

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of the Resource Plan of	)	Case No. EO-2015-0252
KCP&L Greater Missouri Operations Company	)	

In the Matter of the Resource Plan of	)	Case No. EO-2015-0254
Kansas City Power & Light Company	)	

**ADDITIONAL COMMENTS OF NRDC**

The Natural Resources Defense Council (NRDC), pursuant to the Commission's order of November 18, offers these comments in an attempt to clarify what it views as the deficiencies in KCP&L's and KCP&L-GMO's (KCP&L/GMO) triennial plan filings under Chapter 22.

**Summary**

NRDC filed comments on KCP&L's 2015 Chapter 22 triennial Integrated Resource Plan, in which NRDC contended that KCP&L did not follow the IRP requirements to objectively and systematically analyze all potential resources to meet future customer electricity needs and determine the optimal mix of resources that would result in the lowest present value of revenue requirements (PVRR) over the next 20 years<sup>1</sup>. As a result, they created a deficiency by failing to treat efficiency resources on an equal footing with supply-side resources. They also created a deficiency by failing to treat minimization of the present value of revenue requirements (PVRR) as the primary IRP criterion.<sup>2</sup> NRDC raised a number of objections, which can be summarized as:

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<sup>1</sup> 240 CSR 240-22.010(2)(B).

<sup>2</sup> 22.010(2)(A) and (B).

1. KCP&L improperly reduced the RAP and MAP levels of efficiency identified in the potential study by about 30% to come up with the RAP and MAP scenarios actually modelled in the IRP.
2. KCP&L further reduced the levels of efficiency from RAP, to end up with an “Option E” for DSM.
3. KCP&L chose Option E as its preferred plan, even though scenarios with higher levels of efficiency had lower PVRs.
4. KCP&L did not properly optimize the scenarios to objectively and systematically examine the benefit of efficiency.
5. KCP&L did not analyze any scenarios with savings levels between RAP and MAP to determine if they could provide a lower PVR.
6. The IRP did not adequately include energy savings from changes in rate structure.
7. The IRP did not include impacts of the EPA’s Clean Power Plan. While that Plan was not final at the time the IRP was filed, it must be modeled in the 2016 annual updates and the next triennial filing.

This document summarizes the deficiencies (and one concern, #21 below)) identified by NRDC as they were numbered in the Joint Filings, discusses KCP&L/GMO’s responses, and explains any unresolved objections. We also note that KCP&L did not include NRDC objections 6 and 7 above in their summary of objections in the Joint Filings.

**16. KCP&L/GMO improperly reduced cumulative savings for RAP and MAP by 30–40%.**

**This is important because it arbitrarily undercuts the assessment of Maximum**

**Achievable Potential and Realistic Achievable Potential required by 4 CSR 240-**

**22.050(2) and deliberately understates cost-effective demand-side saving potential.**

- a. KCP&L/GMO Response: *“At the October 5, 2015 stakeholder meeting, the Company explained why it maintains that measure roll-offs are appropriate. This issue is currently unresolved.”* (Page 13)
- b. Comments: First, the adjustment for measure roll offs (the end of a measure’s life) only causes a part of the reduction in RAP and MAP between the potential study and the IRPs. As noted in our initial comments, there were several other improper adjustments made. For example, KCP&L/GMO adjusted the cumulative potential by subtracting the 2014 and 2015 actual savings from the savings found in the potential study. The result of this adjustment is that RAP shows about 11% fewer savings in 2033 after the adjustment than it did before. This is clearly wrong – the fact that there were programs running in 2014 and 2015 will not impact cumulative potential in 2033. To the extent that actual programs in 2014 and 2015 achieved lower savings than the RAP and MAP scenarios, these savings could be captured by the program in subsequent years.
  - i. We also maintain that the adjustment for measure roll-offs is also improper. As stated in the initial comments, the manner in which the potential study treats measure roll-offs does not impact the cumulative potential available. “Measure roll-offs” refers to when a measure that has been incented through an efficiency program reaches the end of its useful life and needs to be replaced. There are two options of how to

treat measure roll-off – either assume that the measure is automatically replaced by efficient equipment, or assume that the technology would revert back to baseline without another intervention from the efficient program. However, it is clear that this choice does not impact the 20-year cumulative potential – the difference is that in one scenario the potential is automatically there, and in the other it has to be recaptured. It is most likely that the potential study does not assume that measures that were incented by the EE program are automatically re-installed by the customer. If this is the case, then measure-roll off is already included in the Navigant study. Including measure roll-off is common practice in virtually all potential studies, and there is no explicit evidence in the potential study that Navigant did not already assume this. Rather, KCP&L/GMO seems to just assume it. However, even if the potential study does assume automatic re-installation, this potential is still available for capture by KCP&L/GMO: if a measure was incented once, it can be incented again at the end of the first measure’s useful life. In short, measure roll-off should not impact cumulative potential.

