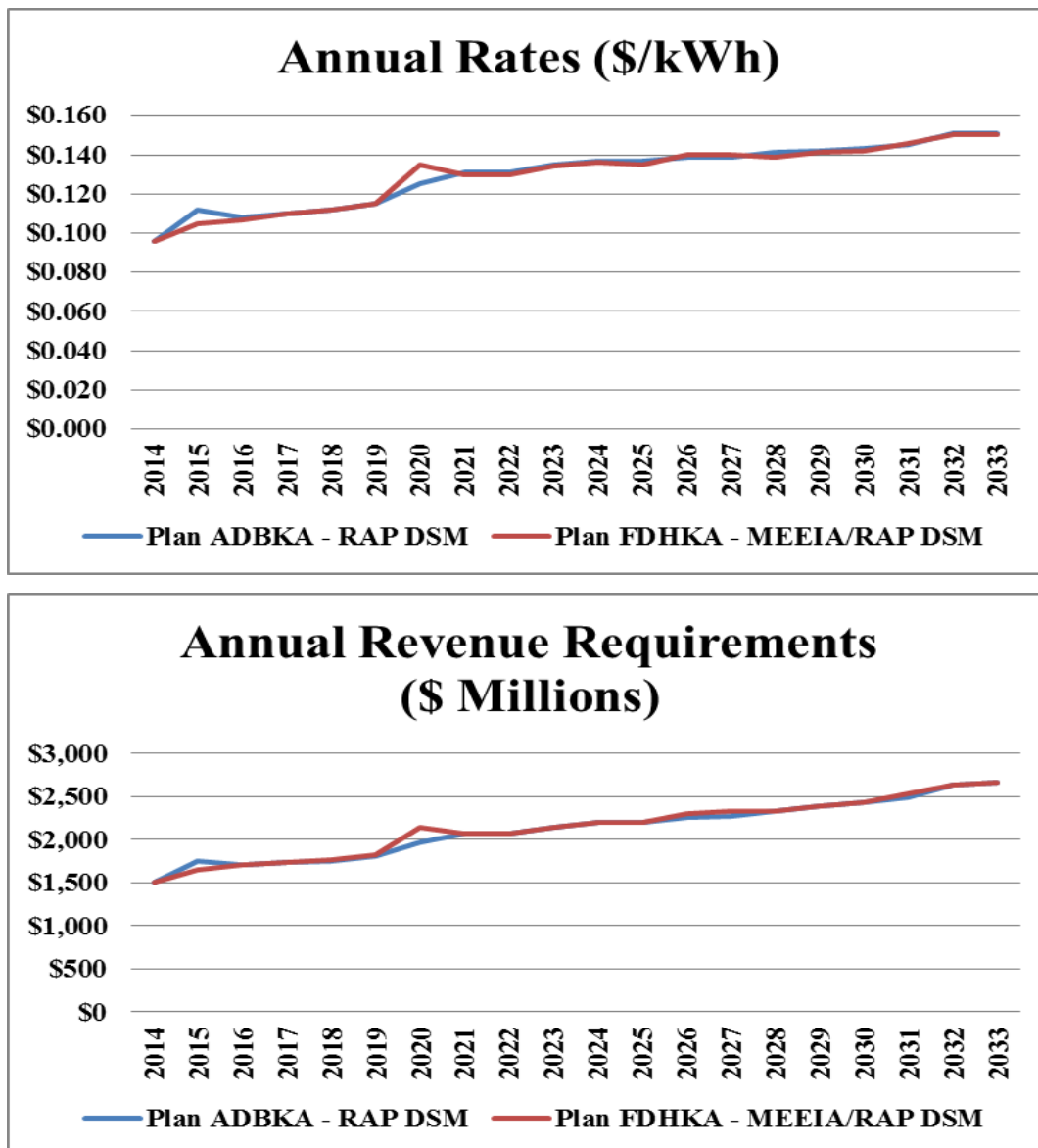
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Thus, economics of a 2016 retirement of the Montrose Station is identified by KCPL as a constraint to the Company’s selection of its Plan ADBKA (low cost plan) as its adopted preferred resource plan.

Staff Data Request 0006 states: “Please provide analysis, descriptive material, documentation and work papers with formulas intact for the estimated year-by-year rate impact should the Company make a MEEIA filing in 2013 requesting approval of the RAP demand-side resources in Plan ADBKA and approval of the DSIM similar to that approved for GMO in File No. ER-2012-0175, but modified to be a rider and not a tracker.” In response to this data request, the Company stated: The 2013 KCP&L Annual Update Appendix F provides the year-

by-year rate increase (assuming perfect ratemaking) for Alternative resource Plan (ARP) ADBKA.

