

**MEMORANDUM**

TO: Missouri Public Service Commission Case File  
Case No. EO-2015-0266, KCP&L Greater Missouri Operations Renewable Energy  
Standard Compliance Plan for Calendar Years 2015, 2016, and 2017

FROM: Claire M. Eubanks, PE, Engineering Analysis

/s/ Natelle Dietrich / June 5, 2015  
Tariff, Safety, Economic / Date  
and Engineering Analysis

/s/ Hampton Williams / June 5, 2015  
Staff Counsel's Office / Date

SUBJECT: Staff Report on KCP&L Greater Missouri Operations' 2015 Annual Renewable Energy  
Standard Compliance Plan

DATE: June 5, 2015

**CONCLUSION**

The Staff has reviewed KCP&L Greater Missouri Operations' ("GMO" or "Company") 2015 *Annual Renewable Energy Standard Compliance Plan* ("Plan"). Based on the information supplied so far the Company appears to have met the minimum requirements of 4 CSR 240-20.100(7)(B). Because Staff is still waiting on additional information from the Company, the Staff reserves the right to file an updated memorandum if necessary.

**OVERVIEW**

On April 22, 2015, the Company filed its *Plan* for calendar years 2015 through 2017. 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 plan and file a report of its review within forty-five (45) days of the filing.

**NP**

Attachment A

**DISCUSSION**

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

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

The Company explained its completed and planned actions for compliance with the RES for 2015 through 2017. For non-solar compliance, the Company will utilize renewable energy certificates ("RECs") from St. Joseph Landfill Generating Facility ("St. Joseph"), Gray County wind facility purchased power agreement ("PPA"), and Ensign wind PPA. The Company recently executed a renewed 15-year PPA with Gray County. The renewed contract increases the capacity to 110 MW provided firm transmission is available.

For solar compliance, the Company will utilize solar renewable energy credits ("S-RECs") obtained from customer-generators through House Bill 142. Additionally, GMO expects to add 5 MW of solar consisting of 2 MW of roof-top installations and 3 MW of a utility-scale facility in 2016.

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GMO had previously executed a 200 MW wind PPA with Element Power for the Mill Creek wind facility which was expected to begin operation by December 31, 2015; it appears this project has been canceled. Staff has requested additional clarification in Staff Data Request 11; the response is due June 22, 2015. Once the response is received, Staff will update its memorandum if applicable.

- 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 following executed agreements in response to Staff Data Requests: \*\* \_\_\_\_\_

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- 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 2015. The *Plan* is not consistent with the information regarding renewable resource additions in its April 2015 preferred resource plan; however, the differences do not appear to be the result of RES compliance. The Company’s preferred resource plan includes 5 MW of solar in 2016, 260 MW of wind in 2017, and an additional 50 MW of wind in 2019. The additions detailed in the *Plan* are consistent with the preferred plan in 2016. The *Plan* does not address the planned addition of 260 MW of wind in 2017. Based on the executive summary in the triennial compliance filing, the 50 MW of wind in 2019 is related to the Gray County wind PPA. \*\* \_\_\_\_\_

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<sup>1</sup> Staff Data Request 1 in EO-2014-0288  
<sup>2</sup> Staff Data Request 2.2 in EO-2014-0288  
<sup>3</sup> Staff Data Request 2 in EO-2015-0265

**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 *Plan* includes utilization of St. Joseph, Gray County PPA, and Ensign PPA. The costs associated with St. Joseph are already included in revenue requirements and the Company currently has a waiver to recover fuel costs for St. Joseph in the fuel adjustment clause until the next rate case.<sup>4</sup> The cost of the Gray County and Ensign PPAs are currently being recovered in the fuel adjustment clause. The Company selected the Ensign PPA in response to the August 2011 Request for Proposals (RFP) and previously provided the reports regarding the selection process.<sup>5</sup> The Company entered into the Ensign PPA in November 2012.

