

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

In the Matter of Kansas City Power & Light)
Company’s Submission of Its 2018 Renewable) File No. EO-2019-0315
Energy Standard Compliance Report)

In the Matter of KCP&L Greater Missouri)
Operations Company’s Submission of Its 2018) File No. EO-2019-0316
Renewable Energy Standard Compliance Report)

**KANSAS CITY POWER & LIGHT COMPANY’S AND
KCP&L GREATER MISSOURI OPERATIONS COMPANY’S
RESPONSES TO COMMISSION QUESTIONS**

COME NOW Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) (collectively the “Company”), and for their response to the Missouri Public Service Commission’s (“Commission”) *Order Directing Company Filing* issued on June 24, 2019, respond as follows:

1. Does the Company agree or disagree that the RES Report is required to include all costs associate (sic) with its renewable generation? If the Company disagrees, please detail why.

Response: The Company disagrees that the RES Report is required to include all costs associated with its renewable generation because RES compliance costs, as defined in pertinent part by 4 CSR 240-20.100(1)(Q) “means prudently incurred costs, both capital and expense, directly related to compliance with the Renewable Energy Standard.” To the extent that the Company has entered into a wind purchased power agreement (“PPA”) based on other factors, including economics – that is, the addition of the wind PPA to the Company’s generation portfolio serves to reduce the expected value of net present value of long-run revenue requirements – such wind PPAs are not “directly related to compliance with the Renewable Energy Standard” and do not constitute RES compliance costs. Therefore, because the Company did not enter into these PPAs in order to achieve RES

compliance, the cost of wind PPAs entered into for economic reasons (“favorable economics wind PPAs”) has been excluded from its RES Compliance Report.

Said another way, RES compliance costs are costs which would not exist but for the need to meet RES requirements. Other renewable energy-related costs, such as those associated with favorable economics wind PPAs, having been executed to reduce the expected net present value of long-run revenue requirements and not to achieve RES compliance, therefore do not constitute RES compliance costs. These are PPAs that would have been executed regardless of the RES requirements.

2. Why is it appropriate to include the retail electric sales supplied by the “favorable economic” PPAs in the total sales from renewable energy resources in Commission rule 4 CSR 240-20.100(8)(A)(1)C and exclude costs associated with the “favorable economics” PPAs from the actual calendar year retail rate impact calculation?

Response: 4 CSR 240-20.100(8)(A)(1)C requires the RES Compliance Report to include “Total retail electric sales supplied by renewable energy resources, as defined by section 393.1025(5), RSMo, including the source of energy” while, as explained in the Company’s response to question 1 above, RES compliance cost means costs directly related to compliance with the Renewable Energy Standard and costs of favorable economics wind PPAs are not directly related to compliance with the Renewable Energy Standard.

3. Cite to any statute, rule or Commission order authorizing the exclusion of “favorable economic” renewable energy resources from the actual calendar year retail rate impact calculation.

Response: 4 CSR 240-20.100(5)(A) provides, in pertinent part, that “[T]he retail rate impact (RRI), as calculated in subsection (5)(B), may not exceed one percent (1%) for prudent costs of renewable energy resources directly attributable to RES compliance.” As discussed in the Company’s responses to questions 1 and 2 above, the Company’s wind

PPAs are not directly related, or attributable, to RES compliance and, therefore, do not constitute RES compliance costs.

In addition, 4 CSR 240-20.090(1)(L)2 provides, in relevant part, that “[U]nless otherwise approved by the commission, fuel and purchased power costs do not include . . . renewable energy standard compliance costs as defined in 4 CSR 240-20.100(1).” Both GMO and KCP&L operate under a Commission-approved fuel adjustment clause (“FAC”) and the costs of all of each utility’s favorable economics wind PPAs has been, and continues to be, recovered through each utility’s respective FAC. By direct implication, therefore, the cost of KCP&L and GMO favorable economics wind PPAs constitute fuel and purchase power costs and do not constitute RES compliance costs.

In addition, the Commission approved a Non-Unanimous Partial Stipulation and Agreement dated October 20, 2014 in File No. EO-2014-0151 which included the following provision:

RES Compliance Costs. The Signatories were unable to agree as to whether economic wind Purchased Power Agreement (“PPA”) costs should be included in the definition of RES compliance costs. By order dated August 27, 2014 in Case No. ER-2014-0373, the Commission has stated that it will not adjust a fuel adjustment clause (“FAC”) outside of a general rate proceeding. Because such PPA costs are currently being flowed through GMO’s FAC, it is not possible to change the treatment of such costs in this proceeding because it is not a general rate proceeding. Section 386.266.5 RSMo. To preserve that issue for consideration in a general rate proceeding, the Signatories therefore agree, for purposes of this case only, that the Commission should grant a variance from 4 CSR 240-20.100(6)(A)16. In making this agreement and variance request, the Signatories acknowledge that no Signatory has made any concession as to whether such a variance is necessary or unnecessary.¹

¹ See Order Approving Partial Stipulation and Agreement, Rejecting Tariff, and Establishing Procedural Schedule, File No. EO-2014-0151, dated November 5, 2014 and Non-Unanimous Partial Stipulation and Agreement attached thereto, para. 4.aP, p. 2.

