

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

In the Matter of Evergy Metro, Inc.     )  
d/b/a Evergy Missouri Metro’s         )  
Submission of Its 2020 Renewable       )  
Energy Standard Compliance Report     )     Case No. EO-2021-0345

In the Matter of Evergy Missouri        )  
West, Inc. d/b/a Evergy Missouri        )  
West’s Submission of Its 2020            )  
Renewable Energy Standard             )  
Compliance Report                        )

In the Matter of Evergy Metro, Inc.     )  
d/b/a Evergy Missouri Metro's         )  
Submission of its 2021 Renewable        )  
Energy Standard Compliance Plan        )

In the Matter of Evergy Missouri        )  
West Inc. d/b/a Evergy Missouri        )  
West's 2021 Renewable Energy           )  
Standard Compliance Plan                )

**Public Counsel’s Response and Memorandum**

**COMES NOW** the Office of the Public Counsel (“OPC”) and for its response and memorandum regarding Evergy Metro, Inc.’s Renewable Energy Standard (“RES”) Report and Plan for 2020 and 2021, respectively, states as follows:

1. The OPC submits this response, and the attached Memorandum from OPC engineer, Ms. Lena Mantle, to express the OPC’s concern with the lack of transparency regarding Evergy’s compliance with RES requirements

regarding which renewable projects the company is using to claim RES compliance.

2. Section 393.1030 RSMo requires Evergy to generate or purchase generation from renewable sources. Specifically, it requires Evergy to generate or purchase no less than 10% of all electric sales from renewable generation for 2020, and no less than 15% for 2021.

3. Commission rule 20 CSR 4240-20.100(5)(A) states the “retail rate impact...may not exceed one percent (1%) for prudent costs of renewable energy resources directly attributable to RES compliance.” The rule further requires “the retail rate impact shall be calculated annually.”

4. More transparency is necessary before the OPC, the Commission, or the Commission’s Staff are able to verify compliance with the RES rules. As explained in the attached Memorandum, at a minimum, the OPC requests the Commission direct Evergy to identify which renewable resources the company is claiming for RES compliance purposes, along with a detailed calculation of the costs of those resources compared to the company’s total retail sales.

5. On May 13, 2021, the OPC submitted a data request to Evergy seeking this information, but the Company’s response to that request is not due until June 2, 2021, pursuant to the Commission’s discovery rules. The OPC may supplement this response following Evergy’s response to the OPC’s data request.

WHEREFORE, the Office of the Public Counsel respectfully offers this response and requests a Commission order directing the Company to make an additional filing in this case that identifies the renewable energy sources used for RES compliance and the related cost calculations to verify compliance with the RES cost cap, as explained in the Memorandum.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Marc D. Poston  
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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 1st day of June 2021.

**/s/ Marc Poston**

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West's Submission of Its 2020           )  
Renewable Energy Standard             )  
Compliance Report                        )           Case No. EO-2021-0346

In the Matter of Evergy Metro, Inc.     )  
d/b/a Evergy Missouri Metro's         )  
Submission of its 2021 Renewable       )  
Energy Standard Compliance Plan        )           Case No. EO-2021-0347

In the Matter of Evergy Missouri         )  
West Inc. d/b/a Evergy Missouri        )  
West's 2021 Renewable Energy          )  
Standard Compliance Plan                )           Case No. EO-2021-0348

**VERIFICATION OF LENA M. MANTLE**

Lena M. Mantle, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my memorandum in the above-captioned case.
  
2. The information in the attached memorandum is true and correct to the best of my knowledge, information, and belief.

*/s/ Lena M. Mantle*

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Lena M. Mantle  
Senior Analyst  
Office of the Public Counsel

## MEMORANDUM

To: Missouri Public Service Commission Official Case Files  
Case Nos. EO-2021-0345 and EO-2021-0347

From: Lena M. Mantle, PE, Senior Analyst

Subject: OPC Review of the Evergy Metro 2020 Renewable Energy Standard Compliance Report and 2021 Renewable Energy Standard Compliance Plan submitted as required by Commission rule 20 CSR 4240-20.100

Date: June 1, 2021

### Summary

Evergy Missouri Metro's ("Evergy Metro") 2020 renewable energy standard ("RES") report and 2021 RES plan filed in these cases show an incomplete picture of the status and cost of Evergy Metro's renewable resources. This memo provides recommendations intended to generate additional information that more accurately describes the renewable energy position of Evergy Metro followed by a brief explanation of why the specific recommended information is necessary.

