

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

In the Matter of the 2008 Resource Plan of)
Kansas City Power & Light Company) Case No. EE-2008-0034
Pursuant to 4 CSR 240-22)

NONUNANIMOUS STIPULATION AND AGREEMENT

Pursuant to 4 CSR 240-22.080(8), Kansas City Power & Light Company (“KCP&L”), the Staff of the Missouri Public Service Commission (“Staff”), the Office of Public Counsel (“OPC”), the Missouri Department of Natural Resources (“MDNR”), and Dogwood Energy, LLC (“Dogwood”) (collectively, the “Parties”) hereby submit to the Missouri Public Service Commission (“Commission”) this stipulation and agreement (the “Agreement”) to remedy all alleged deficiencies and concerns expressed by the signatories of this agreement regarding the compliance filing KCP&L submitted in this proceeding on August 5, 2008, as supplemented. Praxair, Inc. intervened in this case but is not a signatory to this agreement. However Praxair, Inc. has expressed that it does not oppose the agreement.

In support hereof, the Parties offer as follows:

BACKGROUND

On August 5, 2008, KCP&L submitted its compliance filing with Chapter 22 of the Commission’s regulations concerning KCP&L’s resource planning. KCP&L submitted a supplemental filing on December 24, 2008 to provide additional information and clarify certain aspects of its original filing (collectively, “2008 IRP”).

On January 8, 2009, Staff, OPC, MDNR, and Dogwood submitted reports identifying concerns and in some cases alleging certain deficiencies regarding KCP&L’s 2008 IRP. Although Praxair intervened in the case, they did not submit a report.

The Commission's resource planning regulations provide that if the Staff, Public Counsel or any intervenor finds deficiencies, it shall work with the electric utility and the other parties in an attempt to reach a joint agreement on a plan to remedy the identified deficiencies. 4 CSR 240-22.080(8). The Parties have worked together to develop such a joint plan. This Agreement represents the fruits of those efforts.

AGREED UPON REMEDIES TO CONCERNS AND ALLEGED DEFICIENCIES

Staff Concern A: Gaps and Inconsistencies in databases used in load analysis and forecasting.

In response, KCP&L provided explanations for each of the items noted in Staff's report. In its next resource plan filing, KCP&L will include documentation of how it dealt with data anomalies.

Staff Concern B: Model inconsistencies.

In response, KCP&L explained that the weather normalized kWh sales per customer was higher in 2005, 2006 and 2007 than in previous years. The higher use was a permanent shift due to the type of new customers that entered this class. Staff still is concerned that the forecast for this class is too high but can find no rule deficiency.

Staff Concern C: KCP&L does not include the impact of price on the levels of demand-side programs in its risk analysis process required by 4 CSR 240-22.070(2)(K).

In response, KCP&L agrees that in its next IRP filing to explore the availability and the cost of obtaining a price elasticity factor with regard to demand-side measures and programs of end-use measures to determine the value of applying such a factor. If the cost or availability of elasticity factors precludes this application, KCP&L will test DSM penetrations with base, high and low projections for a given spending level and will include a high, base and low level of spending for DSM programs.

Staff Deficiency 1: KCP& L did not provide documentation of the elasticities used in the statistically adjusted end-use (SAE) equations required by 4 CSR 240-22.030(5)(B)2.A.

KCP&L provided the requested elasticities as shown under Section S.D-1 (Staff Deficiency-1) in Attachment A. In its next resource plan filing, KCP&L agrees to provide documentation of the elasticities used in its forecast along with the source of the elasticities and an explanation of why KCP&L chose to use the elasticities.

Staff Deficiency 2: KCP&L did not analyze or explain the significant differences between the forecasts and historical trends for use per unit as required by 4 CSR 240-22.030(5)(B) 2.D.

In response, KCP&L provided documentation of its analysis as shown under Section S.D-2 in Attachment A. KCP&L agrees to provide documentation of analysis of any significant differences between the forecasts and historical trends in its next IRP filing.

Staff Deficiency 3: KCP&L did not provide the net system load forecasts required by 4 CSR 240-22.030(5)(C).

In response, KCP&L provided the requested forecast in Attachment E. KCP&L agrees to provide the net system load forecasts in its next IRP filing.

Staff Deficiency 4: KCP&L did not complete the sensitivity analysis required by 4 CSR 240-22.030(6).

In response, KCP&L provided standardized coefficients that measured the sensitivity to major economic drivers. The results are shown under S.D-4 in Attachment A. KCP&L agrees to perform this sensitivity analysis in its next IRP filing.

Staff Deficiency 5: KCP&L did not provide a summary of the sensitivity analysis required by 4 CSR 240-22.030(8)(C).

In response, KCP&L provided standardized coefficients that measured the sensitivity to major economic drivers. The results are shown under S.D-4 in Attachment A. KCP&L agrees to perform this sensitivity analysis in its next IRP filing.

Staff Deficiency 6: KCP&L does not consistently use the definitions of terms in 4 CSR 240-22.020 in its documentation of its demand-side analysis, leading to confusion.

In response, KCP&L provided an errata sheet detailing the specific definition and intent of each use of the phrase “DSM”. The errata sheet is included as Attachment B to this Stipulation and Agreement.

Staff Deficiency 7: KCP&L excluded energy-management measures from its screening of end-use measures required by 4 CSR 240-22.050(1).

In response, KCP&L agrees to evaluate the tariffs noted in this deficiency as well as time-of-use rates and critical peak pricing alternatives. The proposed schedules for studies to complete these evaluations are included under S.D-7 in Attachment A. KCP&L agrees to analyze all existing time-of-use and critical peak pricing tariffs and additional demand response, time-of-use, and/or critical peak pricing energy-management measures in its next IRP filing.

Staff Deficiency 8: KCP&L excluded energy-management programs from its screening of demand-side programs required by 4 CSR 240-22.050(4).

In response, KCP&L agreed to evaluate the programs noted in this deficiency as well as time-of-use rates and critical peak pricing alternatives. The proposed schedules for studies to complete these evaluates are included under S.D-7 in Attachment A. KCP&L agrees to analyze

all existing time-of-use and critical peak pricing measures and additional demand response, time-of-use, and/or critical peak pricing energy-management measures in its next IRP filing.

Staff Deficiency 9: KCP&L omitted all multifamily residential dwellings from consideration as required by 4 CSR 240-22.050(1)(B) [involving all decision makers] and 4 CSR 240-22.050(3) [cost effectiveness].

In response, KCP&L agrees to obtain the cost of pursuing a separate study for multi-family programs. If Parties agree that the cost of the study is reasonable, completion is expected by year end 2009. If KCP&L decides not to proceed with this study, KCP&L will provide reasons for not proceeding with study. If the studies are completed, KCP&L agrees to consider the findings of these studies in the next rate case filed after completion of the studies. KCP&L agrees to consider multi-family dwellings in its next IRP filing.

Staff Deficiency 10: While KCP&L states that it prescreens end-use measures to see whether or not it should even perform a cost-benefit evaluation, but KCP&L does not list these end-use measures in its Integrated Resource Plan filing. 4 CSR 240-22.050(1) & previous stipulation, paragraph 19.

