

Exhibit No.:
Issue: Renewable Energy Credits
Witness: Jeff Martin
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: EO-2019-0067 (lead)
EO-2019-0068 (consolidated)
ER-2019-0199 (consolidated)
Date Testimony Prepared: August 5, 2019

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.:
EO-2019-0067 (lead)
EO-2019-0068 (consolidated)
ER-2019-0199 (consolidated)

SURREBUTTAL TESTIMONY

OF

JEFF MARTIN

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
August 2019

SURREBUTTAL TESTIMONY

OF

JEFF MARTIN

Case Nos.

EO-2019-0067 (lead)

EO-2019-0068 (consolidated)

ER-2019-0199 (consolidated)

1 **Q: Please state your name and business address.**

2 A: My name is Jeffrey Martin. My business address is 818 Kansas Avenue, Topeka Kansas
3 66612.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Westar Energy, Inc. (“Westar”) and serve as Vice President, Customer
6 and Community Operations for Westar, Kansas City Power & Light Company
7 (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”), the operating
8 utilities of Evergy, Inc. (“Evergy”).

9 **Q: On whose behalf are you testifying?**

10 A: I am testifying on behalf of KCP&L.

11 **Q: Are you the same Jeffrey Martin who filed direct testimony in EO-2019-0067 and**
12 **the other consolidated dockets?**

13 A: Yes, I am.

14 **Q: Briefly, what was the nature of that testimony?**

15 A: The purpose of that testimony was to respond to Staff's recommendation to the
16 Commission to disallow KCP&L's recovery of approximately \$350,000 because KCP&L
17 does not sell its RECs.

1 **Q: What is the purpose of your surrebuttal testimony?**

2 A: I will respond to the rebuttal testimony of Kory Boustead filed on behalf of the Staff of
3 the Missouri Public Service Commission (“Staff”) on the topic of renewable energy
4 credits (“RECs”) and the rebuttal testimony of Geoff Marke filed on behalf of the Office
5 of the Public Counsel (“OPC”), also on the topic of RECs.

6 **Q: Can you summarize the policy argument of both Staff and OPC?**

7 A: Both Staff and OPC recommend the imputation of revenues for non-existent REC sales
8 that is, in effect, a compulsory REC sales program that unbundles the environmental
9 attributes for all renewable energy generated or purchased beyond what is needed for
10 RES compliance. KCP&L does not believe the citizens of Missouri approved the RES to
11 limit customers’ access to the environmental attributes of clean energy.

12 **Q: Does KCP&L agree with this limiting approach to renewable energy recommended
13 by Staff and OPC?**

14 A: No. The surveys provided in my direct testimony demonstrate that a substantial
15 proportion of KCP&L customers support affordable renewable energy resources as part
16 of their overall energy mix. Staff and OPC's compulsory REC sales program, limits the
17 environmental attributes that KCP&L can offer its customers to the level meeting RES
18 compliance requirements based on highly questionable financial benefit for customers.

RESPONSE TO STAFF WITNESS BOUSTEAD

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Q: Why does Staff witness Boustead believe a disallowance related to REC sales is necessary?

A: Staff witness Boustead believes the sale of all RECs not needed for compliance with Missouri's Renewable Energy Standard is mandated by KCP&L Rider FAC tariff.¹

Q: Does KCP&L agree?

A: No. While KCP&L's Rider FAC certainly contemplates and allows for revenues from the sale of RECs being included into the FAC calculation, it does *not* mandate or require the sale of all RECs.

Q: Does Staff believe KCP&L should have sold some of its RECs and, therefore, that associated revenues should be imputed?

A: Yes. Staff witness Boustead supports her interpretation of KCP&L's Rider FAC tariff by suggesting imprudence by the Company for not selling any of its RECs. She identifies a market for RECs and gross revenues available from the sale of RECs and suggests customers are harmed by KCP&L's failure to sell the RECs in that market.²

Q: Does Staff Witness Boustead account for the expenses associated with the REC sales she alleges KCP&L should have made?