- 17. “GMO improperly further reduced the savings achieved in the RAP and MAP scenarios to arrive at its Preferred Plan.” As with deficiency 16 above, this arbitrarily undercuts the assessment of Maximum Achievable Potential and Realistic Achievable Potential required by 4 CSR 240-22.050(2) and deliberately understates cost-effective demand-**

side saving potential, resulting in higher than necessary NPVRRs and failing to treat demand-side resources equally with supply-side.

- a. KCP&L/GMO's Response: *"At the October 5, 2015 stakeholder meeting, the Company explained why the reduction for opt outs was appropriate and was based on actual opt outs received and approved and was not made twice. This issue is resolved."*
- b. Comments: NRDC agrees that the reduction for opt-outs was correctly made in this case. **However, the initial comments also refer to several other adjustments made to lower the MAP and RAP scenarios. NRDC's objections to these adjustments were not mentioned in the KCP&L/GMO IRP Joint Filings and are not resolved. KCP&L/GMO have effectively ignored their own potential study required by 22.050(2) and substituted their own unsupported estimate of potential.** The other adjustments include:
  - i. EM&V results from 2013 caused a reduction in potential. NRDC contends that these impacts are very minor, and should result in differences in program design rather than lower energy-savings goals. Just because EM&V found that KCP&L/GMO achieved slightly lower savings in the past does not in any way imply that the potential to achieve greater savings is not possible. Navigant is very familiar with evaluations around the country and has made its best estimate of what the potential is, regardless of a single past EM&V result.

- ii. KCP&L/GMO had to remove measures that only passed the potential study due to natural gas impacts. NRDC contends that there were very few measures that this would impact, and these measures have had very minimal participation. This adjustment would therefore not have a noticeable impact. Further, NRDC believes that gas benefits should be included in TRC when evaluating cost-effectiveness. While the MEEIA rules do not call for inclusion of gas benefits, the appropriate remedy for this is to only count the share of costs associated with the electric benefits that are counted.
- iii. New codes and standards cause a reduction in potential. As demonstrated in the initial comments, all codes and standards were already included in the potential study, and so would not lower the potential identified. In other words, KCP&L is double counting the impact of codes and standards.
- iv. Program modifications to reflect enhanced performance and recent program and technological development. As stated in the initial comments: “GMO also explains that the significantly lower savings in the Preferred Plan of the IRP are caused by “recent program developments, evaluations, and new technology,” as well as “a review of GMO’s existing programs and the Potential Study, as well as interviews with GMO program managers and staff.”<sup>3</sup> In other words, the Preferred Plan

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<sup>3</sup> GMO 2015 IRP 22.050. Page 4.

KCP&L/GMO modeled in the IRP is not consistent with the Navigant Potential Study, but rather reflects a lower level of efficiency that KCP&L/GMO simply prefers to consider.... These reductions do not comply with the rules that require equal treatment of demand and supply resources possible that result in the lowest PVRR.” (IRP comments pp 5-6)

**18. KCP&L/GMO “did not optimize the scenarios to best take advantage of the benefits of DSM.” This violates 4 CSR 240-22.060(3), which requires alternative plans that are “substantively different mixes” of demand- and supply-side resources.**

- a. KCP&L/GMO Response: *“At the October 5, 2015 stakeholder meeting, the stakeholders discussed their issue in detail. The Company believes it complied with Missouri rules in examining the RAP and MAP scenarios. This issue is currently unresolved.”*
- b. Comments: All three MAP scenarios modeled were exact replicates of other scenarios, but with higher levels of efficiency at higher costs. As stated in the IRP comments: “This necessarily means that GMO is not looking to take advantage of the increased efficiency savings to, for example, retire a coal plant earlier or reduce the size of additional generation needed in out years. Instead, the MAP scenarios simply represent the same supply-side additions and retirements as the other scenarios, but with excess capacity and reserve margin caused by paying for additional demand-side savings. To truly treat DSM on par with supply, GMO needs to plan its supply side in a way that maximizes the

advantages of demand-side savings, instead of just creating unneeded excess capacity. This will become even more important, as GMO has to identify the least-cost compliance path for achieving the new more stringent targets of the Clean Power Plan. Because the current Preferred Plan does not meet the final Clean Power Plan targets, additional efficiency reductions will provide significantly more benefits that GMO has not yet modeled.” (IRP Comments pp. 9)

