

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

In the Matter of Evergy Metro, Inc. d/b/a)
Evergy Missouri Metro to Revise its Solar) File No. EO-2023-0423
Solar Subscription Rider)

In the Matter of Evergy West, Inc. d/b/a)
Evergy Missouri West to Revise its Solar) File No. EO-2023-0424
Subscription Rider)

EVERGY’S REPLY TO STAFF RECOMMENDATION

COME NOW Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“EMM”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“EMW”) (collectively “Evergy” or the “Company”) and, pursuant to the Missouri Public Service Commission’s (“Commission”) *Order Granting Extension and Setting Time for Responses* (“Order”) issued in the above-captioned dockets on August 1, 2023, submits their response (“Response”) to Staff (“Staff”) for the Commission’s *Recommendation* (“Staff Recommendation”) filed in these dockets on September 15, 2023, state as follows:

General Comments

Staff indicated in its September 15, 2023, filing that part of Staff’s investigation included an audit of the cost to construct the Hawthorn solar facility. After reviewing the final construction costs and variances from the original budget, Staff did not allege any imprudence of costs incurred.¹ The Staff memorandum documents the results of its construction audit and offers items to consider for future expansion of the solar subscription facility or for additional generating facilities, as well as findings and recommendations related to the Solar Subscription Rider

¹ See MO PSC Case Nos. EO-2023-0423, ER-2023-0424, Official Case File Memorandum. September 15, 2023. Page 6 of 15.

(“Schedule SSP”). Staff identifies several areas of concern, which the Company addresses throughout this response, and summarizes its recommendations to the Commission on the Solar Block Subscription Charge.

As part of its memorandum, Staff recommends the Commission reject Evergy’s proposal to increase the Solar Block Subscription Charge at this time. The Company would like to point out that a request to change the Solar Block Subscription Charge is not pending before the Commission at this time. As Staff indicated in its memorandum on June 7, 2023, Evergy responded to Staff’s June 1, 2023 Motion to Open a New Docket with its agreement to the establishment of a new EO case file to consider the construction audit of the cost and generation projections related to the Hawthorn solar facility. Evergy’s response stated its intent to withdraw the submitted tariff sheets YE-2023-0206 and YE-2023-0208 to change the Solar Block Subscription Charge and to refile them after the conclusion of the new case file. Accordingly, the Company withdrew both of those tariffs on July 11, 2023. The Company still intends to refile proposed tariff sheets at the conclusion of this docket, which would be the appropriate place to address several of the issues raised by Staff with regards to the recommendations for changing the Solar Block Subscription Charge. However, the Company will endeavor to respond to points raised by Staff in this filing.

The Company appreciates Staff’s review in this docket and responds to Staff’s issues and recommendations according to the sections outlined in the Staff memorandum:

Evergy Filing

1. In providing background on the initial Evergy filings that ultimately led to the opening of these dockets, Staff references Evergy’s May 19th filing where Evergy submitted a

letter along with revised tariffs² to adjust charges related to the Company's Schedule SSP. The letter explained that the changes to the Solar Block Subscription Charge are the result of updated actual costs "as discussed in rate case ER-2022-0129." Staff indicated in their memorandum that they were not aware of the discussion referenced by Evergy.

Evergy Response:

It has always been contemplated that the initial rates in the SSP tariffs are estimates that would eventually be updated upon the completion of the Hawthorn solar facility. In fact, the current tariff includes the language, "The Solar Block Subscription Charge for energy sold through this Program is *estimated*³ to be \$0.1284 per kWh..." Furthermore, the Company directs the Commission to the testimony of Kimberly Winslow which states:

Based on current total projected costs associated with engineering design, construction, build, interconnection and site prep, the Company estimates an LCOE of \$0.1308 per kWh. This consists of a fixed charge of \$0.0908 per kWh and a services and access charge of \$0.040 per kWh. The Company anticipates firm final pricing next Spring once Procurement and Construction planning activities are complete for the 10MWac array.⁴

2. Staff also recommended in its June 1, 2023, *Motion to Open a New Docket*, the Commission reject the tariffs and direct Evergy to address several issues including the following issue:

The proposed increase to the Solar Block cost is not consistent with the Stipulation and Agreement in EA-2022-0043 at Paragraph 11 that states the Solar Block charge should not exceed the maximum rate of \$0.13880 per kWh.⁵

² See, Tariff Tracking Nos. YE-2023-0206 and YE-2023-0208.

