

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

In the Matter of Evergy Metro, Inc.)
d/b/a Evergy Missouri Metro's)
Submission of Its 2019 Renewable)
Energy Standard Compliance Report)
Case No. EO-2020-0329

In the Matter of Evergy Metro, Inc.)
d/b/a Evergy Missouri Metro's)
Submission of its 2020 Renewable)
Energy Standard Compliance Plan)
Case No. EO-2020-0331

**MISSOURI OFFICE OF THE PUBLIC COUNSEL'S REPORT ON THE
RENEWABLE ENERGY STANDARD REPORT AND PLAN FOR EVERGY
MISSOURI METRO**

COMES NOW the Missouri Office of the Public Counsel ("OPC") and for its *Report on the Renewable Energy Standard Report and Plan for Evergy Missouri Metro*, states as follows:

1. Pursuant to Commission rule 20 CSR 4240-20.100(8)(E), the OPC provides its report, included as an attachment to this filing, regarding Evergy Missouri Metro's Renewable Energy Standard Report and Plan, as filed in the above styled cases.

WHEREFORE, the Office of the Public Counsel respectfully requests the Commission accept this *Report* and adopt the recommendations contained herein.

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VERIFICATION OF LENA M. MANTLE

Lena M. Mantle, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my memorandum in the above-captioned cases.

3. My answer to each question in the attached memorandum is true and correct to the best of my knowledge, information, and belief.



Lena M. Mantle
Senior Analyst
Office of the Public Counsel

MEMORANDUM

To: Missouri Public Service Commission Official Case Files
Case Nos. EO-2020-0329 and EO-2020-0331

From: Lena M. Mantle, PE, Senior Analyst

Subject: OPC Review of the Evergy Metro 2019 Renewable Energy Standard Compliance Report and 2020 Renewable Energy Standard Compliance Plans submitted as required by Commission rule 20 CSR 4240-20.100

Date: June 12, 2020

Summary

Evergy Missouri Metro's ("Evergy Metro") 2019 renewable energy standard ("RES") report and 2020 RES plan filed in these cases show an incomplete picture of the status and cost of Evergy Metro's renewable resources. This memo provides recommendations intended to generate additional information that more accurately describes the renewable energy position of Evergy Metro followed by a brief explanation of why the specific recommended information is necessary.

Examination of the information that Evergy Metro has provided in its initial RES report and plan makes it clear that the Company's wind and solar resources generated enough energy to meet the Missouri RES for 2019 and will further provide enough energy to meet the RES not just for the planning period of 2020 through 2022 but for many years beyond. However, Evergy Metro's RES report and plan does not identify all the resources the Company actually used to meet the RES, so the true cost to Evergy Metro's customers of meeting the Missouri RES remains unknown. For example, the majority of Evergy Metro's non-solar renewable energy is acquired through purchased power agreements ("PPAs") which include a cost for every MWh of energy. At the same time, though, Evergy Metro states that it entered into these wind PPAs mainly because it considered the PPAs to be priced economic favorably to Evergy Metro's estimates of future energy market prices. Unfortunately, only one of its eight PPAs has provided revenue greater than its costs.¹ These PPAs, which Evergy Metro modeled as "economic," have therefore resulted in retail

¹ This wind project became operational in 2019. No wind project for which Evergy Metro had a PPA generated more revenues than costs in any year prior to 2019.

customers bearing a cost of over \$24 million, which has not been accurately described in the Company's RES report. The Company, meanwhile, will incur almost no losses because of these PPAs because it will recover their costs from its customers through its fuel adjustment clause ("FAC").² This situation has only been further exacerbated by the fact that Evergy Metro has now included in its RES plan PPAs that it initially stated it was entering into for its optional Renewable Energy Rider Program ("RER program").

Recommendations

To provide a more complete picture of Evergy Metro's renewable energy position, the Commission should require Evergy Metro to provide the following information in addition to the RES report and RES plan it filed.

1. Identification of exactly which of its non-solar renewable resources are meeting its non-solar RES requirements;
2. A detailed, itemized, complete list of all the costs for its renewable resources;
3. A detailed discussion regarding the wind PPAs that Evergy Metro has entered into for its Schedule RER, Renewable Energy Rider program ("RER program") and the status of the program;
4. A detailed discussion on how the RER program PPAs are to be treated with respect to the RES; and
5. A detailed discussion of Evergy Metro's designation of renewable/non-renewable status of the PPAs it entered into for the RER program.

