

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2015-0264, KCP&L Greater Missouri Operations Renewable Energy
Standard Compliance Report for Calendar Year 2014

FROM: Claire M. Eubanks, P.E., 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 and Conclusion on KCP&L Greater Missouri Operations' 2014 Renewable
Energy Standard Compliance Report

DATE: June 5, 2015

CONCLUSION

The Staff has reviewed the KCP&L Greater Missouri Operations' ("GMO" or "Company") filed *2014 Annual Renewable Energy Standard Compliance Report* (Compliance Report), dated April 22, 2015. Based on its review, Staff has identified the following deficiencies:

- GMO has not reported the number of S-RECs acquired from customer-generators (4 CSR 240-20.100(7)(A)1.E),
- GMO failed to provide the source of all RECs acquired during the calendar year (4 CSR 240-20.100(7)(A)1.F), and
- GMO failed to identify, by source and serial number, customer-generated S-RECs that have been carried forward to a future calendar year (4 CSR 240-20.100(7)(A)1G).

Further, Staff is concerned that GMO has not yet requested certification of S-RECs produced by its customer-generators or tracked the S-RECs in the Commission-approved tracking system. Because GMO has not tracked S-RECs from its customer-generators, it purchased S-RECs to retire for compliance with the 2014 solar RES requirements. Staff noted that customer-generated S-RECs were not being tracked in its review of last year's compliance filing but understood GMO was working on a system to

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aggregate those S-RECs and that once those S-RECs were aggregated they would be tracked in the Commission-approved tracking system. GMO has developed its system to track solar rebates and is currently matching customer S-REC agreements¹ to each premise. GMO's plan for 2015 solar compliance is to retire customer-generated S-RECs. Therefore, Staff recommends the Commission direct GMO to correct the identified deficiencies or file a status report by August 31, 2015, and file a supplemental compliance report with the updated information.

OVERVIEW

On April 22, 2014, the Company filed its RES Compliance Report for calendar year 2013 (Case No. EO-2014-0290). The Compliance Report 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 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." Subparagraphs 4 CSR 240-20.100(7)(A)1.A. through N. provide the minimum requirements for the Compliance Report. Subsection 4 CSR 240-20.100(7)(D) requires that Staff examine the Compliance Report and file a report of its review within forty-five (45) days of the filing.

Staff has utilized the North American Renewables Registry (NAR) to independently verify the retirement of the RECs and S-RECs by the Company.

DISCUSSION

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

¹ The customer S-REC agreement is an acknowledgement signed by the customer that they are transferring the rights to S-RECs to the utility, for a period of 10 years, as a condition of receiving a rebate.

A. “Total retail electric sales for the utility, as defined by this rule:”

The Company provided the total retail electric sales for 2014 expressed as total megawatt-hours (MWh) sold to Missouri customers (8,195,101 MWh), consistent with the 2014 FERC Form 1 filed with the Commission on May 15, 2014.

B. “Total jurisdictional revenue from the total retail electric sales to Missouri customers as measured at the customers’ meters;”

The Company provided the total retail electric sales for 2014 expressed as annual operating revenues (dollars) from Missouri customers. The amount listed on the 2014 FERC Form 1 filed with the Commission on May 15, 2014 was \$802,844,816.²

C. “Total retail electric sales supplied by renewable energy resources, as defined by section 393.1025(5), RSMo, including the source of the energy;”

The Company utilized three (3) primary renewable energy generating facilities during 2014; Gray County Wind Energy (“Gray County”), Ensign Wind (“Ensign”), and St. Joseph Landfill Generating Station. The total amount of energy generated at the facilities was 408,539 MWh. St. Joseph Landfill Generating Station is located in Missouri, thus it qualifies for the one and twenty-five hundredths (1.25) credit multiplier allowed by statute and regulation.³ With the credit multiplier, the total compliance REC credit for non-solar facilities was 411,404 MWh.

D. “The number of RECs and S-RECs created by electrical energy produced by renewable energy resources owned by the electric utility. For the electrical energy produced by these utility-owned renewable energy resources, the value of the energy created. For the RECs and S-RECs, a calculated REC or S-REC value for each source and each category of REC;”

² Line 10 – Total Sales to Ultimate Customers from FERC Form 1, Page 300

³ RSMo 393.1030.1.; 4 CSR 240-20.100(3)(G).

The Company reported that the St. Joseph Landfill Generating Station generated 11,460 MWh in 2014 and the value of the energy was \$346,321.

E. “The number of RECs acquired, sold, transferred, or retired by the utility during the calendar year;”

The Company acquires RECs through PPAs with Gray County (41,302 RECs) and Ensign (355,777 RECs). The Company has not sold or transferred RECs during the calendar year.