End-use measures that were evaluated using the DSMore software are shown in Attachment C. End-use measures that did not pass the DSMore screening test are highlighted. End-use measures that were not passed on to Integrated Analysis are also shown under Section S.D-10 in Attachment A. KCP&L agrees to list all end-use measures considered in its next IRP filing and to indicate those measures not included in Integrated Analysis. KCP&L further agrees to provide an explanation of why end-use measures were not passed to Integrated Analysis in its next IRP filing.

Staff Deficiency 11: KCP&L did not provide an explanation or assumptions necessary to estimate future sulfur dioxide emission allowance prices required by 4 CSR 240-22.070(2)(H) Risk Analysis and Strategy Selection.

After further discussions, Staff agrees that KCP&L adequately addressed this deficiency in its 2008 IRP filing.

Staff Deficiency 12: KCP&L did not set out the range of critical uncertain factors for which the preferred resource plan or a contingency option is appropriate required by 4 CSR 240-22.070(10)(C), (D).

In response, KCP&L provided documentation of how the ranges of critical uncertainties were set out and applied in the selection of the preferred resource plan. This documentation is shown under S.D-12 in Attachment A. Additionally, KCP&L provided appropriate contingency options as shown in Attachment D, “Resource Acquisition Strategy”.

Staff Deficiency 13: KCP&L did not develop a process for monitoring and reporting on critical uncertain factors required by 4 CSR 240-22.070(10)(E).

In response, KCP&L provided a set of contingency options and the required monitoring and reporting processes as shown in Attachment D, “Resource Acquisition Strategy”.

Staff Deficiency 14: KCP&L’s request for nontraditional accounting procedures regarding DSM programs was filed out of time and does not meet the requirements of- 4 CSR 240-22.080(2).

KCP&L and Staff agree that any proposed non-traditional treatment of demand-side costs should be thoroughly considered prior to making a recommendation to the Commission regarding such treatment. Due to the late introduction of proposed non-traditional treatment in this case, Staff was not able to thoroughly evaluate KCP&L’s proposed ratemaking treatment.

KCP&L and Staff agree that additional discussions must take place before agreement can be reached and that these discussions are not limited to the resource planning process.

To facilitate the needed future discussions, KCP&L agrees to withdraw its request for non-traditional rate treatment for DSM programs included in KCP&L's December 24, 2008 Supplemental IRP filing. Staff agrees they will not object to KCP&L's pursuit of non-traditional rate treatment in proceedings outside the IRP process. By agreeing that this deficiency is resolved, Staff does not endorse the adoption of the alternative ratemaking treatment made by KCP&L in its December 24th Supplemental Filing.

OPC Deficiency 1:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.050 (3) and (7), OPC states

KCP&L failed to analyze street lighting (and other outdoor lighting) retrofits and alternative rate structures as end use measures and as Demand-Side programs. KCP&L acknowledged on page 54 of Volume 1 – S that it “did not evaluate alternative rate structures in conjunction with DSM planning.” Enduse measure is defined in 4 CSR 240-22.020(15) as “an energy efficiency measure or an energy management measure.” Alternative rate structures such as time of day pricing and critical peak pricing (CPP) should be considered, especially for those residential and small commercial customers that are not eligible to participate in the MPower demand response program.

In response, KCP&L agrees to pursue a separate study for street lighting and outdoor lighting. The schedule for this study is shown in Attachment A, under OPC-1. KCP&L agrees to consider the findings of this study in its next IRP filing and to include street lighting and outdoor lighting programs in at least one set of DSM programs evaluated in its next IRP filing.

KCP&L also agrees to pursue a separate study for alternative rate structures including time of use. The schedule for this study is shown in Attachment A, under S.D-7 Table 1 & 2. KCP&L agrees to consider the findings of this study in its next IRP filing and to include alternative rate structures in at least one set of DSM programs evaluated in its next IRP filing.

OPC Deficiency 2:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.050 (6), OPC states

KCP&L failed to comply with the requirement in the rule for it to "develop a set of potential demand-side programs that are designed to deliver an appropriate selection of end-use measures to each market segment." Outdoor lighting programs, alternative rate structures, and DSM energy efficiency measure financing programs should have been developed so that KCP&L would have a "set of potential demand-side programs that are designed to deliver an appropriate selection of end-use measures to each market segment." Other utilities such as Mid American Energy Company offer financing of energy efficiency programs as an alternative to using rebates to attract residential and small commercial customers to participate in energy efficiency programs and KCP&L should explore this option so it does not just rely on rebates to encourage participation.

In response, KCP&L is in the process of evaluating the feasibility of an Energy Efficiency Finance program and is providing the schedule in Attachment A under OPC-2.

OPC Deficiency 2 (Part 2):

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.060 (3), OPC states

KCP&L failed to develop any alternative resource plans that had new DSM programs in them prior to 2010 so it does not know how such plans would perform relative to the plans that were developed and analyzed. There is a gap of almost one and one-half years between the time when KCP&L made its filing and the time when it will begin to implement its new programs in 2010. KCP&L acknowledges in its new DSM implementation plan filed on December 24, 2008 that there is a potential funding deficiency in one of its largest current programs, the C & I Custom Rebate-Retrofit program, but it has no plans to even keep this program fully funded until the new programs start in 2010.

In response, KCP&L agrees that in its next IRP filing, the new DSM programs which are analyzed in Integrated Analysis will be scheduled to begin within one year of the IRP filing date in at least one alternative resource plan unless KCP&L provides an explanation of why implementation should be deferred beyond that timeline.

OPC Deficiency 3:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(1), (2), (3) and (5), OPC states

KCP&L did not comply with this requirement which states that "the utility shall use the methods of formal decision analysis to assess the impacts of critical uncertain factors on the expected performance of each of the alternative resource plans developed pursuant to 4 CSR 240-22.060(3)..." KCP&L identified 3 additional critical uncertainties on page 13 of Volume 1-S and none of these newly identified critical uncertain factors were analyzed in the analysis that KCP&L performed pursuant to 4 CSR 240-22.070. In addition to these factors, KCP&L should have identified its Production Tax Credits (PTC) for wind, federal or state renewable portfolio standards (RPS) and "maintaining adequate credit ratings" as critical uncertain factors (as discussed below) and analyzed these factors as well in the analysis that KCP&L performed pursuant to 4 CSR 240-22.070.

In response, KCP&L agrees it will specify credit market conditions as a critical uncertain factor in its next IRP filing and will consider specifying: (1) continuation of PTC for wind and (2) a new federal RPS as critical uncertain factors in its next IRP filing per Rule 4 CSR 240-22.070(2). KCP&L also agrees it will identify key credit metrics/financial ratios as performance measures in its next IRP filing per Rule 4 CSR 240-22.060(2).

OPC Deficiency 4:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(1) and (2), OPC states

Failure to identify all of the uncertain factors that are critical to the performance of the resource plan by performing the analysis required by this section of the rule for the independent uncertain factors and documentation of this analysis as required by 4 CSR 240-22.070(11). On page 29 of Volume 1-S, KCP&L identifies Production Tax Credits (PTC) for wind, federal or state renewable portfolio standards (RPS) and "maintaining adequate credit ratings" as factors that area critical to determining whether it can implement its preferred plan. Since KCP&L may no longer choose to implement the wind resources in its preferred plan if there are adverse outcomes for these uncertain factors, its should have identified these 3 factors as critical uncertain factors because KCP&L believes that all three are critical to the performance of its preferred resource plan.

