

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Repository File Concerning)
KCP&L Greater Missouri Operations Company's) **File No. EO-2011-0278**
Submission of its 2011 RES Compliance Plan)

STAFF REPORT AND RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, and respectfully submits this *Staff Report and Recommendation* to the Commission stating the following:

1. On April 15, 2011, KCP&L Greater Missouri Operations Company (GMO or Company) filed its Renewable Energy Standard (RES) Compliance Plan for calendar years 2011 through 2013.

2. Commission rule 4 CSR 240-20.100(7) states:

Annual RES Compliance Report and RES Compliance Plan. Each electric utility shall file an RES compliance report no later than April 15 to report on the status of the utility's compliance with the renewable energy standard and the electric utility's compliance plan as described in this section for the most recently completed calendar year. The initial annual RES compliance report shall be filed by April 15, 2012, for the purpose of providing the necessary information for the first RES compliance year (2011)....

3. 4 CSR 240-20.100(A) and (B) specify what information the RES Compliance Report shall provide and what information the RES Compliance Plan shall provide, respectfully.

4. 4 CSR 240-20.100(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 commission. The staff's report shall identify any deficiencies in the electric utility's compliance with the RES.

5. In its *Memorandum*, attached hereto and labeled as Attachment A, the Staff reports on its review of the Company's Annual RES Compliance Report and RES Compliance Plan.

6. At this time, the Staff has identified no deficiencies within the Company's filing. While the Company did include a RES retail impact limit calculation as required by 4 CSR 240-20.100(7)(B)1.F., it was not at the level of detail contemplated by the rule. The Staff does not view this as a deficiency. As the Company's costs for these compliance periods are significantly below the one percent (1%) retail rate impact limit, performing the detailed netting calculation serves no purpose in this instance.

7. 4 CSR 240-20.100(10) allows the Commission to waive or grant a variance from a provision of this rule for good cause shown. Although GMO did not file for a waiver from the netting calculation requirement, the Staff asserts that the calculation would serve no purpose in this instance. As such, the Staff asserts this instance meets the good cause requirement and recommends that the Commission grant the Company a waiver from 4 CSR 240-20.100(7)(B)1.F., if the Commission deems it necessary to do so.

8. GMO submitted its calendar year 2010 annual report on May 12, 2011. GMO is current on the payment of the Company's fiscal year 2011 assessment.

9. The Staff is unaware of any other case currently pending before the Commission that a decision in this file will directly affect.

WHEREFORE, the Staff submits this *Staff Report and Recommendation* for the Commission's information and consideration, and recommends the Commission grant KCP&L Greater Missouri Operations Company a waiver from 4 CSR 240-20.100(7)(B)1.F., if the Commission deems it necessary to do so.

Respectfully submitted,

/s/ Jennifer Hernandez

Jennifer Hernandez
Associate Staff Counsel
Missouri Bar No. 59814

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751- 8706 (Telephone)
(573) 751-9285 (Fax)
jennifer.hernandez@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via electronic mail to Roger Steiner, attorney for KCP&L GMO at roger.steiner@kcpl.com; and Lewis Mills, attorney for the Office of the Public Counsel at opcservice@ded.mo.gov this 31st day of May 2011.

/s/ Jennifer Hernandez

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2011-0278, KCP&L Greater Missouri Operations Company Renewable
Energy Standard Compliance Plan for Calendar Years 2011, 2012, and 2013

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

/s/ Lena M. Mantle 5/31/11 /s/ Jennifer Hernandez 5/31/11
Energy Department / 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, 2011

RECOMMENDATION

The Staff has reviewed the KCP&L Greater Missouri Operations Company (GMO or Company) 2011 Renewable Energy Standard (RES) Compliance Plan. Based on its review, Staff has not identified any deficiencies. As noted in paragraph F. of the Discussion portion of this report, Staff considers that compliance with the requirements of 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 GMO a waiver from this subparagraph.

OVERVIEW

On April 15, 2011, KCP&L Greater Missouri Operations Company filed its RES Compliance Plan for calendar years 2011 through 2013 (Case No. EO-2011-0278). The Plan was filed in accordance with 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 plan and file a report within

forty-five (45) days of the filing. This is the first 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 GMO Compliance 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;”

GMO explained in detail its completed and planned actions for compliance with the RES for 2011, 2012, and 2013. 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. Additionally, a renewable generating facility is under construction utilizing landfill gas as a fuel source. This generating facility is located in St. Joseph, Missouri and will not be recognized as a revenue requirement component until construction is complete and the generators are fully operational and used for service. The Company may receive RECs from this facility prior to its recognition 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. The landfill gas generation will qualify for the Missouri in-state one and twenty-five hundredths (1.25) credit.

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 had a contract from December 7, 2010 to March 31, 2011 for the purchase of S-RECs that meet the RES S-REC requirements for 2011.

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

GMO has provided values for projected retail electric sales. Compared to the most recent preferred resource plan, 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;”

GMO has a 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 filed with the Commission. GMO’s preferred resource plan included the installation of solar resources. Due to the uncertainty regarding the RES rules and the cost of S-RECs, GMO now 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;”

GMO provided information regarding its utilization of existing resources to comply with the non-solar portion of the RES for 2011 through 2013. The costs associated with these resources are already included in its revenue requirement (the sum of the revenue requirements of its rate districts—MPS and L&P). For compliance with the solar portion of the RES, GMO provided information regarding purchase of solar RECs from 3rd parties. The information provided by GMO 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. Since the Company’s costs for these compliance periods are significantly below the one percent (1%) retail rate impact limit, performing the detailed netting calculation literally serves no purpose.

Staff considers the level of detail required for the rate impact calculation to be subjective. For GMO 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 and purchases of S-RECs.

GMO did not file for a waiver from having to comply with this rule subparagraph. Because the calculation would serve no purpose in this instance, Staff would not seek for the Commission to enforce literal compliance with this rule provision, whether relief from it was requested or not. Staff recommends that the Commission grant a waiver, if the Commission deems so doing is necessary.

Based on the projected compliance plan costs for calendar years 2011, 2012, and 2013 compared to one percent (1%) of the current revenue requirement for GMO, the rate impact limit should not be exceeded. The calculation of the rate impact limit as specified in the RES rule is a methodology to compare RES compliance costs with costs associated with addition of a similar amount of non-renewable generation. GMO provided the basis for its determination and summarized the projected rate impact as 0.14% based on a 3-year average and 0.04% based on a 10-year average.

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.”

GMO has stated that these requirements have been met to the best of its knowledge.

