Public Version
** [redacted] ** designates confidential information

THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

In the Matter of the Application of Kansas City Power & Light Company for Approval To Implement a Portfolio of Demand Side Management Programs Including Affordability, Energy Efficiency, Demand Response and Educational Programs, and to Implement a Rider for Recovery of Program Costs and Incentives Associated with this Portfolio	) Docket No. 10-KCPE-795-TAR

DIRECT TESTIMONY

OF

STACEY HARDEN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

PUBLIC VERSION

[redacted] ***DESIGNATES CONFIDENTIAL***

INFORMATION HAS BEEN REMOVED

October 15, 2010

TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Stacey Harden and my business address is 1500 SW Arrowhead Road, Topeka, KS 66604-4027.

Q. By whom and in what capacity are you employed?

A. I am employed by the Citizens' Utility Ratepayer Board ("CURB") as a Regulatory Analyst.

Q. Please describe your educational background?

A. I received a Bachelors Degree in Business Administration from Baker University in 2001. I received a Masters Degree in Business Administration from Baker University in 2004.

Q. Please summarize your professional experience.

A. I joined the Citizens' Utility Ratepayer Board as a Regulatory Analyst in February 2008. Prior to joining CURB, I was the manager of a rural water district in Shawnee County, Kansas for five years. I am currently an adjunct faculty member at Friends University, where I am an undergraduate instructor in business and accounting courses such as Data Development and Analysis, Financial Decision Making, Fundamental Financial Accounting Concepts, Financial Reporting of Debt & Equity, and Managerial Statistics.

Q. Have you previously testified before the Commission?

A. Yes. I previously offered testimony in KCC Docket Nos. 08-WSEE-1041-RTS, 10-KGSG-421-TAR, 10-EPDE-497-TAR, 10-BHCG-639-TAR, 10-SUBW-602-TAR, and 10-WSEE-775-TAR.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. On June 11, 2010, Kansas City Power & Light Company ("KCPL " or "company") filed an application with the Kansas Corporation Commission ("KCC" or "Commission") seeking:

- approval of its Portfolio of Demand Side Management ("DSM") programs, including Affordability, Energy Efficiency ("EE"), Demand Response ("DR"), and Educational programs,
- approval of a new cost recovery mechanism, and
- approval of a performance incentive mechanism.

In my testimony, I will evaluate KCPL's planned DSM portfolio of programs. In addition, my testimony will evaluate the company's program cost recovery mechanism as well as the proposed performance incentive mechanism. I will provide recommendations for consideration by the Commission. In my evaluation of the company's DSM portfolio of programs, cost recovery mechanism, and performance incentive mechanism, I will assess whether these programs and mechanisms conform to the recommendations of the Commission's June 2, 2008, *Order Setting Energy Efficiency Policy Goals* in Docket No. 08-GIMX-442-GIV

("442 Docket"), as well as the Commission's November 14, 2008, *Final Order Regarding Cost Recovery and Incentives for Energy Efficiency Programs* in Docket No. 08-GIMX-441-GIV ("441 Docket").

III. SUMMARY OF CONCLUSIONS

Q. Please summarize your conclusions and recommendations.

A. Based on my analysis of the Company's filing and other documentation in this case, my conclusions are as follows:

- the Commission should deny KCPL's request to increase the rebate awarded to homebuilders in the ENERGY STAR ® New Homes program, because the changes to the program are not supported with any evidence as to why the change is necessary,
- the Commission should consider reducing the budget for KCPL's MPower program, as KCPL has indicated that it no longer needs to procure additional peaking capacity,
- the Commission should require KCPL to charge a one-time administrative fee of $250 to participants that take out an Energy Saver loan,
- the Commission should require KCPL to charge a one-time administrative fee of $125 to customers that apply for the Energy Saver Loan program but then elect to not take our an Efficiency Kansas loan,
- the Commission should approve KCPL's Energy Saver Loan as a pilot program, that will expire in April 2012,

- the Commission should deny KCPL's forward looking cost recovery mechanism because the in the 441 Docket the Commission clearly indicated that cost recovery of energy-efficiency expenses should occur on a historical basis,
- the Commission should deny KCPL's performance incentive mechanism because the sharing percentage far exceeds what is reasonable and what it awarded for incentives in other states,
- the Commission should deny KCPL performance incentive mechanism because it is calculated using KCPL's estimates of net benefits and avoided costs which I believe are overatated,
- the Commission should deny KCPL's performance incentive mechanism because it will more than double the cost of its portfolio of DSM programs, and
- the Commission should deny KCPL's performance incentive mechanism because it does not conform to the Commission's guidelines in the 441 Docket.
- If the Commission decides to award KCPL with a performance incentive mechanism, it should not be awarded until actual energy savings from the energy-efficiency program must be verified through an independent EM&V and approved by the Commission, Staff and CURB, the verified actual energy savings obtained from the energy-efficiency program must meet a target performance level that was established by the Commission, and KCPL should awarded no more than 10% of the savings obtained

from the program, up to a predetermined cap established by the Commission.

IV. DISCUSSION OF THE ISSUES

A. Portfolio of Programs

Q. Please describe the company's DSM portfolio.

A. KCPL has requested Commission approval for a suite of residential and commercial and industrial ("C&I") demand side management programs, including affordability, energy-efficiency, demand response and educational programs.

The suite of affordability programs includes:

- Low Income Weatherization

The suite of residential energy-efficiency programs includes:

- Cool Homes – offers rebates for replacement of air conditioners
- ENERGY STAR® New Homes – provides rebates to homebuilders that construct homes meeting ENERGY STAR's ® standards
- Home Energy Analyzer – an online education tool
- Energy Saver Loan Program– through partnership with Efficiency Kansas

The suite of C&I energy-efficiency programs includes:

- Building Operator Certification
- C&I Rebate Program

- Prescriptive Energy-Efficiency Measures
- Custom Energy-Efficiency Measures
- Requests for Proposals

- Energy Saver Loan Program – through partnership with Efficiency Kansas
- Business Energy Analyzer – an online education tool

Demand Response programs include:

- Energy Optimizer (Residential and C&I) – an air-conditioner cycling program
- MPower (C&I) – an industrial curtailment program

Research programs include:

- Consumer Market Research Program

Q. What is the five-year budget for KCPL's proposed portfolio of programs?

A. The five-year budget for KCPL's portfolio of programs is $43.3 million.[1]

Q. What is the five-year budget for KCPL's proposed portfolio of programs including KCPL's proposed performance incentive mechanism?

A. With KCPL's proposed performance incentive mechanism, the five-year budget for its portfolio of programs is $89.8 million. However, this amount may fluctuate based upon KCPL's target savings threshold.

Q. What are your main concerns regarding KCPL's portfolio of programs?

A. I do not think that KCPL's proposal to spend almost $90 million of consumers' money will generate meaningful, cost-effective results for consumers.

Q. What is the stated Commission goal for energy efficiency programs?

A. In the 442 Docket, the Commission indicated that "(e)nergy efficiency programs should be used as a resource to moderate bill increases that are likely to be caused as utilities build new generation, implement environmental requirements and invest in additional transmission assets."[2]

Q. Will KCPL's portfolio of programs moderate bill increases due to new generation?

A. No. KCPL has just completed a large capital construction program, including the environmental upgrades to Iatan I and the construction of Iatan II. As a result of the new generation constructed at Iatan II and other capital projects, KCPL's Kansas customers have seen electric rates increase each year for the past four years. KCPL is now seeking Commission approval for an aggressive portfolio of energy-efficiency programs, purportedly intended to reduce energy consumption, but in reality, fails to eliminate the need for future generation.

[1] Direct Testimony of Kevin Bryant at page 8.
[2] 442 Order following @ 187.

Q. With Iatan II now on line, does KCPL need any additional generation in the near future?

A. No.

Q. If the Commission rejects KCPL's portfolio of programs and KCPL stops offering DSM programs in Kansas entirely, when will KCPL need to add new generation to its system?

A. According to the Company's response to CURB Data Request No. 15, assuming that no existing generating plants are retired, KCPL predicts that it would become capacity-deficient in 2021 and would consider adding additional generation resources in 2023 if no DSM programs were to be offered in Kansas.[3]

Q. If the Commission approves KCPL's portfolio of programs as presented in its application, when will KCPL need to add new generation to its system?

A. According to the Company's response to CURB Data Request No. 16, assuming that no existing generating plants are retired, KCPL predicts that it would become capacity-deficient in 2022 and would consider adding additional generation resources in 2025.[4]

10

10

Q. So, twelve years in the future, KCPL's portfolio of DSM programs, which will cost almost $90 million over five years, will delay the construction of future generation only two years?

A. Yes.

Q. What is the benefit to customers of delaying new generation for two years, twelve years in the future?

A. The benefit to consumers is simply the time value of money gained from delaying the construction of a new plant from 2023 to 2025. For example, KCPL must add new generation in 2023, but it could wait until 2025 with the successful implementation of the proposed energy-efficiency programs. If we assume the construction of a new plant will cost KCPL $100 million in 2023 or $100 million in 2025, the only benefit to consumers is the time value of moving a $100 million expenditure from 2023 to 2025. Using the hypothetical example of spending $100 million on new generation in 2023, at KCPL's discount rate of **[redacted]**, the value of delaying construction until 2025 is only $5.3 million.[5] However, it should be noted that the actual financial benefit to consumers would be the difference in the revenue requirement impact of building a new generating plant in 2023 versus building a new generating plant in 2025. The revenue requirement impact is likely less than the $5.3 million in present value terms.

---

[3] KCPL response to CURB Data Request No. 15.
[4] KCPL response to CURB Data Request No. 16.
[5] The present value of $100,000,000 using KCPL's discount rate of **[redacted]%** in 2023 is $38,215,926. The present value of $100,000,000 using KCPL's discount rate of **[redacted]%** in 2025 is $32,959,020. The difference between the two values is $5,256,906.

Q. **How did KCPL calculate its avoided costs?**

A. KCPL used the levelized cost of a combustion turbine ("CT") from the 2009 Greater Missouri Operating Company ("GMO") Integrated Resource Plan ("IRP") to determine an avoided capacity cost of **[redacted]**. In addition, KCPL's avoided costs include **[redacted]** associated with the expansion of its transmission and distribution system that could be avoided with the successful implementation of DSM programs. And finally, KCPL's calculations include an avoided energy charge that is determined from an hourly forecast of energy market clearing prices as developed by KCPL's MIDAS™ market model.

Q. **Do you believe that the avoided costs used in KCPL's net benefit calculation is overstated?**

A. I believe that KCPL's avoided cost calculation includes **[redacted]** as if KCPL could avoid building a CT entirely, which is inconsistent with the company's forecasted need to construct a CT 2023 or 2025. As explained before, KCPL does not avoid the cost of building a CT, but merely saves the time value of money of delaying the construction two years. Thus if KCPL is including the avoided cost of constructing a new CT in its analysis, rather than just the time value of money difference, then KCPL's estimates of avoided costs are overstated.

Q. The above point aside, is KCPL's **[redacted] overstated?**

A. Yes. KCPL evaluates its portfolio of programs using an avoided capacity cost of **[redacted]**, which was obtained from GMO's 2009 IRP. However, in KCPL's 2008 IRP filed in Missouri, KCPL estimated its avoided capacity costs as **[redacted]**, which was calculated in part from a 2007 Aquila Request for Proposal response to construct CT generation.[6]

Q. Does KCPL indicate why it chose to use the avoided capacity costs from GMO's IRP as opposed to the avoided capacity costs from KCPL's 2008 IRP?

A. No. However, because the structure of KCPL's performance incentive mechanism is based upon the level of net benefit, KCPL may be motivated to inflate the avoided costs of its portfolio of programs, which would in turn increase the financial rewards KCPL is allowed to receive.

Q. Which estimate of avoided capacity costs is accurate – GMO's 2009 IRP estimate or KCPL's 2008 estimate?

A. Without performing an independent investigation of the inputs of avoided capacity costs, I cannot conclude that either estimate is accurate. However, the **[redacted]** avoided capacity costs in KCPL's 2008 IRP is closer to the avoided capacity costs utilized by Staff in its analysis of Westar's SimpleSavings program application.

Q. What did Staff utilize for avoided capacity costs in its analysis of Westar's SimpleSavings program ?

A. Staff assumed an avoided capacity cost of $57 per kW-Yr in its analysis of Westar's SimpleSavings program.[7]

Q. How did Staff determine the avoided capacity cost of $57 per kW-Yr?

A. This is the average levelized cost of Westar's recently constructed Emporia Energy Center.

Q. If KCPL is overstating avoided costs in its application, what is the impact to consumers?

A. As part of its application, KCPL is requesting an incentive mechanism that would allow it to keep 50% of the present value of the forecasted avoided cost stream over the life of the DSM measures. In some instances, that forecast is for 15 to 20 years in the future. If KCPL is overstating avoided costs, then under KCPL's proposal, customers will be overpaying today for benefits that will never show up.

Q. Even though KCPL's programs have very little impact on capacity needs, will KCPL's proposed DSM programs save fuel by decreasing consumption?

