**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of Kansas City Power & Light Company for Approval To Modify the Original Budget for its Energy Optimizer Program.	))))	Docket No. 14-KCPE-098-TAR

**AMENDED APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
FOR APPROVAL TO MODIFY THE ORIGINAL BUDGET
FOR ITS ENERGY OPTIMIZER PROGRAM**

COMES NOW Kansas City Power & Light Company ("KCP&L" or the "Company"), and hereby requests from the State Corporation Commission of the State of Kansas ("Commission") approval to modify the original budget for its Demand-Side Management ("DSM") Energy Optimizer pilot program.[1] This Amended Application is in compliance with applicable requirements of the Commission's *Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification* in Docket No. 08-GIMX-442-GIV ("442 Order" and "442 Docket" respectively).[2]

In compliance with the 442 Order, KCP&L first filed to modify this program budget in this Docket No. 14-KCPE-098-TAR ("098 Docket") on August 12, 2013 based upon estimated Energy Optimizer pilot program costs for the latter part of 2013 ("Original Application").[3] Due to the actual program expenditure information becoming available during the course of processing KCP&L's Original Application, KCP&L and the Staff of the Commission ("Staff")

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1 *See* KCP&L Tariff Schedule 7, Residential, Small and Medium General Service Air Conditioner Cycling Rider, also known as Energy Optimizer Program or Schedule EO.

2 *See Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification*, 442 Docket, ¶¶ 181 and 182, p. 54, issued Apr. 13, 2009.

3 *See* Application of Kansas City Power & Light Company for Approval to Modify the Original budget for its Energy Optimizer Program, 098 Docket, filed Aug. 12, 2013.

determined that KCP&L's Original Application request needed to be modified through an Amended Application. In furtherance of this Amended Application, KCP&L states as follows:

I. BACKGROUND

1. KCP&L is a vertically integrated electric public utility company under the jurisdiction of the Commission that is engaged in the generation, transmission, distribution and sale of electric energy to the public within the meaning of K.S.A. 66-104, in legally designated areas of Kansas. KCP&L holds a Certificate of Convenience and Authority issued by this Commission, authorizing KCP&L to engage in such utility business. KCP&L has previously filed with the Commission certified copies of its Articles of Incorporation under which it was organized, and its Certificate of Registration as a Foreign Corporation authorized to do business in Kansas, and all amendments thereto and restatements thereof, and the same are incorporated herein by reference.

2. The Energy Optimizer pilot program is an air conditioning cycling program by which KCP&L can reduce residential and small/medium commercial air conditioning load during peak summer days. This load reduction is achieved by sending a signal to a control device in a thermostat attached to the customer's air conditioner. The control device then turns the air conditioner off and on, or ramps up the temperature over a period of time, depending on the load reduction strategy established by KCP&L. KCP&L installs, owns and maintains the programmable thermostats used for this program using a third party vendor. Participating customers have the opportunity to reduce energy usage through effective use of the programmable thermostat.

3. In Docket No. 11-KCPE-780-TAR ("780 Docket"), the Commission approved continuation of KCP&L's current portfolio of DSM pilot programs for two years.[4] Those programs were set to expire on January 4, 2014[5]; however, the Commission approved interim extension of KCP&L's DSM pilot programs until such time as the Commission issues an order in Docket No. 14-KCPE-042-TAR ("042 Docket") wherein KCP&L requested an extension of its programs through the end of 2015.[6]

4. As part of the 780 Docket, KCP&L provided proposed five-year budgets for each of the programs included in its DSM portfolio, including the Energy Optimizer program. The Commission's *Order Approving Application with Modification* issued January 4, 2012 approved the programs for two years which includes approval of the first two years of the five-year proposed budget included in the Appendix A information supplied for KCP&L's Energy Optimizer program. The total approved budget amount for the Energy Optimizer program was **[redacted]**.[7]

5. Consistent with Commission requirements for approval to modify DSM program budgets, on August 12, 2013, KCP&L filed its Original Application in this docket for approval to modify the approved two-year (2012-2013) budget for its Energy Optimizer pilot program. On August 27, 2013, the Commission suspended the Application and deferred the effective date until April 9, 2014 to allow sufficient time for investigation of the matter. KCP&L is filing this Amended Application in order to present the Commission with updated budget numbers and an updated budget modification request. In its Original Application, KCP&L projected that actual

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4 *See Order Approving Application with Modification,* 780 Docket, Ordering ¶ A, issued Jan. 4, 2012.