A: No. Staff witness Boustead does not attempt to make a business case for her recommended REC sales program. She does not analyze the expenses of such a program. Staff witness Boustead identifies a market for RECs and assumes the existence of a market means that REC sales through such a program would necessarily be beneficial for KCP&L customers.

¹ See, Rebuttal Testimony, Staff witness Boustead, p. 3, ll. 1-10.

1 **Q: Has KCP&L analyzed the business case for selling RECs?**

2 A: Yes. As explained in my direct testimony³, the revenue opportunity is currently very
3 limited and outweighed by how such a policy would necessarily change the
4 representations KCP&L could make regarding the environmental attributes of the power
5 it sells to customers. It is not inconceivable that if RECs were to reach a certain price
6 that the program recommended by Staff and OPC would be justified from a business
7 perspective, but that does not reflect the current reality of the REC market.

8 **Q: Why would selling all of KCP&L's RECs change the representations it could make**
9 **regarding the level of renewable energy they receive?**

10 A: When KCP&L customers think of "renewable energy" they think the power has the
11 environmental attribute of being generated by a renewable resource. Under Staff's
12 proposal customers would not automatically receive the environmental attributes of
13 KCP&L's renewable energy resources after we reached RES compliance. We believe this
14 is taking value away from our customers for little to no financial benefit.

15 **Q: Is it important to clarify and revisit what a REC is versus how it is measured?**

16 A: Yes. The difference between how a REC is *measured* versus what it *represents* is often
17 confused. A REC is *measured* by the amount of energy that is generated from a
18 renewable energy technology. A REC represents the *environmental attribute* of the
19 renewable energy. By selling a REC to a different party than the one receiving the
20 energy, the environmental attribute is separated or "unbundled" from the energy.⁴

² See, Rebuttal Testimony, Staff witness Boustead, p. 5, ll. 1-9.

³ See, Direct Testimony, KCP&L witness Martin, p. 3, ll. 3-19.

⁴ RECs are correctly described in the Rebuttal Testimony of Geoffe Marke, p. 3, ll. 3-4.

1 **Q: So, if a REC is “unbundled” or separated from the energy, and the environmental**
2 **attribute is sold, can the energy be sold as “renewable” or “clean”?**

3 A: No. Not unless the customer is also purchasing the REC or the REC is retired. If the
4 environmental attribute is stripped apart from the energy and sold to a third party then it
5 is not accurate to claim that the power being sold to the customer is renewable energy.
6 To make such a claim would be the definition of "double accounting" – telling two
7 different parties that they are receiving the environmental attribute from the same energy.
8 As explained in my direct testimony, KCP&L could represent that all customers receive
9 25.15%⁵ of their power from renewable energy sources during the period January 1, 2017
10 through June 30, 2018. If KCP&L had been forced to unbundle and sell all the RECs
11 remaining after RES compliance that representation would be inaccurate.⁶ If all 722,628
12 RECs were sold, KCP&L could only represent to customers that 19% of their power
13 came from renewable energy sources, because only 19.39 % of the energy received by
14 customers would retain the environmental attribute.

15 **Q: Do you agree with Staff witness Boustead’s testimony at p. 7 that the proper method**
16 **for ensuring that environmental attributes are not double-counted is to retire the**
17 **RECs?**

18 A: No. First, it is not clear why Staff is advocating retirement of the RECs. If they are retired
19 then the Company can’t sell them and this is what Staff suggested in its audit that the
20 Company should have done. Moreover, the Company is only required to retire RECs that
21 are used for RES compliance. The Company does retire these RECs. As I explained
22 earlier, RECs that are not used for RES compliance are not sold but are retained for our

⁵ Staff witness Boustead correctly noted at footnote 14 of her testimony that the Rock Creek REC values used in my testimony were lower than those in the NAR tracking system. The renewable energy percentages in my surrebuttal response use the correct Rock Creek REC values.