A. Yes. However, the most expensive fuel KCPL uses is natural gas, which is currently at a very low price. While there is always uncertainty in the forecast of

---

[6] KCPL Response to KCC Staff Data Request No. 17.
[7] Direct Testimony of Michael Deupree, Docket No. 10-WSEE-775-TAR

natural gas prices, in this instance, with natural gas prices so low, the Commission should take a careful look at the programs KCPL is offering to see if the programs will truly save consumers money.

Q. Does KCPL's application make sense considering the Commission's order in the 442 Docket?

A. No. The Commission's order in the 442 clearly indicated that energy-efficiency programs should be viewed as a resource to help delay the considerable expense associated with constructing new generation. KCPL claims its portfolio of programs will result in a sizeable decrease in energy and demand consumption, but evidence shows only a slight delay in the need for new generation twelve years from now and a moderate reduction in the use of natural gas, which is currently at very low cost.

A-2. ENERGY STAR® NEW HOMES

Q. Please discuss KCPL's proposed ENERGY STAR® New Homes program.

A. KCPL's proposed ENERGY STAR® New Homes Program provides a $2,000 rebate to home builders for each home that is constructed to meet the ENERGY STAR® requirements. Both single-family and multi-family homes are eligible for the ENERGY STAR® New Homes Program rebate. Builders can receive the $2,000 rebate multiple times annually, up to $150,000 per builder, per development.

Q. Does KCPL currently offer an ENERGY STAR® New Homes Program?

A. Yes. KCPL received Commission approval for its ENERGY STAR® New Homes Program in Docket No. 08-KCPE-848-TAR on November 14, 2008. In its current program, home builders are eligible for an $800 rebate for the construction of an ENERGY STAR® rated new home and an additional $750 rebate to help offset the Home Energy Rating System ("HERS") inspection costs.

Q. Is KCPL proposing changes to the ENERGY STAR® New Homes Program?

A. Yes. KCPL has proposed increasing the rebate incentive paid to builders from $800 per home to $2,000 per home. As part of the proposed change, KCPL's ENERGY STAR® New Homes Program would no longer offer a $750 HERS rebate. However, despite eliminating the $750 HERS rebate, home builders would be eligible for a larger rebate than they are through KCPL's current ENERGY STAR® New Homes Program.

Q. Do you recommend the Commission approve the increased rebate in KCPL's ENERGY STAR® New Homes Program?

A. No I do not. KCPL does not offer any supporting data or assumptions that support increasing the rebate provided to home builders from $750 and $800 to $2,000. Additionally, KCPL's ENERGY STAR® New Homes Program was just approved by the Commission in November 2008 and has not yet completed an evaluation, measurement and verification ("EM&V") of the program's performance. It is premature to make changes to this program without support for the change.

A-3. MPOWER PROGRAM

Q. Please discuss KCPL's MPower program.

A. KCPL's MPower program is a demand response program offered to large C&I customers. Through this program, large commercial and industrial customers can contract with KCPL to curtail their usage during summer months when high electric demand occurs in exchange for an incentive payment.

Q. What is the status of KCPL's MPower program today?

A. KCPL stopped taking new MPower contracts on July 22, 2009. Customers who are interested in joining the program are being put on a waiting list and will be taken into the program on a first-come, first-serve basis when the program is re-opened to new contracts.

Q. Why did KCPL place a moratorium on its MPower program in July 2009?

A. KCPL imposed a moratorium on new MPower contracts because "peak electric demand has declined significantly as a result of the economic downturn."[8] In its response to Staff Data Request No. 32, KCPL further elaborated that the decision to impose a moratorium on new MPower contracts was "driven by the fact that the slowing economy had greatly reduced electric demand, and therefore had reduced the need to procure additional peaking capacity ... KCP&L plans to life the moratorium when electric demand begins to increase again, but is unable to say when this will occur, as it is primarily driven by economic conditions."[9]

Q. What is the five-year budget for the MPower program?

A. KCPL estimates the five-year budget for its MPower program to be $7,351,500.

Q. What portion of the five-year budget is intended to honor current MPower contracts, as opposed to incentives for new MPower contracts?

A. It is unclear from KCPL's application what portion of the estimated $7,351,500 budget is reserved for current MPower contracts as opposed to new MPower contracts.

Q. What is your recommendation to the Commission regarding KCPL's MPower program?

A. If KCPL no longer needs to procure additional peaking capacity, then the MPower program seems unnecessary. The Commission should consider whether it makes economic sense to offer a program that is designed to reduce peak, when KCPL no longer needs to secure additional peaking capacity. At minimum the budget must be reduced to a reasonable forecast of the amount of money necessary to pay only existing MPower contracts.

---

[8] Direct Testimony of Allen Dennis, Exhibit ADD-3, at page 24.
[9] KCPL response to Staff Data Request No. 32.

A-3. ENERGY SAVER LOAN PROGRAM

Q. Please discuss KCPL's Energy Saver Loan program.

A. KCPL's Energy Saver loan program is a portal for customers to access Efficiency Kansas funding for energy-efficiency home improvements. KCPL customers will receive funding for their home improvement projects through the Efficiency Kansas program, as a result of their participation in KCPL's Energy Saver loan program.

Q. Please describe KCPL's application to become an Efficiency Kansas partner utility.

A. KCPL is seeking approval to become a partner utility in the Efficiency Kansas program. The Efficiency Kansas program is a revolving loan fund that was established in July 2009 by the Kansas Corporation Commission to facilitate energy conservation and efficiency improvements in existing Kansas homes and small businesses. Operated by the State Energy Office ("SEO"), a division of the KCC, Efficiency Kansas was funded with approximately $34 million in federal economic stimulus dollars, which were authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). Under the program, the utility serves as a conduit between the KCC, which is providing the loan, and the customer receiving the loan.

If KCPL becomes an Efficiency Kansas partner utility, KCPL customers may receive an Efficiency Kansas loan through the Energy Saver loan program. Using the Energy Saver program, customers will be able to access Efficiency

Kansas funding by contacting KCPL and completing several steps, including a home energy audit, completion of a conservation plan, and installation of approved, cost-effective energy-efficiency measures. The customers will then agree to repay the principal amount of the loan and additional administrative fees through a line item on their monthly KCPL bill. KCPL will then remit the corresponding customer payment to the State Energy Office.

KCPL is seeking approval to become a full participant in the Efficiency Kansas program under Option 1 of the Efficiency Kansas manual dated November 12, 2009. Efficiency Kansas has two options for partner utilities:

- Option 1: In this option, the utility will initially receive funds from the KCC to provide loans to ratepayers, on a regular monthly schedule, only after the State Energy Office has received a signed Certificate of Project Completion for each project. With regard to loan repayment, under Option 1, the utility is responsible for submitting monthly payment to the KCC only upon receipt of payment from the customer. In the event that customers fail to make their monthly payment of the program charge, the utility will be expected to make every effort to collect payment of delinquent program charges. At such time as the utility determines that it has exhausted its means of collection, the utility will notify the SEO and submit the "Verified Statement" form, as stipulated in the Memorandum of Agreement, at which time the KCC will assume the collection process for the defaulted Efficiency Kansas loan.

- Option 2: If utilities select this option, they will receive initial funds from the KCC to make the loans earlier in the process—upon approval of the Energy Conservation Plan by the State Energy Office. With regard to repayment, unlike Option 1, under Option 2, the utility is responsible for submitting monthly payment to the KCC, regardless of whether the customer has paid the utility bill. In the event of nonpayment by the customer, the utility will still remit payment to the KCC until the full cost of the approved project has been repaid. The utility will be responsible for collection from customer and can request recovery of bad debts in a regular rate case; such recovery may or may not be approved by the Commission.

Q. Do you have any general concerns about KCPL's application to become an Efficiency Kansas partner utility?

A. Yes. I have three general concerns. First, I am concerned about how the Efficiency Kansas loan program is being communicated to KCPL customers. Specifically I am concerned that KCPL customers may not fully understand the following issues:

- An Efficiency Kansas loan may result in a customer's KCPL bill being higher than it currently is. This is because an Efficiency Kansas loan is based upon the home's total energy savings – not just the savings obtained on their KCPL bill. A customer that obtains an Efficiency Kansas loan to complete energy-efficient home improvements will see an overall reduction in their KCPL electric service, as well as the home's natural gas, propane, or other heating supply. When the Efficiency Kansas loan payment is added to the customer's KCPL bill, it is likely that the KCPL bill will actually be more than it was before, because a portion of the home's total energy savings will occur on the customer's natural gas or propane heating bill.

- The Efficiency Kansas loan is based upon energy savings at current energy rates. Customers that receive Efficiency Kansas loans to complete energy saving home improvements will not avoid any future rate increases from KCPL or other utilities. While future rate increases may have a smaller impact for customers who have completed energy efficiency home improvements, the price of the electricity and natural gas that the customer does consume, may increase in price, causing an increase in the customer's utility bills.

The Commission should proactively address these communication issues, prior to allowing KCPL to become an Efficiency Kansas partner utility.

Second, I am concerned that KCPL's application fails to address billing and customer service issues. KCPL did not sign and file a Memorandum of Agreement ("MOA") with the KCC to participate in the revolving loan services of Efficiency Kansas as part of its application. In addition, KCPL did not indicate that it has signed an MOA. The MOA serves not only as an agreement between the KCC and the utility, but also requires the utility to provide a certain number of services related to the Efficiency Kansas loan program.

However, even a signed and filed MOA may not adequately address all my concerns relating to KCPL customers that participate in the Efficiency Kansas program. While the Efficiency Kansas program manual and the MOA provide some explanations for customer service issues, it is my opinion that there are more issues that require Commission attention, prior to allowing KCPL to become an Efficiency Kansas partner utility. These issues include:

- Will a customer be subject to late fees and eventually disconnection of service even if that customer is able to pay the amount of their home's electric service, but is unable to pay the Efficiency Kansas portion of their bill?
- If a customer pays an additional $25 on their monthly bill – will that $25 be applied to the customer's upcoming KCPL electric bill, or will it be applied to the principal balance of their Efficiency Kansas loan?
- How will the cold-weather rule, level payment plans, and other payment agreements be affected by the addition of an Efficiency Kansas loan payment to a customer's bills?

These billing and customer service issues are basic areas of concern for customer service issues that should be resolved by the Commission prior to allowing KCPL to become an Efficiency Kansas partner utility.

Finally, I am concerned that KCPL's customers may be paying the administrative costs for a program that may cease to exist in the near future. The Efficiency Kansas revolving loan program is funded through federal ARRA funds, which must be spent by April 2012. While the SEO feels confident that all ARRA funds will be disbursed through the Efficiency Kansas program before the April 2012 deadline, it has presented contingency plans to the Commission in the event that the SEO must deplete the ARRA funds quickly. These contingency plans show that there is a real possibility that a large sum of ARRA funds – initially intended for the Efficiency Kansas revolving loan program – will be distributed to other programs, thereby decreasing the availability of funds in the Efficiency Kansas loan program and making KCPL's participation unnecessary.

Q. What is the five-year budget for KCPL's Energy Saver loan program?

A. The five-year budget for KCPL's Energy Saver Loan program is $1,060,500. This budget includes $584,400 for the administration of the program, $350,000 for marketing the program and $76,100 for program delivery expenses.

Q. Will participants in the Energy Saver Loan program be required to pay an administrative fee to KCPL?

A. No. KCPL will not require participants in the Energy Saver Loan program to pay any administrative fee to KCPL. KCPL will recover all expenses associated with its Energy Saver Loan program as part of the company's proposed demand side management rider ("DSM Rider").

Q. Do other utilities charge an administrative fee for customers that receive an Efficiency Kansas loan?

A. Yes. Currently only one regulated utility – Midwest Energy, Inc ("Midwest") – is an Efficiency Kansas partner utility. Midwest offers Efficiency Kansas funding to its customers through its How$Mart® Program. As part of this program, Midwest may add up to five (5) percent of the cost of proposed projects as bid by contractors or vendors – for a typical loan of $5,500, the fee is $275 – to offset How$mart® program costs.[10] In addition, Westar Energy, Inc ("Westar") currently has an application before the Commission for approval to become an Efficiency Kansas partner utility. As part of its application, Westar has proposed charging a $240 administrative fee for customers wishing to access Efficiency Kansas funding through Westar.[11]

Q. Did CURB support the administrative charge proposed in Westar's application to become an Efficiency Kansas partner utility?

A. Yes. CURB supported the inclusion of a $250 administrative fee for customers who wish to access Efficiency Kansas funding through a partner utility. Additionally, I recommended that Westar charge a $125 fee to customers that begin the process to receive Efficiency Kansas funding, but then decided not to make the energy-savings improvements to their homes.

~~25~~
25

Q. Do you support KCPL charging an administrative fee to its customers that participate in the Energy Saver Loan program?

A. Yes. KCPL's Energy Saver Loan program is similar to Midwest's How$Mart program and Westar's proposed SimpleSavings program. Because these programs are managed and operated by the SEO, there should be some level of continuity between each partner utility's programs. It is my opinion that participants who choose to access Efficiency Kansas funding through KCPL's Energy Saver Loan program should be required to pay a one-time administrative fee to help offset the costs to administer the program in a similar way that Midwest's customers and Westar's customers do.