The Company also reported that it acquired 8,700 S-RECs in 2014, please note that this value does not reflect the number of S-RECs acquired from customer-generators since enactment of House Bill 142, August 28, 2013. These 8,700 S-RECs were purchased because the Company has not yet requested certification of customer-generators by the Division of Energy or registered customer-generated RECs in the Commission-approved tracking system. Staff has included the Company’s response to Staff Data Request 2 and 2.1 as Attachment A to this memorandum. The Company’s responses indicate it is gathering data needed to request certification of customer-generators and register the customer-generated RECs in the tracking system and intends to complete these actions later this year. GMO has made progress in developing a system to track solar rebates and is currently verifying customer S-REC agreements are matched to each premise. The customer S-REC agreement is an acknowledgement signed by the customer that they are transferring the rights to S-RECs to the utility, for a period of 10 years, as a condition of receiving a rebate. The Company’s response to Staff Data Request 2.1 indicates that GMO is not yet comfortable requesting the certification from Division of Energy and registering them in NAR.

Staff’s understanding of the information required for the Division of Energy’s certification process includes: address, system size, and operational date. This information is basic information the Company has from processing and paying solar rebates.

To track S-RECs from customer-generators in NAR the Company would perform its own S-REC aggregation, as allowed by 4 CSR 240-20.100(3)(K). First the small generators are aggregated together and registered into NAR as one asset. The Company groups the units such that the units aggregated nameplate capacity is less than 1 MW. For systems larger than 10 kW the tracking system administrator collects: (1) project level information that is shared across all generating units; and (2) unit level information for each generating unit. For systems less than 10 kW in size the Company is not required by the NAR administrator to provide project level detail for each unique project provided it is approved by the Division of Energy and that the Company maintains all records and estimates and makes them available upon request. Once the assets are aggregated and registered in NAR, the Company may self-report the generation. That data must pass the NAR feasibility test and if no other resolution is needed, a certificate is created by NAR.

Staff verified that the Company retired Gray County, Ensign, and St. Joseph RECs (2011-2013 Vintage) to meet the non-solar requirement⁴ of at least 401,560 RECs.⁵ The Company also retired at least 8,195 S-RECs⁶ from third-party brokers (2012 Vintage) to meet the solar requirement.⁷ These RECs were registered and retired in the North American Renewables Registry⁸ utilized for compliance purposes. In accordance with statute and regulation, these RECs were produced by a qualified facility and were banked appropriately.⁹

⁴ Pursuant to 4 CSR 240-20.100(2)(C)1, the amount of RECs necessary is determined by calculating five percent (5%) of the Company's total retail sales, less the solar requirement.

⁵ The Company retired more RECs than required for 2014 compliance and has worked with Staff and the tracking system to re-allocate specific RECs to 2015 compliance year.

⁶ The Company retired more RECs than required for 2014 compliance and has worked with Staff and the tracking system to re-allocate specific RECs to 2015 compliance year.

⁷ Pursuant to 4 CSR 240-20.100(2)(D)1, the amount of S-RECs necessary is determined by calculating one-tenth percent (0.1%) of the Company's total retail sales.

⁸ <http://narecs.com/>.

⁹ Qualified facility per 393.1025(5), RSMo and 4 CSR 240-20.100(1)(K); Banked RECs per 393.1030.2, RSMo and 4 CSR 240-20.100(1)(J).

F. “The source of all RECs acquired during the calendar year;”

The Company provided a resource list as Attachment A of the Compliance Report, which reflects the source of S-RECs acquired in 2014 except those acquired from GMO’s customer-generators.

G. “The identification, by source and serial number, of any RECs that have been carried forward to a future calendar year;”

The Company provided a listing, by source and serial number, of RECs that are being carried forward for future year(s) as Attachment B of the Compliance Report except for S-RECs acquired from GMO’s customer-generators.

H. An explanation of how any gains or losses from sale or purchase of RECs for the calendar year have been accounted for in any rate adjustment mechanism that was in effect for the electric utility;”

The Company did not sell RECs in 2014. The Company has utilized purchased S-RECs for 2014 compliance or banked them for future use.

I. “For acquisition of electrical energy and/or RECs from a renewable energy resource that is not owned by the electric utility, the following information for each resource that has a rated capacity of ten (10) kW or greater:

(I) Name, address, and owner of the facility;

The Company provided a resource list as Attachment A of the Compliance Report, which includes the name, address and owner of the facility. The addresses for S-RECs acquired from customer-generators were not provided, however, this information is provided on the solar rebate application and therefore available to Staff upon request.

