

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

In the Matter of Staff’s Review of Commission)
Rules 4 CSR 240-20.060 (Cogeneration),)
4 CSR 240-3.155 (Filing Requirements for Electric) File No. EW-2018-0078
Utility Cogeneration Tariff Filing), and)
4 CSR 240-20.065 (Net Metering))

**RESPONSIVE COMMENTS OF KANSAS CITY POWER & LIGHT COMPANY AND
KCP&L GREATER MISSOURI OPERATIONS COMPANY
TO FILED COMMENTS**

Kansas City Power & Light Company (“KCP&L-MO”) and KCP&L Greater Missouri Operations Company (“GMO”) (collectively, “KCP&L” or “the Company”) hereby submit these responsive comments to the filed comments received in this working case as ordered by the Missouri Public Service Commission’s (“Commission”) *Order Inviting Responses to Filed Comments* issued on October 31, 2017.

KCP&L has reviewed the filed comments offered by the Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”), the Missouri Division of Energy (“DE”), the Office of the Public Counsel (“OPC”), Renew Missouri Advocates and Cypress Creek Renewables (“Renew Missouri-CCR”), and Summit Natural Gas of Missouri, Inc. (“SNGMO”). In that review, KCP&L has identified a series of common topics applicable to the rules under consideration. Those topics are related to PURPA requirements (Avoided Cost, Standard Offer Contract, Standard Contract Terms, and Allowable System Size), Net Metering (Alternate Metering and Value of Distributed Energy Resources (“DER”)/Solar), and DER Policy (State Energy Plan, Combined Heat and Power (“CHP”), Standby, and general DER promotion). The Company will speak to each.

PURPA Requirements

KCP&L observes that many of the comments speak to reforms that have, or are in the process of occurring in other jurisdictions. RenewMO-CCR highlights efforts from Michigan in their comments. The Company is aware of similar efforts in Idaho¹, Washington², Oregon³, Wyoming⁴, Utah⁵, South Carolina⁶, Montana⁷ and North Carolina⁸. These proceedings take various forms, but generally seek to modernize or update the states rules and applications of the PURPA requirements. The common results are either cutting avoided cost rates or shortening standard contract lengths under the law. Utilities contend that PURPA, established at a different time and under different market conditions, places requirements for energy purchases that are not in sync with need. The requirements to enter into long-term agreements at costs that are often higher than those established by the market are believed to place additional risk on customers at a point when the customer demand is being met with resources on hand. Coupled with slow growth in customer demand, some states rules pertaining to the PURPA requirements were increasingly found to be in conflict with utility planning in some jurisdictions. Within the various proceedings concerning PURPA reforms, the Company notes the following trends:

- Commissions are supporting shorter standard contract terms,
- Commissions are authorizing reduced avoided cost amounts, and

¹ Idaho Power: Case AVU-E-15-01 and IPC-E-17-01, and Rocky Mountain Power: Case PAC-E-15-03

² Commission General Investigation: Case U-161024

³ Pacific Power: Case UM 1734 and Portal General Electric: Case UM 1854

⁴ Rocky Mountain Power: Case 14220 and 14736

⁵ Rocky Mountain Power: Case 15-035-53

⁶ South Carolina Electric and Gas Company: Case 2017-2-E

⁷ Northwestern Energy: Case D2016.6.39 and Greycliff Wind Prime: Case D2015.8.64

⁸ Duke Energy: Case E-100 Sub 148

- Commissions are allowing smaller limits on the size of Qualifying Facilities (QF) under standard contracts.

Developers of renewable projects have generally argued that these reforms will dramatically reduce renewable development, but Commissions have increasingly supported revisions that are believed to better reflect actual avoided costs.

KCP&L does not believe any changes in Missouri are necessary at this time because the current rules are well balanced between participant and non-participant and can be maintained. As noted in the Company's Initial Comments in this Case, PURPA and the state rules and regulations pertaining to PURPA were established when customer generation was virtually non-existent and there was no obligation for the electric utility to interconnect and purchase customer generated energy. PURPA requirements defined rates and processes that, at the time, were just and reasonable to the electricity consumers and in the public interest, non-discriminatory with respect to QFs, and not in excess of the incremental cost to the electric utility of alternative electric energy. Subsequent Missouri rules were established to encourage customer generation and ensure balance, perpetuating limits on the amount and system sizes of customer generation a utility would be obligated to purchase and the price for the purchase was set at the utility's avoided cost.