Q. What would be an appropriate administrative fee for customers that take out an Efficiency Kansas loan through KCPL's Energy Saver Loan program?

A. KCPL has estimated it will cost $1,060,500 to offer its Energy Saver Loan program for five-years. KCPL has further estimated that 3,800 customers will participate in the program during the same five years. Using simple math, the estimated cost for KCPL to offer its Energy Saver Loan program to 3,800 participants is approximately $279 per participant. This estimate is in-line with the current administrative fee charged by Midwest and the administrative fee proposed by Westar in the 10-WSEE-775-TAR Docket. Keeping consistent with my recommendations in Westar's SimpleSavings program, it is my recommendation that KCPL charge a one-time administrative fee of $250 to

[10] Docket No. 11-MDWE-023-TAR
[11] Docket No. 10-WSEE-775-TAR

customers that take out an Energy Saver Loan. Additionally, KCPL should charge a one-time $125 administrative fee for customers that apply for the Energy Saver Loan program but then elect to not take our an Efficiency Kansas loan.

Q. What is your recommendation to the Commission about KCPL's proposed Energy Saver loan program?

A. I recommend the Commission approve KCPL's application to become an Efficiency Kansas partner utility with the following changes:

- KCPL should charge a one-time administrative fee of $250 to participants that take out an Energy Saver loan,
- KCPL should charge a one-time administrative fee of $125 to customers that apply for the Energy Saver Loan program but then elect to not take our an Efficiency Kansas loan, and
- KCPL's Energy Saver Loan program be approved as a pilot program, that will expire in April 2012.

Q. Why do you recommend the Energy Saver Loan program expire in April 2012?

A. As previously discussed, the Efficiency Kansas revolving loan program is funded through federal ARRA funds, which are required to be spent by April 2010. While the SEO feels confident that all ARRA funds will be disbursed through the Efficiency Kansas program before the April 2012 deadline, there is a real possibility that a large sum of ARRA funds – initially intended for the Efficiency

Kansas revolving loan program – will be distributed to other programs, thereby decreasing the availability of funds in the Efficiency Kansas loan program. The Commission should conduct a review of KCPL's Energy Saver Loan program in April 2012, to determine if it makes economic sense to continue operating a program that may have limited funding.

Q. Do you have any final comments regarding KCPL's proposed portfolio of programs?

A. Yes. I did not specifically address KCPL's proposed Low-Income Weatherization, Cool Homes, Home Energy Analyzer, Building Operator Certification, C&I Rebate, Business Energy Analyzer, Energy Optimizer, Consumer Market Research, or Education programs. However, my concerns about avoided cost calculations and net benefit calculation applies to these programs as well. However, my lack of comments concerning these programs should not construe as support for the programs in any way.

A-5. BUDGET CONCERNS

Q. What are your concerns regarding the budget for KCPL's portfolio of DSM programs?

A. KCPL's proposed portfolio of DSM programs has a direct program budget of $43.3 million for five years. That is more than double what KCPL has spent since 2005 for a similar portfolio of programs in Kansas.[12]

Q. Is KCPL making substantial changes to its portfolio of programs that could account for the increased budget?

A. No. KCPL is making small adjustments to its Cool Homes, ENERGY STAR® New Homes, MPower, Energy Audit and Energy Savings Measures Rider, and the Energy Optimizer programs. In addition, KCPL is removing the Affordable New Homes program from its portfolio and adding the Energy Saver Loan program. However, none of the changes made to existing programs are substantial enough to account for the portfolio's overall budget doubling.

Q. Why is the budget for KCPL's portfolio of programs doubling?

A. It is unclear from KCPL's application why the budget for its portfolio of programs is doubling. KCPL simply states that it is planning to more aggressively promote DSM programs in the future than it had in the past.

Q. Do you have a concern regarding individual program budgets for KCPL's portfolio of programs?

A. Yes. KCPL indicates that "specific annual budget amounts not be included in the tariffs themselves as the spend for these programs, and any associated audit by Staff or Staff's EM&V consultant, will be addressed as part of the DSM Rider …"[13] I am concerned that without individual programs budgets, approved by the

[12] Direct Testimony of Curtis Blanc at page 7.
[13] Direct Testimony of Allen Dennis, at page 14.

Commission, that KCPL may improperly allocate more funds to certain programs, while not allocating funds to another.

Q. Why is important that KCPL's programs operate within an approved budget?

A. As part of its application, KCPL has requested approval of a performance incentive mechanism, which I will discuss later in my testimony. Because KCPL ultimately has control over the amount of money expended for individual programs, if KCPL is allowed to pick and choose where energy-efficiency dollars are spent, the natural inclination would be to put more money into those programs that garner the highest financial award. The program budgets that are approved by the Commission should be set until such time as KCPL formally requests a change to the budget.

Q. In the 441 Docket, did the Commission approve a level of flexibility in program budgets?

A. Yes. The Commission stated:

> "believes granting a utility flexibility to adjust a program's budget up to 10%, based on the program's initial budget (or subsequent budget approved by the Commission in a two-year review or other proceeding) is appropriate as it should permit utilities to more quickly adjust to changing circumstances. Utilities should submit a report to Staff, the Commission, and other parties involved in the initial program approval or formal program review, if one has occurred, detailing why the deviation was made, providing up to date analysis of participation, and explaining how the change will be beneficial to customers."[14]

The Commission further elaborated that it "does not find budget changes in excess of 10% should be permitted outside of the normal filing and review process."[15]

Q. What is your recommendation to the Commission regarding KCPL's programs' specific budgets?

A. The Commission's order in this application should set each approved program's annual budget for each of the five years in KCPL's proposal. Then, under the Commission's order in the 442 Docket, KCPL may adjust the program's budget up to 10% without Commission approval if necessary. If KCPL needs to adjust a program's annual budget by more than 10%, it should submit a report to the Commission detailing why the budget change is necessary and why the change will be beneficial to customers.

B. Forward Looking Cost Recovery Mechanism

Q. Please describe KCPL's proposed forward looking cost recovery mechanism.

A. KCPL has requested Commission approval for a Demand Side Management Rider ("DSM Rider"). The DSM Rider will be calculated prior to January 1 of each year. As part of the calculation, KCPL will estimate the amount of money it will spend on its portfolio of programs for the upcoming year. KCPL will also calculate the estimated net benefit that will be achieved from its DSM portfolio of programs. Then, KCPL will estimate what its portion of the net benefit will be,

---

[14] KCC Docket No. 08-GIMX-442-GIV, *Order Following Collaborative*, April 13, 2009, at ¶181-182.
[15] KCC Docket No. 08-GIMX-442-GIV, *Order Following Collaborative*, April 13, 2009, at ¶181-182.

and will include it with the estimated program budget. In addition to the estimated program expenses and KCPL's portion of the shared net benefit, any amount of under-recovery or over-recovery from the previous year's DSM rider will also be included in the current year's DSM rider. The total sum of estimated program expenses – plus KCPL's portion of the shared net benefit, plus or minus the previous year's over-or-under recovery amount – will be divided by the projected kWh electric sales for the applicable class to determine the per kWh charge. Additionally, KCPL is also proposing to use the DSM Rider to collect the actual costs associated with its current portfolio of programs incurred from January 1, 2010 through June 30, 2011.

Q. KCPL already has an established mechanism to recover energy-efficiency expenses, so why is it requesting Commission approval of a new cost recovery mechanism?

A. KCPL contends that its current EE Rider creates a negative impact on earnings – so much so that it would be "better off financially, at least on a short term basis, to not offer demand side management programs or to offer them to a lesser extent."[16] KCPL explains that the current EE Rider results in an approximate 18-month lag between expenditure and cost recovery, without interest, and provides no financial incentive for KCPL to pursue DSM programs. In fact, KCPL insists that approval of a forward-looking cost recovery mechanism is necessary for the company to continue making an investment in and pursuing DSM programs.

Q. Do you agree with KCPL's assertion that a forward-looking cost recovery mechanism is necessary for investment in DSM programs?

A. No I do not. KCPL's history of investment in DSM programs in Kansas is evidence that DSM programs can be designed, administered and offered by utilities, without a forward-looking cost recovery mechanism. KCPL has been voluntarily offering a variety of DSM programs in Kansas since 2005. KCPL has continued to design and offer new programs, while increasing participation and investment in its DSM programs, without a forward looking cost recovery mechanism in place. It begs the question that if the current cost recovery mechanism is a substantial impediment to the implementation of DSM programs – as claimed by KCPL – then why has KCPL continued to increase its investment in DSM programs continued to increase during the past five years?

Q. Please describe how KCPL's current DSM Rider is calculated.

A. KCPL is currently allowed to collect actual expenses for its energy-efficiency programs through its EE Rider. In March of each year, KCPL adds up the actual expenses associated with its portfolio of programs that were incurred during the previous calendar year. These costs are reviewed for accuracy and if approved, are recovered on a per kWh basis over the next twelve months.

---

[16] Application, at page 13.

Q. In Kansas, are other energy efficiency cost recovery riders based on actual, historic costs?

A. Yes. Utilities in Kansas are permitted recovery of energy-efficiency expenses on a historical basis through an annual rider. Currently, KCPL is the only utility recovering expenses associated with its energy-efficiency programs through a Commission approved recovery mechanism. However, Westar has an approved recovery rider and recently requested Commission approval to begin collecting the actual, historic expenses associated with its suite of energy-efficiency programs.[17] Additionally, Empire District Electric Company ("Empire") recently received Commission approval to begin recovery of its actual energy-efficiency costs after they are reviewed by Staff and CURB and approved by the Commission – but the recovery mechanism is not yet in place.[18]

Q. Should KCPL be allowed to collect forecasted energy-efficiency program expenses in its DSM Rider?

A. No. The Commission's order in the 441 Docket clearly expresses its preference that a utility must first show that it is incurring significant program costs, which allows these expenses to be reviewed for prudence and cost-effectiveness, and then the utility may receive Commission approval for recovery of the expenses.[19] KCPL is requesting approval for just the opposite - using an estimated budget and estimated savings to calculate the amount of the surcharge. These calculations are

~~34~~

34

[17] Docket No. 11-WSEE-032-TAR.

highly dependent on the company's estimates of the numbers of customers who will participate in each program.

Q. Why is it preferable to recover actual energy-efficiency expenses, as opposed to collecting budgeted expenses?

A. Recovery of actual energy-efficiency expenses through a rider mechanism will allow the Commission the opportunity to review the expenses for prudence and accuracy, *before* the amount is collected from ratepayers. In its order in the 441 Docket, the Commission stated that a rider to recover energy-efficiency program expenses should be "implemented in a manner that maintains the Commission's responsibility to review costs for prudence."[20] Because a rider mechanism, as suggested by the Commission in the 441 Docket, allows a utility to receive "nearly contemporaneous" recovery of energy-efficiency costs, the utility's need for pre-payment of such expenses is lessened.

Q. KCPL suggests that its DSM Rider be given the same cost recovery treatment as the Energy Cost Adjustment ("ECA"). Do you agree that KCPL's DSM Rider should be structured like its ECA?

A. No, I do not.

[18] Docket No. 10-EPDE-497-TAR.
[19] Docket No. 08-GIMX-441-GIV, *Final Order,* November 14, 2008, at ¶15, 39-40.
[20] Docket No. 08-GIMX-441-GIV, *Final Order,* November 14, 2008, at ¶32.

Q. How is the ECA mechanism different than the DSM Rider?

A. There are several reasons, but the primary difference is the ECA is designed to collect fuel and energy costs, which are substantial and have the propensity to be unpredicatable from one year to the next. In some instances, these fuel and purchased power costs can be volatile enough to cause financial harm to the utility, and rate shock to customers.

The DSM Rider, on the other hand, is used to collect program and administration costs for energy-efficiency programs. These costs are dependent upon participation rates and other costs associated with the administration of the programs, but are generally not considered to be volatile, because the KCPL maintains administrative control over the programs and therefore has control of the program budgets. In addition, the expenses recovered through the DSM rider are not as substantial as expenses recovered through the ECA.

Q. What is your recommendation to the Commission regarding KCPL's proposed cost recovery mechanism?

A. I recommend the Commission deny the company's proposed cost-recovery mechanism. If the Commission decides to approve all or part of KCPL's portfolio of DSM programs, KCPL's current cost-recovery mechanism should be extended to collect the actual, historic costs expended for its portfolio of DSM programs.

C. Performance Incentive Mechanism

Q. Before discussing KCPL's proposed performance incentive mechanism, please discuss CURB's position on shared savings mechanisms?

A. In the 441 Docket CURB argued against awarding utilities with financial incentives to provide energy-efficiency programs to its customers. However, CURB recognizes that there may be value to utility sponsored energy-efficiency programs that can produce a level of verifiable savings to consumers. Because energy efficiency programs have the potential to create meaningful savings for consumers, CURB would not necessarily be opposed to a performance incentive mechanism that allowed for some level of savings between the utility and its customers.