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For compliance with the solar portion of the RES, the Company plans to use S-RECs from customer-generators and future GMO owned solar installations. Although the Company has estimated the number of S-RECs from customer-generators for purposes of calculating the retail rate impact (RRI), the Company has not tracked these in the commission-approved tracking system. The Company does not assert that GMO-owned solar resources are the least-cost method of complying with the Missouri RES, see response to Staff Data Request 7.

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<sup>4</sup> In-service requirements met in Case No. ER-2012-0175.

<sup>5</sup> The Company provided documentation in response to Staff Data Request 3 in EO-2013-0505.

The Company provided information regarding the cost of the RES compliance plan. Staff reserves the right to comment on whether the *Plan* is the least cost, prudent method to comply with the RES when rate recovery is requested.

**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:”**

The *Plan* includes an explanation of the calculation of the RES RRI. The Company provided Staff its work papers supporting the calculation. The Company’s calculation results in a rate impact of less than 1 percent on average over the planning period.

Section (5)(B) indicates that the renewable energy resource additions will utilize the most recent electric utility resource planning analysis. The Company’s triennial compliance filing submitted in April 2015, includes 5 MW of solar in 2016, 260 MW of wind in 2017, and 50 MW of wind in 2019. \*\* \_\_\_\_\_

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The calculation required in Section (5)(B) of the Commission’s RES rule is forward-looking therefore past RES compliance costs are not reflected in the calculation. The Company explains it has used Staff’s methodology as required by the Commission’s order in

Case No. ET-2014-0059. The Commission's order in Case No. ET-2014-0059 approved the Non-unanimous Stipulation and Agreement which states in part<sup>6</sup>:

While this Agreement resolves the aggregate amount of solar rebates to be paid after August 31, 2012, the Agreement has not resolved the method that will be utilized in the future to calculate the one percent (1%) cap in the retail rate impact in future RES compliance filings. The Signatories agree to work to resolve this issue in a rulemaking to implement the provisions of HB 142. GMO and KCP&L, however, represent that they will utilize the Staff's methodology in future RES compliance filings until the RES rule<sup>6</sup> is changed.

The Company asserts that the RES spending is at or above one percent because the calculation required in Section (5)(B) does not capture past RES expenditures, specifically the solar rebate payments made in previous years. Staff agrees the calculation in Section (5)(B) could be improved and has supported the proposed carry-over provision in its rulemaking comments<sup>7</sup>. However, Staff disagrees with the Company's assertion that the rate impact of RES spending is at or above 1 percent. By including the Company's specified level of solar rebates (\$50 million) as a carry-forward amount, the RRI calculation would result in \*\* \_\_\_\_\_ \*\*. The Company's assertion is based on comparing the specified level of solar rebates (\$50 million) to 1 percent of its current revenues, rather than calculating the maximum average retail rate increase required by statute (RSMo 393.1030.2(1)).

The Company points to its RESRAM as a reason why the calculation outlined in Section (5)(B) does not represent an accurate picture of the retail rate impact, because recovery is limited to 1 percent of GMO's revenues reported in its last rate case. However, the Company agreed to limit its rate recovery of solar rebates to 1 percent of the Commission-determined annual revenue requirement in the Non-unanimous Stipulation and Agreement<sup>8</sup> in Case No. ET-2014-0059.

The Company also asserts that the calculation outlined in Section (5)(B) does not present an accurate picture of the Company's spending on renewables and notes that the Company's

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<sup>6</sup> Section 7b, page 4

<sup>7</sup> See Docket No. EX-2014-0352

<sup>8</sup> Section 7e, page 6

portfolio far exceeds the RES requirements (see Tables 1 & 2 in the *Plan*). Staff agrees that the Company's portfolio far exceeds the non-solar RES requirements. However, it is the Company who has chosen not to reflect \*\* \_\_\_\_\_

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**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 GMO to meet the requirements of the RES have received all necessary environmental and operational permits and are in compliance with any necessary federal, state, and/or local requirements related to air, water and land use.<sup>9</sup>

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<sup>9</sup> Rule 10 CSR 140-8.010(4).