⁶ See, Direct Testimony, KCP&L witness Martin, p. 9, ll. 1-15.

1 retail customers as a whole. If the Company were to sell the RECs and then claim that
2 renewable energy was used to serve the Company's retail load then there would be
3 double counting. This is the main reason why the RECs not needed for compliance are
4 not sold.

5 **Q: What are the reasons which explain why the RECs not needed for compliance are**
6 **not retired?**

7 A: The Company would incur a retirement fee from NARR of \$0.03 per REC which would
8 be approximately \$20,000 for KCP&L's current REC supply. In addition, by not retiring
9 the RECs the Company has a free option to use the RECs in the future if they are needed
10 to comply with an increased Missouri RES requirement or a possible federal RES
11 requirement. Since there is no double counting from maintaining this free option, Staff's
12 contention that the RECs need to be retired should be rejected by the Commission.

13 **Q: Ms. Boustead claims at p. 8 of her rebuttal testimony that the 2013 and 2014 RECs**
14 **have nothing to do with KCP&L's 2018 renewable generation. What is your**
15 **response?**

16 A: Ms. Boustead is correct that 2013 and 2014 RECs do not impact KCP&L's 2018
17 renewable energy generation. However, her point does not change the Company's
18 position that it generates approximately 25% of its retail load using renewable resources.
19 Staff's position in its audit is that KCP&L was imprudent because it did not take any
20 action that would have allowed it to generate revenue from the 722,628 RECs that were
21 allowed to expire. Should the Commission adopt Staff's position, the Company will
22 never be able to claim actual renewable energy is being used to serve its retail customers
23 beyond the minimum amount needed to comply with the RES. Section 393.1030(1)

1 RSMo. only requires 10% of KCP&L's generation come from renewable resources for
2 calendar years 2018 through 2020 (this amount increases to 15% in 2021). Since the law
3 only requires 10% be produced by renewable resources, KCP&L will have to sell the
4 excess RECs if Staff's position is adopted. By requiring KCP&L to sell all RECs above
5 the 10% (or 15% in 2021) amount, Staff's position severely limits KCP&L's
6 representations to its customers regarding how much of their energy came from
7 renewable resources as the claim to the renewable attributes would be sold off.

8 **Q: What steps would KCP&L deem appropriate if the Commission adopts the**
9 **disallowance recommended by Staff witness Boustead, effectively requiring KCP&L**
10 **to sell all RECs not needed for RES compliance?**

11 A: KCP&L believes it would need to Green-E certify the RECs to be sold. Green-E is a
12 globally recognized leader in clean energy offset certification. While KCP&L does not
13 claim expertise in the program, it is my understanding that RECs which have been Green-
14 E certified are more valuable than RECs which have not been certified. KCP&L would
15 also need to notify customers of this change in policy so that there is no confusion
16 regarding the level of renewable energy that customers receive from KCP&L.

17 **Q: What other steps does KCP&L believe would be appropriate?**

18 A: KCP&L is unaware of a centralized REC exchange. It would be necessary to survey
19 vendors (REC brokers) to determine price availability. If KCP&L sold its RECs it would
20 be necessary to implement a tracking process and analyze how the sale of such RECs
21 impacted KCP&L's representation regarding the level of renewable energy it provides to
22 its customers.

1 **Q: Should the Commission impute revenues for unsold RECs as Staff recommends in**
2 **this FAC review?**

3 A: No. KCP&L has not previously sold RECs and, prior to this proceeding, no party has
4 suggested that KCP&L should do so, whether on the basis of prudence or tariff language
5 or some other policy reason. To KCP&L's knowledge, this is the first time such a
6 recommendation has been made. If the Commission deems such a policy appropriate,
7 over KCP&L's evidence to the contrary, then KCP&L would request that the
8 Commission make its decision in that regard operative on a prospective basis only with
9 no imputation of revenues for unsold RECs in this FAC review.