**19. KCP&L/GMO did not examine any scenarios with savings and costs between RAP and MAP, nor the actual RAP and MAP estimates made by its potential study contractor, Navigant. By considering only scenarios reflecting lower-than-RAP potential, KCPL/GMO violated 4 CSR 240-22.060(3) requiring more representative scenarios and 22.050(2) requiring MAP and RAP as the ends of the spectrum of DSM potential.**

- a. KCP&L/GMO Response: *“The Company included two additional scenarios, Option C and Option E, as alternatives for consideration in the integrated analysis. The Company will consider additional scenarios/levels between RAP and MAP to be reviewed in the next Market Potential Study. When the Market Potential Study is final, those levels will be reviewed in the IRP filing. This issue is resolved.”*
- b. Comments: Option C and Option E were both lower levels of savings than the RAP and MAP scenarios modeled, which were already improperly reduced from the RAP and MAP identified in the potential study. They therefore do not resolve our objection. The Market Potential Study explicitly included estimates of the costs and savings of two scenarios between RAP and MAP. Because going all the



way to MAP is the most costly, in order to analyze what mix of efficiency resources can result in the lowest PVRR it is necessary to consider different efficiency levels that may be less costly than the full MAP, but higher than RAP. This is the reason that Navigant was asked to provide these scenarios, which KCP&L/GMO then ignored.

**20. (GMO only) Though the unreasonably reduced level of RAP still resulted in the lowest PVRR, GMO arbitrarily rejected the reduced RAP plan and chose an even further reduced DSM-potential Option E, with a higher NPVRR, for its Preferred Plan, and in doing so disregarded the 20-year planning period of the IRP rules.**

- a. GMO Response: *“At the October 5, 2015 stakeholder meeting, the Company asked for clarification on this issue. This issue is currently unresolved.”*
- b. Comments: As stated clearly in NRDC’s IRP comments: “The Preferred Plan with reduced savings levels from 2016-2018 [Option E] had a higher PVRR than the reduced RAP. Option C, which does not ramp up to RAP savings after 2019, has a higher PVRR, and would cost \$232 million more than the least cost [reduced RAP] scenario. GMO selected the Preferred Plan despite the requirement that PVRR be the primary criterion because RAP would cause higher costs in early years. This argument is unconvincing, as IRP rules call for looking at a full 20-year horizon and not just impacts in early years” (IRP Comments p. 6).

**21. CONCERN (GMO only): Although the Preferred Plan ramps up to the inappropriately low adjusted estimate of RAP in 2019, NRDC is concerned that GMO will make the**

**same arguments for delaying implementation of RAP in its next triennial IRP, thus saddling ratepayers with a higher NPVRR indefinitely.**

- a. GMO Response: *“At the October 5, 2015 stakeholder meeting, the Company asked for clarification on this issue. This issue is currently unresolved.”*
- b. Comments: As stated in the IRP comments, this concern comes from GMO’s argument to choose option E over RAP, because even though Option E has a higher NPVRR, RAP’s costs are concentrated in the early years. Effectively, by choosing Option E as its Preferred Plan, GMO can avoid pursuing higher levels of efficiency that are clearly cost-effective and result in a lower PVRR for three years until it performs another IRP. If this is allowed, then GMO can effectively pursue this strategy in every future IRP and permanently avoid capturing cost-effective achievable DSM savings that can result in lower PVRRs. This directly undermines the purpose and intent of the IRP process which is to optimize a plan that results in the lowest PVRR. NRDC is concerned that this same argument will be used every three years to avoid ramping up efficiency savings, and result in Missouri ratepayers being saddled with significantly higher revenue requirements indefinitely.

**22. (GMO only) Though RAP still resulted in the lowest NPVRR, GMO arbitrarily rejected the RAP plan and chose the reduced Option E potential as its Preferred Plan, potentially denying ratepayers \$232 million in savings just in the next three years. In doing so they again ignored the directive to seek the lowest NPVRR.**

- a. Response: *“At the October 5, 2015 stakeholder meeting, the Company asked for clarification on this issue. This issue is currently unresolved.”*
- b. Comments: The IRP rules dictate that NPVRR be used as a primary criterion in selecting the preferred plan. GMO does not do this, and does not provide adequate explanation for selecting a scenario with a higher NPVRR. This is further evidence that GMO did not “objectively and systematically” analyze efficiency in the IRP.