Q. What type of performance incentive mechanism would CURB supoort?

A. CURB would support a shared savings mechanism, if it was designed to meet the following conditions:

- Actual energy savings from the energy-efficiency program must be verified through an independent EM&V and approved by the Commission, Staff and CURB.
- Before receiving a financial reward, the verified actual energy savings obtained from the energy-efficiency program must meet a target performance level that was established by the Commission.

- After verification of actual savings, the utility would be awarded a percentage (no more than 10%) of the savings obtained from the program, up to a predetermined cap established by the Commission.

Q. Can CURB support KCPL's proposed performance incentive mechanism?

A. No. CURB cannot support KCPL's application for a performance incentive mechanism for the following reasons:

- it allows the company to receive a financial reward before verifying whether any actual savings have occurred;
- it does not meet Commission established performance targets; and
- it requests 50% of the savings obtained through the company's portfolio of programs without a cap on the amount that can be recovered.

Q. Please describe KCPL's proposal for a performance-incentive mechanism.

A. KCPL's performance incentive mechanism is a hybrid between a performance target and a shared net benefits mechanism. It would award KCPL with a percentage of the forecasted net benefits that result from its portfolio of energy-efficiency programs, based upon how well the DSM and DR programs meet a target of energy savings.

Q. Explain how KCPL's performance-incentive mechanism would be calculated each year.

A. KCPL's performance incentives would be collected as part of the company's proposed DSM Rider. Each year, KCPL will project the budget for its portfolio of programs during the upcoming year. During this calculation, KCPL will make estimates regarding the level of participation and the level of savings that will be achieved from the programs. KCPL will then deduct the program budget from the amount of estimated benefits of the programs, of which KCPL would receive a percentage. The amount of revenues received by KCPL for its performance incentive mechanism would be reviewed annually, during the true-up of the DSM Rider.

Q. Should the Commission approve KCPL's proposed performance incentive mechanism?

A. No. The Commission should deny KCPL's proposed performance incentive mechanism for the following reasons:

- KCPL's performance incentive mechanism's sharing percentage far exceeds what is reasonable and what it awarded for incentives in other states,
- KCPL's performance incentive is calculated using KCPL's estimates of net benefits and avoided costs which I believe are overatated,
- KCPL's performance incentive mechanism will more than double the cost of its portfolio of DSM programs, and

- KCPL's performance incentive mechanism does not conform to the Commission's guidelines in the 441 Docket.

C-1. OTHER STATE POLICIES

Q. Do other states offer performance incentives to utilities for energy-efficiency programs?

A. Yes. According to the Edison Foundation's Institute for Electric Efficiency, there are currently twenty states that allow performance incentive mechanisms for electric efficiency. Nine states (Colorado, Connecticut, Kentucky, Maine, Michigan, New Hampshire, Rhode Island, Texas and Vermont) allow utilities to earn a percentage of program costs for achieving a set savings target. Six states (Arizona, California, Georgia, Hawaii, Minnesota, and Oklahoma) allow utilities to earn a share of the achieved savings. Three states (North Carolina, Ohio, and South Carolina) allow utilities to earn a percentage of the net present value of avoided costs. And two states (Nevada and Wisconsin) allow state to receive a bonus rate of return for achieving savings targets.[21]

Q. Does KCPL receive performance incentives in Missouri?

A. No. Missouri currently does not offer performance incentive mechanisms for energy-efficiency programs.

40

40

Q. Is KCPL's proposed performance incentive structure similar to performance incentives in other states?

A. No. KCPL is requesting a minimum of 42% of the net benefit from its EE programs and 21% from its DR programs, which **greatly** exceeds the rewards allowed in other states. For example, the Arizona Public Service is allowed to receive 10% of DSM program net economic benefits under a shared savings mechanism. In California, utilities can earn 12% of net benefits if the utility's energy-efficiency programs achieve more than 100% of the energy saving goal set by the California Public Utilities Commission. KCPL's request for a minimum of 42% and 21% of EE and DR net benefits, respectively, is clearly out of line with what other states offer.

Q. What is the percentage of net benefits that KCPL proposes to collect through its performance incentive mechanism?

A. The amount of incentives KCPL receives from its proposed performance incentive mechanism would be based upon the level of kWh savings achieved, compared to the energy savings target. KCPL has proposed the following targets and incentive levels for its DSM and DR portfolio:

---

[21] Edison Foundation's Institute for Electric Efficiency: State Energy Efficiency Regulatory Frameworks, January 2010.

DSM PROGRAM INCENTIVE					
		Low		High	Percent Earned
Tier 1	> =	120%			54%
Tier 2		80%		119%	50%
Tier 3		40%		79%	46%
Tier 4			< =	39%	42%

DR PROGRAM INCENTIVE					
		Low		High	Percent Earned
Tier 1	> =	120%			27%
Tier 2		80%		119%	25%
Tier 3		40%		79%	23%
Tier 4			< =	39%	21%

Q. So if KCPL's DSM programs achieve less than 39% of its target energy savings, KCPL shareholders still receive 42% of the net benefits?

A. Yes, that is correct.

Q. How else does KCPL's proposed performance incentive structure differ from performance incentives in other states?

A. KCPL's proposed shared savings mechanism does not include a cap on the amount of revenues that can be awarded, as is included in other states' performance incentive mechanisms. For example, in Hawaii, utilities may earn a percentage of savings between 1 – 5%, with the total incentive capped at $2 million. In New Hampshire, utilities can earn an incentive equal to 4% of the planned EE budget times the ratio of actual to planned energy savings savings. This incentive is capped at 12% of the planned budget. By comparison, KCPL's shared savings is over 100% of the five-year proposed program budget and contains no cap on the amount of revenues the company can collect through its performance incentive mechanism.

Additionally, KCPL's performance incentive mechanism would continue to provide rewards, even if actual savings do meet a minimum threshold. Simply put, KCPL's mechanism provides financial rewards, even if its portfolio of programs fails to achieve significant savings. This is contrary to the policies in other states like Massachusetts, where savings from energy-efficiency programs must meet the threshold level of 75% of target before a utility can earn a performance incentive. In Rhode Island the threshold performance level is 60% of projected savings, while in Michigan utilities must reach 125% of their savings goals in order to receive a performance incentive. In California, not only do utilities have to meet a minimum threshold of savings to earn a performance incentive, but if the utility cannot achieve savings of at least 65% of the goal, the utility must pay a penalty. KCPL's proposal to receive financial rewards even if its DSM portfolio of programs fails to achieve significant energy savings is clearly not in line with what the performance incentive mechanisms in other states.

Q. Would CURB support penalties for poor performance?

A. Yes. KCPL customers are providing dollar-for-dollar reimbursement for KCPL to offer its portfolio of DSM programs, and are therefore assuming all the risk associated with these programs. If KCPL is suggesting that customers provide KCPL shareholders a financial reward if its DSM programs are successful, it is my opinion that KCPL's shareholders should bear the risk of poor program performance.

C-2. CALCULATION OF NET BENEFITS

Q. How will KCPL determine the net benefits gained from its portfolio of DSM programs?

A. KCPL will calculate the net benefit gained from its portfolio of DSM programs as the difference between the estimated avoided costs of a program and the estimated program budget.

Q. How does KCPL determine the avoided costs of a program?

A. As I previously mentioned, KCPL used the levelized cost of a combustion turbine ("CT") from the 2009 Greater Missouri Operating Company ("GMO") IRP of **[redacted]**. In addition to avoided capacity costs, KCPL includes **[redacted]** for the expansion of its transmission and distribution system that could be avoided with the successful implementation of DSM programs. KCPL's calculations also include an avoided energy charge that is determined by market clearing prices as developed from KCPL's MIDAS™ market model. All of these assumptions are then entered into KCPL's Demand Side Management Option Risk Evaluator software ("DSMore"), which then provides cost-effectiveness and net benefit results.

Q. What are KCPL's estimates of the total avoided costs and net benefits from its portfolio of DSM programs?

A. KCPL has estimated that its EE programs will have avoided costs of **[redacted]** resulting in a net benefit of $87,069,546 over a five-year period. KCPL has further estimated that its DR programs have an avoided cost of ** [redacted] ** that results in a net benefit of $11,609,708 over a five-year period.[22]

Q. Can you say with confidence that KCPL's forecasted estimates of avoided costs and net benefits are accurate?

A. No.

Q. Why are you skeptical of KCPL's forecasted avoided costs and estimated net benefits?

A. KCPL's DSMore program is a highly technical and complicated program that calculates the utility's annual avoided costs and determines the cost-effectives of energy-efficiency measures. However, the DSMore model is only as accurate as its inputs – which are KCPL's estimates of avoided capacity, transmission, and the market forecasts generated by the MIDAS™ model.

Q. Do you agree with KCPL's calculation of net benefits?

A. No. As I discussed earlier in my testimony, it is my opinion that KCPL's estimates of avoided costs are greatly overstated. If KCPL is overstating its avoided costs, then the estimated amount of net benefits gained from a program are also greatly overstated.

45

45

[22] KCPL Response to CURB Data Request No. 17

Q. What is the effect of over stating avoided costs in the calculation of net benefits?

A. Overstating avoided costs will greatly overstate the net benefits of a program, which will in turn provide overstated financial rewards to the utility based upon inflated numbers. KCPL is asking customers to pay KCPL shareholders a portion of the forecasted net benefit today. If KCPL is over estimating the actual net benefit, the customers will be paying for benefits today that will never show up.

Q. What is your recommendation to the Commission regarding KCPL's method of calculating net benefits?

A. I recommend the Commission reject KCPL's proposed method of calculating net benefits. As I previously explained, KCPL's portfolio of proposed DSM programs will not avoid the construction of a new CT – KCPL will only delay the construction of a new CT by two years. However, KCPL is calculating the net benefits of its programs as if it were avoided a new CT entirely. This alone is greatly overstating the estimated net benefits associated with its portfolio of DSM programs. Further, if in the year 2023 it is determined that the actual net benefits from KCPL's portfolio of programs is much less than what was estimated in the year 2010, it will be extremely difficult to have KCPL pay back the financial rewards it received from customers in 2011.

C-3. BUDGET AND CONSUMER IMPACTS

Q. If the Commission approves KCPL's performance incentive mechanism as proposed, how much will KCPL recover in performance incentives?

A. Depending upon the performance of its DSM programs, as compared to the energy savings target, KCPL would be awarded between $39,007,248 and $50,152,176 for its proposed portfolio of programs. In Exhibit SMH-2 show the specific amount of performance incentives KCPL would be allowed to recover, depending upon estimated actual energy savings.

Q. Is it possible for KCPL to receive more from its performance incentive mechanism than is estimated in its application?

A. Yes. KCPL's proposed performance incentive mechanism is based on a percentage of net benefits achieved from its portfolio of DSM programs. If the price of natural gas or other fuels increases or if the market clearing energy prices increase, the amount of costs avoided by KCPL would also increase. Because avoided costs are used to calculate the net benefit, if one of many inputs into KCPL's estimates avoided costs increase, the amount of performance incentives KCPL receives will also increase.

Q. Did KCPL's application quantify the amount to be received through the shared savings performance incentive mechanism?

A. KCPL's application provides an annual average that KCPL would recover from its performance incentive mechanism. In his direct testimony, Chris Giles indicates that during the five-year period, KCPL would recover average annual recover of approximately $6.7 million and $0.6 million in performance incentives from its DSM and DR programs, respectively.[25]

Q. Is Mr. Giles' estimate of revenues collected through KCPL's proposed performance incentive mechanism accurate?

A. Not exactly. Mr. Giles accurately provided an average of the amount that KCPL would recover during the five years of KCPL's portfolio of programs. However, Mr. Giles did not address what the estimated total amount of performance incentives will be for KCPL. This is a significant difference because KCPL has proposed collecting each year's performance incentives – for EE programs – over a three-year period. At the end of KCPL's five year portfolio of programs, KCPL would still need to recover 1/3 of the performance incentive revenues from each of years four and five, and the final 1/3 of performance incentive revenue from year five during year seven. Based upon KCPL's estimates of achieving 80% of its target savings goals, on average, KCPL would be awarded a financial incentive each year of $9,287,440. Mr. Giles' simple average of how much is collected during each year is misleading and considerably understates the actual amount KCPL would be allowed to recover through its performance incentive mechanism.[26]

[25] Direct Testimony of Chris Giles, at page 10.
[26] KCPL Response to CURB Data Request No. 17.

Q. What else did Mr. Giles say regarding the calculation of KCPL's performance incentive mechanism?

A. Mr. Giles states that KCPL will recover average annual revenue of $6.7 million from the implementation of its energy efficiency programs. Mr. Giles then further elaborates that "This amount is representative of what the Commission has termed the throughput incentive and a minimal profit for KCP&L. The proposed shared benefits is dependent on the approval by the Commission of the proposed new present value of benefits calculation in this proceeding. In other words, if the method of calculating the net present value of benefits changes, then the resulting shared benefits (percentage) must change so that KCP&L would still recover approximately $6.7 million per year."[27]

Q. Is Mr. Giles suggesting that KCPL wants to receive $6.7 million per year in performance incentives, no matter what?

A. Yes. Mr. Giles clearly expresses that if the Commission approves a different method of calculating the net benefits of an energy-efficiency program, then KCPL would need to change the percentage of net benefits it is allowed to receive so that it would still receive $6.7 million per year.