10 **RESPONSE TO WITNESS GEOFFE MARKE**

11 **Q: Do you agree with OPC witness Marke's assessment, on page 4, line 21 through**
12 **page 5, line 2 of his rebuttal testimony, that the value customers put on KCP&L's**
13 **renewable energy resources can and should only be quantified through a REC sales**
14 **program?**

15 A: Absolutely not. We believe our customers appreciate and support KCP&L's continued
16 effort to increase its renewable energy resources and that the benefits of those clean
17 resources should not be confined to a RECs sales program.

18 **Q: Have you provided evidence of such support by KCP&L customers for renewable**
19 **energy?**

20 A: Yes. In my direct testimony, I point to the City of Kansas City, Missouri's emission
21 reduction and how KCP&L's renewable energy resources accounted for a substantial
22 portion of that reduction.⁷

⁷ See, Direct Testimony, KCP&L witness Martin, p. 5, ll. 14-17.

1 **Q: How did OPC witness Marke respond to this evidence of KCP&L customer support**
2 **for renewable energy?**

3 A: OPC witness Marke initially responds that the argument is "nonsensical" and analogizes
4 it to the "City of Kansas City's municipal operations" taking credit for "the KC Royals
5 winning the World Series in 2015." In a footnote to that same statement, OPC witness
6 Marke explains that many different factors would need to be considered to determine
7 how Kansas City calculated the reduction in emissions.⁸ KCP&L agrees with OPC
8 witness Marke's footnote that a more detailed analysis would be required to calculate
9 specifically how much of Kansas City's emissions reduction could be attributed to
10 KCP&L's renewable energy resources. But it is undeniable that some portion of the
11 reduction should be attributed to KCP&L's renewable resources because the city is a
12 large customer of KCP&L. It is equally undeniable that with a mandatory REC sales
13 program as recommended by Staff and OPC, if the city did not purchase RECs from
14 KCP&L, the claimed emissions reduction of the city would necessarily decrease.

15 **Q: How did OPC witness Marke respond to the customer survey results provided in**
16 **support of KCP&L's policy to not sell its RECs?**

17 A: OPC witness Marke simply said that surveys are "irrelevant" to the question of a
18 mandatory REC sales program.⁹

19 **Q: Do you agree that the surveys showing KCP&L customer support for renewable**
20 **energy are irrelevant to the issue of a mandatory REC sales program?**

21 A: No. What the survey shows is that a significant percentage of KCP&L's customers want
22 the environmental attributes of renewable energy and, to various degrees, to be

⁸ FN 14, Rebuttal Testimony, OPC witness Marke, p. 11.

1 environmentally conscious. But customers also find the cost of individually obtaining
2 solar panels to be prohibitive. Likewise, the surveys cited show overwhelming support
3 for KCP&L's renewable energy resources. These surveys are not irrelevant at all. They
4 show that customers are multi-dimensional in the things they care about. KCP&L
5 customers care about the environment and affordability. It is not an either/or
6 proposition.¹⁰ KCP&L's decision to keep its RECs bundled with the energy it sells
7 balances the environmental and affordability concerns of its customers.

8 **Q: What is OPC witness Marke's response to "Corporate Energy Buyers' Principles"**
9 **that require more than the purchase of unbundled RECs?**

10 A: OPC witness Marke purports to not understand why the "Corporate Energy Buyers'
11 Principles" supports KCP&L's decision to not unbundle its RECS for renewable energy
12 power.¹¹ But then he clearly states the reason:

13 Entering into a standalone REC agreement or an "unbundled" REC
14 contract is inconsistent with the Buyers' Principles. An unbundled REC
15 refers to RECs that are sold, delivered, or purchased separately from
16 electricity. They are merely a tradeable, market-based instrument that
17 represent the legal property rights to the "renewable-ness" not the actual
18 physical delivery of electricity to customers purchasing the power. This is
19 not "additional" renewable energy.¹²

20 OPC witness Marke then goes into detail with various corporate entities that have
21 adopted the very principle antithetical to the policy he is promoting: the compulsory
22 unbundling and selling of RECs in excess of what KCP&L needs for RES compliance.

