

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

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for)
Permission and Approval and a Certificate of)
Public Convenience and Necessity)
Authorizing it to Acquire, Construct, Install,)
Own, Operate, Maintain, and Otherwise)
Control and Manage Electrical Production and)
Related Facilities in Certain Areas of)
Buchanan County, Missouri Near the City of)
St. Joseph.)

File No. EA-2011-0165

**STAFF RECOMMENDATION TO GRANT CERTIFICATE OF CONVENIENCE AND
NECESSITY**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and submits to the Missouri Public Service Commission (Commission) its Recommendation to grant KCP&L Greater Missouri Operations Company (GMO) a Certificate of Convenience and Necessity, and respectfully states the following:

1. On December 7, 2010, GMO filed an application requesting the Commission grant a certificate of public convenience and necessity to acquire, construct, install, own, operate, maintain and otherwise control and manage electric production and related in Certain Areas of Buchanan County, Missouri Near the City of St. Joseph, Missouri.

2. On December 8, 2010, the Commission issued it *Notice of Application, Order Setting Deadline for Intervention and Order Directing Staff To File Recommendation.*

3. On January 4, 2011, Missouri Department of Natural Resources (MDNR) filed its *Application to Intervene.*

4. In the attached Memorandum (Appendix A), Staff presents its examination, analysis and recommendation that the Commission issue an order granting GMO the Certificate

of Convenience and Necessity it requests in its *Application*. The Commission's order should state that a determination as to the appropriate ratemaking treatment for these facilities will not be made at this time.

WHEREFORE, Staff recommends that the Commission issue an Order granting KCP&L Greater Missouri Operations the Certificate of Convenience and Necessity it requests in its *Application*.

Respectfully submitted,

/s/ Meghan E. McClowry

Meghan E. McClowry
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, emailed, sent by facsimile or hand-delivered to all counsel of record this 14th day of January, 2011

/s/ Meghan E. McClowry

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EA-2011-0165, Application of KCP&L Greater Missouri Operations Company for Certificate of Public Convenience and Necessity to Acquire, Construct, Install, Own, Operate, Maintain, and Otherwise Control and Manage Electrical Production and Related Facilities In Certain Areas of Buchanan County, Missouri Near the City of St. Joseph

FROM: Daniel I. Beck, Energy Department – Engineering Analysis
Dana E. Eaves, Energy Department – Resource Analysis

/s/ Daniel I. Beck 1/14/11 /s/ Meghan McClowry 1/14/11
Energy Department / Date Staff Counsel's Office / Date

SUBJECT: Staff Recommendation to Grant Certificate of Convenience and Necessity

DATE: January 14, 2011

OVERVIEW

On December 7, 2010, KCP&L Greater Missouri Operations Company (GMO or Company) filed an Application with the Missouri Public Service Commission (Commission) seeking a Certificate of Convenience and Necessity (CCN) to acquire, construct, install, own, operate, maintain and otherwise control and manage electrical production and related facilities in certain areas of Buchanan County, Missouri, near the City of St. Joseph. In its Application, GMO requests that the Commission grant its request by February 8, 2011. On December 10, 2010, GMO late filed an exhibit to its Application.

On December 8, 2010, the Commission issued its *Notice of Application, Order Setting Deadline For Intervention and Order Directing Staff To File Recommendation* in Case No. EA-2011-0165. The *Order* directed Staff to file its recommendation by no later than January 14, 2011. The Missouri Department of Natural Resources is the only party that intervened in this case, and did so on January 4, 2011.

The electrical production and related facilities that are the subject of the Application include one 1.6 megawatt (MW) internal combustion generator unit to be

fueled by landfill gas. The on-site facility will have switchgear that will be connected to the distribution line at the landfill. These facilities will be located within GMO's existing service area, on an approximately 0.5 acre tract of land, adjacent to the landfill located at 9431 50th Road Southwest, St. Joseph, Missouri.

Commission Rule 4 CSR 240-3.105 has a list of requirements for applications for certificates of convenience and necessity such as that sought by GMO in this *Application*. Commission Rule 4 CSR 240-3.105(2) states that "if any of the items required under this rule are unavailable at the time the application is filed, they shall be furnished prior to the granting of the authority sought." The *Application* provided that project plans would be submitted as soon as they became available. On December 10, 2010, three days after filing its Application GMO late filed the plans for the gas collection system, also referred to as the Collection Grid Plans, in a Highly Confidential document. No plans were submitted for the electric production facility; however, in the Application GMO provides a general description of the production facility and in Highly Confidential Attachment C to the Application GMO includes a one-page diagram of the generating station layout.

