

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2019-0315, Kansas City Power and Light Company's
Submission of Its 2018 Renewable Energy Standard Compliance Report and
Case No. EO-2019-0316, KCP&L Greater Missouri Operations Company's
Submission of Its 2018 Renewable Energy Standard Compliance Report

FROM: Claire M. Eubanks, PE, Engineering Analysis

/s/ Daniel I. Beck, PE / 06-28-19 /s/ Jeffrey A. Keevil / 06-28-19
Engineering Analysis / Date Staff Counsel's Office / Date

SUBJECT: Staff Response to Commission questions regarding Kansas City Power and Light
and KCP&L Greater Missouri Operations Company's 2018 Renewable Energy
Standard Compliance Reports

DATE: June 28, 2019

SUMMARY

Staff appreciates the opportunity to provide responses to the Commission questions outlined in its Order dated June 24, 2019. The responses are provided in the discussion portion of this memorandum.

In clarification of Staff's Memorandum regarding GMO's RES Compliance Report dated May 30, 2019, Staff found GMO was deficient in its 2018 RES reporting. Specifically, that GMO had not achieved compliance with the solar RES requirements for the 2018 compliance year due to retirement of RECs which were expired for the 2018 compliance year. Staff recommended GMO retire an additional 1,510 S-RECs for 2018 compliance and be granted a variance from the Commission to make this retirement outside the timeframe allowed under 4 CSR 240-20.100(3)(J). GMO filed a notice and Request for Variance regarding the additional retirement of S-RECs on May 31, 2019.

Staff did not identify any deficiencies in regards to KCPL's RES compliance reporting in its May 30, 2019 report.

OVERVIEW

On April 15, 2019, KCPL and GMO filed their Compliance Reports for calendar year 2018 (Case Nos. EO-2019-0315 and EO-2019-0316), in accordance with 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 RES compliance report no later than April 15 to report on the status of both its compliance with the RES and its compliance plan as described in this section for the most recently completed calendar year.” Subparagraphs 4 CSR 240-20.100(8)(A)1. A. through P. provide the minimum requirements for the Compliance Report. Subsection 4 CSR 240-20.100(8)(D) requires that Staff examine the Compliance Reports and file a report of its review within forty-five (45) days of the filing.

Staff reviewed the KCPL Compliance Report and the GMO Compliance Report and filed memorandums regarding its review on May 30, 2019. Staff did not identify any deficiencies in regards to KCPL’s RES compliance reporting in its May 30, 2019 report. However, Staff found that the GMO had not achieved compliance with the solar RES requirements for the 2018 compliance year due to retirement of RECs which were expired for the 2018 compliance year. Staff recommended GMO retire an additional 1,510 S-RECs for 2018 compliance and be granted a variance from the Commission to make this retirement outside the timeframe allowed under 4 CSR 240-20.100(3)(J).

On May 30, 2019, the Office of Public Counsel filed comments on the KCPL and GMO Compliance Reports asserting the Reports fail to comply with the pertinent Commission rules.

On June 24, 2019, the Commission ordered Staff to respond to certain questions no later than June 28, 2019.

DISCUSSION

Staff provides the Commission question and Staff’s response below:

- 1. Does the formula used by KCPL/GMO to calculate Commission Rule 4 CSR 240-20.100(8)(A)(1)P RES “compliance costs” divided by total retail revenue dollars, accurately reflect the actual RES calendar year retail rate impact?**

KCPL/GMO included costs which are directly related to RES compliance in calculating its actual RES calendar year retail rate impact.^{1,2} KCPL/GMO has not included all

¹ Based on tables provided on Page 2 of Appendix A of the *Comments of the Missouri Office of Public Counsel* filed in Case No. EO-2019-0315 and EO-2019-0316, it is unclear to Staff whether GMO included all costs associated

costs associated with renewable energy resources which are utilized or may be used for RES compliance. KCPL and GMO's formula is a reasonable interpretation of 4 CSR 240-20.100(8)(A)1.P. In Staff's opinion, there are also other reasonable interpretations that could be made under 4 CSR 240-20.100(8)(A)1.P.

2. Please explain why it does or doesn't.

Commission Rule 4 CSR 240-20.100(8)(A)1.P.³ requires the utility to provide "a calculation of its actual calendar year retail rate impact." The RES rule does not specify how the "actual calendar year retail rate impact" is to be calculated for the RES Report. It is Staff's opinion that the calculation required under the RES report is a different calculation than required in the RES Plan. The RES Plan (4 CSR 240-20.100(8)(B)1.F) clearly requires the RES retail rate impact to be calculated in accordance with section (5) of the rule.

As stated above, KCPL and GMO's formula is a reasonable interpretation of 4 CSR 240-20.100(8)(A)1.P. In Staff's opinion there are also other reasonable interpretations that could be made under 4 CSR 240-20.100(8)(A)1.P.

In applying the formula KCPL and GMO considers RES compliance costs to be included in its calculation. The RES rule does include a definition of RES compliance costs in 4 CSR 240-20.100(1)(Q):

RES compliance costs means prudently incurred costs, both capital and expense, directly related to compliance with the Renewable Energy Standard. Prudently incurred costs do not include any increased costs resulting from negligent or wrongful acts or omissions by the electric utility; (Emphasis Added.)⁴

with St. Joseph Landfill Gas Facility. Staff has issued an additional data request to the Company requesting clarification.