Examination of the information that Evergy Metro has provided in its RES report and plan makes it clear that the Company's wind and solar resources generated more than enough energy to meet the Missouri RES for 2020 and will further provide enough energy to meet the RES not just for the planning period of 2021 through 2023 but for many years beyond. However, Evergy Metro's RES report and plan does not identify all the renewable energy resources directly attributable to RES compliance, so the true cost to Evergy Metro's customers of meeting the Missouri RES are not included in the report. The majority of Evergy Metro's non-solar renewable energy is acquired through purchased power agreements ("PPAs") which include a cost for every MWh of energy. At the same time, though, Evergy Metro states that it entered into these wind PPAs not for RES compliance but because it considered the PPAs to be priced favorably given Evergy Metro's estimates of future energy market prices.<sup>1</sup>

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<sup>1</sup> These PPAs in fact have been very unfavorably economic resulting in losses of \$255 million since the SPP Integrated market began in 2014.

These PPAs, which Evergy Metro tells the Commission it entered into because they were “economic,” have resulted in Missouri retail customers bearing a cost of -\$35.6 million in losses in 2020 alone. However, the losses the PPAs incurred in 2020 are not included in the Company’s RES report. Evergy Metro, meanwhile, will experience almost no losses incurred by these PPAs since it will recover over 95% of the losses from its customers through its fuel adjustment clause (“FAC”).<sup>2</sup>

Every Metro has added further confusion by including in its RES plan a PPA that it has designated for its optional Renewable Energy Rider Program (“RER program”) and notifying the Commission in these filings that it has terminated a wind project, the Jayhawk Wind Farm PPA, it had previously included in its 2020 resource plan update filing.<sup>3</sup>

### Recommendations

To provide a more complete picture of Evergy Metro’s renewable energy position, the Commission should require Evergy Metro to provide the following information in addition to the RES report and RES plan it filed.

1. Identification of exactly which of its non-solar renewable resources are:
  - a. Renewable energy resources directly attributable to RES compliance;
  - b. Resources acquired for economic reasons; and
  - c. Designated for its Renewable Energy Rider program;
2. A detailed, itemized, complete list of all the costs for each of its non-solar renewable resources including the annual costs and revenues generated by these sources;
3. A detailed discussion regarding the wind PPAs that Evergy Metro has entered into for its Schedule RER, Renewable Energy Rider program (“RER program”) and the status of the program including the number of participants and the revenues received from the participants;

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<sup>2</sup> Due to the structure of Evergy Metro’s FAC, Evergy Metro customers will be paying the negative margin of the PPAs incurred 2020 through March 2022.

<sup>3</sup> EO-2020-0280 *In the Matter of the 2020 Integrated Resource Plan Annual Update for Evergy Metro, Inc. d/b/a Evergy Missouri Metro.*

In addition, the Commission should require Evergy Metro to meet the requirements of its Electric Utility Resource Planning Chapter 22 regarding Evergy Metro's termination of the Jayhawk Wind Farm PPA that had been included in its preferred resource plan.<sup>4</sup>

The rest of the memo provides more detail regarding these recommendations.

### 2020 RES Energy Requirement

In its RES report, Evergy Metro states that its Missouri retail sales decreased in 2020 by 4.2% to 8,053,770 MWh. The RES statute requires that 9.8%, or 789,270 MWh of the retail sales in 2020 be provided by non-solar renewable energy. Evergy Metro's owned wind generation and PPAs generated 2,554,348 MWh, more than three times its Missouri RES requirement for 2020. Therefore, there is no doubt that Evergy Metro met the non-solar energy RES requirements. What is not clear from this report is which of Evergy Metro's resources were designated as directly attributable to RES compliance and the complete cost of those resources in 2020.