In addition, the Commission should require Evergy Metro to clarify its share of the Jayhawk wind PPA and, if the share is different from what was provided in Evergy Metro's 2020 Integrated Resource Plan, require Evergy Metro to meet the requirements of its Electric Utility Resource Planning Chapter 22 regarding changes to preferred resource plan.³

The rest of the memo provides more detail regarding these recommendations.

² Due to the structure of Evergy Metro's FAC, Evergy Metro customers will be paying the negative margin of the PPAs incurred 2019 in through March 2021.

³ 20 CSR 424-22.080(8)(12).

2019 RES Energy Requirement

In its RES report, Evergy Metro states that its Missouri retail sales for 2019 was 8,404,297 MWh. The RES statute requires that 9.8%, or 823,621 MWh of the retail sales in 2019 be provided by non-solar renewable energy. Evergy Metro's owned wind generation and PPAs generated 2,461,406 MWh, almost three times its Missouri RES requirement for 2019. Therefore, there is no doubt that Evergy Metro met the non-solar energy RES requirements. What is less clear from this report is which of Evergy Metro's resources were utilized to meet its non-solar RES requirements and the cost of those resources in 2019.

Sources of Non-Solar Energy to Meet the 2019 RES

The RES report does not provide which non-solar resources met the 2019 RES requirements. However, Evergy Metro's 2020 RES plan states that the two wind projects that Evergy Metro owns, Spearville 1 and Spearville 2, are the least-cost approach for achieving non-solar compliance.⁴ The RES report shows that these two wind projects only generated 212,159 MWh, far short of the 823,621 MWh required to meet the RES.

Evergy Metro's RES plan gives additional information regarding which renewable resources meet the RES requirements. In its RES plan, Evergy Metro states that it entered into PPAs for the Cimarron 2 and Spearville 3 wind projects as a result of a request for proposals ("RFP") to cover Evergy Metro's non-solar requirements for the RES.⁵ In 2019 these two wind projects generated a total of 533,978 MWh. These two PPAs and Evergy Metro's owned resources generated 746,137 MWh, still short of the required 823,621 MWh of non-solar renewable energy.

Neither the RES report nor plan specifically identifies any other PPA that Evergy Metro entered into to meet the RES. Evergy Metro states that entered into all its PPAs "because of favorable

⁴ P. 7-8.

⁵ P. 8.

economics to take advantage of low-cost energy prices and are not directly attributable to RES compliance but will be used to meet future non-solar RES requirements.”⁶

Therefore, based on information from Evergy Metro’s RES report and plan, Evergy Metro’s resources to meet its non-solar RES energy requirement of 823,621 MWh and the amount of energy generated by each resource is shown in the table below.

<u>Resource</u>	<u>Owned or PPA?</u>	<u>2019 MWh</u>	<u>Cumulative</u>
Spearville 1	Owned	124,394	124,394
Spearville 2	Owned	87,765	212,159
Spearville 3	PPA	228,629	440,788
Cimarron 2	PPA	305,349	746,137
???	PPA	77,484	823,621

RES Compliance Costs

Evergy Metro states in its RES report that its total cost for 2019 RES compliance, both solar and non-solar resources, was \$3,769,010 and the amount it expended for solar rebates was \$3,163,112.⁷ This leaves \$605,898 as the cost for non-solar compliance.

No non-solar costs are specifically identified in the RES report. Since Evergy Metro built the Spearville 1 and 2 wind projects prior to the RES statute becoming effective, the costs for these resources are not costs incurred to meet the RES. However, for each of the PPAs, Evergy Metro pays a defined price for each MWh of energy. Evergy Metro also receives, from the Southwest Power Pool (“SPP”) revenue for every MWh generated. These costs and revenues for Evergy Metro’s PPAs in 2019 are not provided in either its RES report or plan. However, Evergy Metro’s FAC monthly submissions to the Commission include the costs for each PPA and the revenues provided by SPP for the generation at each wind project. Attachment A shows for the annual generation, cost, revenues, and net margin for all of Evergy Metro’s wind PPAs in 2019. The net

⁶ Regarding the PPAs for the Osborn and Rock Creek wind projects, in Case No. EO-2019-0067, KCP&L/Evergy witness Burton L. Crawford testified “Given that future CPP compliance had the potential to be based on state-specific renewable sources, diversifying KCP&L and GMO's wind portfolio to include Missouri-based resources was a factor in the Osborn and Rock Creek additions.”