(II) An affidavit from the owner of the facility certifying that the energy was derived from an eligible renewable energy technology and that the renewable attributes of the energy have not been used to meet the requirements of any other local or state mandate;

The required affidavit for Gray County and S-RECs acquired through Costco were provided by the Company as Attachment D of the Compliance Report. The affidavits for S-RECs acquired from customer-generators were not provided, however, the affidavit is part of the solar rebate application and therefore available to Staff upon request. The required affidavit for Ensign was provided to Staff in response to Staff Data Request 5.

(III) The renewable energy technology utilized at the facility;

The renewable energy technology was provided as part of the resource list in Attachment A of the Compliance Report.

(IV) The dates and amounts of all payments from the electric utility to the owner of the facility;

The dates and amounts for the payments to Gray County and Ensign were provided in Attachment C of the Compliance Report. The Company provided the dates and amounts of payments to Costco in response to Staff Data Request 4.

(V) All meter readings used for the calculation of the payments referenced in part (IV) of the paragraph;"

The required meter readings for Gray County, Ensign, and third party S-RECs were not provided in the Compliance Report. The Company has requested a waiver from reporting meter readings for all energy/REC purchases from outside vendors.

The purpose of this subparagraph is to demonstrate the validity of RECs and/or S-RECs obtained from sources that are not owned by the electric utility. Generation of renewable energy at Company owned resources is typically monitored by revenue quality meters and/or reported through an independent system operator. Resources in which this subparagraph

applies to are not necessarily monitored by the utility that seeks to retire the associated RECs for compliance purposes. This subparagraph compensates for the lack of utility ownership/control of the renewable energy resource.

The RECs associated with energy purchased from Gray County and Ensign are registered in NAR. A Qualified Reporting Entity (QRE) is defined in NAR's Operating Procedures as "an entity reporting meter reading and other generation data to the NAR Administrator."

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_____ ** The Company has provided the invoices supporting the dates and payments listed in Attachment C which includes the monthly generation.

The S-RECs purchased by the Company from third party aggregators are first registered in the Western Renewable Energy Generation Information System (WREGIS) and imported into NAR. Although APX, Inc. developed the infrastructure for both tracking systems, the tracking systems are operated separately and have different operating procedures.

For RECs registered in NAR to be listed as eligible in Missouri, the Division of Energy must approve the project, including small aggregated generators located outside of Missouri. For registering customer-sited distributed generation in WREGIS the actual cumulative meter readings are entered by either the self-reporting entity or a QRE. The two tracking systems currently have sufficient procedures in place which meet the intent of the Commission rules.

¹⁰ NAR Requirements for Qualified Reporting Entities
¹¹ Staff Data Request 4 in EO-2014-0290

Based on its review of the information provided by the Company and other sources, Staff recommends the Commission grant the Company a limited waiver from the requirements of Rule 4 CSR 240-20.100(7)(A)1.(I)(V) when invoices or another reasonable substitute when meter readings are not available for energy purchases from Gray County and Ensign. Staff recommends the Commission grant the Company a limited waiver from the requirements of Rule 4 CSR 240-20.100(7)(A)1.(I)(V) for RECs purchased from aggregators that are lawfully registered in another renewable energy registry.

J. “The total number of customers that applied and received a solar rebate in accordance with section (4) of this rule;”

The Company states it paid 598 solar rebates during calendar year 2014.

K. “The total number of customers that were denied a solar rebate and the reason(s) for denial;”

57 customers were denied a rebate during calendar year 2014 because funding commitments reached the stipulated \$50 million cap.

L. “The amount of funds expended by the electric utility for solar rebates, including the price and terms of future S-REC contracts associated with the facilities that qualified for the solar rebates;”

The Company has paid \$24,816,130 in solar rebates for calendar year 2014.

M. “An affidavit documenting the electric utility’s compliance with the RES compliance plan as described in this section during the calendar year. This affidavit will include a description of the amount of over- or under-compliance costs that shall be adjusted in the electric utility’s next compliance plan;”

The Company filed a signed Affidavit with the Compliance Report and discusses the compliance costs in Section 2.13 of the Report. The cap for determining the over/under

compliance costs for 2013 was not provided; however, the Company provided costs it believes to be associated with 2013 RES Compliance.

N. “If compliance was not achieved, an explanation why the electric utility failed to meet the RES.”

The Company provided a statement that it believes it has achieved compliance with the RES. Additionally, the Company retired the appropriate number of RECs to meet the RES requirement.