Q. Based on Mr. Giles statement, is KCPL proposing a performance incentive mechanism to promote effective energy-efficiency programs?

A. No. It is clear from Mr. Giles' statements that KCPL believes it should be rewarded with $6.7 million annually, no matter how effective its programs are at achieving measurable energy savings.

Q. Do you think the amount to be recovered through KCPL's proposed performance incentive mechanism is appropriate?

A. Absolutely not. KCPL's performance incentive mechanism has the potential to reward KCPL with more money than it spends on its portfolio of programs. KCPL's estimate of earned performance incentive indicates that KCPL expects its portfolio of programs to achieve somewhere between 80% - 119% of its energy savings goals. If the Commission accepts that estimate, KCPL would be allowed to recover $46,437,200 from its performance incentive mechanism. This is over $3,000,000 more than the estimated program budget of $43.3 million – or roughly **107% return on investment**.

Q. What impact will KCPL's proposed performance incentive mechanism have on rates?

A. The proposed performance incentive mechanism will have a large impact on rates. In fact if KCPL is rewarded with 50% of the net benefits from its EE programs and 25% of the net benefits from its DR programs, the proposed DSM Rider for

---

[27] Direct Testimony of Chris Giles at page 10.
[29] Docket No. 08-GIMX-441-GIV, *Final Order*, November 14, 2008, at ¶94.

residential customers would increase from $0.00175 per kWh in year five – which is simply the estimated program costs – to 0.00378. This is an increase of 116%. Exhibits SMH-3 and SMH-4 show that by the fifth year of KCPL's portfolio of DSM programs, an average residential customer will be paying $4.34 a month – or $52 annually – for KCPL's portfolio of DSM programs.

C-4. COMPLIANCE WITH 441

Q. Did the Commission consider performance incentive mechanisms in the 441 Docket?

A. Yes. The Commission acknowledged that it "is reluctant to provide additional incentives, resulting in increased costs to customers, for energy efficiency programs."[29] However, the Commission suggested that it would consider performance incentive mechanism applications and further indicated that it would evaluate whether a performance incentive plan:

- is likely to increase the utility's investment in the energy efficiency program;
- whether the incentive plan is compatible with the interests of utility ratepayers and other interested parties; and
- whether the incentive plan ties the incentive to the utility's performance in achieving Commission-set goals.[30]

Q. Will KCPL's performance incentive mechanism result in increased costs to customers, for energy-efficiency programs?

A. Yes. As previously discussed, KCPL's proposed performance incentive mechanism has the potential to more than double the cost of KCPL's portfolio of programs. If it becomes extremely profitable for KCPL to spend customer money while risking none of its own, we can presume KCPL will increase spending on energy-efficiency programs.

Q. Will KCPL's performance incentive mechanism increase the utility's investment in the energy efficiency program?

A. It is unclear whether or not KCPL's performance incentive mechanism will increase investment in energy-efficiency programs. However, it should be noted that KCPL is not investing any shareholder money into its portfolio of programs – it is given dollar-for-dollar reimbursement of all expenses associated with its portfolio of programs for ratepayers. If KCPL decided to increase the level of investment in energy-efficiency programs, this would simply flow through as an increased cost to its customers.

Q. Is KCPL's performance incentive plan compatible with the interests of utility ratepayers and other interested parties?

A. No. KCPL's performance incentive mechanism will be a windfall financially for KCPL's shareholders, but does not provide the same financial benefits for its

[30] Docket No. 08-GIMX-441-GIV, *Final Order,* November 14, 2008, at ¶110.

customers. As previously discussed in my testimony, KCPL customers are currently paying the costs associated with the recent upgrades and construction of Iatan I and II. All expenses associated with KCPL's portfolio of programs are also being paid by KCPL customers. It is seems conflicting to require KCPL's customers to bear the cost of constructing new generation, pay for programs to use less energy and capacity from that generation, and then provide a financial reward – in current dollars – to shareholders for spending customer dollars to use less energy and capacity far into the future. It quite simply is a pay me now, pay me now, pay me now scheme in KCPL's favor.

Q. Does KCPL's incentive plan tie the incentive to the utility's performance in achieving Commission-set goals.

A. No. The Commission did not establish the energy savings targets or performance incentive levels that are included in KCPL's performance incentive mechanism. KCPL established its own set of energy savings targets and included these in its performance incentive mechanism.

Q. Should KCPL be allowed to establish its own energy savings targets and performance incentive levels?

A. No. The utility should not be allowed to establish its own energy savings targets and performance incentive levels. In KCPL's proposed mechanism, KCPL determined which levels of energy savings will correspond to a certain percentage of financial incentives. Allowing KCPL to establish its own targets and rewards will certainly stack the deck in the utility's favor by allowing KCPL to recover a disproportionate amount of financial rewards based upon the estimated savings achieved from its portfolio of programs.

Q. Based on KCPL's proposal, what is really being incented?

A. KCPL's proposal really incents KCPL to do two things:

- it incents KCPL to spend a lot of consumer money to generate a financial windfall for KCPL with no investment from shareholders, and
- it incents KCPL to inflate its forecasted avoided costs calculations to increase the amount of net benefits paid to KCPL today.

Q. Did the Commission specify which energy-efficiency programs would be eligible to receive performance incentives?

A. Yes. The Commission indicated that it would consider "performance benefits for an application involving energy efficiency program proposals that meet either or both of the following goals:

- Proposals for programs that target low and fixed income customers, and renters. The Commission believes these groups are vulnerable, particularly in the face of an economic downturn, and may be unable to undertake energy efficiency measures on their own for various reasons.
- Proposals that target new and existing residential housing and demonstrate a potential for long-term energy savings utilizing a comprehensive whole

> house concept, pursuant to Commission policy as expressed in the 442 Order."[31]

Q. Do KCPL's programs meet these Commission goals?

A. Three of KCPL's programs meet the Commission's criteria – low-income weatherization program, ENERGY STAR® New Homes program, and Energy Saver Loan program. These programs either target low and fixed income customers, or target existing housing from a whole-house concept.

Q. Which of KCPL's proposed programs do not meet the Commission's criteria for performance incentives?

A. KCPL's proposed residential Cool Homes and Home Energy Analyzer do not target low-income or fixed income customers, nor do they address energy savings from a whole-house concept and therefore do not meet the Commission's criteria for performance incentives. Additionally, the Commission did not approve the use of performance incentives for commercial and industrial programs, so KCPL's Commercial & Industrial programs are not eligible to receive performance incentives.

~~55~~

55

[31] Docket No. 08-GIMX-441-GIV, *Final Order,* November 14, 2008, at ¶ 97.

Q. You stated that the Energy Saver Loan program meets the Commission's eligibility requirements for performance incentives. Should KCPL be awarded a performance incentive mechanism for its Energy Saver Loan program?

A. No. KCPL's Energy Saver loan program is a partnership with the Commission's own Efficiency Kansas program. KCPL is simply the portal through which a customer can access Efficiency Kansas funding to make energy-efficient home improvements. Because the SEO is managing the Efficiency Kansas program, KCPL should not be awarded an additional performance incentive for the success of this program.

Q. KCPL is also asking for performance incentives for its DR programs. Did the Commission specifically reject performance incentives for demand response programs in the 441 Docket?

A. Yes. The Commission adopted Staff's recommendation that "(u)tility benefits are inherent to demand response programs and no additional cost recovery or incentives are necessary for this type of program. This should be clear from the number of demand response programs already in place."[32] This order clearly indicates that demand response programs, like KCPL's proposed Energy Optimizer and MPower programs, are not eligible for performance incentives.

56

56

Q. Does KCPL's request for a shared net benefit performance incentive mechanism conform with the Commission's preferences in the 441 Docket?

A. No. The Commission stated that it "favors the shared benefit approach to performance incentives."[33] However, KCPL indicated that it is requesting a shared net benefit performance-incentive mechanism to reduce the throughput disincentive as well as to recover a portion of revenues lost from the successful implementation of its energy- efficiency programs. In his direct testimony, KCPL's witness Chris Giles contends that "KCP&L believes recovery of lost margin or throughput disincentive associated with implementation of demand side management programs, particularly energy efficiency programs, is best recovered through shared net benefits …"[34]

Q. What portion of KCPL's performance incentive mechanism is intended to recover lost revenues?

A. According to the company's response to CURB Data Request No. 18, "(t)he portion of the proposed shared net benefit that will reduce the throughput disincentive by recovering lost margins at the target threshold is approximately 50% at year 1 and grows over time to 100%."[35]

---

[32] Docket No. 08-GIMX-441-GIV, *Notice of Filing Staff's Report to the Commission,* October 10, 2008, at @ 25.
[33] Docket No. 08-GIMX-441-GIV, *Final Order,* November 14, 2008, at ¶ 99.
[34] Direct Testimony of Chris Giles, at page 6.
[35] KCPL Response to CURB Data Request No. 18.

Q. Did the Commission reject the use of lost revenue recovery mechanisms in the 441 Docket?

A. Yes. The Commission stated that it would not favor a lost revenue recovery mechanism because of "the high premium this method places on accurate evaluation of program impacts and the increased potential for expensive and time-consuming litigation arising from disputes. Furthermore, while Commission staff expertise is growing in this highly technical field, at this time the Commission does not have the depth of experience available to consider this method without reliance on outside firms."[36]

Q. Is there another guideline for performance incentives established by the Commission that KCPL's application fails to meet?

A. Yes. In the Commission's order following the collaborative in the 442 Docket, the Commission stated that "use of the approved third party evaluator would only be required if the utility intended to request incentive payments."[37]

Q. Does KCPL's EM&V plan include the use of a Commission approved third party evaluator?

A. No. Because KCPL is requesting performance incentives, it would be required to use a Commission approved third-party evaluator. However, KCPL's EM&V plan

~~58~~

58

[36] November 14, 2008 *Final Order* in KCC Docket No. 08-GIMX-441-GIV at ¶ 66.
[37] April 13, 2009, KCC Docket 08-GIMX-442-GIV, *Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification,* at ¶ 138
[42] Transcript of Workshop held August 26, 2008 at pages 142-144.

does not specify the use of a Commission approved third-party evaluator, as is required to receive performance incentives.

Q. Should the Commission approve KCPL's performance incentive mechanism?

A. No. KCPL clearly wants to be rewarded financially for offering energy-efficiency programs; so much so that in several instances in its application and testimony of witnesses, KCPL threatens to stop offering its portfolio of DSM programs in Kansas if the Commission rejects its proposed cost recovery mechanism. The simple truth is that KCPL's wants to be financially rewarded just for offering energy-efficiency programs. During a workshop hosted by the Commission during the 441 Docket to discuss cost recovery issues, Mr. Giles indicated that KCP&L likes the idea of being financially recognized for making energy efficiency a priority. Giles also said while he has a difficult time with the word "incentive", KCP&L is "totally committed to energy efficiency. . . as long as we can earn the same level of return. . ." Giles added that all of the of proposed energy efficiency program models can "work as long as you recover your costs, earn the same return that you earn on investments and hard assets, and deal with the lost margin issue between rate case."[42]

Furthermore, it is my opinion that KCPL has no interest in energy-efficiency or policies that encourage conservation. Mr. Giles has previously offered testimony that disagreed with the Commission's position on energy conservation. In his rebuttal testimony filed in KCC Docket No. 09-KCPE-246-

RTS, Mr. Giles testified that CURB witness Brian Kalcic "indicates that the Commission should implement policy that encourages conservation. I disagree, Commission policy should encourage the most efficient use of electricity, not the conservation of electricity."[43]

Additionally, in the 441 Docket the Commission clearly expressed is hesitance to award performance incentive mechanisms. In its order, the Commission stated that it "... views energy efficiency as a means to an end — energy at a low cost to consumers within the context of a balanced energy resource portfolio -- not an end in itself that must be rewarded.[44] The Commission further elaborated that "(t)he Commission's responsibility, however, is not to optimize utility profits, but to seek an appropriate balance between utility customer and shareholder interests in the context of moving toward the Commission's objective of meeting public power needs through balanced resource means while mitigating rate increases. The Commission has not approved traditional supply-side energy resources in the past solely because they would result in rate-basing and a benefit to shareholders. These resources were approved because they have been deemed a necessary and cost-effective means to meet energy needs."[45]

~~60~~
60
[43] Rebuttal Testimony of Chris Giles in KCC Docket No. 09-KCPE-246-RTS at page 19.

Q. Do you have an alternate recommendation if the Commission decides to award KCPL a performance incentive mechanism?

A. Yes. If the Commission decides to award KCPL with a performance incentive mechanism, it should meet, at minimum, the following criteria:

- Performance incentives should not be awarded until actual energy savings from the energy-efficiency program must be verified through an independent EM&V and approved by the Commission, Staff and CURB.
- Before receiving a financial reward, the verified actual energy savings obtained from the energy-efficiency program must meet a target performance level that was established by the Commission.
- After verification of actual savings, the KCPL should awarded no more than 10% of the savings obtained from the program, up to a predetermined cap established by the Commission.