Staff notes that the Company did not provide the estimated year-by-year rate impact for a rider, but rather provided the year-by-year rate impact from its integrated resource analysis with the Midas model (assuming perfect ratemaking). Following is Staff's comparison of the year-by-year rate impact and annual revenue requirements (assuming perfect ratemaking) for Plan ADBKA (low cost plan) and Plan FDHKA (adopted preferred resource plan):



When asked by Staff¹⁶ to explain the large increase and then decrease in 2015 and 2016 annual revenue requirements, respectively, for Plan ADBKA, KCPL responded:¹⁷ ** ____

____ ** Similarly, when ask by Staff to explain the large increase and then decrease in 2020 and 2021 annual revenue requirements, respectively, for Plan FDHKA, KCPL responded: ** _____

**

KCPL's resource acquisition strategy selection process used to select Plan FDHKA as its adopted preferred resource plan does not comply with minimum requirements of: a) 4 CSR 240-22.010(2)(C), because it does not *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*, and b) 4 CSR 240-22.070(1), because it does not *describe and document the process used to select the preferred resource plan, including the relative weights given to the various performance measures and the rationale used by utility decision-makers to judge the appropriate tradeoffs between competing planning objectives and between expected performance and risk*.

Specifically, KCPL is not in compliance with 4 CSR 240-22.010(2)(C) and 4 CSR 240-22.070(1) because:

1. KCPL did not 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 long-run utility costs. KCPL did not describe and 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 the resource acquisition strategy. At a minimum, KCPL is required¹⁸ but did not, explicitly identify and, where possible, quantitatively analyze, mitigation of the following:

¹⁶ Email from John Rogers to Marisol Miller and Lois Liechti dated August 9, 2013.

¹⁷ Email from Marisol Miller to John Rogers dated August 12, 2013.

¹⁸ 4 CSR 240-22.010(2)(C).

- i. Risks associated with critical uncertain factors that will affect the actual costs associated with alternative resource plans;
 - ii. Risks associated with new or more stringent legal mandates that may be imposed at some point within the planning horizon; and
 - iii. Rate increases associated with alternative resource plans.
- 2. KCPL did not 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. KCPL did not describe and 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 the resource acquisition strategy. From the information provided in the 2013 Annual Report and in the Company's responses to Staff Data Requests, KCPL is required, and did not, explicitly identify and, where possible, quantitatively analyze, the following:
 - i. Economics of retirement of the Montrose Station in 2016 (Plan ADBKA) as a constraint¹⁹ to the Company's use of minimization of the present worth of long-run utility costs as the only selection criterion in choosing the preferred resource plan;
 - ii. Impact of a tracker - similar to the GMO tracker approved in File No. EO-2012-0009 – upon annual revenue requirement and retail customers' rates for Plan ADBKA (low cost plan) and Plan FDHKA (adopted preferred resource plan);
 - iii. Impact of a rider – constructed such that it functions similar to the GMO tracker approved in File No. EO-2012-0009 – upon annual revenue requirement and retail customers' rates for Plan ADBKA (low cost plan) and Plan FDHKA (adopted preferred resource plan), or indicate such an option is not feasible because it presumes that the parties to the Commission-approved Stipulation and Agreement in Case No.

¹⁹ KCPL response to Staff Data Request 0005.

EO-2005-0329 file with the Commission and the Commission approves an amendment to the Case No. EO-2005-0329 Stipulation and Agreement which specifically carves out a one-time exception to the Single-Issue Rate Mechanisms language in paragraph III.B.1.c. of the Stipulation and Agreement in Case No. EO-2005-0329, thereby allowing the Company the opportunity to seek a rider as a part of its planned 2013 MEEIA filing; and

- iv. Any other constraints the Company identifies which restricts its utilizing only PVRP to select the Company's adopted preferred resource plan.

To remedy the current noncompliance with 4 CSR 240-22.010(2)(C) and 4 CSR 240-22.070(1), KCPL should utilize a decision scorecard whenever the Company does not use minimization of the present worth of long-run utility costs as the only selection criterion in choosing its adopted preferred resource plan as a way to describe and document the process used to select the adopted preferred resource plan, including the relative weights given to the various performance measures and the rationale used by utility decision-makers to judge the appropriate tradeoffs between competing planning objectives and between expected performance and risk.