³ Emphasis added. Evergy Missouri Metro Solar Subscription Rider No. 7 3rd Revised Sheet No. 39A and Evergy Missouri West Solar Subscription Rider No. 1 1st Revised Sheet No. 109.1. Effective January 9, 2023.

⁴ See, *Kimberly Winslow Direct Testimony*; January 7, 2022; Docket No ER-2022-0129 and ER-2022-0130; p. 39

⁵ See, *Staff Recommendation to Reject Evergy Metro and Evergy Missouri West's Proposed Tariff Sheets to Update the Solar Subscription Rider (Official Case File Memorandum)* dated June 1, 2023, pp. 2-3.

Evergy Response:

Evergy strongly disagrees with this characterization. There is a significant distinction between the total Solar Block Subscription Charge and the Solar Block cost component of the overall charge. Staff Proposed Condition 15 as modified in Paragraph 11 of the Stipulation and Agreement in EA-2022-0043 states in part:

Staff recommends the Commission require that the final solar block cost should not exceed the maximum rate of \$0.13880 per kWh ***as stated in the SSP tariff⁶...***

The SSP tariffs have been updated several times since these initial tariffs were approved by the Commission and became effective. Previous versions of the SSP tariffs (see EMM example below) in effect clearly state that the \$0.13880 per kWh maximum rate is addressing the ***Solar Block*** cost component of the overall charge to customers, ***not inclusive of the Service and Access charge component:***

Pricing:

The Solar Block Subscription Charge for energy sold through this Program is estimated to be \$0.15367 per kWh, made up of two costs:

1. The Solar Block cost of \$0.11567 per kWh (based on an engineering estimate. Rate will be updated once a project is selected.)(The Solar Block cost will not exceed \$0.13880 per kWh); and
2. The Services and Access charge of \$0.038 per kWh.⁷

⁶ Emphasis added.

⁷ Kansas City Power and Light Company P.S.C. MO. No. 7 Second Revised Sheet No. 39A. Effective December 6, 2018.

None of the projections for the Solar Block cost put forward by Evergy in different dockets have exceeded the \$0.13880 per kWh limits stated in prior tariffs or the Stipulation and Agreement approved by the Commission in EA-2022-0043.

Audit of Construction Costs

3. Staff indicated that it identified the following errors in Evergy's budgeting process that should be considered in the future:

1. An amount for the Allowance for Funds Used During Construction (AFUDC) was not included in the original budget
2. The internal labor and overhead costs directly associated with the project were underestimated in the original budget because typical Company capital loadings were used as opposed to direct labor and overhead costs assigned to the project
3. The solar subscription program management and administrative costs, including overheads were not included in the original budget

Evergy Response:

Evergy appreciates Staff's feedback, and the Company will endeavor to adhere to these items in future projects. With respect to #2 above, the Company disagrees with Staff's assertion that typical Company capital loadings were used as opposed to direct labor and overhead costs assigned to the project. In fact, the Company did use direct labor and overhead costs assigned to the project. The Company acknowledges that it underbudgeted the amount of internal labor needed to support the project.

Implementation/Tariff Issues

4. Staff recommends that in the future Evergy ensure that in-service testing is completed prior to filing a tariff to implement a new or changed rate under the SSP and other similar tariffs.

Evergy Response:

The Company did propose changes to its existing tariff currently in effect to reflect updated costs associated with the completed Hawthorn solar plant. However, the Company subsequently withdrew those proposed tariff changes. The Company agrees that in the future Evergy will attempt to ensure that in-service testing is completed prior to filing a tariff to implement a new or changed rate under the SSP and other similar tariffs.