In response, KCP&L agrees it will specify credit market conditions as a critical uncertain factor in its next IRP filing and will consider specifying: (1) continuation of PTC for wind and (2) a new federal RPS as critical uncertain factors in its next IRP filing per Rule 4 CSR 240-22.070(2). KCP&L also agrees it will identify key credit metrics/financial ratios as performance measures in its next IRP filing per Rule 4 CSR 240-22.060(2).

OPC Deficiency 5:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(9)(B), OPC states

Failure to create an adequate implementation plan for Demand-Side resources. 4 CSR 240-22.070(9)(B) requires "a schedule and description of ongoing and planned demand-side programs, program evaluations and research activities. In an attempt to satisfy this requirement, KCP&L provided a new "IRP Preferred Plan DSM Program Implementation Plan" as part of its December 24, 2008 supplemental filing. This plan does not include a schedule and description of ongoing and planned demand-side programs, program evaluations and research activities as required by the rule. The DSM implementation plan that KCP&L filed on August 5, 2008 (Appendix 1.C) has a table on page 7 that contains the schedule and milestones for KCP&L's DSM programs that were part of its regulatory plan but the Company has not provided a similar table with the schedule and milestones for the new DSM programs in its preferred plan.

In response, KCP&L provided the DSM implementation plan in the Resource Acquisition Strategy, Attachment D. The implementation plan includes the required schedule and milestones required by rule 4 CSR 240-22.070(9)(B). Schedules of on-going research are included under KCP&L response to Staff deficiencies #7, #8 and #9 as shown in Attachment A under S.D-7.

OPC Deficiency 6:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(9)(C)(D), OPC states

Failure to create an adequate implementation plan for Supply-Side resources. 4 CSR 240-22.070(9)(C) requires "a schedule and description of all supply-side resource acquisition and construction activities." KCP&L's supply-side implementation plan does not include a schedule and description of many of its most significant construction activities such as completing the construction of Iatan 2, completing the environmental upgrades to Iatan I and the activities related to the planning and execution of environmental upgrades for its other coal-fired plants. Page 32 of Volume S-1 shows the budgets for KCP&L's environmental retrofits over

the implementation period but the activities and milestones associated with these budgets are not identified in the supply-side implementation plan.

In response, KCP&L provided the Supply-Side implementation plan for new supply-side resources in the Resource Acquisition Strategy, Attachment D. Discussions of the implementation plans for the above noted environmental retrofits are included under OPC-6 in Attachment A.

OPC Deficiency 7:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(10)(C), OPC states

Failure to specify the ranges or combinations of outcomes for the critical uncertain factors and explain how limits were determined. KCP&L did not identify all of the critical uncertain factors prior to performing its risk analysis (additional factors were identified).

In response, KCP&L provided documentation of how the ranges of critical uncertainties were set out and applied in the selection of the preferred resource plan. KCP&L provided contingency options as shown in Attachment D, "Resource Acquisition Strategy".

OPC Deficiency 8:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(10)(D), OPC states

Failure to specify a set of contingency options for the critical uncertain factors as part of an officially adopted resources acquisition strategy. KCP&L did not identify all of the critical uncertain factors prior to the official adoption of its resource acquisition strategy (additional factors were identified in its December 24, 2008 supplemental filing) and it did not satisfy this requirement. On page 28 of Volume 1-S, KCP&L appears to imply that one of its contingency options is that it will not implement its new DSM programs without "adequate cost recovery." This implication is rather odd because: (1) KCP&L did not even mention the importance of DSM cost recovery in its August 5, 2008 filing and (2) KCP&L does not explain how the lack of "adequate cost recovery" for DSM would cause the Company to choose a different resource plan (presumably with little or no DSM) as its preferred plan even though the IRP rules require Missouri electric utilities to use minimization of PVRR as the primary plan selection criteria.

In response, KCP&L provided the contingency options in the Resource Acquisition Strategy, Attachment D.

OPC Deficiency 9:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(10)(E), OPC states

Failure to create and provide full documentation of a credible process for monitoring the critical uncertain factors and reporting to managers/officers. The Table of Rules Compliance in Volume 7 of KCP&L's filing does not contain any references to where the information relevant to this rule requirement can be found.

In response, KCP&L provided the process for monitoring and reporting changes in critical uncertainties in the "Resource Acquisition Strategy," Attachment D.

OPC Deficiency 10:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(11)(F), OPC states

Failure to include a discussion of the process used to select the preferred plan. The Table of Rules Compliance in Volume 7 of KCP&L's filing does not contain any references to where the information relevant to this rule requirement can be found. On page 23 of Volume 7, the Company says that the requirements of 22.070(10) are discussed in Volume 1, Section 5, but the information required by this rule provision is not in Volume 1, Section 5. The introduction to Section 3 on page 18 of Volume 1 says that this type of information can be found in Volume 7.

In response, KCP&L agrees that in its next IRP filing it will fully comply with 4 CSR 240-22.070(11)(F) including: (1) specification of the relative weights given to the various performance measures by KCP&L decision makers and (2) providing a narrative that discusses the rationale used by KCP&L decision makers to judge the appropriate trade-offs between competing planning objectives and between expected performance and risk.

OPC Deficiency 11:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.070(10) and 4 CSR 240-22.080(1)(D), OPC states

Failure to officially adopt a resource acquisition strategy. The Corporate Approval Statement on page 30 of Volume 1 does not explicitly adopt a resource acquisition strategy. It does not even identify alternative resource plan 19 as the preferred plan that has been selected by KCP&L. KCP&L has not created supply or demand-side implementation plans or contingency plans that meet the rule requirements at the time this approval statement was signed. Also, certain elements of KCP&L's resource acquisition strategy were modified by KCP&L's supplemental filing on December 24, 2008 and there was no new adoption statement included in the supplemental filing.

In response, KCP&L provided the official adoption of the Resource Acquisition Strategy (Attachment D) in Attachment F, Corporate Approval.

OPC Deficiency 12:

In its response to KCP&L's 2008 IRP, citing 4 CSR 240-22.080(2), OPC states

KCP&L's request for non-traditional accounting procedures for DSM expenses does not fully comply with the requirements of this section of the rule and the filing of a complex DSM recovery mechanism that goes far beyond anything previously proposed in an IRP case just 2 weeks before Public Counsel's report on KCP&L's filing is due does not leave adequate time for review. The "simplistic estimation of the lost margin" contained in KCP&L's supplemental filing does not satisfy the requirements in 4 CSR 240-22.080(2)(B)4 for a quantitative comparison of earnings with and without the proposed non-traditional accounting procedures. Public Counsel would be glad to discuss an extension of the non-traditional accounting procedures for DSM cost recovery that were already approved as part of KCP&L's current regulatory plan and possible changes to the existing arrangement, but the broad sweeping changes proposed by KCP&L are difficult to respond to in the limited time that OPC has had to review them.

This alleged deficiency has been resolved by the agreement between Staff and KCPL in response to Staff Deficiency 14. As part of that agreement, KCP&L agreed to "withdraw its request for non-traditional rate treatment for DSM programs included in KCP&L's December 24, 2008 Supplemental IRP filing."

MDNR Deficiency 1:

In its response to KCP&L's 2008 IRP, MDNR states

KCPL's analysis of Demand Side Management (DSM) resources¹ is aggregated across its service territory in two states and does not permit Missouri specific analysis of its plan.