⁹ Rebuttal Testimony, OPC witness Marke, p. 12, ll 17-18.

¹⁰ On page 12, ll. 20 of OPC witness Marke's rebuttal testimony he suggests that KCP&L customers only concern is affordability. While KCP&L agrees that its customers are concerned with affordability, we also know that our customers are not one-dimensional or not cognizant of environmental concerns. KCP&L works to balance the interests of its customers through a mix of resources.

¹¹ Rebuttal Testimony, OPC witness Marke, p. 7, ll 21-22.

¹² Rebuttal Testimony, OPC witness Marke, p. 8, ll 2-7.

1 **Q: So, what is OPC witness Marke's point regarding the "Corporate Energy Buyers'**
2 **Principles"?**

3 A: OPC witness Marke crystallizes his point on page ten of his rebuttal testimony:

4 To be crystal clear, KCP&L not selling its RECs does not mean more
5 renewable energy was produced. Furthermore, according to its 2019 RES
6 Compliance Plans, the PPAs in which these RECs were generated in, were
7 entered into for "economic reasons" not for some customers to meet their
8 own self-imposed Corporate Energy Buyers' Principles.

9 KCP&L agrees that not selling its RECs does not *create* more renewable energy; KCP&L
10 has not argued otherwise. But there is an alignment between the "Corporate Energy
11 Buyers' Principles" and KCP&L's decision not to unbundle the RECs from its renewable
12 energy sources. That alignment creates an economic incentive for KCP&L to continue to
13 balance the environmental and affordability concerns of its customers and seek affordable
14 renewable energy resources. A mandatory REC sales program would directly contradict
15 the "Corporate Energy Buyers' Principles" and potentially reduce load growth
16 opportunities for KCP&L by deterring companies with green generation goals from
17 locating their facilities in KCP&L's service territory.

18 **Q: Does that conclude your testimony?**

19 A: Yes, it does. Thank you.

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

In the Matter of the Eighth Prudence)	
Review of Costs Subject to the)	
Commission-Approved Fuel Adjustment)	<u>Case No. EO-2019-0067</u>
Clause of KCP&L Greater Missouri)	(Lead Case)
Operations Company)	

In the Matter of the Second Prudence)	
Review of Costs Subject to the)	
Commission-Approved Fuel Adjustment)	Case No. EO-2019-0068
Clause of Kansas City Power and Light)	(Consolidated)
Company)	

In the Matter of the Application of KCP&L)	
Greater Missouri Operations Company)	
Containing its Semi-Annual Fuel)	Case No. ER-2019-0199
Adjustment Clause True-Up)	(Consolidated)
)	

AFFIDAVIT OF JEFF MARTIN

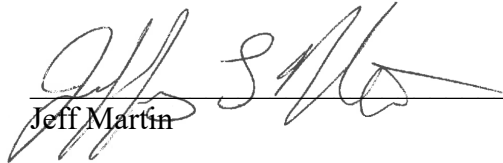
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Jeff Martin, being first duly sworn on his oath, states:

1. My name is Jeff Martin. I work in Topeka, Kansas, and I am employed by Westar Energy, Inc. as Vice President, Customer and Community Operations for Westar, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company, the operating utilities of Evergy, Inc.

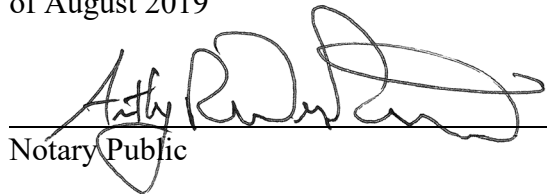
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of eleven (11) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Jeff Martin

Subscribed and sworn before me this 5th day of August 2019



Notary Public

My commission expires: 4/26/2021