4 CSR 240-3.105(1)(B)2 requires, "the plans and specifications for the complete construction project and estimated cost of the construction project and estimated cost of the construction project or a statement of the reasons the information is currently unavailable and a date when it will be furnished." The *Application* includes total estimated cost of "less than \$8 million (pre applicable tax grants and credits)" and the December 10, 2010 filing by GMO provides plans for the gas collection system. However, the only plans for the production facility were a one-page generating station layout provided in the Application's Highly Confidential Attachment C, Since the application was filed, the

Company has provided Staff with a set of drawings for the generating facility. These drawings illustrate multiple generating units, these additional units are being contemplated by GMO for the future, but GMO is not requesting a certificate for those additional generating units at this time. Based on the Application, the late filed exhibit and the additional information provided by GMO to Staff regarding the production facility plans, Staff maintains that the requirements of 4 CSR 240-3.105(1)(B)3 have been met.

After reviewing the *Application* and the plans for the gas collection system, the Staff has determined that there are no other affected utility lines that are located on the proposed construction site and, therefore, the list required by 4 CSR 240-3.105(1)(B)1 has been provided. In the Application GMO states that its plans to finance the project using general GMO funds, federal tax credits, and a grant of \$450,000 through the Energize Missouri Biogas Energy Subgrant administered by the Department of Natural Resources; therefore the requirements of 4 CSR 240-3.105(1)(B)3 have been met.

The Commission's Rule 4 CSR 240-3.105(1)(C-D) requires either a statement that no evidence of approval of the affected governmental bodies is necessary, or when consent is required approval should be shown by a certified copy of the document granting consent, or an affidavit of the applicant that consent has been granted; and a certified copy of the required approval of other governmental agencies. In its verified *Application*, GMO provides a copy of Ordinance No. 8110 from the City of St. Joseph, a statement by the Buchanan County Commission and a statement by the Missouri Department of Natural Resources regarding this project. These documents indicate that the appropriate government approvals have been granted.

Finally, in the Application GMO discusses “the facts showing that the granting of the application is required by the public convenience and necessity” pursuant to 4 CSR 240-3.105(1)(E). In the Application GMO discusses the preference for company-owned generation instead of heavy reliance on purchased power agreements, the advantages of additional renewable energy resources which include the generation of renewable energy credits that would be eligible for use in the Commission’s Electric Utility Renewable Energy Standard Requirements and possible CO2 credits, and of a location that “will provide environmental benefits as well as providing a diversified energy resource to serve the community.”

STAFF RECOMMENDATION

The Staff has reviewed GMO’s Application, as well as the subsequently filed plans, specifications and cost estimates. The Staff has also had discussions with GMO personnel regarding this project.

The Staff notes that in Case No. EA-2006-0309¹ the Staff used a ten-step process to determine a reasonable site for Aquila’s natural gas-fired simple cycle electric power plant. Those steps follow:

- 1) Identification of areas within a utility’s service territory where significant energy usage is occurring and areas where energy usage is expected to increase;
- 2) Identification of areas noted in step (1) that are not in close proximity to existing generation facilities, are near an existing generation facility that will likely be retired in the near future, are near an existing generation facility that has room for additional generation units, or are near an area where required energy needs are expected to significantly exceed an existing generating facility’s capabilities;

¹ In the Matter of the Application of Aquila, Inc. for Permission and Approval and a Certificate of Public Convenience and Necessity Authorizing it to Acquire, Construct, Install, Own, Operate, Maintain, and otherwise Control and Manage, and otherwise Control and Manage Electrical Production and Related Facilities in Unincorporated Areas of Cass County, Missouri Near the Town of Peculiar