Q. Do you have any closing comments for the Commission?

A. Yes. CURB has long supported the use of a third-party provider to offer energy-efficiency programs to all Kansans. KCPL's application is a perfect example of why a not-for-profit third party administrator would be better suited to provide energy-efficiency measures. If the Commission game $43 million to a third party administrator – like Efficiency Kansas – to offer energy-efficiency programs and rebates to KCPL customers, KCPL's customers would not have to pay an additional $50 million to KCPL shareholders because they would not be entitled

[44] November 14, 2008 *Final Order* in KCC Docket No. 08-GIMX-441-GIV at ¶ 89.
[45] November 14, 2008 *Final Order* in KCC Docket No. 08-GIMX-441-GIV at ¶ 91.

to any lost revenue or shared savings. Its no different than a customer going to Home Depot and buying insulation, CFLs or a programmable thermostat. That customer uses less energy and there is no financial reward for KCPL's shareholders. If we simply charged customers the $43 million and had Efficiency Kansas give it back as rebates or other energy-efficiency programs, at minimum customers would be $50 million ahead of what KCPL is proposing.

Q. Does this conclude your testimony?

A. Yes. Thank you.

VERIFICATION

STATE OF KANSAS)

COUNTY OF SHAWNEE) ss:

I, Stacey Harden, of lawful age, being first duly sworn upon her oath states:

That she is a regulatory analyst for the Citizens' Utility Ratepayer Board, that she has read the above and foregoing document, and, upon information and belief, states that the matters therein appearing are true and correct.

Stacey Harden

SUBSCRIBED AND SWORN to before me this 15th day of October 2010.

DELLA J. SMITH
Notary Public - State of Kansas
My Appt. Expires January 26, 2013

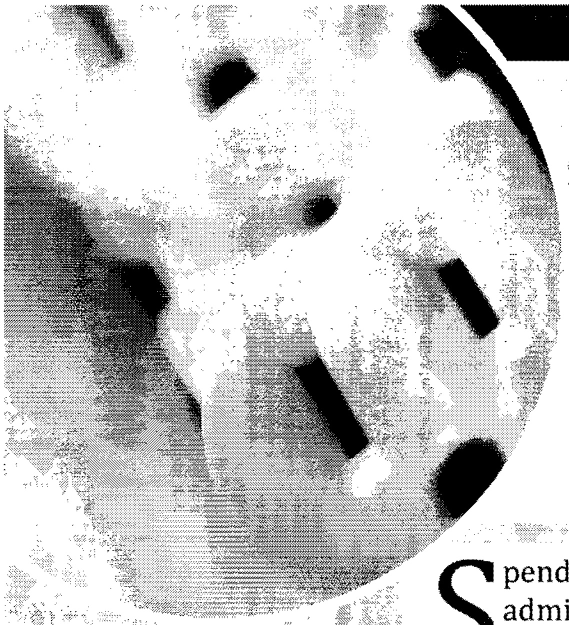
Notary Public

My Commission expires: 01-26-2013.

APPENDIX A

Supporting Schedules

State Energy Efficiency Regulatory Frameworks



State Energy Efficiency Regulatory Frameworks

January 2010

Contents

Spending and budgets for utility-administered electric efficiency programs continue to grow, due in part to the evolution of state policies that allow utilities to pursue efficiency as a sustainable business. **This latest review by IEE staff summarizes ongoing and the most recent policies that promote program cost recovery, lost revenue recovery, and performance incentive mechanisms for electric utilities on a state-by-state basis.**

- The District of Columbia is the latest addition to a growing list of jurisdictions that have adopted revenue decoupling for the electric sector (state summary & map, p. 5). Idaho, Massachusetts, Minnesota, Oregon, Wisconsin and Vermont have also approved decoupling measures in the past two years. Delaware, Hawaii, Michigan, New Hampshire, New Jersey and New Mexico are considering some form of decoupling. Lost revenue adjustment mechanisms were recently approved in Ohio, Oklahoma, North Carolina, and South Carolina as part of larger cost recovery mechanisms. Utah also recently entered the discussion by passing a law that encourages utilities and the Commission to investigate decoupling mechanisms.
- Twenty one states currently have incentives in place, with another seven states pending (p. 11). Colorado, Hawaii, Kentucky, Michigan, Ohio, Oklahoma, North Carolina, Texas, South Carolina, and Wisconsin have approved new incentive mechanisms in the last two years; Idaho, Indiana, Kansas, Montana, New Mexico, North Carolina, New York, and Utah are each considering some form of performance incentive for efficiency.
- Duke Energy's "virtual power plant" model, which combines cost recovery, lost revenue recovery and incentives into an avoided cost charge, has recently been approved in North Carolina and a decision has been promised soon in South Carolina. The Ohio Commission approved the VPP program in 2008. Duke has proposed similar mechanisms in Indiana and Kentucky.

State Regulatory Framework Summary Table

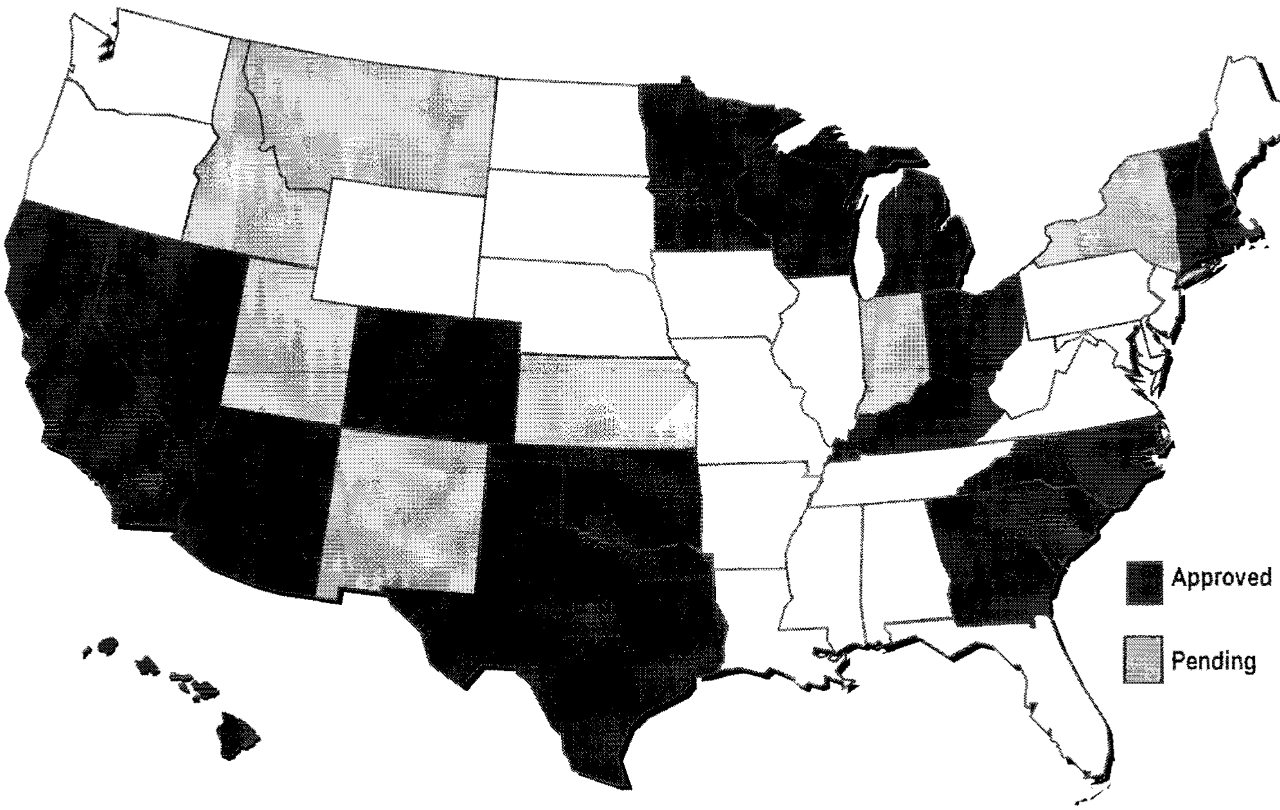
State	Direct Cost Recovery			Fixed Cost Recovery		Performance Incentives	Virtual Power Plant
	Rate Case	System Benefits Charge	Tariff Rider/ Surcharge	Decoupling	Lost Revenue Adjustment Mechanism		
Alabama	Yes						
Alaska							
Arizona		Yes	Yes			Yes	
Arkansas			Yes				
California	Yes	Yes		Yes		Yes	
Colorado	Yes		Yes		Yes	Yes	
Connecticut		Yes		Yes		Yes	
Delaware	Yes			Pending			
District of Columbia	Yes	Yes		Yes			
Florida			Yes				
Georgia	Yes					Yes (one program)	
Hawaii	Yes			Pending		Yes	
Idaho			Yes	Yes		Pending	
Illinois			Yes				
Indiana			Yes	Pending			Pending
Iowa	Yes		Yes				
Kansas	Yes					Pending	
Kentucky			Yes		Yes	Yes	Pending
Louisiana	Yes						
Maine		Yes					
Maryland			Yes	Yes			
Massachusetts		Yes		Yes		Yes	
Michigan			Yes	Yes		Yes	
Minnesota	Yes		Yes	Yes		Yes	
Mississippi	Yes						
Missouri	Yes						
Montana		Yes				Pending	
Nebraska							
Nevada	Yes					Yes	
New Hampshire		Yes		Pending		Yes	

State	Direct Cost Recovery			Fixed Cost Recovery		Performance Incentives	Virtual Power Plant
	Rate Case	System Benefits Charge	Tariff Rider/ Surcharge	Decoupling	Lost Revenue Adjustment Mechanism		
New Jersey		Yes		Pending			
New Mexico			Yes	Pending		Pending	
New York		Yes		Yes		Pending	
North Carolina			Yes		Yes	Yes	Yes
North Dakota							
Ohio			Yes		Yes		Yes
Oklahoma			Yes		Yes	Yes	
Oregon		Yes		Yes			
Pennsylvania	Yes		Yes				
Rhode Island		Yes				Yes	
South Carolina		Yes			Yes	Yes	Yes
South Dakota			Yes				
Tennessee							
Texas	Yes		Yes			Yes	
Utah	Yes		Yes	Pending	Pending	Pending	
Vermont		Yes		Yes		Yes	
Virginia							
Washington		Yes	Yes				
West Virginia							
Wisconsin	Yes		Yes	Yes		Yes	
Wyoming			Yes		Yes (MDU)		

Please note that although information in this document was compiled from primary sources, readers are encouraged to verify the most recent developments by contacting the appropriate commission or regulatory agency.

For inquiries, please contact Matthew McCaffree, Manager of Electric Efficiency, at mmccaffree@edisonfoundation.net. For further information, please visit http://www.edisonfoundation.net/IEE/.

Performance Incentives for Electric Efficiency by State



State	Performance Incentive Description	Status	Relevant Statute, Code or Order
Arizona	Arizona Public Service (APS) has performance incentives in place under a shared savings mechanism, set at 10% of DSM program net economic benefits and capped at 10% of total DSM expenditures. An APS proposal to modify the incentive mechanism in 2008 requesting recovery of net lost revenues as well as removal of the cap on the incentive was denied.	Approved (2005)	Decision 67744, Docket E-01345A-05-0816, et al
California	California utilities earn an incentive on energy efficiency programs under a shared savings mechanism called an energy efficiency risk-reward incentive mechanism. Revenue from eligible energy efficiency programs is the product of the Earnings Rate (ER) and net benefits. The ER is 12% if the utility achievement towards CPUC goals is greater than 100%, 9% if the goal achievement is between 85 and 100% and 0% if the goal achievement is between 65 and 85%; if the achievement of goals is less than 65%, the utility pays a penalty. Net benefits are calculated as two-thirds of the TRC Net Benefit and one-third of the PAC Net Benefit. In January 2009, the CPUC instituted a rule making (09-01-019) to examine and reform the EE incentive mechanism.	Approved (2007)	R.06-04-010; 09-01-019