5 *Id.,* and currently approved KCP&L DSM tariffs, Schedules 6, 7, 8 and 76, effective Jan. 4, 2012.

6 *See Order Granting Joint Motion for Stay of Proceeding, Interim Order, and Appointing Prehearing Officer,* 042 Docket, issued Aug. 1, 2013.

7 *See* Schedule JDJ-1 attached to the Direct Testimony of KCP&L witness Jason Jones, 780 Docket, p. 3, filed May 26, 2011.

expenditures for the Energy Optimizer program would exceed the approved two-year (2012-2013) budget amount by approximately 20 to 25 percent by year-end 2013 and requested that the two-year program budget be increased to **[redacted]**. As 2013 progressed and actual program expenditures became known, KCP&L determined that actual expenditures will exceed the approved two-year budget amount by approximately **[redacted]** or 30 percent. Therefore, the budget modification request currently under review by the Commission is insufficient to cover the actual program expenditures for the 2012-2013 period. The Company and Staff discussed how to process this docket to address this new information. Staff suggested that an amended application would be the best solution.

6. KCP&L previously filed a Motion for Modification of Suspension Order which pushed the suspension date out to June 9, 2014.[8] Staff indicated that the June 9, 2014 suspension date can still be met with this Amended Application. KCP&L's Motion is still pending before the Commission.

II. REQUIREMENTS OF 442 ORDER FOR BUDGET CHANGE REQUEST

A. COMMISSION APPROVAL IS REQUIRED FOR A CHANGE IN PROGRAM BUDGET GREATER THAN 10 PERCENT

7. In accordance with the 442 Order, KCP&L is required to request Commission approval for any budget overage of more than 10 percent.

> The Commission 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

[8] *See* Kansas City Power & Light Company's Motion for Modification of Suspension Order, Docket No. 14-KCPE-098-TAR, filed Jan. 27, 2014.

analysis of participation, and explaining how the change will be beneficial to customers.

However, the Commission does not find budget changes in excess of 10% should be permitted outside of the normal filing and review process. The Commission believes utility cost-tracking procedures should be sufficient to enable a utility to request budget modifications greater than 10% before the situation becomes an issue. The Commission recognizes time may be of importance, as indicated by the utilities in their comments, and will attempt to expedite the review process if requested by a utility.[9]

8. KCP&L hereby requests Commission approval to increase its two-year (2012-2013) budget for its Energy Optimizer pilot program by approximately 30 percent to a total of **[redacted]**. This results in an increase in the program budget of approximately **[redacted]**. The components of the original budget and the requested revised budget are shown in Confidential **Exhibit 1**.

B. <u>REASONS FOR DEVIATION FROM APPROVED BUDGET</u>

9. The increased budget is necessary due to three primary reasons. First, as noted in the Background section above, KCP&L administers this program through a third party vendor, Honeywell Utility Solutions ("Honeywell"). The contract with Honeywell was set to expire on December 31, 2011. It was extended, with new pricing, through April 30, 2013. A new vendor contract with new scope and pricing was executed effective May 1, 2013. Although Honeywell is again the vendor administering this turn-key program for KCP&L, certain costs and rates increased with the contract extension and new contract that were not known at the time of KCP&L's application in the 780 Docket on May 27, 2011. These contract changes impacted the Program Delivery and Customer Incentive portions of the Energy Optimizer program budget.

9 *Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification*, 442 Docket, ¶¶ 181 and 182, p. 54, issued Apr. 13, 2009.

10. Second, in its application in the 780 Docket, KCP&L estimated a total of 19,585 Kansas customers participating in the program based upon participation as of March 31, 2011. This level of participation was the basis for the expected budget provided for the Energy Optimizer program.[10] As of June 13, 2013, KCP&L had 20,305 Kansas customers participating in its Energy Optimizer program. This increase is due to (a) new participants between March 31, 2011 and the program freeze date of January 8, 2012; and (b) backlog participants signed up for the program prior to January 8, 2012 and installed after that date. The expected budget provided with the 780 Docket application and approved by the Commission did not account for the additional 720 customers currently participating in the program.

