

PUBLIC VERSION

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by
State Corporation Commission
of Kansas

**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

**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” or “KCC”) approval to modify the original budget for its Demand-Side Management (“DSM”) pilot program Energy Optimizer. This 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).¹ In furtherance of this 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

¹ See *Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification*, 442 Docket, ¶¶ 181 and 182, p. 54, issued Apr. 13, 2009.

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 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.² Those programs currently are set to expire on January 4, 2014.³ 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

² See *Order Approving Application with Modification*, 780 Docket, Ordering ¶ A, filed Jan. 4, 2012.

³ *Id.*, and currently approved KCP&L DSM tariffs, Schedules 6, 7, 8 and 76, effective Jan. 4, 2012.

amount for the Energy Optimizer program was ** _____ **. ⁴ KCP&L currently believes that it will exceed the approved two-year budget amount by approximately 20 to 25 percent by year-end 2013.

II. REQUIREMENTS OF 442 ORDER FOR BUDGET CHANGE REQUEST

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

4. 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 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. ⁵

5. KCP&L hereby requests Commission approval to increase its two-year (2012 / 2013) budget for its Energy Optimizer program by approximately 25 percent to a total of ** _____ **. This results in an increase in the program budget of approximately ** _____ **. The components of the original budget and the requested revised budget are

⁴ See Schedule JDJ-1 attached to the Direct Testimony of KCP&L witness Jason Jones, 780 Docket, p. 3, filed May 26, 2011.

⁵ Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification, 442 Docket, ¶¶ 181 and 182, p. 54, issued Apr. 13, 2009.

shown in Confidential **Exhibit 1**. KCP&L currently estimates that it will initially exceed the original budget with August 2013 work⁶ and will exceed the 10 percent allowance with October 2013 work.

B. REASONS FOR DEVIATION FROM APPROVED BUDGET

6. The increased budget is necessary due to two 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 the filing. These contract changes impacted the Program Delivery and Customer Incentive portions of the Energy Optimizer program budget.

7. 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.⁷ 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

⁶ August work will be billed in mid-September and accrued at that time.

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

with the 780 Docket did not account for the additional 720 customers participating in the program.

C. PARTICIPATION LEVELS

8. 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

9. 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.

10. KCP&L recently filed a DSM application, Docket No. 14-KCPE-042-TAR (“042 Docket”), which requested Commission approval to continue its current DSM program

portfolio including the Energy Optimizer program.⁸ The information provided for the Energy Optimizer program in that filing includes a level of spending reflecting a participant level continuing close to the 20,305 June 2013 level.⁹ Additionally, the same information 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.¹⁰

III. CONCLUSION

11. In conclusion, KCP&L has provided the information required by the 442 Order which demonstrates that continuing benefit of the Energy Optimizer program even with the increased costs of the program.¹¹ KCP&L therefore respectfully requests the Commission approve an increase in the 2012-2013 two-year budget for the Energy Optimizer program of ** _____ ** for a total two-year program budget of ** _____ **. 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 the approved 2013 budget for the DSM portfolio,¹² this budget exceedance request also encompasses an increase to 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**.

⁸ 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.

⁹ *Id.*, Attachment 4, Appendix A Information, Five-Year Budget (2014-2018), p. 3.

¹⁰ *Id.*, Attachment 4, Appendix A Information, Program Benefit-Cost Analysis, pp. 4-5.

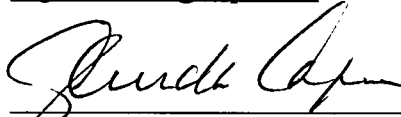
¹¹ *Id.*

¹² *Id.*, Order Granting Joint Motion for Stay of Proceeding, Interim Order, and Appointing Prehearing Officer, issued Aug. 1, 2013.

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

Respectfully submitted,

Roger W. Steiner (MO #39586)
Kansas City Power & Light Company
1200 Main Street, 16th Floor
Kansas City, MO 64141
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

**COUNSEL FOR
KANSAS CITY POWER & LIGHT COMPANY**

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 Incentive¹	EM&V	TOTAL
2012	** _____	_____	_____	_____	_____	_____ **
2013	** _____	_____	_____	_____	_____	_____ **
TOTAL	** _____	_____	_____	_____	_____	_____ **

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 for calendar year 2012 are actual costs.

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

	Program Delivery	Admin	Marketing	Customer Incentive¹	EM&V	TOTAL
2012	** _____	_____	_____	_____	_____	_____ **
2013	** _____	_____	_____	_____	_____	_____ **
TOTAL	** _____	_____	_____	_____	_____	_____ **

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.

Kansas City Power & Light Company

Docket No.: 14-KCPE-__-TAR

Date: August 12, 2013

**CONFIDENTIAL
INFORMATION**

The following information is provided to the Kansas Corporation Commission under
CONFIDENTIAL SEAL:

Application of KCP&L for Approval to Modify the Original Budget for Its Energy Optimizer Program	
Page	Reason for Confidentiality from List Below
P. 3, ¶ 3, L. 9	2, 5
P. 3, ¶ 5, L. 3	2, 5
P. 3, ¶ 5, L. 3	2, 5
P. 6, ¶ 11, L. 5	2, 5
P. 6, ¶ 11, L. 5	2, 5
Exhibit 1, Table 1, L.1, 2 and 3	2, 5
Exhibit 2, Table 2, L. 1, 2 and 3	2, 5

Rationale for the "confidential" designation is documented below:

- "1" Confidential financial information/ budget projections.
- "2" Contract terms or specifics, or contract information that could be used by existing or future vendors to the disadvantage of KCP&L.
- "3" Sensitive information that could impact pending or threatened litigation.
- "4" Advice of counsel or other paid experts, advisors or consultants.
- "5" Trade Secret or Commercially Sensitive.
- "6" Other (specify) _____.

Should any party challenge KCP&L's assertion of confidentiality with respect to the above information, KCP&L reserves the right to supplement the rationale contained herein with additional factual or legal information.

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 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 12th day of August, 2013.

[Signature]
Notary Public

My Commission Expires:

6/22/14