Remedy # 1. Before completion of the Sustainable Resource Strategy (SRS) process, KCPL should develop and adopt a plan to provide Missouri-specific DSM information including market assessments, marketing, evaluation and program delivery mechanisms, costs and benefits and project load impacts and energy impacts, with completion dates sufficiently early to permit the information to be used in KCPL's next IRP filing. KCPL should present and discuss the plan with the parties during the SRS process. Following the completion of the SRS process, KCPL should provide periodic updates to the parties regarding completion of the plan's major milestones.

In response, KCP&L agrees to consider DSM program research that will provide jurisdictional information (Missouri-specific) in future DSM research efforts. If KCP&L determines that the cost, timing or other considerations preclude acquisition of Missouri-specific information, KCP&L will state the reasons for not providing this data.

MDNR Deficiency 2:

In its response to KCP&L's 2008 IRP, MDNR states

KCPL's integrated resource plan fails to achieve the lowest cost energy services for its customers. 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...” (emphasis added).

Remedy # 2.

- Before completion of the SRS process, KCPL should develop and analyze: (i) an alternative resource plan based on Alternative Plan 19 that projects for each year in the 20-year planning period an incremental reduction in energy sales of one percent (1%) resulting from the ongoing implementation of demand side programs; and (ii) an alternative resource plan which similarly projects annual incremental energy impacts of 1.5% throughout the 20-year planning horizon due to DSM programs. KCPL should apply sufficient analysis to the new alternative resource plans to

¹ KCPL uses the term “demand-side management” (DSM) in some circumstance to mean “demand response” (DR) as distinguished from energy efficiency (EE). In this analysis the use of the term DSM is consistent with the definitions in 4 CSR 240-22.010(10) & (15) and refers to both DR and EE.

compare them to the twenty-six (26) existing plans with respect to NPVRR and other planning objectives. KCPL should provide its analysis to the parties in the SRS process.

- In KCPL's next IRP filing, the utility's integrated resource analysis should include two or more alternative resource plans that, beginning in 2012 and continuing throughout the 20-year planning horizon, are projected to acquire at least an additional 1% of energy requirements per year through demand side programs as defined in 4 CSR 240-22.020(11). The utility should include in its integrated resource analysis the alternative resource plans that achieve this goal while attempting to achieve NPVRR minimization and other resource planning objectives.

In response, KCP&L agrees in its next IRP filing to include at least one alternative resource plan that demonstrates energy reductions from demand side resources of at least 1% of the projected retail energy requirements per year over the 20-year planning horizon, assuming a net-to-gross ratio of 1.0.

MDNR Deficiency 3:

In its response to KCP&L's 2008 IRP, MDNR states

KCPL does not analyze DSM on an equivalent basis with supply-side resources. 4 CSR 240-22.010 (2)(A) – “Consider and analyze demand-side efficiency and energy management measures on an equivalent basis with supply-side alternatives in the resource planning process;”

Remedy # 3. In KCPL's next IRP filing, the utility's integrated resource analysis should include alternative resource plans that provide for expansion of DSM resources in incremental steps throughout the 20-year planning horizon. The alternative resource plans should not be limited to one “Aggressive” C&I resource portfolio but should incorporate a series of portfolios with increasing savings and, if necessary, increasing per unit cost. This series should be sufficient to acquire at least an additional 1% of energy requirements per year through demand side programs.

In response, KCP&L agrees to enter advisory discussions with Parties to facilitate discussion of appropriate end-use measures, potential DSM program portfolios, review DSM experience of other jurisdictions, and review potential DSM program timelines. Parties will act in an advisory role in this advisory process. KCP&L proposes to commence this process in the

3rd quarter of 2009 and, in consultation with the Parties, will establish the discussion topics, timelines for discussion of topics, and response times allotted for Parties. If the Parties are unable to resolve any dispute that arises during the advisory process, the matter may be brought to the Commission for decision.

MDNR Deficiency 4:

In its response to KCP&L's 2008 IRP, MDNR states

KCPL does not minimize the present worth of long run costs by failing to include sufficient cost-effective DSM in their plan. 4 CSR 240-22.010 (2)(B) – “Use minimization of the present worth of long-run utility costs as the primary selection criterion in choosing the preferred resource plan;”

Remedy #4. In KCPL's next IRP filing, the utility's integrated resource analysis should include alternative resource plans that contain a demand side portfolio that captures no less than 95 percent of actual levelized avoided costs of supply resources so that every demand side resource that costs less than supply is acquired before the more expensive supply resources.

In response, KCP&L agrees to enter advisory discussions with Parties to facilitate discussion of appropriate end-use measures, potential DSM program portfolios, review DSM experience of other jurisdictions, and review potential DSM program timelines. Parties will act in an advisory role in this advisory process. KCP&L proposes to commence this process in the 3rd quarter of 2009 and, in consultation with the Parties, will establish the discussion topics, timelines for discussion of topics, and response times allotted for Parties. If the Parties are unable to resolve any dispute that arises during the advisory process, the matter may be brought to the Commission for decision.

MDNR Deficiency 5:

In its response to KCP&L's 2008 IRP, MDNR states

KCPL is inconsistent in its use of terms related to Demand-Side Resources. CSR 240-22.020(10) – “Demand-Side measure is synonymous

with end-use measure.” 4 CSR 240-22.020(15) – “End-use measure means an energy efficiency measure or an energy management measure.”

Remedy #5. In its next IRP filing, KCPL should agree to use these and other terms as defined in 4 CSR 240-22.020 unless a variance is granted by the Commission. For technical terms not defined in 4 CSR 240-22.020 that have more than one definition in common usage, KCPL agrees that it will include definitions and use the terms consistently throughout its filing.

In response, KCP&L filed an errata sheet documenting the use of the term DSM as either Demand Response, energy efficiency or both. The errata sheet is attached as Attachment B.

MDNR Deficiency 6:

In its response to KCP&L’s 2008 IRP, MDNR states

The cost projections used by KCPL for wind resources are too high, and the performance projections used for wind resources are too low. The cost projections for solar photovoltaic systems are too high.

Remedy #6. When assessing supply side costs during the SRS process and in its next filing, KCPL should use lower wind cost projections based on substantial and credible sources such as the following.

KCPL should determine and obtain the most up-to-date governmental or private sources of cost estimates for wind projects .If KCPL has current wind RFP response data or other specific regional wind development market data, this data should be used in lieu of projections. If projections must be used they should be based on a credible and substantial source such as the most recent data available from US DOE assessments of the current costs and the projected trends in prices, such as seen in the July 2008 publication referenced in the comments, or similar credible sources.

KCPL should conduct additional research into the availability of regional cost projections, or should contact respondents to the wind RFP to determine if they have additional information that would provide information concerning regional market cost trends. This research should be sensitive to the potential impact of current economic conditions on financing options for wind developments.

In response, KCP&L agrees to reevaluate the long-term cost expectations for wind including projections from credible industry and governmental sources available to KCP&L at the time of the analysis supporting its next IRP filing.

MDNR Deficiency 7:

In its response to KCP&L's 2008 IRP, MDNR states

KCPL has used capacity factor for wind as the main "performance" metric when considering new wind supply resources that is too low.