State	Performance Incentive Description	Status	Relevant Statute, Code or Order
Colorado	HB 07-1037 (C.R.S. §40-3.2-104) requires investor-owned electric utilities to achieve at least 5% percent reduction of retail energy sales and capacity savings by 2018, based on 2006 sales. The law further states that the Commission shall allow electric DSM investments an opportunity to be more profitable to the utility than any other utility investment that is not already subject to an incentive. The Commission approved the following incentive package to Public Service Colorado: - A "disincentive offset" of $2m/year (after tax) for each year approved DSM plan implemented to offset lost margins; if < 80% of yearly energy goal achieved, the offset may be reduced. - Performance incentives for surpassing "modest" goals; for each 1% of goal reached beyond 80%, company to earn additional 0.2% of net economic benefits, up to 10% at 130% of goal attainment, up to 12% at 150% of goal attainment. Incentives adjusted for 2009 to reflect least-cost planning commitments. - Incentives are allowed via annually trued up DSM Cost Adjustment and are capped at 20% of total annual DSM expenditures.	Approved (2007)	HB-07-1037; Decision C08-560, Docket 07A-420E
Connecticut	The CT PUC requires annual hearings for utilities, where the past year's results for energy savings are reviewed and a performance incentive is determined, which ranges from 1% to 8% of program costs. The minimum threshold of 70% of goals earns the minimum (1%) incentive. Reaching 100% of goals earns 5%, and for reaching 130% of goals earns 8%.	Approved (first in 1988, mechanism changes over time)	Docket 07-10-03
Georgia	Although utilities in Georgia may recover costs and an additional sum for Commission-approved DSM programs, only the Power Credit Single Family Program (Georgia Power) is currently active. The utility may earn an additional sum of 15% of the NPV of the net benefits of the program, contingent on the program achieving at least 50% of projected participation levels.	Approved - Single program only (2007)	Case 24505-U
Hawaii	As part of the state's transition plan to establish a third-party administrator for efficiency programs, the HECO companies are responsible for administering their own DSM programs until the transition date. HECO may earn a shared percentage of savings of 1%-5% with an incentive cap of $2M.	Approved (2008)	Docket & Order 23258, Docket 2007-0323

State	Performance Incentive Description	Status	Relevant Statute, Code or Order
Idaho	Idaho Power (IPC) was approved for a three-year pilot beginning in January 2007 and ending in December 2009. Under the pilot, the Company receives an incentive payment if the market share of homes constructed under the ENERGY STAR Homes Northwest program exceeds a target percentage of new homes constructed. IPC earns an incentive if the program exceeds the market share goal (7% in 2007, 9.8% in 2008, 11.7% in 2009). Incentives are capped at 10% of program net benefits. Penalties are levied if IPC does not meet a minimum market share percentage. On May 14, 2009, it was ordered that Idaho Power neither earn an incentive nor incur a penalty for the ENERGY STAR related program and that the pilot program be discontinued retroactively as of January 1, 2009.	Approved - Pilot (2007); Discontinued (Jan. 1, 2009)	IPC-E-06-32, Order 30268; IPC-E-09-04
Indiana	The state statute allows for either shared savings or adjusted/ bonus ROE mechanisms as DSM incentives. Duke Energy has submitted a proposal for an avoided cost recovery charge for EE programs. Vectren Energy Indiana, Northern Indiana Public Service Company (NIPSCO), and Indianapolis Power and Light have also filed DSM plans requesting performance incentives. All cases are currently pending.	Pending	Administrative Code, Title 170, Art. 4; Cause No. 43374; Cause No. 43427; Cause No. 43618; Cause 43623
Kansas	The State Corporation Commission found that it has "broad authority to provide incentives for energy efficiency" in 2007, but did not specify a mechanism in that order. Kansas Statute 66-117 allows a return of 0.5% to 2% on energy efficiency investments above the allowed rate of return. No plans have yet been approved for any utilities.	Pending; law in place, no programs approved	Docket 08-GIMX-441-GIV; Statute 66-117
Kentucky	State law allows for shareholder incentives through the DSM statute, specifically "incentives designed to provide positive financial rewards to a utility to encourage implementation of cost-effective demand-side management programs." Incentive mechanisms are approved on a case-by-case basis and both Duke Energy and Kentucky Power (AEP) have a shared savings mechanism in place where they receive an incentive of up to 10% of program costs for exceeding goals.	Approved (2007)	Rev. Stat. 278.285(1)(c); Docket 2008-00473; 2007-00477
Massachusetts	The incentive allows utilities to earn about 5% of program costs for energy efficiency programs that meet established program goals. The incentive structure is determined on a program-by-program basis but generally utilizes a three-tiered structure. The first "design performance" level is defined as performance that a Program Administrator expects to achieve in implementing its energy efficiency programs. The second "threshold performance" level is 75% of the design level. The third "exemplary performance" level is 125% of the design level. Incentives are awarded only if a program achieves the threshold level or above.	Approved (2000)	Docket 04-11; Order 98-100

State	Performance Incentive Description	Status	Relevant Statute, Code or Order
Michigan	The Commission approved DTE's energy optimization plan in 2009, which includes an incentive mechanism that allows the utility to earn up to 15% of program spending (a cap mandated by PA 295) if they reach 125% of their savings goals. An incentive payment is applied only if DTE exceeds its savings goal. PA 295 contains two provisions authorizing utilities to receive an economic incentive for energy efficiency programs. To be eligible, utilities must request that appropriate energy efficiency program costs be capitalized and earn a normal rate of return. Utilities can request a performance incentive mechanism to provide additional earnings to shareholders if they exceed the annual energy savings target. Incentives are capped at 15% of the total program cost.	Approved (2009)	PA 295 (2008); U-15806
Minnesota	The PUC revised the performance incentive originally approved in 1999. Under the new agreement, utilities retain a portion of net benefits based on the level of achievement, measured as a percent of retail sales. The award scale for this modified shared savings mechanism is calibrated to award $0.09/kWh at 1.5% of sales (e.g. if a utility achieves savings equal to 1.5% of sales, it will receive $0.09 for every kWh saved. The order was approved in January 2010.	Approved (1999); Revised mechanism (2010)	Docket CI-08-133, Statute 216B.241
Montana	MT statute allows for the Public Service Commission to add 2% to the authorized rate of return for DSM investments. It has not yet been approved for a specific utility.	Passed into law, but not implemented by utility	Code 69-3-712
Nevada	Nevada revised its regulations for IRP and DSM in 2004 to allow utilities to earn as much as 500 basis points above allowed return-on-equity (ROE) for applicable, approved DSM costs (+5%). Utilities must follow approved plans and budgets to earn the incentive amount. The order calls for applying the utility's debt-to-equity ratio to the fraction of capitalized DSM costs, and then applying the extra 5% ROE to that amount.	Approved (2004)	Docket No. 02-5030
New Hampshire	There are two separate incentives in NH. The cost-effectiveness incentive is awarded for programs that achieve a cost effectiveness ratio of 1.0 or higher. The incentive is calculated as 4% of the planned EE budget times the ratio of actual to planned cost effectiveness. The energy savings incentive is awarded when actual lifetime kWh savings are greater than or equal to 65% of projected savings. The incentive is 4% of the planned EE budget times the ratio of actual to planned energy savings. Target incentive amounts are calculated separately for residential and commercial/industrial sectors and are capped at 12% of the planned sector budgets.	Approved (2000)	Order 23.574

State	Performance Incentive Description	Status	Relevant Statute, Code or Order
New Mexico	A proposed rule making is currently before the PSC that, if approved, would allow utilities to receive an incentive for EE based on energy saved and to receive compensation for revenue lost due to efficiency programs. Additionally, HB 305 was passed in 2008 which requires all utilities to "include all cost-effective energy efficiency and load management programs in the energy resource portfolios."	Pending	Case 08-00024-UT; NM HB 305
New York	New York has recently allowed for performance incentives to be included in utility rate cases and the Commission is in the process of reviewing energy efficiency plans of several NY utilities. The order caps the aggregate incentives at $40M per year statewide and target megawatt-hours will be set for each year at the time of review for the EE plans.	Pending	Case 07-M-0548
North Carolina	North Carolina state law states that a utility may propose incentives for demand side management or energy efficiency programs to the Commission for consideration. The commission approved Progress Energy Carolina's incentive mechanism that allows for an incentive of 8% of NPV of benefits from DSM programs and 13% of NPV from EE programs. The Commission is considering an avoided cost recovery mechanism submitted by Duke Energy. The Commission issued a notice of decision approving Duke Energy Carolinas' Save-a-Watt program in December 2009 with a full decision to follow in January 2010. The program is similar to that in Ohio, where Duke will receive 50% of the net present value (NPV) of the avoided costs for conservation and 75% of the NPV for demand response.	Approved - Progress Energy Carolinas (2009), Duke Energy (2009)	Docket E-2, sub 931; Docket E-7, Sub 831
Ohio	Duke Energy received approval in December of 2008 for its proposed "Save-a-Watt" program, where the utility will receive 50% of the NPV of the avoided costs for energy conservation and 75% of the NPV of the avoided costs for demand response. Demand response programs are viewed by the parties as having a useful life of 1 year, while energy conservation programs have useful lives of up to 15 years.	Approved (2008)	Docket 08-920-EL-SSO
Oklahoma	A shared savings program has been approved for Public Service Oklahoma (AEP) which allows for two different returns: an incentive of 25% of net savings for programs for which savings can be estimated and 15% of the costs for other programs (e.g. education and marketing programs). OG&E also has an incentive mechanism where they receive shared benefits for achieving savings goals, calculated on a measure-by-measure basis. The utility may earn up to 25% for each measure where the TRC > 1.0 and up to 15% for each measure where the TRC < 1.0.	Approved - PSO (2008), OG&E (2009)	Cause No. PUD 200700449, Order 555302; Cause No. PUD 200800059, Order 556179

State	Performance Incentive Description	Status	Relevant Statute, Code or Order
Rhode Island	The shareholder incentive mechanism includes two components: performance-based metrics for specific program achievements, and kWh savings targets by sector. The program performance metrics are established for each individual program, such as achieving specific savings or a certain market share for the targeted energy-efficient technology. If Narragansett (d/b/a National Grid) achieves the savings goal, it receives 4.4% of the eligible budget. The threshold performance level is 60% of the savings goal. Once the threshold level has been reached, the utility has the ability to earn an additional incentive per kWh saved up to 125% of target savings. Incentive rates change by customer class.	Approved (2005)	Docket 3635, Order 18152
South Carolina	South Carolina law stipulates that the PSC "may adopt procedures that encourage electrical utilities [...] to invest in cost-effective energy efficient technologies and energy conservation programs." The commission approved Progress Energy Carolina's incentive mechanism that allows for an incentive of 8% of NPV of benefits from DSM programs and 13% of NPV from EE programs. Duke Energy's original avoided cost mechanism was rejected, but the Commission approved the re-submission in January 2010. The mechanism is similar to the Save-a-Watt models in OH and NC, where Duke will receive 50% of the net present value (NPV) of the avoided costs for conservation and 75% of the NPV for demand response.	Approved for Progress Energy Carolinas (2009); Approved for Duke Energy (2010)	Title 58. Public Utilities, Services And Carriers, Chapter 37. Energy Supply And Efficiency; Dockets 2008-251-E (Progress Energy), 2007-358-E, & 2008-251-E (Duke Energy)
Texas	Texas state code specifies that a utility may be awarded a performance bonus (a share of the net benefits) for exceeding established demand reduction goals that do not exceed specified cost limits. Net benefits are the total avoided cost of the eligible programs administered by the utility minus program costs. The performance bonus is based on the utility's energy efficiency achievements for the previous calendar year. If a utility exceeds 100% of its demand reduction goal, the bonus is equal to 1% of the net benefits for every 2% that the demand reduction goal has been exceeded, up to a maximum of 20% of the utility's program costs. A utility that meets at least 120% of its demand reduction goal with at least 10% of its savings achieved through Hard-to-Reach programs receives an additional bonus of 10% of the bonus calculated.	Approved (2008)	PUC of Texas Substantial Rule §25.181(h); CenterPoint Energy Houston Electric 2008 Energy Plan & Report, Project No. 35440
Utah	HJR 9 was approved in March 2009 and includes language supporting incentives: "[T]he legislature expresses support for regulator mechanisms, which might include performance-based incentives, decoupling fixed cost recovery from sales volume, and other rate designs intended to help remove utility disincentives and create incentives to increase efficiency and conservation...."	Pending - Law passed but no mechanisms proposed	UT HJR009

State	Performance Incentive Description	Status	Relevant Statute, Code or Order
Vermont	The operator of Efficiency Vermont, VEIC, is eligible to receive a performance incentive for meeting or exceeding specific goals established in its contracts. There is also a holdback in the compensation received by VEIC, pending confirmation that contractual goals for savings and other performance indicators have been achieved. The initial contract (2000-2002) allowed incentives of up to 2% of the overall energy efficiency budget over the three-year contract period. Incentives increased to 3.5% of the EE budget for the 2006-2008 period.	Approved (2000)	Contract 0337956, Attachment C
Wisconsin	As of 2008, Wisconsin Power & Light (Alliant Energy) may earn the same rate-of-return on its investments in energy efficiency made through its "shared savings" program for commercial and industrial customers as it earns on other capital investments. Utilities may propose incentives as part of their rate cases, but there have been no proposals from other utilities under the most recent version of performance incentives. [Note: Wisconsin dropped performance incentives in the 1990s.]	Approved (2008)	Docket 6680-UR-114

Summary of Incentive Mechanisms

Approach	State
Earn a percentage of program costs for achieving savings target	CO, CT, KY, MA, MI, NH, RI, TX, VT
Earn a share of achieved savings	AZ, CA, GA, HI, MN, OK
Earn a percentage of the NPV of avoided costs	NC, OH, SC
Altered rate of return for achieving savings targets	NV, WI

Note: Information on electric efficiency performance incentives was compiled using the latest public data available as of January 28th, 2010. Readers are encouraged to verify the most recent developments by contacting the appropriate commission or regulatory agency. Other resources used in the preparation of this report were ACEEE's State Energy Efficiency Program Database, documents from EPA's National Action Plan on Energy Efficiency, and resources from the Regulatory Assistance Project.