11. Third, certain underlying assumptions used to develop the budget proposed by KCP&L in the 780 Docket did not materialize as proposed. First, KCP&L's estimated number of service calls to participants was reasonably in line with actual service calls for the two-year period; however, roughly 36 percent of the service calls resulted in installation labor fees which are higher than the service call labor fees budgeted. Second, as noted above, KCP&L had a significant backlog of new participants signed up for the program prior to the January 8, 2012 freeze date that were installed after the freeze date. KCP&L's budget assumptions did not provide for the cost of new thermostat installations in 2012 or 2013 – post freeze date. Third, KCP&L assumed that the majority of non-working thermostats replaced during the budget period would be within the warranty period and therefore material charges would not apply. Actual data shows that a significant number of thermostats replaced were outside of the warranty period. Fourth, KCP&L failed to budget for taxes applied to material and labor. Finally, KCP&L budgeted for marketing expenses; however, with the freeze on new program participants,

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[10] *See* Schedule JDJ-1 attached to the Direct Testimony of KCP&L witness Jason Jones, 780 Docket, p. 3, filed May 26, 2011.

KCP&L did not market the program during the budget period and, therefore, other than costs for a database management system, these expenses were not realized.

C. PARTICIPATION LEVELS

11. As addressed in the 780 Docket, KCP&L "froze" the Energy Optimizer program to the participant level plus any customers who enrolled in the program but did not yet have thermostats installed as of January 8, 2012, just after the Commission's Order in that docket. As of June 13, 2013, the program's Kansas participation level was 20,305 customers with 18.3 MW of load reduction capability. KCP&L expects to maintain the current level of participation and load reduction over the next several years, *i.e.,* no incremental participants; however, KCP&L will re-evaluate desired participation levels annually and bring any proposed changes to the attention of Commission Staff and request Commission approval of any proposed budget changes for revised participation levels.

D. BENEFITS OF ENERGY OPTIMIZER PROGRAM

12. The Energy Optimizer program remains beneficial to KCP&L's Kansas customers. Demand response programs such as the Energy Optimizer program are designed to postpone the need for new peaking power plants – plants that provide energy only during peak demand periods. While the direct financial beneficiaries of the Energy Optimizer program are the customers who participate in the program, to the extent that construction of new peaking power plants is postponed, all KCP&L customers will benefit, not just the program participants.

13. KCP&L filed a DSM application in the 042 Docket in 2013 that requested Commission approval to continue its current DSM pilot program portfolio including the Energy

Optimizer program.[11] The information provided for the Energy Optimizer program in that filing for 2014/2015 includes a level of spending (excluding Evaluation, Measurement and Verification ("EM&V") costs) reasonably close to the actual 2012/2013 level requested for approval in this Amended Application.[12] Additionally, the same information in the 042 Docket includes a benefit/cost analysis for the Energy Optimizer program that shows the program continuing to pass all of the appropriate tests showing that the program is beneficial.[13] The program passes the benefit/cost test thresholds by a reasonably wide margin with ratios ranging from 5.58 to 5.75. Given these results, it is logical and reasonable to assume that the changes to the 2012/2013 program budget requested in this Amended Application would still result in a program that easily passes all of the tests and proves beneficial to KCP&L's Kansas customers.

III. CONCLUSION

14. In conclusion, KCP&L has provided the information required by the 442 Order which demonstrates the continuing benefit of the Energy Optimizer program even with the increased costs of the program.[14] KCP&L therefore respectfully requests the Commission approve an increase in the 2012-2013 two-year budget for the Energy Optimizer program of approximately **[redacted]** for a total two-year program budget of **[redacted]**. Additionally, as the Commission approved the joint motion of KCP&L, Staff and the Citizens' Utility Ratepayer Board to stay the 042 Docket and to provide for a 2014 budget equivalent to

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[11] *See* Application of Kansas City Power & Light Company for Approval to Extend Its Demand-Side Management Programs, 042 Docket, filed Jul. 19, 2013. Note that KCP&L's 042 Docket also renames the Energy Optimizer program as the Programmable Thermostat program.