### Sources of Non-Solar Energy to Meet the 2020 RES

The RES report does not provide which non-solar resources met the 2020 RES requirements. However, Evergy Metro's 2021 RES plan states that the two wind projects that Evergy Metro owns, Spearville 1 and Spearville 2, are the least-cost approach for achieving non-solar compliance.<sup>5</sup> The RES report shows that these two wind projects only generated 210,445 MWh, far short of the 789,270 MWh required to meet the RES.

Evergy Metro's RES plan gives additional information regarding which renewable resources meet the RES requirements. In its RES plan, Evergy Metro states that it entered into PPAs for the Cimarron 2 and Spearville 3 wind projects as a result of a request for proposals ("RFP") to cover Evergy Metro's non-solar requirements for the RES.<sup>6</sup> In 2020 these two wind projects generated

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<sup>4</sup> 20 CSR 4240-22.080(12).

<sup>5</sup> P. 7-8.

<sup>6</sup> P. 8.

a total of 553,743 MWh. These two PPAs and Evergy Metro’s owned resources generated 764,188 MWh, still short of the required 789,270 MWh of non-solar renewable energy.

Neither the RES report nor plan specifically identifies any other PPA that Evergy Metro entered into to meet the RES. Evergy Metro states that it entered into all its PPAs “because of favorable economics to take advantage of low-cost energy prices and are not directly attributable to RES compliance but will be used to meet future non-solar RES requirements.”<sup>7</sup>

Therefore, based on information from Evergy Metro’s RES report and plan, Evergy Metro’s resources to meet its non-solar RES energy requirement of 789,270 MWh and the amount of energy generated by each resource is shown in the table below.

<u>Resource</u>	<u>Owned or PPA?</u>	<u>2020 MWh</u>	<u>Cumulative</u>
Spearville 1	Owned	124,388	124,388
Spearville 2	Owned	86,057	210,445
Spearville 3	PPA	234,577	445,022
Cimarron 2	PPA	319,166	764,188
???	PPA	25,082	789,270

#### RES Compliance Costs

Evergy Metro states in its RES report that its total cost for 2020 RES compliance, both solar and non-solar resources, was \$1,113,312 which equates to 0.129% of its 2020 retail revenues. However, the RES cost included in the RES report is dramatically less than the 2020 cost of the Spearville 3 and Cimarron 2 PPAs.

Since Evergy Metro built the Spearville 1 and 2 wind projects prior to the RES statute becoming effective, the costs for these resources are not costs incurred to meet the RES.<sup>8</sup> However, for each of the PPAs, Evergy Metro pays a defined price for each MWh of energy. Evergy Metro also receives from the Southwest Power Pool (“SPP”) revenue for every MWh generated. These costs

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<sup>7</sup> Regarding the PPAs for the Osborn and Rock Creek wind projects, in Case No. EO-2019-0067, KCP&L/Evergy witness Burton L. Crawford testified “Given that future CPP compliance had the potential to be based on state-specific renewable sources, diversifying KCP&L and GMO's wind portfolio to include Missouri-based resources was a factor in the Osborn and Rock Creek additions.”

<sup>8</sup> 20 CSR 4240-20.100(5).

and revenues for Evergy Metro’s PPAs in 2020 are not provided in either its RES report or plan. However, Evergy Metro’s FAC monthly submissions to the Commission include the costs for each PPA and the revenues provided by SPP for the generation from each wind project. Attachment A shows the annual generation, cost, revenues, and net margin for all of Evergy Metro’s wind PPAs in 2020. The Missouri Jurisdictional net margin for the Cimarron and Spearville 3 PPAs was negative \$10.5 million. This means that, in 2020, the cost for these PPAs was \$10.5 million more than the revenue Evergy Metro received for the energy provided through these PPAs.

Because no other single PPA was identified as an RES resource, to estimate Evergy Metro’s cost to meet the RES, I calculated an average cost per MWh of the remaining PPAs to estimate the cost of the remaining 25,082 MWh at \$381,293.

These costs are shown in the table below.