Having not been addressed or rescinded in any subsequent general rate proceeding, this variance continues to remain in effect for GMO.

In addition, GMO has prosecuted two general rate proceedings to conclusion after the Commission's November 5, 2014 order in File No. EO-2014-0151 (Case Nos. ER-2016-0156 and ER-2018-0146) and no party made any proposal to remove the cost of favorable economics wind PPAs from the operation of GMO's FAC. Therefore, to this day GMO's FAC continues to include the cost of favorable economics wind PPAs. Likewise, KCP&L's FAC continues to include the cost of favorable economics wind PPAs.

4. Is it appropriate to calculate the actual calendar year retail rate impact from Commission Rule 4 CSR 240-20.100(8)(A)(1)P based on RES "compliance costs" divided by total retail revenue dollars?

Response: Yes, provided that RES compliance costs are those directly related, or attributable, to compliance with the renewable energy standard.

5. Cite to a statute, rule, or a Commission order that authorizes the calculation or any understanding of the Company that supports the calculation reported by the Company to be responsive to Commission Rule 4 CSR 240-100(8)(A)(1)P.

Response: See the Company's responses to questions 1-4 above.

6. Please provide details to support the assertion that the RES Retail Rate Impact calculation does not present an accurate or complete picture of the investments that the Company has made in renewable energy.

Response: Because the cost of favorable economics wind PPAs do not constitute RES compliance costs and have therefore been excluded from the Retail Rate Impact calculation, that calculation does not reflect the cost of all of the Company's renewable energy resources and is therefore an inaccurate and incomplete picture of the investments the Company has made in renewable energy. However, that calculation does present an accurate and complete picture of costs incurred by the Company directly related, or attributable, to RES compliance.

7. Provide support for the statement that the rate impact of RES spending is at or above 1% as asserted on page 10 of the Company's Report in File No. EO-2015-0315 and page 8 of the Company's Report in File No. EO-2015-0316.

Response: For KCP&L, the 1% Retail Rate Impact calculation limits recovery of RES compliance costs to \$8,583,474 annually, which occurs through base rates. For GMO, the 1% Retail Rate Impact calculation limits recovery of RES compliance costs to \$7,207,581 annually, which occurs through GMO's Commission-approved RESRAM.

That the rate impact of RES spending for both KCP&L and GMO is at or above 1% is demonstrated by the fact that each utility included in rates in 2018 the maximum amount permitted under the 1% Retail Rate Impact calculation yet RES compliance costs remain to be recovered in subsequent years for each utility (\$13,867,630 for KCP&L and \$31,265,630 for GMO, both as of December 31, 2018). By definition, therefore, the rate impact of RES spending for both KCP&L and GMO is at or above 1%.

8. The Company's Report on page 10 in File No. EO-2019-0315 and on page 9 in File No. EO-2019-0316 asserts that the RES Retail Rate Impact calculation does not present an accurate or complete picture that it has made in renewable energy. Please quantify the investment to renewable energy that the Company believes should be included in the RES Retail Rate impact calculation.

Response: The Company does not believe any additional costs should be included in the RES Retail Rate Impact calculations for KCP&L or GMO at this time.

9. Provide a calculation that includes all 2018 Company renewable energy revenue requirement components (return on renewable rate base + depreciation + O&M + A&G + taxes + fuel, purchase power and transmission related costs recovered in the FAC) divided by total retail kWh. Provide a workpaper (may be treated as confidential if warranted) that separates out each component of the revenue requirement.

Response: The Company was unable to prepare the calculation requested in question 9 in time to file this response on June 28, 2019. The Company would note, however, that although this calculation would present a more accurate and complete picture of the Company's investment in renewable energy, it would not present an accurate picture of the

Company's RES compliance costs. The Company will prepare the calculation requested in question 9 and submit it no later than July 12, 2019.

WHEREFORE, the Company respectfully submits this response to the Commission and requests that this docket be closed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 28th day of June 2019, to all parties of record.

/s/ Roger W. Steiner

Roger W. Steiner