

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2016-0283, KCP&L Greater Missouri Operations Company's Submission
of Its 2016 Renewable Energy Standard Compliance Plan

FROM: Claire M. Eubanks, PE, Engineering Analysis

/s/ Dan Beck / May 27, 2016 /s/ Bob Berlin / May 27, 2016
Engineering Analysis / Date Staff Counsel's Office / Date

SUBJECT: Staff Report on KCP&L Greater Missouri Operations' 2016 Annual Renewable Energy
Standard Compliance Plan

DATE: May 27, 2016

CONCLUSION

The Staff has reviewed KCP&L Greater Missouri Operations' ("GMO" or "Company") *2016 Annual Renewable Energy Standard Compliance Plan ("Plan")*. Based on the information supplied the Company appears to have met the minimum requirements of 4 CSR 240-20.100(8)(B).

OVERVIEW

On April 15, 2016, the Company filed its *Plan* for calendar years 2016 through 2018. The *Plan* was filed in accordance with Rule 4 CSR 240-20.100(8), Electric Utility Renewable Energy Standard Requirements, Annual RES Compliance Report and RES Compliance Plan. This rule states, in part, "Each electric utility shall file an annual RES compliance plan with the commission. The plan shall be filed no later than April 15 of each year." Subparagraphs 4 CSR 240-20.100(8)(B)1.A. through G. provide the minimum requirements for the plan. Subsection 4 CSR 240-20.100(8)(D) requires that Staff examine the plan and file a report of its review within forty-five (45) days of the filing.

DISCUSSION

Staff has reviewed the Company's *Plan* in accordance with the established requirements to verify that the *Plan* contains the information required by the rule. The results of the review are detailed below, with appropriate rule subparagraphs A. through G. identified and quoted.

A. “A specific description of the electric utility’s planned actions to comply with the RES;”

The Company explained its planned actions for compliance with the RES for 2016 through 2018. For non-solar compliance, the Company will utilize its banked renewable energy certificates (“RECs”) in addition to RECs generated from the following renewable resources:

Renewable Resource	Fuel Type	Ownership Type	Expected Annual Energy (Mwh)
St. Joseph Landfill Generating Facility	Landfill Gas	Owned	11,000
Gray County	Wind	PPA	** _____ **
Ensign	Wind	PPA	** _____ **

For solar compliance, the Company will utilize solar renewable energy credits (“S-RECs”) obtained from customer-generators through House Bill 142. Additionally, GMO expects to add 5 MW of solar consisting of 2 MW of roof-top installations and 3 MW of a utility-scale facility in 2016.

GMO has entered into two wind PPAs which are not yet operational it is unclear whether both will be utilized for RES compliance during the planning period. One is a 20-year, 120 MW wind PPA to purchase energy from Rock Creek located in Atchison County, Missouri. This wind facility is expected to be operational during 2017. The other PPA is for 80 MW of a 200 MW facility from Osborn located near St. Joseph, Missouri. Osborn is expected to be commercially operational by the end of 2016. GMO notes that these wind contracts are not directly attributable to RES compliance. Staff will also note that both KCPL and GMO have executed contracts for the Rock Creek and Osborn wind facilities.

B. “A list of executed contracts to purchase RECs (whether or not bundled with energy), including type of renewable energy resource, expected amount of energy to be delivered, and contract duration and terms;”

The Company provided a list of executed contracts for the wind PPAs in Table 1 of the *Plan*.

C. “The projected total retail electric sales for each year;”

The Company has provided its values for projected retail electric sales. The values appear to be reasonable estimates.

D. “Any differences, as a result of RES compliance, from the utility’s preferred resource plan as described in the most recent electric utility resource plan filed with the commission in accordance with 4 CSR 240-22, Electric Utility Resource Planning;”

The Company submitted its most recent triennial compliance filing in April 2015 and its annual update in April 2016. The *Plan* is not consistent with the information regarding renewable resource additions in its April 2015 preferred resource plan; however, the differences do not appear to be the result of RES compliance. The Company’s preferred resource plan includes 5 MW of solar in 2016 and 260 MW of wind in 2017, whereas, the *Plan* discusses the addition of 200 MW of wind resources and 5 MW of solar additions. GMO notes that the wind additions are not directly attributable to RES Compliance. Further, the solar additions are not a part of GMO’s compliance plan for the planning period (2016-2018).

E. “A detailed analysis providing information necessary to verify that the RES compliance plan is the least cost, prudent methodology to achieve compliance with the RES;”

The Company provided information regarding the cost of the RES compliance plan. Staff reserves the right to comment on whether the *Plan* is the least cost, prudent method to comply with the RES when rate recovery is requested.

The *Plan* includes utilization of St. Joseph, Gray County PPA, and Ensign PPA for GMO’s non-solar RES compliance during the planning period (2016-2018). For compliance with the solar portion of the RES during the planning period, the Company intends to use S-RECs from its customer-generators.

