

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

In the Matter of Evergy Missouri West,)	
Inc. d/b/a Evergy Missouri West's)	
Submission of Its 2019 Renewable)	Case No. EO-2020-0330
Energy Standard Compliance Report)	
)	

In the Matter of Evergy Missouri West)	
Inc. d/b/a Evergy Missouri West's 2020)	
Renewable Energy Standard)	Case No. EO-2020-0332
Compliance Plan)	
)	

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

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 West*, 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 West'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.

Respectfully submitted,

By: /s/ John Clizer
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CERTIFICATE OF SERVICE

I hereby certify that copies of the forgoing have been mailed, emailed, or hand-delivered to all counsel of record this twelfth day of June, 2020.

 /s/ John Clizer

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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-2020-0330 and EO-2020-0332

From: Lena M. Mantle, PE, Senior Analyst

Subject: OPC Review of the Evergy West 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 West's ("Evergy West") 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 West's renewable resources. This memo provides recommendations intended to generate additional information that more accurately describes the renewable energy position of Evergy West followed by a brief explanation of why the specific requested information is necessary.

Examination of the information that Evergy West has provided in its initial RES report and plan makes it is clear that Evergy West 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 West's RES report and plan does not identify all the resources used to meet the RES, so the true cost to Evergy West's customers of meeting the Missouri RES remains unknown. Almost all of Evergy West'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 West 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 six PPAs provided revenue greater than its costs in 2019.¹ These PPAs, which Evergy West modeled as "economic," have therefore resulted in retail customers bearing a cost of over \$24

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

million, which has not been accurately described in the Company's RES report. Evergy Metro, 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 will only be further exacerbated by the fact that Evergy West has now included in its RES plan PPAs that it initially stated it was entering into for its purely optional Renewable Energy Rider Program ("RER program").

Recommendations

To provide a more complete picture of Evergy West's renewable energy position, the Commission should require Evergy West 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 West 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 West's designation of renewable/non-renewable status of the PPAs it entered into for the RER program.

In addition, the Commission should require Evergy West to meet the requirements of its Electric Utility Resource Planning Chapter 22 regarding changes to preferred resource plan with the addition of the Jayhawk wind PPA as an Evergy West resource.³

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

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

³ 20 CSR 424-22.080(8)(12).

2019 RES Energy Requirement

In its RES report, Evergy West provides that its Missouri retail sales for 2019 was 8,133,619 MWh. The RES statute requires that 9.8%, or 795,135 MWh of the retail sales in 2019 be provided by non-solar renewable energy. Evergy West's wind generation PPAs generated 2,088,209 MWh, over 2.5 times its Missouri RES requirement for 2019. Therefore, there is no doubt that Evergy West met the non-solar energy RES requirements. What is less clear from this report is which of Evergy West'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 West's 2020 Renewable Energy Standard Compliance Plan ("RES plan") states that, because Evergy West entered into the Gray County wind project PPA prior to the passage of the RES rules, it is the least-cost approach for achieving non-solar compliance.⁴ The RES report shows that this wind project only generated 206,406 MWh, far short of the 795,135 MWh required to meet the RES.

Evergy West's RES plan also states that it entered into the Ensign PPA as a result of a request for proposals ("RFP") to cover Evergy West's non-solar requirements for the RES.⁵ In 2019 the Ensign wind project generated 421,899 MWh. The two resources Evergy Metro identified as providing energy for its Missouri RES generated 628,305 MWh, still short of the required 795,135 MWh of non-solar renewable energy.

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

⁴ P. 7.

⁵ Id.

of favorable economics 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 West’s RES report and plan, Evergy West’s resources to meet its non-solar RES energy requirement of 795,135 MWh and the amount of energy generated by each resource is shown in the table below.

<u>Resource</u>	<u>2019 MWh</u>	<u>Cumulative</u>
Gray County	421,899	421,899
Ensign	206,406	628,305
???	166,830	795,135

RES Compliance Costs

Evergy West states in its RES report that its total cost for 2019 RES compliance, both solar and non-solar resources, was \$6,128,330 and the amount it expended for solar rebates was \$4,913,601.⁷ This leaves \$1,214,729 as the cost for non-solar compliance.