<u>Resource</u>	<u>Owned or PPA?</u>	<u>2020 MWh</u>	<u>2020 Cost</u>
Spearville 1	Owned	124,388	\$0
Spearville 2	Owned	86,057	\$0
Spearville 3	PPA	234,577	\$2,901,052
Cimarron 2	PPA	319,166	\$7,642,226
???	PPA	25,082	<u>\$381,293</u>
	Total	789,270	\$10,924,571

Therefore, according to the information provided in Evergy Metro’s RES report, RES plan, and FAC monthly reports, OPC estimates Evergy Metro’s cost to meet the non-solar RES requirements in 2020 is approximately \$11 million, which is almost ten times greater than the \$1.1 million cost provided in Evergy Metro’s RES report. This \$11 million, which only includes the margin for SPP costs and revenues, is 1.26% of Evergy Metro’s Missouri retail revenues in 2020.<sup>9</sup>

#### RES Plan

In its RES plan, Evergy Metro states that no additional resources are required to meet the RES requirements through 2023<sup>10</sup> even with the RES increasing to its maximum requirement of 15%

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<sup>9</sup> The total Missouri jurisdictional PPA losses for 2020 is 4.12% of 2020 Missouri retail revenues.

<sup>10</sup> Evergy Missouri Metro 2021 RES Compliance Plan, p. 15.

of sales in 2022.<sup>11</sup> The 2021 RES plan shows the total expected annual Evergy Metro wind energy for the eight PPAs for wind projects that are currently in operation is over 4 million MWh. The RES plan does not include an expected annual amount of generation for the Spearville 1 and 2 projects Evergy Metro owns. However, the RES report shows that the two wind projects generated over 210,000 MWh in 2020.

Evergy Metro's projected non-solar requirement for the RES in years 2021 through 2023 is 1.2 million MWh and falling.<sup>12</sup> This is far below the current 4.2 million MWh it expects from its wind resources. Therefore, there is no need for Evergy Metro to acquire more renewable energy resources to meet the RES. Even so, Evergy Metro states in its 2021 RES Plan that the renewable additions identified in the 2020 Integrated Resource Plan "will be used to achieve future RES compliance" insinuating that these resources will be needed in the future to meet the RES.

The RES plan also states that all wind PPAs Evergy entered into were because of "favorable economics to take advantage of low-cost energy prices".<sup>13</sup> These contracts were not entered into to meet a RES standard. These contracts were not entered into because customers needed additional capacity or energy. The contracts were not entered into for its Renewable Energy Rider program. Instead, Evergy Metro entered into contracts that resulted in losses of \$62.9 million in 2020, of which \$35.6 million were allocated to Missouri retail customers, based on Evergy Metro *forecasts* that the energy costs of these contracts were low enough and market prices would be high enough that the PPAs would earn more revenue in the SPP market over the life of the PPA than the costs.

Data provided to OPC through data requests and monthly FAC reports submitted to the Commission show that from January 2016 through December 2020 these PPAs that Evergy Metro entered into to "take advantage of low-cost energy," have cost Missouri ratepayers \$135 million. None of the PPAs has provided more revenue than they cost. Attachment B to this memo shows the off-system sales margin for each of these contracts over the past five years.

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<sup>11</sup> 20 CSR 4240-20.100(1)(R).

<sup>12</sup> Evergy Metro's energy forecast for its Missouri retail customers is declining.

<sup>13</sup> P. 8.

### Inclusion of PPA used for RER Program

In its RES report and plan, Evergy Metro includes its PPA with the Ponderosa Wind Project without identifying in the report or plan that this PPA is assigned to Evergy Metro's Renewable Energy Rider program. The RECs associated with energy from this PPA cannot be utilized for the RES because those RECs belong to the customers on the rider. Therefore, this PPA is not an Evergy Metro renewable energy resource since the participants in the program own the RECs, not Evergy Metro.

This does not mean that renewable PPAs entered assigned to the RER program should not be identified in Evergy Metro's RES reports or plans. They should be included in and described as they truly are – PPAs that Evergy Metro has entered into to meet its large customers' request for renewable energy. This is a part of Evergy Metro's renewable strategy and to give a complete picture, a description and the status of the RER program should be included in the RES report and plan. However, these PPAs should be clearly identified in the report and plan as they truly are – a resource for a few large customers that cannot be used to meet the RES requirement.

