

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

In the Matter of Kansas City Power & Light)
Company 2013 Annual Renewable Energy) **File No. EO-2013-0504**
Standard Compliance Plan)

**STAFF REPORT ON KCP&L'S RES COMPLIANCE PLAN
AND FINDING OF DEFICIENCY**

COMES NOW Staff of the Missouri Public Service Commission ("Staff"), by and through the undersigned counsel, and submits this Report to the Missouri Public Service Commission ("Commission"). In support of the Report, Staff respectfully states the following:

Background

1. On May 28, 2013,¹ Kansas City Power & Light Company ("KCP&L") filed its *2013 Annual Renewable Energy Standard ("RES") Compliance Plan ("Plan")*.

2. Commission rule 4 CSR 240-20.100(7) 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." On April 12, the Commission granted KCP&L a variance from the rule in Case No. EE-2013-0452, and directed KCP&L to file its RES plan no later than May 28.

3. Rule 4 CSR 240-20.100(7)(B) specifies what information the RES Compliance Plan shall provide.

4. Rule 4 CSR 240-20.100(7)(D) provides that:

The staff of the commission shall examine each electric utility's annual RES compliance report and RES compliance plan and file a report of its review with the commission within forty-five (45) days of the filing of the annual RES compliance report and RES compliance plan with the

¹ All dates herein refer to calendar year 2013, unless otherwise specified.

commission. The staff's report shall identify any deficiencies in the electric utility's compliance with the RES.

5. On May 29, the Commission issued its *Order Closing Case, Order Directing Notice And Order Setting Filing Deadline*, directing Staff to file a report of its review of KCP&L's *Plan* before July 12, forty-five (45) days from KCP&L's filing.

Staff Report

6. In its *Memorandum* attached hereto, Staff reports on its review of KCP&L's *Plan*. KCP&L's *Plan* does not calculate the RES retail rate impact in accordance with Rule 4 CSR 240-20.100 (5).

7. As explained in the *Memorandum*, Staff considers the *Plan* deficient because of KCP&L's averaging of the non-renewable portfolio, its determination of the non-renewable portfolio, and its determination of the RES-compliant portfolio.

8. KCP&L is current on the filing of annual reports and its quarterly payment of the fiscal year 2014 assessment is not due until July 15.

9. The Commission's decision in this file could affect, or be affected by, a decision in Case No. EC-2013-0379, Earth Island Institute d/b/a Renew Missouri, et. al. v. Kansas City Power & Light Company. Complainants allege in that case that KCP&L's 2012-2014 RES Compliance Plan fails to comply with Subparagraph (7)(B)1.F in Rule 4 CSR 240-20.100 for calculating the RES retail impact limit.

WHEREFORE, Staff submits this Report for the Commission's information and consideration.

Respectfully submitted,

/s/ Jennifer Hernandez

Jennifer Hernandez
Senior Staff Counsel
Missouri Bar No. 59814

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail to all parties of record as listed in the Commission's Electronic Filing and Information System this 12th day of July, 2013.

/s/ Jennifer Hernandez

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2013-0504, Kansas City Power & Light Company's Renewable Energy
Standard Compliance Plan for Calendar Years 2013, 2014, and 2015

FROM: Claire M. Eubanks, PE, Energy Unit – Engineering Analysis

/s/ Dan Beck / 7/12/13 /s/ Jennifer Hernandez / 7/12/13
Energy Unit / Date Staff Counsel's Office / Date

SUBJECT: Staff Report and Conclusion of Deficiency on Kansas City Power & Light Company's
2013 Renewable Energy Standard Compliance Plan

DATE: July 12, 2013

CONCLUSION

The Staff has reviewed Kansas City Power & Light Company's ("KCP&L" or "Company") 2013 *Annual Renewable Energy Standard Compliance Plan* ("Plan"). Based on its review, the Company has met the minimum requirements for the plan, except for calculating the RES retail rate impact. Rule 4 CSR 240-20.100(7)(B)1F requires a detailed explanation of the Renewable Energy Standard ("RES") retail rate impact limit calculation made in accordance with section (5) of the rule. Although the Company provided a detailed explanation of the calculation of the RES retail rate impact, Staff believes the calculation does not follow the method outlined in Section (5) of the rule and therefore considers this a deficiency. There are three parts of the Company's retail rate impact calculation which Staff considers deficient: (1) averaging the non-renewable portfolio, (2) its determination of the non-renewable portfolio, and (3) its determination of the RES-compliant portfolio. Additionally, Staff is reviewing the retail rate impact calculation in the context of the Renew Missouri Complaint¹ and may address additional or more detailed concerns at a later time.

OVERVIEW

On May 28, 2013, the Company filed its *Plan* for calendar years 2013 through 2015. 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.

¹ Case No. EC-2013-0379.

provide the minimum requirements for the plan. The Company requested and was granted an extension on the *Plan* filing date. Subsection 4 CSR 240-20.100(7)(D) requires that Staff examine the plan and file a report within forty-five (45) days of the filing. This is the third compliance plan filing for the Missouri electric utilities required by the Missouri RES, 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 2013 through 2015. For non-solar compliance, the Company will utilize renewable energy certificates ("RECs") from wind resources Spearville 1 and 2, wind resource Cimarron II purchased power agreement ("PPA"), Spearville 3 wind resource PPA, and possibly from Hampton Alternative Energy Products ("Hampton") PPA. For solar compliance, the Company will utilize solar renewable energy credits ("S-RECs") purchased from brokers as well as S-RECs from the solar generation facilities installed as a part of the SmartGrid project (Project Living Proof, Paseo Academy of Fine Arts, and Innovation Park).

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. The Company has provided the executed purchase agreements with third parties to purchase S-RECs in response to Staff Data Request 2. The Company also provided the executed agreement for the Hampton PPA in response to Staff Data Request 1.