At this time, KCP&L does not have specific recommendations concerning the PURPA reforms that should be considered in Missouri, as the PURPA implementation has thus far not generated issues with utilities or customers. Recommendations to add specific requirements in Missouri, such as those offered by RenewMo-CCR to introduce a 20-year standard contract term or changing the system size limit, are not appropriate and should be rejected by the Commission. There is no evidence that the existing Commission rule would benefit from these changes. Additionally, RenewMo-CCR recommendations concerning revisions to the state's avoided cost

methodology should similarly be rejected. Citing recent efforts in Michigan, RenewMO-CCR believes the “Technical Advisory Committee process” for developing an avoided cost methodology should be applied in Missouri. The Company disagrees and believes it is important to note this process required a significant investment of time and effort by many parties. The Committee process alone took six months to complete and spawned subsequent contested cases for three groupings of utilities, requiring an additional year to resolve thus far. As of the date of this response, the cases remain active and unresolved. KCP&L is not convinced that the methods used currently to determine avoided costs in Missouri are in need of revision, particularly if the Michigan process and its reliance on contested cases is offered as the best example.

If the Commission wishes to pursue these reforms as part of this Working Case or requires more information on the matter, the Company is willing to provide more detailed comment and recommendation.

Net Metering

As noted in the KCP&L Initial Comments, Net Metering was introduced in 2005 as part of the Energy Policy Act of 2005. Net Metering (“NM”) moved beyond avoided cost, providing for the offset of utility energy by customer generated energy, essentially providing for this to occur at the full retail rate. State law included limits with respect to allowed generator unit sizes and utility obligations to purchase in order to provide for deployment of meaningfully-sized customer owned systems while helping to protect the utility grid and non-generating customers.

DE, through its comments, advocates for several changes that could impact NM. Specifically, DE proposed the Commission consider a third-party examination of the value of DER, increase the flexibility afforded to customer-generators in how net metering occurs, and establish a working group to develop an approach for consistent implementation of NM. The

Company urges the Commission to reject these proposals as they move NM well beyond its original intent and will serve to increase the cost paid by non-NM customers.

To begin, the current NM rules provide a means to ensure that the interconnection of customer systems are safe, consistent, and timely. Further, NM rules provide for pricing that provides support for the deployment of NM, but retains some level of protection for non-NM customers. The Commission should remain aware that this “support” translates into subsidy to NM customers at the expense of non-NM customers. Also, instead of expanding this subsidy, many jurisdictions are moving away from NM. As noted in the Company’s Initial comments, jurisdictions are turning to Time of Use rates, modified net metering, increased fixed or demand charges, value pricing, or grid supply pricing as alternatives to net metering.⁹ Also, the Kansas Corporation Commission issued an order in a recent general investigation, establishing that current net metering rate are providing subsidy to net metering customers and allowing electric utilities to propose alternate rate designs, such as demand rates, to alleviate the issue.¹⁰

The Company would like to make particular comment concerning its view of efforts to establish Value of DER or Value of Solar studies. These “Value” studies are performed in an effort to assign a dollar per kWh value for these resources based on the costs and benefits produced by those resources. Within the study, the costs and benefits are identified and to the extent possible, quantified, to produce a net value for the resource. Advocates of the methodology say the study is “essentially a comprehensive avoided cost analysis that goes beyond the traditional energy-only PURPA analysis to reveal the benefits created by distributed solar in terms of energy, capacity, transmission, distribution, market price impacts, fuel price risk, environmental costs, and

⁹ Jim Lazar, Regulatory Assistance Project, in a July 2016 presentation at an EUCI Net Metering workshop.

¹⁰ Docket 16-GIME-403-GIE

other known and measurable categories.”¹¹ On its face, this would seem to be a reasonable alternative to explore the question concerning the value of DER/solar resources. In practice, it is not. It is KCP&L’s observation that the study process, particularly for solar, is an imprecise process, providing results that vary significantly dependent upon the basis of the valuation and drivers external to the valuation effort. Additionally, efforts to include broad, social factors such as health and security introduce high levels of subjectivity to the effort. Lastly, it would appear that the party supporting the Value study sets the variables and, in a sense, drives the result. Developer and Advocate supported studies tend to return a high value and utility supported studies tend to return a low value. Even studies deemed as “independent” are prone to issues resulting from the inclusion of external social factors.

An additional concern with valuation studies is the cost of performing the study. A valuation study could be costly and DE did not speak to how that cost would be addressed. It would not be reasonable to burden Staff, and subsequently the customers of the Missouri regulated utilities with this expense. This detail cannot be ignored when considering if a study is to be performed.

In the end, it is the opinion of KCP&L that a comprehensive valuation study would be costly, controversial, and likely contribute little additional information to the existing renewable discussion.