No non-solar costs are specifically identified in the RES report. However, for each of the PPAs, Evergy West pays a defined price for each MWh of energy. Evergy West also receives, from the Southwest Power Pool (“SPP”) revenue for every MWh generated. These costs and revenues for Evergy West’s PPAs in 2019 are not provided in either its RES report or plan. However, Evergy West’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 West’s wind PPAs in 2019. The net margin for the Gray County and Ensign PPAs was a negative \$12 million. This means

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 Evergy West’s RES plan states that “Per the Commission’s order in Case No. ET-2014-0059, EMW could suspend payment of solar rebates after making solar rebate payments of at least \$50 million after August 31, 2012 (which EMW has done).” (p. 10) However, later in its plan it states that “It should be noted that solar rebates currently being distributed are based upon Senate Bill 564 and are therefore not associated with RES requirements.” (p. 17).

that, in 2019, the costs for these PPAs was \$12 million more than the revenue Evergy West received for the energy provided through these PPAs.

Because no other single PPA was identified as an RES resource, to estimate Evergy West's cost to meet the RES, I calculated the average loss for a MWh of the remaining PPAs and estimated the cost of the remaining 166,830 MWh at \$1.4 million. Therefore, according to the information provided in Evergy West's RES report, RES plan, and FAC monthly reports, OPC estimates Evergy West's cost to meet the non-solar RES requirements in 2019 is over \$13.4 million, which is much greater than the \$1,214,729 cost provided in Evergy West's RES report. This is shown in the table below.

<u>Resource</u>	<u>2019 MWh</u>	<u>2019 Cost</u>
Gray County	421,899	\$4,198,309
Ensign	206,406	\$7,845,422
???	<u>166,830</u>	<u>\$1,383,731</u>
Total	795,135	\$13,427,462

This \$13.4 million is 1.70% of the 2019 Evergy West retail revenues in 2019.⁸ When solar costs are included, I estimate Evergy West's RES costs in 2019 were over \$18 million or 2.3% of retail revenues.

Evergy West does state in its RES report that the RES retail rate impact of 0.776% 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 West states:

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

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

⁸ The total PPA losses for 2019 is 3% of 2019 retail revenues.

RES Plan

In its RES plan, Evergy West 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 West wind energy for the eight PPAs for wind projects that are currently in operation is over 2.2 million MWh.

Evergy West's projected non-solar requirement for the RES in 2022 is 1.2 million MWh – far below the current 2.2 million MWh it expects from its current wind resources. Therefore, there is no need for Evergy West 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. They were not entered into for its Renewable Energy Rider program. Instead, they were entered into based on Evergy West *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 West 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 West entered into to “take advantage of low-cost energy,” have cost Missouri customers \$74 million. Only one of the PPAs, 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 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.

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

¹⁰ 20 CSR 4240-20.100(1)(R).

¹¹ P. 8.

Purpose for Entering into More Wind PPAs

The revised RES plan report, filed on May 26, 2020 includes two additional wind PPAs that Evergy has entered into and has allocated to Evergy West. One of these PPAs, the 125 MW Jayhawk wind project, will begin providing energy in late 2021.

Evergy previously stated in its Notice of Determination of Change, filed in Case No. EO-2018-0269,¹² that it was entering into PPAs to meet its anticipated demand from large customers regarding its renewable energy rider (“RER program”). In this December 16, 2019 Notice, Evergy stated in the section of its report titled Renewable Energy Rider Approval and Attractive Wind Energy Pricing the following:

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The PPAs listed to start delivery in the Evergy Metro and Evergy West Revised RES plans are shown in the table below.

	<u>Allocation (MW)</u>		<u>Commercial Operation Date</u>
	<u>Metro</u>	<u>West</u>	
Expedition Wind	150		2Q 2021
Jayhawk Wind	30	125	Oct 2021
Ponderosa	100		Nov 2021
** _____ **		** _____ **	** _____ **
Total	280	** _____ **	

¹² Case No. EO-2018-0269, *In the Matter of KCP&L Greater Missouri Operations Company's 2018 Triennial Compliance Filing Pursuant to 4 CSR 240-22*.

