

## **MEMORANDUM**

TO: Missouri Public Service Commission Case File  
Case No. EO-2012-0349, KCP&L Greater Missouri Operations Company Renewable Energy Standard Compliance Plan for Calendar Years 2012, 2013, and 2014

FROM: Michael E. Taylor, Energy Unit – Engineering Analysis

/s/ Daniel I. Beck 5/31/12                      /s/ Jennifer Hernandez 5/31/12  
Energy Unit / Date                      Staff Counsel's Office / Date

SUBJECT: Staff Report and Recommendation on KCP&L Greater Missouri Operations Company's Renewable Energy Standard Compliance Plan

DATE: May 31, 2012

## **RECOMMENDATION**

The Staff has reviewed the KCP&L Greater Missouri Operations Company 2012 RES Compliance Plan. Based on its review, Staff has not identified any deficiencies. As noted in paragraph F. of the Discussion portion of this Memorandum, Staff considers that compliance with the requirements of Rule 4 CSR 240-20.100(7)(B)1.F. would be a meaningless exercise for this filing and, therefore, only to the extent the Commission deems it necessary to do so, Staff recommends the Commission grant KCP&L Greater Missouri Operations Company (Company) a waiver from the subparagraph.

## **OVERVIEW**

On April 16, 2012, the Company filed its Renewable Energy Standard (RES) Compliance Plan (Plan) for calendar years 2012 through 2014 (Case No. EO-2012-0349)<sup>1</sup>. The Plan was filed in accordance with Rule 4 CSR 240-20.100(7), 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(7)(B)1.A. through G. provide the minimum requirements for the plan. Subsection 4 CSR 240-20.100(7)(D) requires that Staff examine the

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<sup>1</sup> April 15, 2012 occurred on a Sunday; therefore the required filing date was April 16, 2012

plan and file a report within forty-five (45) days of the filing. This is the second compliance plan filing for the Missouri electric utilities required by the Missouri Renewable Energy Standard, Sections 393.1020 through 393.1030, RSMo.

## **DISCUSSION**

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

**A. "A specific description of the electric utility's planned action to comply with the RES;"**

The Company explained in detail its completed and planned actions for compliance with the RES for 2012, 2013, and 2014. For non-solar compliance during the Plan period, the company will utilize renewable energy certificates (RECs) from the Gray County Wind Facility located in Gray County, Kansas. The Company obtains energy and RECs through a purchased power agreement (PPA) with this facility. The Company also entered into a PPA with another wind project in Gray County, Kansas (expected to be operational by December 31, 2012). Additionally, a renewable generating facility has been constructed utilizing landfill gas as a fuel source. This generating facility is located in St. Joseph, Missouri and will not be considered for inclusion as a revenue requirement component until construction is complete and the generators are fully operational and used for service. The landfill gas generation will qualify for the Missouri in-state one and twenty-five hundredths (1.25) credit<sup>2</sup>. The Company may receive RECs from this facility prior to its inclusion as a revenue requirement component. For solar compliance, the company will utilize solar renewable energy credits (S-RECs) purchased from brokers. The Company does not currently have a Standard Offer Contract tariff for purchase of S-RECs from its net-metered customers.

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<sup>2</sup> Section 393.1030.1., RSMo; Rule 4 CSR 240-20.100(3)(G)

- 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 has a PPA with the Gray County Wind Facility for energy and RECs. The Company has entered into another PPA with the Ensign wind facility (estimated commercial operation date is 12/31/2012). The Ensign PPA includes energy and RECs.

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

The Company has provided values for projected retail electric sales. The values appear to be reasonable estimates and consistent with its most recent triennial filing for electric utility resource planning.

- 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 filed its most recent triennial compliance filing with the Commission on April 9, 2012. The Company has a current PPA and a new PPA for sufficient wind resources to comply with requirements during the Plan period. These wind resources were included in the most recent preferred resource plan. The Company’s preferred resource plan included the potential installation of solar resources. Due to the uncertainty regarding the RES rules and the cost of S-RECs, the Company intends to purchase S-RECs for compliance.

- 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 its utilization of existing resources and new resources (Ensign wind facility) to comply with the non-solar portion of the RES for 2012 through 2014. The cost associated with the existing resource is already included in its revenue requirement (the sum of the revenue requirements of its rate districts—MPS and L&P). The new PPA was selected as the low-cost alternative for future energy and RES

requirements. For compliance with the solar portion of the RES, the Company provided information regarding purchase of solar RECs from third parties. The information provided by the Company showed that the costs associated with S-REC purchases are significantly lower than ownership or a PPA associated with solar generating facilities.

**F. “A detailed explanation of the calculation of the RES retail rate impact limit calculated in accordance with section (5) of this rule. This explanation should include the pertinent information for the planning interval which is included in the RES compliance plan:”**

This subparagraph of the rule provides for a detailed calculation of the retail rate impact to ensure that the statutory requirement of limiting the RES impact to one percent (1%) is met. The rule requires a calculation to net the least-cost of renewable generation for RES compliance with the cost to provide an equivalent amount of generation from nonrenewable resources. This netting would effectively reduce the cost attributed to RES compliance for purposes of meeting the limit.

Staff considers the level of detail required for the rate impact calculation to be subjective. For the company to expend significant resources to provide a more detailed calculation would serve no purpose, since the requirements for this Plan period are met by its existing resources, a new low-cost alternative resource, and purchases of S-RECs. Based on the Plan costs for calendar year 2012 compared to one percent (1%) of the current revenue requirement for the Company, the rate impact limit should not be exceeded. The Company did not request a waiver from this rule subparagraph. Because the detailed calculation would serve no purpose in this instance, Staff would not seek for the Commission to enforce literal compliance with this rule provision, whether the Company requested relief or not. Staff recommends that the Commission grant a waiver from this subparagraph if the Commission deems it necessary to do so.

The Company has determined that non-solar renewable resources did not result in a projected rate impact. The solar-based expenses were evaluated and used to determine a projected rate impact. S-REC purchases and solar rebates (solar rebates being the dominant compliance expenditure) were totaled for the impact determination.

Dependent on the expenditures associated with S-REC purchases and solar rebates for calendar year 2013 and 2014, the one percent (1%) rate impact limit could be reached. The Company will monitor the amount of solar rebates closely. The Company provided the basis for its determination and summarized the projected rate impact as 0.99% for calendar year 2012 and 1.18% based on a three year average (2012-2014).

**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 it has met the requirements to the best of its knowledge.

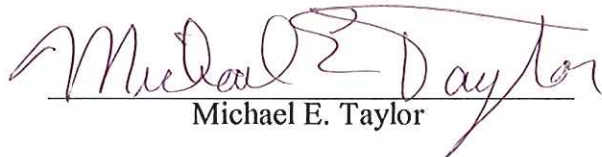
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of KCP&L Greater Missouri     )  
Operations Company's Submission of its     )     Case No. EO-2012-0349  
2012 RES Compliance Plan     )

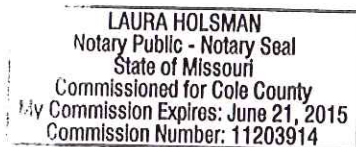
**AFFIDAVIT OF MICHAEL E. TAYLOR**

**STATE OF MISSOURI**     )  
                                      ) ss  
**COUNTY OF COLE**     )

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

  
Michael E. Taylor

Subscribed and sworn to before me this 31<sup>st</sup> day of May, 2012.



  
Notary Public