Remedy #7. When assessing wind as a potential supply side resource during the SRS process and in its next filing, KCPL should use higher projected capacity factors for future wind resources based on substantial and credible sources such as the following.

KCPL should base its estimate of capacity factors on up-to-date governmental or private sources of capacity estimates for wind projects, including at least the following two sources: 1) the current record of wind RFP responses, which is a reasonable survey of regional capacity factor potential, and 2) up-to-date performance and associated annual average capacity factor projections for wind resources in the KCPL region, based on recent, credible industry or government reports, such as the July 2008 US DOE report.

Research efforts in support of obtaining up-to-date information on cost trends, described in the Proposed Remedy for MDNR Deficiency #6, should be leveraged to also obtain performance projections.

In response, KCP&L agrees to include a reevaluation of wind capacity factors in its next IRP filing, and to include consideration of projections from credible industry and governmental sources as available to KCP&L at the time of the analysis supporting its next IRP filing.

MDNR Deficiency 8:

In its response to KCP&L's 2008 IRP, MDNR states

Based on the significant cost differentials for solar photovoltaic (PV) systems used in the IRP and those seen in the USDOE report and the KCP&L IRP, the solar PV option should not have been excluded from supply-side consideration at the pre-screening stage.

Remedy #8.

- Prior to its next IRP filing, KCP&L should undertake a detailed study of current and projected photovoltaic costs. The study should include the full 20-year planning cycle and should include both utility-scale and customer-sited photovoltaic generation.

- In its next IRP filing, KCP&L should file updated information on solar photovoltaic costs and as appropriate, incorporate the effect of the newly-legislated solar set-aside in the resource plans evaluated. KCP&L should use up-to-date information on solar photovoltaic costs when screening the technology.

In response, KCP&L agrees to issue a solar Request for Proposal (RFP) to update the installed cost of solar technologies and to include up-to-date information on solar generating technologies as available in its next IRP filing.

MDNR Deficiency 9:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L's plan lacks analysis for interruptible customers, a major class specified in the rule. 4 CSR 240-22.050 (1)(A) – "All major customer classes including interruptible."

Remedy #9. Prior to the deadline for requesting waivers or variances for its next IRP filing, KCP&L should study the issue described above in designing a DSM program tailored to interruptible customers. For its next IRP filing, KCP&L should identify and analyze the end-use measures and programs that are suitable for interruptible customers or request a waiver from this section of the rule.

In response, KCP&L agrees to evaluate interruptible customers. The proposed schedule to complete a study of this customer segment prior to year end is included in Attachment A under S.D-7. Interruptible customers will be included in evaluations of DSM programs in the next IRP filing.

MDNR Deficiency 10:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L fails to include consumer electronics ("plug loads"), a significant end use, in its planning. 4 CSR 240-22.050 (1)(C): "Identification of End-use Measures. The analysis of Demand-Side resources shall begin with the development of a menu of energy efficiency and energy management measures that provide broad coverage of ...(C) All major end uses..."

Remedy #10.

- In its next IRP filing, KCP&L should adhere to the requirements of 4 CSR 240-22.050 that require the utility to complete a bottom-up identification and screening of end-use measures prior to identifying and screening demand side programs, or should seek a waiver from the rule's provisions.
- In its next IRP filing, if KCP&L eliminates a potentially significant end use measure from consideration prior to measure screening, KCP&L should document which measures have been eliminated and the reasons for eliminating them. KCP&L should extend this requirement to consultants who assist the utility in this task.
- KCP&L should screen plug load measures prior to the completion of the SRS process. By Program Year 2011, KCP&L should incorporate the measures that pass screening and that fit readily into programs already in the DSM portfolio for the preferred resource plan. Prior to the completion of the SRS process, KCP&L should communicate to parties its plans for accomplishing this. In the DSM analysis in KCP&L's next IRP filing, KCP&L should include plug load measures that pass screening and have not been incorporated into existing programs and should design a program to capture energy savings from these measures.

In response, KCP&L agrees to enter advisory discussions with Parties to facilitate discussion of appropriate end-use measures, potential DSM program portfolios, review DSM experience of other jurisdictions, and review potential DSM program timelines. Parties will act in an advisory role in this advisory process. KCP&L proposes to commence this process in the 3rd quarter of 2009 and, in consultation with the Parties, will establish the discussion topics, timelines for discussion of topics, and response times allotted for Parties. If the Parties are unable to resolve any dispute that arises during the advisory process, the matter may be brought to the Commission for decision.

Through this advisory process, KCP&L agrees to work with parties to define plug loads to evaluate in its next IRP. Additionally, KCP&L agrees to provide an explanation of any end-use measures that are considered but not screened.

MDNR Deficiency 11:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L does not include cost-effective renewable resources in its portfolio. 4 CSR 240-22.050 (1)(D) – “Renewable energy sources and energy technologies that substitute for electricity at the point of use.”

Remedy #11. Prior to the conclusion of the SRS process, KCP&L should review its screening of customer-sited solar heat measures. Based on the quote from Appendix 5F above, it is possible that a revision of the measure and program specifications with a lower incentive level would suffice to successfully screen these measures and provide the basis for developing programs to capture the potential of these resources. KCP&L should include cost-effective customer-sited solar heat measures in its program no later than Program Year 2011.

In response, KCP&L has requested The Energy Saving Store to provide cost and energy production data for solar heating and solar hot air to KCP&L based on the most current data available. KCP&L agrees to include consideration of Solar heating and Solar hot air in its next IRP filing.

MDNR Deficiency 12:

In its response to KCP&L’s 2008 IRP, MDNR states

KCP&L fails to include customer-sited combined heat and power resources that substitute for electricity at the point of use in its plan. 4 CSR 240-22.050 (1)(D) – “Renewable energy sources and energy technologies that substitute for electricity at the point of use.”

Remedy # 12. Prior to the conclusion of the SRS process, KCP&L should analyze the potential for cost-effective CHP in its service territory and provide its analysis to the parties involved in the SRS process. If cost effective, KCP&L should include CHP measures in its custom C&I program no later than Program Year 2011. In its next IRP filing, KCP&L should consider additional programs to acquire cost-effective CHP resources.

In response, KCP&L agrees to enter advisory discussions with Parties to facilitate discussion of appropriate end-use measures, potential DSM program portfolios, review DSM experience of other jurisdictions, and review potential DSM program timelines. Parties will act in an advisory role in this advisory process. KCP&L proposes to commence this process in the 3rd quarter of 2009 and, in consultation with the Parties, will establish the discussion topics,

timelines for discussion of topics, and response times allotted for Parties. KCP&L also agrees to include Combined Heat and Power (CHP) applications in the screening of end-use measures. If the Parties are unable to resolve any dispute that arises during the advisory process, the matter may be brought to the Commission for decision.

MDNR Deficiency 13:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L failed to include the multi-family residential market sector in its plan. 4 CSR 240-22.050 (6)(A) – “Identify market segments that are numerous and diverse enough to provide relatively complete coverage of the classes and decision-makers.”

Remedy #13. In its next IRP filing, KCP&L should develop and screen a program element focused on the multi-family residential market segment. Prior to conclusion of the SRS process, KCP&L should identify any information necessary to develop an effective program and present to parties its plan for acquiring the necessary information. Features from its current and proposed offerings from both the residential and C&I sectors can be integrated to achieve significant savings. These should include, at a minimum:

- Targeted outreach and market channel involvement;
- Technical assistance (e.g. audits) and financial analysis (e.g. cash flow projects and capital packaging);
- Meaningful financial incentives; and
- Relationship building through account management or efficiency staff.