Review of Hawthorn In-Service Criteria

5. As part of Staff's review of in-service criteria being met, Staff verified that the facility met the 95% of the expected AC capacity as of May 29, 2023. The contract did not include a guaranteed capacity. Due to construction being completed in winter, a functional test was performed in December 2022 instead of the capacity test. The functional test determined that the facility produced the expected amount of energy. However, there were warranty repairs necessary after the functional test. The capacity test was completed using data from May 26, 2023 through May 29, 2023 as referenced in the report Burns & McDonnell Capacity Test. As a result of this, Staff has determined the Hawthorn site met in-service criteria as of May 29, 2023 as compared to the Company's reporting that the facility was operational as of January 11, 2023.

Evergy Response:

The Company does not dispute the capacity test was completed using data from May 26, 2023 through May 29, 2023. The Company's expected SSP tariff updates will reflect this change.

Proposed Solar Block Subscription Charge

6. Staff's memorandum addresses the Company's proposed change to the Service and Access charge and states that the tariff clearly does not allow for the adjustment of the Services and Access charge between rate cases:

The Services and Access charge will be adjusted when rates are reset in future rate cases by the average percentage change to volumetric rates in those future rate cases, unless a party provides a cost study demonstrating that it would be unreasonable to adjust the Services and Access.

Staff then notes that Evergy's work paper for this case takes the Services and Access charge of \$0.040 per kWh that was determined in the last rate case and ** [REDACTED]

[REDACTED] **

This process is inconsistent with the tariff. The Services and Access charge (i.e. grid expense) will be adjusted throughout the life of the program during future general rate cases and therefore it is unreasonable to ** [REDACTED] **. **

Evergy Response:

Upon review, Evergy agrees with Staff that the tariff language currently in effect contemplates the Services and Access charge component will only be adjusted in future rate cases. As such, the Company agrees that the Services and Access charge should remain at \$0.040 per kWh until such time the Commission orders a change in a future rate case.

7. Staff's review also evaluates the impact of the Net Capacity Factor ("NCF") used for developing the rate and concludes:

the original assumed NCF used in developing the estimated rate was ** [REDACTED] **. ** While it is reasonable to update the NCF for as-built conditions, the net capacity factor Evergy used in support of the proposed rate is **

[REDACTED]

** that Evergy presented in its September 12, 2023

work paper, results in a Solar Block charge of \$0.0923 per kWh. (Staff high scenario)”

Evergy Response:

The Company agrees that it is appropriate to use the NCF suggested by Staff and identified in the Capacity Test Report, dated July 17, 2023, as opposed to the initial NCF utilized in the LCOE model that was developed prior to the Capacity Test Report.

8. Staff’s memo also identified potential impacts that the in-service date as determined by Staff could have on the LCOE to determine the Solar Block cost component:

Given that LCOE is considering the expected cost and expected energy production over the life of a facility, the date the facility is operational will alter the resulting LCOE. In its LCOE calculation, Evergy assumes the facility was in-service on ** [REDACTED]

[REDACTED] ** As discussed in the previous section, Staff recommends the Commission find that the Hawthorn Solar Facility is fully operational and used for service as of May 29, 2023.

** [REDACTED] **

Evergy Response:

Evergy agrees that ** [REDACTED]

[REDACTED] ** In this filing the Company states that it accepts Staff’s suggested in-service date and will adjust the LCOE accordingly to update the Solar Block cost component in a future tariff filing.

Staff Summary and Recommendation

9. Staff recommends the Commission reject Evergy’s proposal to increase the Solar Block Subscription Charge at this time for the following reasons:

- Solar subscription customers relied on Evergy's representations of what the final Solar Block Subscription Charge would be when enrolling in the program.
- Evergy presented a change in the assumptions regarding ** [REDACTED] ** on September 12, 2023 which Staff has not had the opportunity to fully vet.
- Evergy's assumptions are inconsistent with ** [REDACTED] **: ** [REDACTED]
- Evergy changed its LCOE model to unreasonably include ** [REDACTED] ** [REDACTED]
- Evergy is proposing an increase in the Services and Access charge outside of a general rate case in direct conflict with the currently effective tariff.