As a final point concerning the value of DER/solar, it should be noted that DER customers are already receiving an appropriate value for their contributions of energy to the grid. The

¹¹ Karl Rabago, Value of Solar, Study Design Elements prepared for Pace Energy and Climate Center and Northeast Solar Energy Market Coalition, March 11, 2016

Commission has already determined the value of excess energy from NM systems. The Missouri Code of State Regulation, 4 CSR 240-20.065(8) establishes:

Each electric utility shall file on or before January 15 of each odd-numbered year for the commission's approval in the electric utility's tariff, a rate schedule with a net metering rate that is the same rate as the utility's cogeneration rate.

The same rate applies for Cogeneration systems. This rate, established through the Commission's rulemaking process and subject to affirmation from the State Legislature, has been deemed to be an appropriate value.

Many of the issues related to NM are currently being considered by the U.S. Department of Energy at the direction of the U.S. Congress.¹² As part of the request for stakeholder input, the Edison Electric Institute has offered comments on behalf of its member utilities. KCP&L believes those comments are relevant to this Working Case and provides them as Attachment A to these Responsive Comments.¹³

DER Policy

Within the broad context of DER Policy, KCP&L wishes to address two topics raised within the Initial Comment offered in this Working Case, the role of the Missouri Comprehensive State Energy Policy ("CSEP") and Combined Heat & Power ("CHP").

Beginning with the CSEP, DE relies heavily on the CSEP to support its comments, identifying a number of CSEP sections that are recommended for consideration in the cogeneration and net metering rules. Specific Company concerns about portions of those recommendations have already been addressed in these Responsive Comments. Here, the Company would like to

¹² Docket Number EERE-2017-OT-0056

¹³ COMMENTS OF THE EDISON ELECTRIC INSTITUTE, Costs and Benefits of Net Metering (Docket Number EERE-2017-OT-0056), October 30, 2017

speak to the CSEP itself. KCP&L participated in the process that led to the CSEP and provided representation through the Steering Committee overseeing the effort. Following the Executive Order of then Governor Jeremiah W. (Jay) Nixon, the DE established working groups and held public meetings across the state to assemble information for the plan. In October 2015, the CSEP was released, “providing guidance for ensuring access to clean, reliable, affordable, and abundant energy, while promoting job creation and investment.”¹⁴

At the time the CSEP was released, it was expected that the recommendations would then be further considered to understand feasibility, costs, benefits, and timelines for implementation. The CSEP would then be available for policymakers, to use to develop priorities and action objectives. It is KCP&L’s understanding that these feasibility steps did not occur. As such, the plan recommendations have not been prioritized or otherwise evaluated to determine appropriateness and how or if implementation might occur. Further, the CSEP has not been reviewed to address internal overlap of issues, potential conflicts between recommendations, or incongruities with existing law or programs. In its current state, the CSEP offers a “wish list” for consideration of energy goals. The Commission should exercise great care in shaping policy with respect to the CSEP. Although the effort to construct the CSEP is admirable and provides insight into the wide range of energy issues within the state, it falls short of establishing actionable policy guidance.

Concerning CHP, DE and SNGMO each provide recommendations related to this technology. The U.S. Department of Energy¹⁵ defines CHP as:

- The concurrent production of electricity or mechanical power and useful thermal energy (heating and/or cooling) from a single source of energy.

¹⁴ <https://ded.mo.gov/content/division-energy-presents-key-recommendations-comprehensive-energy-plan>

¹⁵ <https://www.energy.gov/eere/amo/combined-heat-and-power-basics>

- A type of distributed generation, which, unlike central station generation, is located at or near the point of consumption.
- A suite of technologies that can use a variety of fuels to generate electricity or power at the point of use, allowing the heat that would normally be lost in the power generation process to be recovered to provide needed heating and/or cooling.

The recommendations offered are focused on promoting CHP deployment. KCP&L does not have issue with the potential benefits of CHP, but instead has concern that the recommendations imply that CHP needs special promotion. CHP, along with other DER technologies such as NM, microgrids, batteries, or demand response should be implemented as a result of an economic evaluation. In considering these options, the customer must determine if the benefit of DER surpasses the value provided by the incumbent utility for its energy service. Absent a mandate to do so, special promotion for DERs are not within the scope of this effort. Beyond simple promotion, KCP&L is not aware of any utility process or tariff that is impeding the deployment of DER technologies such as CHP and microgrids. For KCP&L, existing constructs are able to incorporate CHP and microgrid deployment and any limitations experienced by customers have been the result of the cost-benefit analysis for the planned project. Further, the Company offers a rebate program for CHP under its Missouri Energy Efficiency Investment Act (MEEIA) programs to help support this technology. With that, KCP&L does not feel that the recommendations related to CHP are warranted.

The Company appreciates the opportunity to provide comments and participate in this Working Case.

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 15th day of November, 2017, to all counsel of record.

/s/ Roger W. Steiner

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