The costs associated with St. Joseph are already included in revenue requirements and the fuel costs for St. Joseph in the fuel adjustment clause (FAC).¹ The cost of the Gray County and Ensign PPAs are currently being recovered in the FAC. The S-RECs GMO obtains from its customer-generators are a condition of receiving a solar rebate. Solar rebates are being recovered through GMO's Renewable Energy Standard Rate Adjustment Mechanism (RESRAM).

4 CSR 240-20.100(6)(A)16 does not allow for consideration of recovery of RES compliance costs through a FAC, however, GMO was granted a waiver from this portion of the rule in Case No. ER-2012-0175. Because the FAC cannot be changed outside of a general rate case, when GMO requested its RESRAM in Case No. EO-2015-0151 the parties in the non-unanimous stipulation and agreement agreed to preserve issues for GMO's current rate case, Case No. ER-2016-0156. These issues included moving St. Joseph Landfill costs and benefits to the RESRAM and what other RES compliance costs and benefits are currently included in the FAC.

GMO recently entered into wind PPAs to purchase energy from Rock Creek and Osborn Wind farms. GMO notes on page 4 of the *Plan* that it does not consider these projects to be directly attributable to RES compliance. GMO is also pursuing the addition of 5 MW of solar resources, 2 MW of roof-top installations and the 3 MW Greenwood Solar Facility.

- F. “A calculation of the RES retail rate impact limit calculated in accordance with section (5) of this rule. The calculation should be accompanied by workpapers including all the relevant inputs used to calculate the retail rate impact limits for the planning interval which is included in the RES compliance plan. The electric utility may designate all or**

¹ In-service requirements met in Case No. ER-2012-0175.

part of those calculations as highly confidential, proprietary, or public as appropriate under the commission’s rules;”

The *Plan* includes an explanation of the calculation of the RES RRI. Work papers supporting the calculation were provided to Staff with its filing. The Company’s calculation results in a rate impact of less than 1 percent on average over the planning period. The Company notes a future rulemaking on page 9 on the plan, however this rulemaking has occurred. The revision to the rule included addressing concerns with the RRI calculation that became effective on November 30, 2015.

Section (5)(B) indicates that the renewable energy resource additions will utilize the most recent electric utility resource planning analysis. The Company’s annual update filing submitted in April 2016 includes 5 MW of solar in 2016 and 260 MW of wind in 2017.

** _____
_____ ** As noted on page 4 of the *Plan*, the Company does not consider the wind PPAs as directly attributable to RES compliance due to their favorable economics.

The Company asserts that the RES spending is at or above one percent because the calculation does not capture past RES expenditures, specifically the solar rebate payments made in previous years. Although this was an issue in previous years due to the calculation in Section (5)(B) of the rule looking forward, the rule has recently been revised and GMO has included the solar rebate payments in its calculation.

The Company points to its RESRAM as a reason why the calculation outlined in Section (5)(B) does not represent an accurate picture of the retail rate impact, because recovery is limited to 1 percent of GMO’s revenues reported in its last rate case. However, the Company agreed to limit its rate recovery of solar rebates to 1 percent of the Commission-determined

annual revenue requirement in the Non-unanimous Stipulation and Agreement² in Case No. ET-2014-0059.

The Company also asserts that the calculation outlined Section (5)(B) does not present an accurate picture of the Company's spending on renewables and notes that the Company's portfolio far exceeds the RES requirements (see Tables 1 & 2 in the *Plan*). Staff agrees that the Company's portfolio far exceeds the non-solar RES requirements and Staff agrees that GMO's application of the RRI calculation does not provide an accurate picture of its renewable compliance costs. However, it is the Company who has chosen not to reflect ** __

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As noted on page 4 of the *Plan*, the Company does not consider the wind PPAs as directly attributable to RES compliance due to their favorable economics.

G. "Verification that the utility has met the requirements for not causing undue adverse air, water, or land use impacts pursuant to subsection 393.1030.4. RSMo, and the regulations of the Department of Natural Resources."

The Company states that, to its knowledge, all facilities utilized by GMO to meet the requirements of the RES have received all necessary environmental and operational permits and are in compliance with any necessary federal, state, and/or local requirements related to air, water and land use.³

² Section 7e, page 6

³ Rule 10 CSR 140-8.010(4).

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

In the Matter of KCP&L Greater Missouri)
Operations Company's Submission of Its)
2016 Renewable Energy Standard)
Compliance Plan)
File No. EO-2016-0283

AFFIDAVIT

State of Missouri)
) ss.
County of Cole)

COMES NOW Claire M. Eubanks and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



Claire M. Eubanks, P.E

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 27th day of May, 2016.



NOTARY PUBLIC