### Change to Preferred Resource Plan

Finally, the RES plan states that the Jayhawk Wind PPA was terminated by Evergy on February 18, 2021. This was a resource that had been included in Evergy Metro's 2020 Integrated Resource Plan update as a resource that was to reach commercial operations in the 4<sup>th</sup> quarter of 2021. At the time of the filing of this report, Evergy Metro has not filed notifying the Commission that it has changed its resource plan as required.<sup>14</sup> Therefore, the Commission should order the Company to meet the requirements of its resource planning Chapter 22 regarding changes to preferred resource plans as required by 20 CSR 4240-22.080(12).

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<sup>14</sup> 20 CSR 4240-22.080(12) requires a utility notify the Commission within 60 days of the resource plan change. Evergy Metro states on page 3 and page 12 of its RES plan that the Jayhawk Wind Farm PPA was terminated on February 18, 2021. A filing should have been made by Evergy meeting the requirements of the rule by April 18, 2021.

Attachment A  
**2020 Wind Purchased Power Contracts**  
**Evergy Metro**

	MWh Generated	Total Cost	Revenues	Total Company Margin	Missouri Retail Margin
Cimmaron	563,008	\$ 17,734,752	\$ (4,253,886)	\$ (13,480,866)	\$ (7,615,540)
Osborn	415,705	\$ 13,739,251	\$ (7,467,417)	\$ (6,271,833)	\$ (3,518,532)
Rock Creek	657,210	\$ 20,282,851	\$ (9,683,104)	\$ (10,599,747)	\$ (5,963,734)
Slate Creek	616,241	\$ 15,430,483	\$ (4,968,586)	\$ (10,461,897)	\$ (5,934,298)
Spearville 3	413,794	\$ 12,194,509	\$ (7,076,614)	\$ (5,117,895)	\$ (2,899,293)
Waverly	712,378	\$ 21,014,764	\$ (7,263,886)	\$ (13,750,877)	\$ (7,811,631)
Pratt Wind	470,828	\$ 6,808,247	\$ (4,025,048)	\$ (2,783,198)	\$ (1,587,698)
Prairie Queen	285,483	\$ 4,387,386	\$ (3,999,463)	\$ (387,922)	\$ (229,095)
<b>Total</b>	<b>4,134,647</b>	<b>\$ 111,592,241</b>	<b>\$ (48,738,005)</b>	<b>\$ (62,854,236)</b>	<b>\$ (35,559,820)</b>

Attachment B  
Off-System Sales Margin  
Evergy Metro  
Profit/(Loss)

	2016	2017	2018	2019	2020	Total
Cimmaron	(\$13,007,623)	(\$14,928,710)	(\$13,702,293)	(\$11,554,436)	(\$13,480,866)	(\$66,673,928)
Osborn	(\$161,540)	(\$7,076,233)	(\$4,652,454)	(\$6,336,809)	(\$6,271,833)	(\$24,498,871)
Rock Creek		(\$3,497,492)	(\$6,687,229)	(\$9,056,722)	(\$10,599,747)	(\$29,841,190)
Slate Creek	(\$3,293,583)	(\$6,153,015)	(\$5,530,430)	(\$11,653,674)	(\$10,461,897)	(\$37,092,600)
Spearville 3	(\$4,338,232)	(\$7,077,304)	(\$3,281,162)	(\$3,997,971)	(\$5,117,895)	(\$23,812,564)
Waverly	(\$6,496,310)	(\$10,211,238)	(\$7,071,471)	(\$12,144,960)	(\$13,750,877)	(\$49,674,855)
Pratt Wind			(\$77,964)	(\$2,019,538)	(\$2,783,198)	(\$4,880,700)
Prairie Queen				\$204,057	(\$387,922)	(\$183,866)
<b>Total</b>	<b>(\$27,297,288)</b>	<b>(\$48,943,992)</b>	<b>(\$41,003,003)</b>	<b>(\$56,560,054)</b>	<b>(\$62,854,236)</b>	<b>(\$236,658,573)</b>
<b>Mo Juris</b>	<b>(\$15,705,430)</b>	<b>(\$28,080,113)</b>	<b>(\$23,261,270)</b>	<b>(\$32,000,109)</b>	<b>(\$35,559,820)</b>	<b>(\$134,606,742)</b>