The program should be designed to overcome the combination of barriers unique to this market segment.

In response, KCP&L agrees to evaluate DSM programs for multi-family homes in its next IRP filing.

MDNR Deficiency 14:

In its response to KCP&L's 2008 IRP, MDNR states

The KCP&L plan failed to screen several appropriate and cost-effective end use measures. 4 CSR 240-22.050 (6)(C) - “Assemble menus of end-use measures that are appropriate to the shared characteristics of each market segment and cost-effective as measured by the screening test.”

Remedy # 14. KCP&L should screen the measures listed in Table 7 prior to the completion of the SRS process. By Program Year 2011, KCP&L should incorporate into its DSM portfolio the measures that pass screening and that fit readily into programs already in the DSM portfolio for the preferred resource plan. Prior to the completion of the SRS process, KCP&L should communicate to parties its plans for accomplishing this. The DSM analysis in KCP&L's next IRP filing should include the measures from Table 7 that have not been incorporated into existing programs.

In response, KCP&L agrees to enter advisory discussions with Parties to facilitate discussion of appropriate end-use measures, potential DSM program portfolios, review DSM experience of other jurisdictions, and review potential DSM program timelines. Parties will act in an advisory role in this advisory process. KCP&L proposes to commence this process in the 3rd quarter of 2009 and, in consultation with the Parties, will establish the discussion topics, timelines for discussion of topics, and response times allotted for Parties. Through this advisory process, KCP&L agrees to work with parties to define appropriate and cost effective end-use measures to evaluate in its next IRP. Additionally, KCP&L agrees to provide an explanation of any end-use measures that are considered but not screened. If the Parties are unable to resolve any dispute that arises during the advisory process, the matter may be brought to the Commission for decision.

MDNR Deficiency 15:

In its response to KCP&L's 2008 IRP, MDNR states

The KCP&L plan fails to sufficiently address process evaluation for new programs included in its preferred resource plan. 4 CSR 240-22.050 (9) – “The utility shall develop evaluation plans for all Demand-Side programs that are included in the preferred resource plan... (A) Process Evaluation... shall address “...at least the following questions about program design...

1. What are the primary market imperfections that are common to the target market segment?
2. Is the target market segment appropriately defined or should it be further subdivided or merged with other segments?
3. Does the mix of end-use measures included in the program appropriately reflect the diversity of end-use energy service needs and existing end-use technologies within the target segment?
4. Are the communication channels and delivery mechanisms appropriate for the target segment? And

What can be done to more effectively overcome the identified market imperfections and to increase the rate of customer acceptance and implementation of each end-use measure included in the program?

Remedy #15.

- For each new DSM program or program enhancement included in its preferred resource plan:
 - (i) Prior to selecting a contractor to develop process evaluation plans, KCP&L should submit to the parties and the PSC an explanation of how the utility will assure that the process evaluation will "inform the program implementers" and will address the five questions listed in the rule.
 - (ii) No later than three months after implementation of the new or enhanced program, KCP&L should submit to the parties and the PSC a detailed process evaluation plan for the program and market sector that describes the means for "informing the program implementers" and addressing the questions raised in 4 CSR 240-22.050 (9)(A)(1)-(5).
- In its next IRP filing, KCP&L should meet the requirements of 4 CSR 240-22.050 (9)(A) or request a variance from specific rule requirements.

In response, KCP&L provided a list of completed program evaluations and a schedule to complete evaluations of existing and proposed DSM programs by year end. This response is included under MDNR-15 in Attachment A. KCP&L agrees to discuss plans for the evaluation of future programs with the Parties for its next IRP filing and to the extent feasible and economic, will include Parties' suggestions in evaluation criteria.

MDNR Deficiency 16:

In its response to KCP&L’s 2008 IRP, MDNR states

The KCP&L plan fails to sufficiently address impact evaluation. 4 CSR 240-22.050 (9) (B) (2) – Impact Evaluation “shall develop load-impact measurement protocols that are designed to make the most cost-effective use of the following types of measurements

Remedy #16. For each new DSM program or program enhancement included in its preferred resource plan, KCP&L should submit to the parties and the PSC a detailed impact evaluation plan specifying which of the measurement types in section (9)(B)(2) will be used, how the data will be collected, and the rationale for determining that it has chosen a cost-effective approach by a date certain, but no later than three months after implementation of revised programs.

In its next IRP filing, KCP&L should meet the requirements of 4 CSR 240-22.050 (9)(B) or request a variance from specific rule requirements.

In response, KCP&L agrees to provide impact evaluation plans in its next IRP filing.

MDNR Deficiency 17:

In its response to KCP&L’s 2008 IRP, MDNR states

The KCP&L plan fails to specify the protocols for data collection on DSM programs. 4 CSR 240-22.050(9) (C)- “The utility shall develop protocols to collect data regarding demand-side program market potential, participation rates, utility costs, participant costs and total costs.

Remedy #17. KCP&L should submit to the parties and the PSC the protocols it will use to collect the data specified in subsection (C) by a date certain, but no later than three months after implementation of revised programs.

In response, KCP&L agrees to specify the protocols for data collection on DSM programs in its next IRP filing.

MDNR Deficiency 18:

In its response to KCP&L’s 2008 IRP, MDNR states

KCP&L has failed to provide certain information about the demand side management program as required by the rule. 4 CSR 240-22.050(11)(H) The utility shall provide “A tabulation of the incremental and cumulative

number of participants, load impacts, utility costs and program participant costs in each year of the planning horizon for each demand-side program.”

Remedy #18. In a supplemental filing, KCP&L should file a single unified tabular presentation of the data required by (11)(H). This should be specific to KCP&L’s service territory in Missouri, and be extensively annotated as to the source of all data.

In response, in the next IRP filing, KCP&L agrees to attempt to provide a single tabulation of all items under this rule, provided the single tabulation can be created in a readable fashion to fit the IRP report.

MDNR Deficiency 19:

In its response to KCP&L’s 2008 IRP, MDNR states

The supply-side resource plans exclude scenarios with wind resources greater than 400 MW. The scenarios also exclude biomass retrofit alternatives. 4 CSR 240-22.060 (3) – “Development of Alternative Resource Plans. The utility shall use appropriate combinations of candidate demand-side and supply-side resources to develop a set of alternative resource plans, each of which is designed to achieve one (1) or more of the planning objectives identified in 4 CSR 240-22.010 (2).”

4 CSR 240-22.010 (2) “...provide the public with energy services that are safe, reliable and efficient, at just and reasonable rates, in a manner that serves the public interest.”

Remedy #19.

- Before the completion of the SRS process, KCP&L should analyze, report and review with stakeholders the costs, benefits and implementation requirements for expediting the addition of 400 MW of wind prior to 2015. The analysis should consider the possibility of retiring less efficient coal-fired plants whose continued operation would require major environmental upgrades.
- In its next IRP filing, KCP&L should evaluate alternative resource plans that include installation of more than 400 MW of new wind:
 - KCP&L should evaluate at least one plan in which installed wind resource are sufficient to meet the new RPS requirements in 2021. The wind resource required to meet this goal would be on the order of 800-900 MW.
 - KCP&L should also evaluate resource plans with wind resources greater than that sufficient to meet the RPS requirement. KCP&L should consider alternative resource plans in which wind energy displaces the most expensive coal-fired energy. KCP&L should also consider alternative resource plans in which wind resource installations are ramped up over time to the current

technical penetration maximums, for example, to meet up to 20 percent of KCP&L's retail energy needs in 2020 (1,081 MW of wind) and 25 percent of KCP&L's retail energy needs in 2025 (1,414 MW of wind).