[12] *Id.*, Attachment 4, Appendix A Information, Five-Year Budget (2014-2018), p. 3. Without EM&V, the 2014/2015 budget proposed in the 042 Docket is roughly 3 percent less than the requested 2012/2013 budget under this Amended Application. Inclusion of EM&V makes the proposed 2014/2015 budget for the Energy Optimizer program roughly 8 percent higher than the 2012/2013 budget requested for approval in this Amended Application. Note that EM&V costs were included in the benefit/cost analysis in the 042 Docket.

[13] *Id.*, Attachment 4, Appendix A Information, Program Benefit-Cost Analysis, pp. 4-5.

[14] *Id.*

the approved 2013 budget for the DSM portfolio,[15] this budget modification request also impacts the budget for the Energy Optimizer program extended into 2014 such that it is consistent with the 2013 budget shown in the requested section of Confidential **Exhibit 1** until such time as the Commission issues a decision in the DSM portfolio docket (042 Docket).

WHEREFORE, for the reasons set forth herein, KCP&L asks the Commission to grant its request and issue an order modifying the approved two-year (2012-2013) budget for the Company's Energy Optimizer pilot program.

Respectfully submitted,

/s/ Roger W. Steiner
Roger W. Steiner (KS #26159)
Kansas City Power & Light Company
1200 Main Street, 16th Floor
Kansas City, MO 64105
Telephone: (816) 556-2314
Facsimile: (816) 556-2787
roger.steiner@kcpl.com

Glenda Cafer (KS #13342)
Telephone: (785) 271-9991
Terri Pemberton (KS #23297)
Telephone: (785) 232-2123
CAFER LAW OFFICE, L.L.C.
3321 SW 6th Avenue
Topeka, Kansas 66606
Facsimile: (785) 233-3040
glenda@caferlaw.com
terri@caferlaw.com

ATTORNEYS FOR
KANSAS CITY POWER & LIGHT COMPANY

[15] *Id.*, *Order Granting Joint Motion for Stay of Proceeding, Interim Order, and Appointing Prehearing Officer*, issued Aug. 1, 2013.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing document was emailed on this 13th day of February, 2014 to:

NIKI CHRISTOPHER, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604

C. STEVEN RARRICK, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604

SHONDA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604

DAVID SPRINGE, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604

ANDREW FRENCH, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027

ROBERT V. EYE, ATTORNEY AT LAW
KAUFFMAN & EYE
123 SE 6TH AVE STE 200
THE DIBBLE BUILDING
TOPEKA, KS 66603

/s/ Roger W. Steiner
Roger W. Steiner

EXHIBIT 1

ENERGY OPTIMIZER PROGRAM

The current Commission-approved program budget for the Energy Optimizer Program over the two-year period 2012 – 2013 is shown below in Table 1.

TABLE 1: Current Approved Program Budget (Two-Year)

	Program Delivery	Admin	Marketing	Customer Incentive[1]	EM&V	TOTAL
2012	** [redacted]					**
2013	** [redacted]					**
TOTAL	** [redacted]					**

The requested program budget for the Energy Optimizer Program for the two-year period 2012 – 2013 is shown in Table 2. Note that the expenditures shown are actual costs.

TABLE 2: Request for Increased Program Budget (Two-Year)

	Program Delivery	Admin	Marketing	Customer Incentive[1]	EM&V	TOTAL
2012	** [redacted]					**
2013	** [redacted]					**
TOTAL	** [redacted]					**

[1] Customer Incentives included in the original program budget in the 780 Docket included such items as service calls, replacement thermostats and add-a-wire work. These items were determined to be Program Delivery costs rather than Customer Incentive costs and are shown as such in Table 2.

VERIFICATION

STATE OF MISSOURI)
)
COUNTY OF JACKSON)

I, Mary Britt Turner, being duly sworn, on oath state that I am Director, Regulatory Affairs of Kansas City Power & Light Company, that I have read the foregoing Amended Application and know the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge and belief.

KANSAS CITY POWER & LIGHT COMPANY

By: Mary Britt Turner
Mary Britt Turner

The foregoing Verification was subscribed and sworn to before me this 13th day of February, 2014.

Nicole A. Wehry
Notary Public

My Commission Expires:

Feb. 4 2015

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2015
Commission Number: 11391200