⁷ In its RES Plan, Evergy Metro states that “solar rebates currently being distributed are based upon Senate Bill 564 and are therefore not associated with RES requirements.”

margin for the Cimarron and Spearville 3 PPAs was negative \$8.8 million. This means that, in 2019, the costs for these PPAs was \$8.8 million more than the revenue Evergy Metro received for the energy provided through these PPAs.

Because no other single PPA was identified as an RES resource, to estimate Evergy Metro’s cost to meet the RES, I calculated an average loss per MWh of the remaining PPAs and estimated the cost of the remaining 77,484 MWh at \$1.2 million.

These costs are shown in the table below.

<u>Resource</u>	<u>Owned or PPA?</u>	<u>2019 MWh</u>	<u>2019 Cost</u>
Spearville 1	Owned	124,394	\$0
Spearville 2	Owned	87,765	\$0
Spearville 3	PPA	228,629	\$2,277,473
Cimarron 2	PPA	305,349	\$6,538,057
???	PPA	<u>77,484</u>	<u>\$1,179,358</u>
	Total	823,621	\$9,994,888

Therefore, according to the information provided in Evergy Metro’s RES report, RES plan, and FAC monthly reports, OPC estimates Evergy Metro’s cost to meet the non-solar RES requirements in 2019 is approximately \$10 million, which is much greater than the \$605,898 cost provided in Evergy Metro’s RES report. This \$10 million is 1.10% of the 2019 Missouri Metro retail revenues in 2019.⁸ When solar costs are included, I estimate Evergy Metro’s RES costs in 2019 were over \$13 million or 1.4% of retail revenues.

Evergy Metro does state in its RES report that the RES retail rate impact of 0.507% it calculated for the RES report is not a good representation of the RES costs incurred due to its investments in renewable energy. Specifically Evergy Metro states:

As outlined in EMM’s 2020 Renewable Energy Standard Compliance Plan, filed April 15, 2020, EMM asserts that the RES Retail Rate Impact calculation does not present an accurate or complete picture of the investments that EMM has made in renewable energy and that the rate impact of RES spending is at or above 1%.

⁸ The total PPA losses for 2019 is 3.84% of 2019 Missouri retail revenues.

However, I could not find a presentation in Evergy Metro’s RES plan that detailed what Evergy Metro was referring to in its RES report.

RES Plan

In its RES plan, Evergy Metro states that no additional resources are required to meet the RES requirements through 2022⁹ even with the RES increasing to its maximum requirement of 15% of sales in 2022.¹⁰ The revised RES plan filed on May 26, 2020, shows the total expected annual Evergy Metro wind energy for the eight PPAs for wind projects that are currently in operation is over 4 million MWh. While the RES plan does not include an expected amount for the Spearville 1 and 2 projects Evergy Metro owns, the RES report shows that the two wind projects generated just over 200,000 MWh in 2019.

Evergy Metro’s projected non-solar requirement for the RES in 2022 is 1.2 million MWh – far below the current 4.2 million MWh it expects from its wind resources. Therefore, there is no need for Evergy Metro to acquire more renewable energy resources to meet the RES.

The RES plan states that all wind PPAs Evergy entered into were because of “favorable economics to take advantage of low-cost energy prices”.¹¹ In other words, these contracts were not entered into because customers needed additional capacity or energy. The contracts were not entered into for its Renewable Energy Rider program. Instead, they were entered into based on Evergy Metro *forecasts* that the energy prices of these contracts were low enough the PPAs would earn more revenue in the SPP market over the life of the PPA than what Evergy Metro was paying.

Data provided to OPC through data request and monthly FAC reports submitted to the Commission show that, from January 2016 through December 2019, these PPAs that Evergy Metro entered into to “take advantage of low-cost energy,” have cost Missouri customers \$121 million. Only one of the PPAs,¹² has actually provided more revenue than it cost the rate payers. Attachment B to this memo shows the off-system sales margin for each of these contracts over the past four years. The

⁹ Evergy Missouri Metro 2020 RES Compliance Plan, p. 15.

¹⁰ 20 CSR 4240-20.100(1)(R).

¹¹ P. 8.