In response, in its next IRP filing, KCP&L agrees to evaluate the proper levels of wind generation by analyzing alternative resource plans with varying amounts of wind resources, including alternative resource plans up to the point where results indicate that additional wind provides a higher expected NPVRR results; and at least one alternative resource plan, based on additional planning objectives that have been identified by the utility, in which wind and solar resources are sufficient to meet the utility's Missouri Renewable Energy Standard requirement in 2021. KCP&L agrees to enter advisory discussions with Parties to facilitate discussion of proper levels of wind and other renewable generation in alternative resource plans.

MDNR Deficiency 20:

In its response to KCP&L's 2008 IRP, MDNR states

Retrofit of existing KCP&L coal-fired units to accommodate either fractional or 100 percent firing of biomass fuels is not included in the alternative resource plans.

Remedy #20.

- Before the completion of the SRS process, KCP&L should analyze, report and review with stakeholders (i) the extent of biomass fuel availability within appropriate transportation range of any existing coal-fired plant that could accommodate co-firing or 100% retrofit for biomass fuels; and (ii) the relative economics of new biomass generation, co-firing at an existing coal-fired plant and retrofit of an existing coal-fired plant.
- In its next IRP filing KCP&L should analyze a comprehensive list of commercially available biomass generation alternatives and should model at least one alternative resource plan that includes each biomass technology that passes screening.

KCP&L included 100%, 50% and 10% co-firing alternatives for selection as alternative resource additions during the preliminary analysis using the MIDAS™ Capacity Expansion Module (CEM)®. Biomass co-firing alternatives were only selected under the extreme scenario

of high natural gas prices, high emission allowance prices, high coal prices, high load growth and high CO2 emission prices. Because this combination of high prices and high load growth is not a reasonable expectation, and because the biomass alternatives did not provide economic results under any other combination of uncertainties, biomass co-firing did not pass the Supply-Side prescreening efforts. In its next IRP filing, KCP&L agrees to consider commercially available biomass alternatives and developmental biomass alternatives anticipated to be commercially available within the planning horizon.

MDNR Deficiency 21:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L did not meet the requirement of the rule to use a twenty-year planning horizon for all resources. 4 CSR 240-22.060 (4) – “The analysis shall cover a planning horizon of at least twenty (20) years.”

Remedy #21. In its next IRP filing, KCP&L's resource acquisition strategy should include plans for demand side resource acquisition for the full 20-year planning horizon.

In response, KCP&L agrees that in its next IRP filing the demand-side resources contained in resource plans will be based on a planning horizon of 20 years unless the Commission grants a waiver from the requirements of 4 CSR 240-22.020(43) and 4 CSR 240-22.060(4) that pertain to DSM planning horizons.

MDNR Deficiency 22:

In its response to KCP&L's 2008 IRP, MDNR states

Deficiency #22. KCP&L failed to provide documentation of alternative resource plans as required by 4 CSR 240-22.060(6)(A). 4 CSR 240-22.060(6) - "The utility shall prepare a report that contains at least the following information: (A) A description of each alternative resource plan including the type and size of each resource addition and a listing of the sequence and schedule for retiring existing resources and acquiring each new resource addition..."

Remedy #22. KCP&L supplied the missing information in its response to MDNR DR #34. This information should be provided in a supplemental filing.

In response, KCP&L provided the requested information which is included under MDNR-22 in Attachment A.

MDNR Deficiency 23:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L failed to explicitly identify the critical uncertain factors as required by 4 CSR 240-22.070(2). 4 CSR 240-22.070(2) - "Before developing a detailed decision tree representation of each resource plan, the utility shall conduct a preliminary sensitivity analysis to identify the uncertain factors that are critical to the performance of the resource plan."

Remedy #23. In its response to MDNR DR#3, KCP&L states that the five factors listed on Volume 7, page 12 are the critical uncertain factors identified for this filing. KCP&L should include this response in a supplemental filing.

In response, KCP&L provided the needed information under Staff deficiency #12. The information is included in Attachment A under S.D-12.

MDNR Deficiency 24:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L failed to assess all pertinent uncertain factors.

Remedy #24. KCP&L should develop and analyze one or more scenarios that incorporate the requirements of the CEI initiative that was approved on November 4, 2008. Furthermore, KCP&L should assess the significance of REC price uncertainty using a methodology comparable to that used in the IRP filing to assess other uncertain factors. This analysis should be completed prior to the completion of the SRS process and the results should be reported to stakeholders in the SRS process.

In response, KCP&L provided the needed information under Staff deficiency #12. The information is included in Attachment A under S.D-12 with additional discussion of pertinent

uncertain factors and subsequent contingency plans in Attachment D, Resource Acquisition Strategy.

MDNR Deficiency 25:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L failed to adequately develop contingency options to deal with the imposition of a Renewable Portfolio Standard. 4 CSR 240-22.070(2) - "The utility shall conduct a preliminary sensitivity analysis to identify the uncertain factors that are critical to the performance of the resource plan."

4 CSR 240-22.070(10)(D) – “The utility shall develop, document and officially adopt a resource acquisition strategy.... The officially adopted resource acquisition strategy shall consist of the following components:...(D) A set of contingency options that are judged to be appropriate responses to extreme outcomes of the critical uncertain factors and an explanation of why these options are judged to be appropriate responses to the specified outcomes."

Remedy #25. KCP&L should review the adequacy of its analysis of renewable resource availability and initiate an analysis of future REC prices. In view of the RPS requirement, KCP&L should identify factors related to the new requirements, including future REC prices, that might invalidate the preferred resource plan included in its filing, and should determine what range of values for these factors would indicate the need to shift to a different preferred resource plan, and identify contingency options that would be preferable to the current plan should those values be observed. Prior to the completion of the SRS process, KCP&L should demonstrate significant progress in this effort and should communicate to stakeholders its plans for completing the process. In its next IRP filing, KCP&L's risk analysis and contingency planning should fully incorporate factors related to the RPS.

In response, KCP&L provided the requested contingency planning in Attachment D, “Resource Acquisition Strategy”. The Preferred Resource Plan provides enough renewable energy to meet the RPS requirements shown in the table below. These targets are based on comparing renewable generation expected from implementing the Preferred Plan to KCP&L's base forecast of Net System Input (NSI) or native energy load. Expected renewable generation was calculated based on the existing Spearville-1 wind farm performance plus additional wind

generation performing at the 38% capacity factor as included in the IRP evaluations. The targets in the Table below compare 100% of the wind generation to 100% of KCP&L's NSI, which includes energy usage for both Kansas and Missouri.