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 2012 and its most recent annual update report in June 2013. The *Plan* is consistent with the information

regarding renewable resource additions in its February 2011 preferred resource plan and its annual update for 2013 for the three-year planning period. In response to Staff Data Request 10, the Company explained the retail rate impact calculation considered incremental renewable energy additions to account for the maximum retail rate impact. Additionally, the resource planning considers compliance with the Kansas renewable energy standard whereas the retail rate impact considers Missouri requirements only.

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 Spearville 1 to comply with the non-solar portion of the RES for 2013 through 2015. The costs associated with Spearville 1² and Spearville 2³ are already included in revenue requirements. The Company selected wind resources Spearville 3 and Cimarron II PPAs in response to the August 2011 Request For Proposals and provided the reports regarding the selection process in response to Staff Data Request 3. Spearville 3 and Cimarron II are included in purchased power expense.⁴

For compliance with the solar portion of the RES, the Company provided information in response to Staff Data Requests 2 and 4 regarding purchase of S-RECs from 3rd parties compared to a solar PPA. The cost to purchase S-RECs is significantly lower than the cost of a solar PPA.

House Bill 142, signed by the Governor on July 3, 2013, includes a condition on solar rebates requiring customers to transfer the first ten (10) years of S-RECs to the utility. This condition may impact the *Plan* in regards to S-REC purchases.

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:”

Although the Company provided a detailed explanation of the calculation of the RES retail rate impact, Staff believes its calculation does not follow the method outlined in Section 5 of the rule, i.e., Staff believes the calculation was not made in accordance with Section (5) of the rule. There are three parts of the Company’s retail rate impact calculation that Staff is

² In-service requirements met in Case No. ER-2006-0314.

³ In-service requirements met in Case No. ER-2010-0355.

⁴ Case No. ER-2012-0174 .

concerned about: (1) averaging the non-renewable portfolio, (2) its determination of the non-renewable portfolio, and (3) its determination of the RES-compliant portfolio.

Averaging:

Section (5)(D) states:

For purposes of the determination in accordance with subsection (B) of this section, if the revenue requirement including the RES-compliant resource mix, averaged over the succeeding ten (10)-year period, exceeds the revenue requirement that includes the non-renewable resource mix by more than one percent (1%), the utility shall adjust downward the proportion of renewable resources...

The purpose of the averaging is to smooth out spikes in compliance costs caused by the addition of renewable resources. To determine the retail rate impact limit, the Company calculated one percent (1%) of the rolling 10-year average of the revenue requirement for the non-renewable portfolio. The total revenue requirement excluding renewables increases at a fairly steady rate. Averaging the non-renewable resources portion does not address the spikes in costs due the addition of renewable resources in any given year.

Non-renewable portfolio:

Section (5)(B) states:

The non-renewable generation and purchased power portfolio shall be determined by adding to the utility's existing generation and purchased power resource portfolio additional non-renewable resources sufficient to meet the utility's needs on a least-cost basis for the next ten (10) years.

The non-renewable portfolio is intended to be a hypothetical portfolio of only non-renewable resources.⁵ The non-renewable portfolio developed by the Company included wind resources, which the Company considers not to be directly attributable to RES-Compliance.⁶ Although, these resources may not be directly attributable to RES-Compliance, they are renewable resources as defined in the rule.⁷

RES-compliant portfolio:

Section (5)(A) states:

The retail rate impact shall be calculated on an incremental basis for each planning year that includes the addition of renewable generation directly attributable to RES compliance through the procurement or development of renewable energy resources,

⁵ EX-2010-0169, Final Order Rule 4 CSR 240-20.100, Page 21.

⁶ *Plan*, pg. 10.

⁷ Rule 4 CSR 240-20.100(1)(K)1.

averaged over the succeeding ten (10)-year period, and shall exclude renewable energy resources owned or under contract prior to the effective date of this rule.

Section (5)(B) explains how to determine the RES-Compliant portfolio:

The RES-compliant portfolio shall be determined by adding to the utility's existing generation and purchased power portfolio an amount of renewable resources sufficient to achieve the standard set forth in section (2) of this rule and an amount of least-cost non-renewable resources, the combination of which is sufficient to meet the utility's needs for the next ten (10) years. These renewable resource additions will utilize the most recent electric utility resource planning analysis.

These two subsections indicate that the RES-compliant portfolio includes existing non-renewable resources, while it excludes renewable resources owned or under contract prior to the effective date of the rule. The RES-compliant portfolio developed by the company does not include existing non-renewable resources; it is simply the total revenue requirement for a solely renewable portfolio.

Additionally, Section (5)(B) indicates the renewable energy resource additions are to utilize the most recent electric utility resource planning analysis. As explained above in paragraph D, the Company's retail rate impact calculation does not include renewable energy resource additions in the 10-year planning period whereas the preferred resource plan includes renewable resource additions beginning in 2016. In response to Staff Data Request 10, the Company explained the retail rate impact calculation considered incremental renewable energy additions to account for the maximum retail rate impact. Additionally, the resource planning considers compliance with the Kansas renewable energy standard whereas the retail rate impact considers Missouri requirements only.

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 KCP&L to meet the requirements of the RES have received all necessary environmental and operational permits and are in compliance with requirements related to air, water and land use.⁸

⁸ Rule 10 CSR 140-8.010(4).

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Company 2013 Annual Renewable Energy) Case No. EO-2013-0504
Standard Compliance Plan)

AFFIDAVIT OF CLAIRE M. EUBANKS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Claire M. Eubanks of lawful age, on oath states: that she 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 her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.

Claire M Eubanks
Claire M. Eubanks

Subscribed and sworn to before me this 17th day of July, 2013.



Laura Bloch
Notary Public