While the Notice did not provide the name of the wind facilities, the Jayhawk wind project is the same size that the Notice stated was projected to be allocated to Evergy West. The total size of these wind PPAs closely matches the nameplate capacity Evergy stated in its notice for its RER programs.

In response to Staff data request 47 in Evergy West's 2020 Integrated Resource Plan case EO-2020-0281, regarding how much of the new wind PPAs were committed to Evergy West's Renewable Energy Rider (Schedule RER), Evergy West responded provided the following response:

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The RES plan provides that Evergy West's two new PPAs along with its other wind PPAs, were entered into because of "favorable economics" and not directly attributable to RES compliance, will be used to achieve future RES compliance.¹³ No mention is made of the RER program in the RES report or RES plan.

There are two reasons that this information is included in this memo. First, it seems as if Evergy entered into these PPAs due to its proposed RER, and it is now trying to fabricate and alternative justification for entering into the PPAs to make sure it does not absorb any of the costs from obtaining more renewable resources than it acquired for the RER. According to earlier filings with the Commission, Evergy entered into the PPAs with the expectation of a large demand for the RER program and that has failed to come to fruition. Starting in November, 2020 Evergy will begin receiving energy from these PPAs and Evergy is looking for a way to prevent itself from having to absorb the losses from these PPAs. The solution Evergy has hit upon appears to be a retreat to its earlier justification - favorable economics. The same justification that has resulted in its customers paying almost \$100 million in losses since the beginning of the SPP integrated market in March 2014.

¹³ P. 7.

Secondly, the OPC wishes to remind the Commission that the renewable energy credits (“RECs”) associated with energy from the PPAs associated with the RER program belong to the customers on the rider. Therefore these PPAs cannot be an Evergy West renewable energy resource since the Company does not own the RECs. However, this does not mean that these resources should not be identified in Evergy West’s RES reports or plans. Instead they should be described as they truly are – PPAs that Evergy West has entered into to meet its anticipated demand in the RER program and that the anticipated demand in the RER program has not materialized for Evergy West. This program is a part of Evergy West’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-2020-0281. Information Evergy West provided in response to OPC data requests in the EO-2020-0280 case showed that the Jayhawk wind project was allocated entirely to Evergy Missouri Metro whereas the RES compliance plan is showing Evergy West’s share of this PPA to be 125 MW. At the time of the filing of this report, Evergy West has not filed notifying the Commission that it has changed its resource plan to include this PPA. 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
Evergy West

	Generation		Cost		Revenues		Net Margin
Ensign	421,899	\$	11,816,686	\$	3,971,264	\$	(7,845,422)
Gray County	206,406	\$	6,959,814	\$	2,761,504	\$	(4,198,309)
Osborn	284,555	\$	9,490,560	\$	5,324,524	\$	(4,166,036)
Rock Creek	450,107	\$	13,758,843	\$	7,852,198	\$	(5,906,646)
Pratt Wind	571,119	\$	8,238,116	\$	5,777,228	\$	(2,460,888)
Prairie Queen	175,526	\$	2,634,356	\$	3,059,085	\$	424,729
Total	2,109,612	\$	52,898,375	\$	28,745,803	\$	(24,152,572)

Information from the FAC monthly reports submitted to the Commission by Evergy Metro

Off-System Sales Margin
Everygy West

		2016		2017		2018		2019
Ensign	\$	(7,983,734)	\$	(10,316,123)	\$	(6,951,863)	\$	(7,845,422)
Gray County	\$	(2,841,643)	\$	(3,900,583)	\$	(3,294,416)	\$	(4,198,309)
Osborn	\$	273,645	\$	(5,029,557)	\$	(3,040,623)	\$	(4,166,036)
Rock Creek	\$	-	\$	(2,320,041)	\$	(4,354,459)	\$	(5,906,646)
Pratt Wind	\$	-	\$	-	\$	2,803	\$	(2,460,888)
Prairie Queen	\$	-	\$	-	\$	-	\$	424,729
Total	\$	(10,551,732)	\$	(21,566,303)	\$	(17,638,558)	\$	(24,152,572)