Year	% of NSI
2008	2.34%
2009	4.29%
2010	6.17%
2011	8.00%
2012	9.74%
2013	9.60%
2014	9.42%

MDNR Deficiency 26:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L failed to document the derivation of subjective probabilities for the outcomes of critical uncertain factors. 4 CSR 240-22.070(11)(A)(2) – “To demonstrate compliance with the provisions of this rule, and pursuant to the requirements of 4 CSR 240-22.080, the utility shall furnish at least the following information...(A)(2) An explanation of how the critical uncertain factors were identified, how the ranges of potential outcomes for each uncertain factor were determined and how the subjective probabilities for each outcome were derived;”

Remedy #26. At minimum, a supplemental filing should be made that includes KCP&L's response to MDNR DR#40. The response should be expanded in the supplemental filing to explain "how the subjective probabilities for each outcome were derived." This minimum remedy assumes that the utility's explanation will demonstrate that the method used was consistent with rule requirements. If the explanation demonstrates that the utility's method fell short of meeting the rule requirements, KCP&L should additionally commit to meeting the rule requirements in its next IRP filing.

In response, KCP&L provided the required information in its response to Staff deficiency #12 and OPC deficiencies #3 and #4. The information is included in Attachment A under S.D-12. KCP&L agrees to provide the derivation of subjective probabilities for critical uncertainty factors in its next IRP filing.

MDNR Deficiency 27:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L failed to officially adopt all of the required elements of the Resource Acquisition Strategy. 4 CSR 240-22.070(11)(G) – “To demonstrate compliance with the provisions of this rule, and pursuant to the requirements of 4 CSR 240-22.080, the utility shall furnish at least the following information:...(G) The fully documented resource acquisition strategy that has been developed and officially adopted pursuant to the requirements of section (10) of this rule.”

CSR 240-22.070(10) – “...The officially adopted resource acquisition strategy shall consist of the following components:

(A) A preferred resource plan selected pursuant to the requirements of section (6) of this rule;

(B) An implementation plan developed pursuant to the requirements of section (9) of this rule;

(C) A specification of the ranges or combinations of outcomes for the critical uncertain factors that define the limits within which the preferred resource plan is judged to be appropriate and an explanation of how these limits were determined;

(D) A set of contingency options that are judged to be appropriate responses to extreme outcomes of the critical uncertain factors and an explanation of why these options are judged to be appropriate responses to the specified outcomes; and

(E) A process for monitoring the critical uncertain factors on a continuous basis and reporting significant changes in a timely fashion to those managers or officers who have the authority to direct the implementation of contingency options when the specified limits for uncertain factors are exceeded.

Remedy #27. If the remedies proposed for Deficiencies #5,# 6 and #7 are implemented, the remaining three required elements of a Resource Acquisition Plan will be incorporated into the SRS process. In that case, implementation of the preferred resource plan "as modified by the SRS process" will be sufficient to meet the rule requirement.

In response, KCP&L provided all the required elements of the Resource Acquisition Strategy in Attachment D. Official adoption of the Resource Acquisition Strategy is included in Attachment F.

MDNR Deficiency 28:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L failed to document acceptable limits for critical uncertain factors under the preferred resource plan as required by 4 CSR 240-22.070 (11)(G) and 4 CSR 240-22.070(10)(C).

Remedy #28. The identification of "extreme outcomes" for the critical uncertain factors identified by the utility should be completed prior to the completion of the SRS process. The results should be reported to stakeholders in the SRS process. Updated results should be included in KCP&L's next IRP filing.

In response, KCP&L provided its analysis of extreme outcomes of critical uncertainty factors in its response to Staff deficiency #12 and includes this analysis in Attachment A under S.D-12.

MDNR Deficiency 29:

In its response to KCP&L's 2008 IRP, MDNR states

KCP&L failed to document contingency options for each critical uncertain factor.

Remedy #29. The development of contingency options for all critical uncertain factors identified by KCP&L should be completed prior to the completion of the SRS process. The results should be reported to stakeholders in the SRS process. Updated results should be included in KCP&L's next IRP filing.

In response, KCP&L provided documentation of the contingency options for each critical uncertain factor in Attachment D, Resource Acquisition Strategy.

MDNR Deficiency 30:

In its response to KCP&L's 2008 IRP, MDNR states

Failure to document monitoring and reporting processes for critical uncertain factors.

Remedy #30. KCP&L should develop and document the monitoring and reporting process required by the rule. The documentation provided to stakeholders should identify the data that is monitored, the names and

positions of staff responsible for monitoring the data, and the names and positions of managers or officers who will receive data reports. This documentation should be provided to stakeholders prior to the completion of the SRS process. Updated results should be included in KCP&L's next IRP filing.

In response, KCP&L provided documentation of the monitoring and reporting processes for critical uncertain factors in Attachment D, Resource Acquisition Strategy.

Dogwood Deficiencies:

Dogwood states that KCP&L did not provide sufficient contingency planning around long-term capacity margins. Dogwood would also like to see greater contingency planning around the future availability and need for Power Purchase Agreements (PPA's).

In response, KCP&L agrees to submit updated capacity and load forecasts on a semi-annual basis to Staff, OPC and Parties to the then current IRP case (i.e. this case or subsequent IRP proceedings), subject to the Commission's rules on access to confidential information. Additionally, under stipulations established under the Regulatory Plan, case No. EO-2005-0329, KCP&L agrees to provide advanced copies of Requests for Proposals (RFP's) to Staff, OPC and the Parties to that case, provided the RFP is issued with the intent of adding resources beyond the resources included in the Regulatory Plan, case No. EO-2005-0329. Additionally, KCP&L also agrees to provide copies of such RFP's to Parties to the then current IRP case, subject to the Commission's rules on access to confidential information.

MISCELLANEOUS PROVISIONS

1. KCP&L's agreement to take any particular action or to provide any particular analysis in its next IRP filing does not constitute an admission on the part of KCP&L that its 2008 filing contained any deficiencies.

2. The Staff may file suggestions, a memorandum or other pleading in support of this Agreement and any of the Parties shall have the right to file responsive suggestions, memorandum or other pleading in response.

3. None of the Parties shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence that may underlie this Agreement, or for which provision is made in this Agreement.

4. This Agreement represents a negotiated settlement. Except as specified herein, the Parties to this Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement in the instant proceeding, or in any way condition its approval of same.

5. The provisions of this Agreement have resulted from extensive negotiations between the parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, it shall be void and none of the Parties shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof, unless otherwise agreed to by the Parties.

6. If approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Parties. The Parties shall cooperate in defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

7. This Agreement does not constitute a contract with the Commission. Acceptance of this Agreement by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has. Thus, nothing in this Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

8. If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void thereon, neither this Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any party has to a hearing on the issues presented by the Agreement, for cross-examination, or for a decision in accordance with Section 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the parties shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any suggestions, memoranda, testimony or exhibits that have been offered or received in support of this Agreement shall thereupon become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever, unless otherwise agreed to by the Parties.

9. In the event the Commission accepts the specific terms of the Agreement, the Parties waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. This waiver applies only to a Commission Order Approving this Agreement issued in this proceeding, and does not apply to

any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement.

10. For the foregoing reasons, the Parties respectfully request that the Commission issue an order approving the terms and conditions of this Agreement.

Respectfully submitted,

/s/ Curtis D. Blanc

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Dated: April 9, 2009

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on all counsel of record either by electronic mail or by first class mail, postage prepaid, on this 9th day of April 2009.

/s/ Curtis D. Blanc

Curtis D. Blanc