KCPL GMO
Case Name: 2014 RES Compliance Report
Case Number: EO-2015-0264

Response to Eubanks Claire Interrogatories - MPSC_20150428
Date of Response: 05/14/2015

Question:0002

Issue: Other - Other

Description: GMO's 2015 Annual Renewable Energy Standard Compliance Plan indicates that GMO will primarily utilize SRECs from customers to comply with the RES solar requirements from 2015-2017. GMO has the right to S-RECs associated with customer generators systems who received rebates since August 28, 2013 due to the enactment of HB 142. Commission rule 4 CSR 240-20.100(3)(F) requires all electric utilities to use the commission designated registry for REC accounting unless authorized for good cause shown. (a) When does GMO intend to request certification from Division of Energy for its customer-generators? (b) When does GMO intend to register the S-RECs from customer-generators into NAR? (c) Why did GMO acquire S-RECs in 2014 from solar facilities located in California when they had the rights to S-RECs from customer-generators? (d) Please provide the cost of all NAR activities related to out-of-state S-RECs acquired in 2013 and 2014. (e) Has GMO made progress in preparing the necessary documentation to request certification of customer-generator facilities, to aggregate the S-RECs created, and to register those S-RECs into NAR? If so, please provide any and all work papers related to customer-generated S-RECs. (f) Please provide the number of S-RECs acquired from customer-generators during 2014. (g) Please provide an update to Attachment A to include the source of all customer-generator RECs acquired during 2014. (h) Please provide an update to Attachment B to identify, by source and serial number, customer-generated RECs which GMO intends to carry forward for future compliance. (i) For customer-generators which have a rated capacity of ten kW or greater provide the applicable information required in 4 CSR 240-20.100(7)(A)I. DR requested by Claire Eubanks (Claire.Eubanks@psc.mo.gov).

Response:

- (a) (b) GMO intends to request certification from the Division of Energy and register in NAR later this year once all data has been gathered to complete certification and registration.
- (c) The information required to complete items (a) and (b) above continue to be gathered and compiled by the team responsible for the solar rebate program on a customer-generator level.
- (d) The cost of all NAR activities related to the out-of-state S-RECs acquired in 2013 and 2014 were \$32 and \$87, respectively.
- (e) Weather data source locations have been identified and once data is available from (c) will be aggregated into 1 MW blocks as limited by NAR. Additionally, metering information is being gathered which is also a requirement for NAR registration. Since all of this work is on-going, we do not have suitable work papers to share at this time.
- (f) The number of RECs acquired in 2014 from customer-generators has not been determined pending (c) and (e) above.
- (g) (h) (i) Compiling the materials and performing the calculations required to certify and register the RECs could not be completed in time for use in the 2015 RES Compliance filings. Purchasing S-RECs provided the most direct option for achieving compliance

with the S-REC requirement. The Company intends to utilize the S-RECs obtained from customer-generators for compliance within three years of their generation. The requests made in (g), (h), and (i) are not applicable at this time.

Response by: Abby Herl

Attachment: Q0002_Verification.pdf

KCPL GMO
Case Name: 2014 RES Compliance Report
Case Number: EO-2015-0264

Response to Eubanks Claire Interrogatories - MPSC_20150527
Date of Response: 06/02/2015

Question:0002.1

Issue: Other - Other

Description: (a) What specific data is KCPL GMO gathering in order to request certification from the Division of Energy of its 2013 customer-generator's systems? (b) What specific data is KCPL GMO gathering in order to request certification from the Division of Energy of its 2014 customer-generator's systems? (c) What specific data is KCPL GMO gathering in order to register the 2013 vintage S-RECs from customer-generator systems which are less than 10 kW into NAR? (d) What specific data is KCPL GMO gathering in order to register the 2014 vintage S-RECs from customer-generator systems which are less than 10 kW into NAR? (e) What specific data is KCPL GMO gathering in order to register the 2013 vintage S-RECs from customer-generator systems greater than or equal to 10 kW into NAR? (f) What specific data is KCPL GMO gathering in order to register the 2014 vintage S-RECs from customer-generator systems greater than or equal to 10 kW into NAR? (g) Specifically, what metering data is being gathered for NAR registration? DR requested by Claire Eubanks (Claire.eubanks@psc.mo.gov)

Response:

- (a) – (f) This answer covers all the questions asked in (a) – (f). The Company had been in the process of acquiring a new system to track solar rebates and most of 2014 was spent designing and building the system. The system then had to be populated with all the information. Of the sites that the Company can now claim S-RECs for, almost 90% of the sites are greater than 10 kW requiring a S-REC Assignment Agreement. Those agreements have to be tied out with each premise. Until all this information is available and tied out, GMO is not comfortable requesting certification from MODED or registering in NAR.
- (g) Meter manufacturer and model are being linked with each Meter ID for the lists that will be created for each aggregated account.

ANSWERED BY: Abby Herl

Attachment: Q0002.1_Verification.pdf