¹² The Prairie Queen PPA is Evergy Metro’s lowest cost PPA. While the newest three PPAs are at a cost much lower than the earlier PPAs, the prices Evergy Metro will pay for energy through these PPAs are higher than this low cost PPA.

current decrease in usage due to the economic impact of COVID-19 and the addition of considerably more wind projects being added to SPP will drive energy prices even lower – especially when the wind is blowing - making the likelihood of these PPAs having favorable economics over the RES planning period extremely low.

The revised RES plan report, filed on May 26, 2020 includes three additional wind PPAs that Evergy entered into in the fall of 2019. In response to Staff data request 48 in case EO-2020-0280, the new PPAs are expected to be utilized for the Evergy Metro Renewable Energy Rider (Schedule RER). Evergy Metro correctly states in this data request response that the RECs associated with energy from the PPAs cannot be utilized for the RES because those RECs belong to the customers on the rider. However, to take it one step further, these PPAs cannot be considered an Evergy Metro renewable energy resource since it does not own the RECs.

This does not mean that these resources should not be identified in Evergy Metro's RES reports or plans. Instead they should be described as they truly are – PPAs that Evergy Metro has entered into to meet its large customers' request for renewable energy. This is a part of Evergy Metro's renewable strategy and to give a complete picture, a description and current status of the RER program should be included in either the RES report or plan.

Finally, the revised RES plan states that this plan includes wind and solar resource additions based upon the assumptions used in the 2020 Integrated Resource Plan in case EO-2020-0280. Information Evergy Metro provided in response to OPC data requests in the EO-2020-0280 case showed that the Jayhawk wind project was for 155 MW whereas the RES compliance plan is showing Evergy Metro's share of this PPA to be 30 MW. At the time of the filing of this report, Evergy Metro has not filed notifying the Commission that it has changed its resource plan. Given the obvious discrepancy, the Commission should order the Company to meet the requirements of its resource planning Chapter 22 regarding changes to preferred resource plans.

2019 Purchased Power Contracts
 Everygy West

	Generation	Cost	Revenues	Net Margin
Cimmaron	537,764	\$ 16,939,566	\$ 5,385,130	\$ (11,554,436)
Osborn	426,415	\$ 14,228,870	\$ 7,892,061	\$ (6,336,809)
Rock Creek	674,585	\$ 20,695,248	\$ 11,638,525	\$ (9,056,722)
Slate Creek	573,852	\$ 16,962,065	\$ 5,308,391	\$ (11,653,674)
Spearville 3	402,648	\$ 11,892,318	\$ 7,894,346	\$ (3,997,971)
Waverly	751,937	\$ 22,842,629	\$ 10,697,669	\$ (12,144,960)
Pratt Wind	467,441	\$ 6,741,296	\$ 4,721,759	\$ (2,019,538)
Prairie Queen	143,772	\$ 2,136,037	\$ 2,340,094	\$ 204,057
Total Co	3,978,414	\$ 112,438,029	\$ 51,043,051	\$ (61,394,978)
Mo Juris	1,920,626	\$ 54,269,314	\$ 28,811,987	\$ (25,457,327)

Off-System Sales Margin

Evergy Missouri Metro

Profit/(Loss)

	2016	2017	2018	2019
Cimmaron	(\$13,007,623)	(\$14,928,710)	(\$13,702,293)	(\$11,554,436)
Osborn	(\$161,540)	(\$7,076,233)	(\$4,652,454)	(\$6,336,809)
Rock Creek	\$0	(\$3,497,492)	(\$6,687,229)	(\$9,056,722)
Slate Creek	(\$3,293,583)	(\$6,153,015)	(\$5,530,430)	(\$11,653,674)
Spearville 3	(\$4,338,232)	(\$7,077,304)	(\$3,281,162)	(\$3,997,971)
Waverly	(\$6,496,310)	(\$10,211,238)	(\$7,071,471)	(\$12,144,960)
Pratt Wind	(\$12,303,409)	(\$11,989,650)	(\$11,461,251)	(\$7,170,559)
Prairie Queen	\$0	\$0	\$0	\$204,057
Total Co	(\$39,600,697)	(\$60,933,642)	(\$52,386,290)	(\$61,711,075)
Mo Juris	(\$22,739,677)	(\$34,912,354)	(\$29,690,022)	(\$34,904,051)