- 3) Identification of major natural gas transmission pipelines that have sufficient available capacity, adequate pressure and access to natural gas supplies to serve such a prospective generation facility and pass through the areas identified in step (2);
- 4) Identification of electric transmission lines that have sufficient available capacity, or can be reasonably upgraded, to serve such a prospective generation facility, provide transmission to the areas that need to be served by the planned generation facility and pass through the areas identified in step (2);
- 5) Identification of areas where the natural gas transmission pipelines in step (3) and the electric transmission lines in step (4) come within a reasonable distance of each other;
- 6) Review county plat books for the areas identified in step (5) to determine if there are properties in the areas identified in step (5) that appear suitable for such a prospective generation facility and begin visiting with landowners to determine ability to purchase potential parcels of land for such a prospective facility;
- 7) Carefully evaluate each of the potential sites identified in step (6) for line-of-site population density, natural buffers between the generation facility and nearby residents or the ability to construct buffers, natural gas pipeline extension cost, transmission line upgrade and extension costs, land acquisition cost, suitability of geology for construction of generation facility foundations, emissions compliance cost, possible air or land permitting problems, access to other needed infrastructure such as water and other potential costs to address potential concerns of the nearby communities and residents;
- 8) Communicate with any nearby communities and residents to receive feedback on concerns with construction of the planned generation facility in the area;
- 9) Address concerns of the nearby communities and residents to the greatest extent possible associated with the “optimal site”; and
- 10) If the concerns of the nearby communities and residents cannot be addressed at the “optimal site”, go back to step (6) to determine if another site is reasonable and repeat the steps after step (6), unless there are reasons why going back to step (6) is not reasonable.

While this process is reasonable when locating a natural gas-fired simple-cycle electric power plant, many of the steps are not applicable to locating a landfill-gas power plant. However, many of the general concepts—like locating a facility near the fuel

source, determining the best way to tie into the utility's distribution/transmission system, gaining the support of the landowner, and gaining the support of the local community—are applicable. The Missouri Department of Natural Resources' web site identifies twenty-two (22) potential locations of landfills that produce sufficient quantities of landfill gas to generate electricity. Several of the locations listed, such as the Jefferson City and Champ locations, are no longer available.

The Staff understands that this project has the approval of the appropriate affected governmental bodies, including local authorities. The approving bodies include the City of St. Joseph, the Buchanan County Commission and the Missouri Department of Natural Resources.

If one assumes that the cost of the facility is at the top of the "less than \$8 million" cost estimate, then the cost of this facility at \$5,000 per KW is significantly higher than the costs used for a generic landfill project included in GMO's August 5, 2009 Integrated Resource Plan filing in Case No. EE-2009-0237; however, the generic estimate was based on a larger facility, and it appears that the generic estimate did not include all of the costs of the gathering facility. Although these higher costs affect the cost effectiveness of this project in a negative way, the recent passage of Proposition C on November 4, 2008, which sets Renewable Energy Standards for Missouri, affects the cost effectiveness of the project in a positive way. It is also likely that future CO₂ legislation would positively impact the cost of this project. Even so, the prudence of this project should be determined at the time the project is included in rate base, just as it is with other capital projects.

Given the need for renewable energy credits due to Proposition C, the limited number of sites where a landfill gas generating facility can be located, and the need to

purchase this specific fuel from a specific landfill owner, the emphasis on this site evaluation has been on the viability of this specific site. GMO has evaluated and addressed the connection of the facility to its transmission/distribution system in its plans and specifications. GMO has also addressed the concerns of local community and landowners. Since this project is a relatively small generation project for a utility the size of GMO, GMO's plan to finance the plant using general funds, federal tax credits, and Missouri Biogas Energy Subgrants is reasonable.

In conclusion, the Staff finds that all requirements for a Certificate of Convenience and Necessity have been met, and that for reasons listed above recommends the Commission approve GMO's Application for a Certificate of Convenience and Necessity (CCN) to acquire, construct, install, own, operate, maintain and otherwise control and manage electrical production and related facilities in certain areas of Buchanan County, Missouri near the City of St. Joseph. The Staff also recommends that the Commission's Order should state that a determination as to the appropriate ratemaking treatment for this facility is not being made at this time.

The Application was filed pursuant to Section 393.170 RSMo., 4 CSR240-2.060 and 4 CSR 240-3.105. The Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

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Electrical Production and Related Facilities in)
Certain Areas of Buchanan County, Missouri)
Near the City of St. Joseph.)

Case No. EA-2011-0165

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Daniel I. Beck, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Daniel I. Beck

Subscribed and sworn to before me this 14th day of January, 2011.




Notary Public