Staff states that it is not opposed to Evergy presenting evidence in a future general rate case that reasonably calculates the Solar Block charge provided it clearly communicates to participants the basis for the increase.

Evergy Response:

As previously stated, following the opening of these dockets on June 16, 2023, Evergy withdrew tariff sheets YE-2023-0206 and YE-2023-0208. As such, there is currently not a proposal before the Commission to change the Solar Block Subscription Charge. However, as previously indicated, the Company intends to file revised tariffs following the conclusion of this docket. This future tariff filing does not need to be part of a general rate case so long as the Company does not propose to change the Services and Access charge component outside of a general rate case. With regards, to Staff's five specific points raised above, the Company responds as follows:

- a. Solar subscription customers relied on Evergy’s representations of what the final Solar Block Subscription Charge would be when enrolling in the program.

As stated earlier in this filing, previous representations of the Solar Block Subscription Charge have characterized the charge as an estimate to be updated upon final completion. The existing tariffs explicitly state how the Services and Access cost component can change in future rate cases. Furthermore, the estimated charge reflected in Evergy’s SSP tariffs have already previously been changed over time.

- b. Evergy presented a change in the assumptions regarding ** [REDACTED] ** on September 12, 2023 which Staff has not had the opportunity to fully vet.

Evergy acknowledges that it informed Staff of this change in assumptions on September 12, 2023, as soon as it became aware of the issue, but this will be fully reflected in a future tariff filing which will be the appropriate place to evaluate.

- c. Evergy’s assumptions are inconsistent with ** [REDACTED] **: **

As previously addressed in this filing, the Company agrees to update the LCOE as outlined by Staff with the ** [REDACTED] **: ** when it submits the updated tariff filing following the conclusion of this docket.

- d. Evergy changed its LCOE model to unreasonably include ** [REDACTED] **: **

As previously addressed in this filing, the Company agrees that ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **: **

- e. Evergy is proposing an increase in the Services and Access charge outside of a general rate case in direct conflict with the currently effective tariff.

As previously addressed above, the Company agrees that changing the Services and Access charge outside of a general rate case is inconsistent with the current tariff language, and that changing the Services and Access charge component should therefore only occur in a future rate case.

ET Docket concerning Time-of-Use (“TOU”) compatibility with subscription solar

In its memorandum, Staff highlights the ongoing discussions between Staff and the Company on what limitations if any are appropriate for the SSP tariff with TOU tariffs. Staff states that in Evergy’s June 7, 2023 response to Staff’s June 2, 2023 recommendation concerning this matter, Evergy stated that the Company would file a new ET docket by June 30, 2023 for those issues to be addressed.

Evergy Response:

As Staff points out, Evergy has not yet filed the referenced tariff, but has had multiple discussions with Staff to resolve the matter. In its memorandum, Staff has suggested some potential edits in the SSP tariff to address the issue. As previously stated, the Company intends to file proposed tariff changes to the SSP tariff following the conclusion on this docket and intends to address this issue as part of that filing.

WHEREFORE, Evergy respectfully submits its Response to the Staff Recommendation.

Respectfully submitted,

/s/ Roger W. Steiner

Roger W. Steiner, MBN 39586
Phone: (816) 556-2314
E-mail: roger.steiner@evergy.com
Evergy, Inc.
1200 Main – 16th Floor
Kansas City, Missouri 64105

James M. Fischer, MBN 27543
Fischer & Dority, P.C.
2081 Honeysuckle Lane
Jefferson City, MO 65109
Phone: (573) 353-8647
jfischerpc@aol.com

**Attorneys for Evergy Missouri Metro and Evergy
Missouri West**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was served upon counsel for all parties on this 29th day of September 2023, by either e-mail or U.S. Mail, postage prepaid.

/s/ Roger W. Steiner

Roger W. Steiner