For inquiries, please contact Matthew McCaffree at mmccaffree@edisonfoundation.net.
For further information, please visit http://www.edisonfoundation.net/IEE/.

APPENDIX B

Referenced Data Requests

CURB-15
CURB-16
CURB-17 **Exhibit Redacted**
CURB-18
STAFF-17 ** Exhibit Redacted **
STAFF-32

Company Name: KCPL
Case Description: KS EE Cost Recovery
Case: 10-KCPE-795-TAR

Response to Springe David Interrogatories – Set CURB_20100903
Date of Response: 09/20/2010

Question No. :15
If KCPL canceled all programs proposed in the Application, when will KCPL need to add a new natural gas peaking facility to meet demand growth?

RESPONSE:
The timing of a new natural gas peaking facility is very uncertain as it depends on many unknown factors such as retail demand growth and generating plant retirements. However, assuming that no existing generating plants are retired, if KCP&L cancelled all of its Kansas programs proposed in the Application, KCP&L projects that it would become capacity deficient in 2021 and would consider adding additional generation resources in 2023. Short-term purchased power agreements could potentially fill the gap between 2021 and 2023 until the capacity shortfall justified the addition of 2 new combustion turbines.

If future environmental regulations such as those addressing CO2 emissions and/or hazardous air pollutants results in the need to retire a portion of KCPL's older coal fleet, additional capacity could be needed at the time of retirement. It is not unreasonable to expect that this could occur as early as 2015.

KCP&L will seek similar cost recovery in Missouri. If KCP&L cancelled its Kansas and Missouri programs, KCP&L would consider an additional generation resource around 2016.

Response provided by: Laura Becker

Attachment: Q15 CURB Verification of Response.pdf

Company Name: KCPL
Case Description: KS EE Cost Recovery
Case: 10-KCPE-795-TAR

Response to Springe David Interrogatories – Set CURB_20100903
Date of Response: 09/20/2010

Question No. :16
If KCPL continues to offer the programs in the Application at the level requested, when will KCPL need to add a new natural gas peaking facility to meet demand growth?

RESPONSE:
The timing for the addition of new natural gas peaking capacity is dependent on many uncertain factors including, in part, retail demand growth and generating plant retirements, which must be forecast. Assuming that no existing generating plants are retired, if KCP&L realizes the MW reductions estimated for the Kansas DSM programs proposed in the Application as well as the MW reductions estimated for its Missouri DSM programs, KCP&L projects that it would become capacity deficient in 2022 and would consider adding additional generation resources in 2025. Short-term purchased power agreements could potentially fill the gap between 2022 and 2025 until the capacity shortfall justified the addition of two new combustion turbines.

If future environmental regulations such as those addressing CO_2 emissions and/or hazardous air pollutants result in the need to retire a portion of KCP&L's older coal fleet, additional capacity could be needed at the time of retirement. It is not unreasonable to expect that such a retirement could occur as early as 2015.

Response provided by: Laura Becker with assistance from Joe O'Donnell

Attachment: Q16 CURB Verification of Response.pdf

CURB Data Request 17

****Confidential****

Company Name: KCPL
Case Description: KS EE Cost Recovery
Case: 10-KCPE-795-TAR

Response to Springe David Interrogatories – Set CURB_20100930
Date of Response: 10/08/2010

Question No. :18
Approximately what portion of the proposed shared net benefit is actually intended to reduce the throughput incentive by recovering lost margins?

RESPONSE:

The portion of the proposed shared net benefit that will reduce the throughput disincentive by recovering lost margins at the target threshold is approximately 50% at year 1 and grows over time to 100%.

Response provided by: Marsha Troy

Attachment: Q18 CURB Verification of Response.pdf

Staff Data Request 17

****Confidential****

Company Name: KCPL
Case Description: KS EE Cost Recovery
Case: 10-KCPE-795-TAR

Response to Deupree Michael Interrogatories – Set KCC_20101005
Date of Response: 10/08/2010

Question No. :32
Please provide a detail narrative elaborating on the Company's rational for placing a moratorium on MPower contracts as described on page 24 of Schedule ADD-3. Within the Company's response please additionally answer whether or not the Company has plans to lift this moratorium in the foreseeable future (if so please provide a time frame for such an event).

RESPONSE:
In July 2009, KCP&L placed a moratorium on entering into new MPower contracts. This decision was driven by the fact that the slowing economy had greatly reduced electric demand, and therefore had reduced the need to procure additional peaking capacity. Customers who were interested in participating in the program were (and still are) placed on a waiting list, and will be allowed to enter the program when KCP&L determines that there is a need for additional peaking capacity. KCP&L plans to lift the moratorium when electric demand begins to increase again, but is unable to say when this will occur, as it is primarily driven by economic conditions.

Response provided by: Jason Jones

Attachment: Q32 KCC Verification of Response.pdf

Exhibits

SMH-1 **CONFIDENTIAL**
SMH-2 **CONFIDENTIAL**
SMH-3
SMH-4

Exhibit SMH-1

****Confidential****

Exhibit SMH-2

****Confidential****

Kansas City Power & Light Company
Demand Side Management Cost Recovery
Fully Allocated DSM Rider Calculations without Performance Incentives
10-KCPE-795-TAR

	Residential	Small General	Medium General	Large General	Large Power	Total DSM Expenses
Example Year 1						
DSM Program Expense	$ 4,246,286	$ 353,943	$ 821,221	$ 2,102,656	$ 136,177	$ 7,660,283
DSMFactor (Example Year 1)	$ 0.00148	$ 0.00109	$ 0.00110	$ 0.00090	$ 0.00080	
Typical Monthly Charge	$ 1.70	$ 1.40	$ 17.15	$ 157.78	$ 3,903.93	
Example Year 2						
Allocated Expense	$ 4,749,291	$ 395,871	$ 918,500	$ 2,351,731	$ 152,308	$8,567,701
DSMFactor (Example Year 2)	$ 0.00165	$ 0.00122	$ 0.00123	$ 0.00100	$ 0.00089	
Typical Monthly Charge	$ 1.90	$ 1.57	$ 19.18	$ 175.31	$ 4,343.12	
Example Year 3						
Allocated Expense	$ 5,062,748	$ 421,998	$ 979,122	$ 2,506,947	$ 162,360	$9,133,176
DSMFactor (Example Year 3)	$ 0.00176	$ 0.00130	$ 0.00132	$ 0.00107	$ 0.00095	
Typical Monthly Charge	$ 2.02	$ 1.67	$ 20.58	$ 187.59	$ 4,635.91	
Example Year 4						
Allocated Expense	$ 4,910,771	$ 409,331	$ 949,730	$ 2,431,692	$ 157,487	$8,859,010
DSMFactor (Example Year 4)	$ 0.00171	$ 0.00126	$ 0.00128	$ 0.00104	$ 0.00092	
Typical Monthly Charge	$ 1.96	$ 1.62	$ 19.96	$ 182.33	$ 4,489.52	
Example Year 5						
Allocated Expense	$ 5,046,765	$ 420,666	$ 976,031	$ 2,499,033	$ 161,848	$9,104,344
DSMFactor (Example Year 5)	$ 0.00175	$ 0.00130	$ 0.00131	$ 0.00107	$ 0.00095	
Typical Monthly Charge	$ 2.01	$ 1.67	$ 20.43	$ 187.59	$ 4,635.91	

** data originially presented in KCPL response to CURB Data Request No. 17.

Kansas City Power & Light Company
Demand Side Management Cost Recovery
Fully Allocated DSM Rider Calculations Including Performance Incentives * assuming KCPL meets 80% savings threshold
10-KCPE-795-TAR

	Residential	Small General	Medium General	Large General	Large Power	Total DSM and Incentive Expenses
Example Year 1						
DSM Program Expense	$ 4,246,286	$ 353,943	$ 821,221	$ 2,102,656	$ 136,177	$ 7,660,283
Performance Incentive Expenses	$ 3,802,886	$ 316,984	$ 735,468	$ 1,883,095	$ 121,957	6,860,390
DSMFactor (Example Year 1)	$ 0.00280	$ 0.00207	$ 0.00209	$ 0.00170	$ 0.00151	
Typical Monthly Charge	$ 3.22	$ 2.67	$ 32.59	$ 298.03	$ 7,368.66	
Example Year 2						
DSM Program Expense	$ 4,749,291	$ 395,871	$ 918,500	$ 2,351,731	$ 152,308	$8,567,701
Performance Incentive Expenses	$ 5,103,472	$ 425,393	$ 986,998	$ 2,527,113	$ 163,666	$9,206,643
DSMFactor (Example Year 2)	$ 0.00342	$ 0.00254	$ 0.00256	$ 0.00208	$ 0.00185	
Typical Monthly Charge	$ 3.93	$ 3.27	$ 39.92	$ 364.65	$ 9,027.83	
Example Year 3						
DSM Program Expense	$ 5,062,748	$ 421,998	$ 979,122	$ 2,506,947	$ 162,360	$9,133,176
Performance Incentive Expenses	$ 5,392,315	$ 449,469	$ 1,042,860	$ 2,670,141	$ 172,930	$9,727,714
DSMFactor (Example Year 3)	$ 0.00363	$ 0.00269	$ 0.00272	$ 0.00221	$ 0.00196	
Typical Monthly Charge	$ 4.17	$ 3.46	$ 42.42	$ 387.44	$ 9,564.62	
Example Year 4						
DSM Program Expense	$ 4,910,771	$ 409,331	$ 949,730	$ 2,431,692	$ 157,487	$8,859,010
Performance Incentive Expenses	$ 5,618,298	$ 468,306	$ 1,086,564	$ 2,782,042	$ 180,177	$10,135,387
DSMFactor (Example Year 4)	$ 0.00366	$ 0.00271	$ 0.00274	$ 0.00223	$ 0.00198	
Typical Monthly Charge	$ 4.21	$ 3.49	$ 42.73	$ 390.95	$ 9,662.22	
Example Year 5						
DSM Program Expense	$ 5,046,765	$ 420,666	$ 976,031	$ 2,499,033	$ 161,848	$9,104,344
Performance Incentive Expenses	$ 5,824,329	$ 485,479	$ 1,126,410	$ 2,884,063	$ 186,784	$10,507,066
DSMFactor (Example Year 5)	$ 0.00378	$ 0.00280	$ 0.00283	$ 0.00230	$ 0.00204	
Typical Monthly Charge	$ 4.34	$ 3.61	$ 44.13	$ 403.22	$ 9,955.01	

** data originially presented in KCPL response to CURB Data Request No. 17.

CERTIFICATE OF SERVICE

10-KCPE-795-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was placed in the United States mail, postage prepaid, electronic service, or hand-delivered this 15th day of October, 2010, to the following:

* JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 SOUTH HICKORY
PO BOX 17
OTTAWA, KS 66067
Fax: 785-242-1279
jflaherty@andersonbyrd.com

* GLENDA CAFER, ATTORNEY
CAFER LAW OFFICE, L.L.C.
3321 SW 6TH STREET
TOPEKA, KS 66606
Fax: 785-271-9993
gcafer@sbcglobal.net

DAVID PRAGER III, ATTORNEY AT LAW
DAVID PRAGER III
3929 SW FRIAR RD
TOPEKA, KS 66610
dprageriii@cox.net

* DENISE M. BUFFINGTON, CORPORATE COUNSEL
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PLACE
1200 MAIN STREET (64105)
P.O. BOX 418679
KANSAS CITY, MO 64141-9679
Fax: 816-556-2787
denise.buffington@kcpl.com

* MARY TURNER, DIRECTOR, REGULATORY AFFAIRS
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PLACE
1200 MAIN STREET (64105)
P.O. BOX 418679
KANSAS CITY, MO 64141-9679
Fax: 816-556-2110
mary.turner@kcpl.com

* PATRICK SMITH
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3354
p.smith@kcc.ks.gov
**** Hand Deliver ****

* MATTHEW SPURGIN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3167
m.spurgin@kcc.ks.gov
**** Hand Deliver ****

* JOHN P. DECOURSEY, DIRECTOR, LAW
KANSAS GAS SERVICE, A DIVISION OF ONEOK, INC.
7421 W 129TH STREET STE 300 (66213)
PO BOX 25957
SHAWNEE MISSION, KS 66225-9835
Fax: 913-319-8622
jdecoursey@kgas.com

* WALKER HENDRIX, DIR, REG LAW
KANSAS GAS SERVICE, A DIVISION OF ONEOK, INC.
7421 W 129TH STREET STE 300 (66213)
PO BOX 25957
SHAWNEE MISSION, KS 66225-9835
Fax: 913-319-8622
whendrix@oneok.com

* ROBERT V. EYE, ATTORNEY AT LAW
KAUFFMAN & EYE
COLUMBIAN BUILDING
112 SW 6TH AVENUE, STE. 202
TOPEKA, KS 66603-3850
Fax: 785-234-4260
bob@kauffmaneye.com

Della Smith

Della Smith

* Denotes those receiving the Confidential version