² KCPL stated solar rebate costs related to 393.1050 were not included because the solar rebates were authorized under another statute. However, since the rule revision implementing the solar rebates was a revision to the Commission's rule on the Renewable Energy Standard, Staff would expect to see solar rebates in the actual retail rate impact calculation filed in 2020.

³ 4 CSR 240-20.100(8)(A)1.P first appeared as a new requirement in the rule revision effective November 30, 2015. See Final order of rulemaking in EX-2014-0352.

⁴ Similar language is included in the definition of RES compliance cost ("directly related") and the definition of RES revenue requirement ("whose primary purpose is to permit the electric utility to comply with any RES requirement").

The issue of whether wind PPAs are considered RES compliance costs for GMO was considered by parties in GMO's Application for a Renewable Energy Standard Rate Adjustment Mechanism (RESRAM).⁵ The RESRAM allows for recovery of prudently incurred costs or pass-through of benefits received as a result of compliance with the Renewable Energy Standard (RES) provided the average annual impact on retail customer rates does not exceed one percent over a ten-year period (i.e. the RRI calculation described in section (5) of the rule).

- 4 CSR 240-20.100(6)(A)16 states: "RES compliance costs shall only be recovered through a RESRAM or as part of a general rate proceeding and shall not be considered for cost recovery through an environmental cost recovery mechanism, fuel adjustment clause, or interim energy charge."
- OPC's position was for all RES compliance costs, including PPAs, to be included in GMO's RESRAM.
- GMO's position was that only PPA's "directly related to compliance with the Renewable Energy Standard" should go through the RESRAM and that GMO's wind PPAs are economic and therefore not directly related to RES compliance.
 - 4 CSR 240-20.100(1)(Q) states: "RES compliance costs means prudently incurred costs, both capital and expense, directly related to compliance with the Renewable Energy Standard. Prudently incurred costs do not include any increased costs resulting from negligent or wrongful acts or omissions by the electric utility."
- Staff's recommendation in Case No. EO-2014-0151 noted that the issue could not be addressed during the RESRAM case because the existing wind PPAs were in the FAC and changes to FAC must occur during a rate case.⁶
- The parties entered into a Non-Unanimous Partial Stipulation and Agreement, acknowledging the Signatories were unable to come to an agreement as to whether economic wind PPA costs should be included in the definition of RES compliance costs. The signatories agreed to preserve the issue for a general rate proceeding and recommended the Commission should grant a variance from 4 CSR 240-20.100(6)(A)16 for the purposes of the GMO RESRAM case only.⁷
- No party raised the issue in Case No. ER-2016-0156, GMO's next general rate proceeding; however, St. Joseph Landfill Gas Facility costs were moved into the RESRAM.
- No party raised the issue in Case No. ER-2018-0146, GMO's subsequent general rate proceeding.

⁵ Case No. EO-2014-0151

⁶ Staff had additional recommendations regarding GMO's initial RESRAM application.

⁷ Non-unanimous Partial Stipulation and Agreement filed in EO-2014-0151 on October 20, 2014.

Because no party raised the issue in the rate case following GMO's initial RESRAM application, it is not unreasonable for GMO to continue to use the same definition for its calculation under 4 CSR 240-20.100(8)(A)1.P. It is reasonable for KCPL and GMO to apply the same definition of RES compliance costs for its actual retail rate impact calculation made for both companies.

Staff will also note that the calculation "actual calendar year retail rate impact" is not equivalent to the rates being charged to GMO's customers under its RESRAM.⁸ The RESRAM tariff was developed in consideration of a non-unanimous stipulation in agreement in Case No. ET-2014-0059. The RESRAM tariff defines the "Allowable RESRAM Revenue Requirement" as the amount of RESRAM Revenue Requirement, adjusted by any Commission-ordered reconciliations or other adjustments, that does not exceed 1% of the approved revenue requirement in GMO's last general rate case.

3. Does Staff agree or disagree that the RES Report is required to include all costs associated with the utility company's renewable generation? Please explain.

Staff disagrees that the RES Report is required to include all costs associated with the utility company's renewable generation. Commission Rule 4 CSR 240-20.100(8)(A) details the minimum requirements of the Annual RES Compliance Report. The only items in this section of the RES rule related to costs are reporting the funds expended on solar rebates and the calculation of actual calendar year retail rate impact. However, other areas of the rule do require reporting of all renewable generation, for example, the total retail electric sales supplied by renewable resources and details regarding the number of RECs and S-RECs.

⁸ Staff would expect to see GMO use the same resources and types of costs (i.e. RES Compliance Costs) in both GMO's RESRAM and in calculating the actual calendar year retail rate impact in the RES Reports.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light)
 Company's Submission of its 2018 Renewable) Case No. EO-2019-0315
 Energy Standard Compliance Report)

In the Matter of KCP&L Greater Missouri)
 Operations Company's Submission of its) Case No. EO-2019-0316
 2018 Renewable Energy Standard)
 Compliance Report)

AFFIDAVIT OF CLAIRE M. EUBANKS, PE

STATE OF MISSOURI)
) ss.
 COUNTY OF COLE)

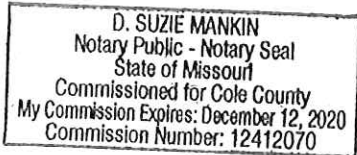
COMES NOW CLAIRE M. EUBANKS, PE and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Response to Commission Questions*, in memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Claire M Eubanks
CLAIRE M. EUBANKS, PE

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 June 2019.



D. Suzie Mankin
 Notary Public