BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In The Matter of a Determination of Special Contemporary Resource Planning Issues to be Addressed by Evergy Missouri Metro in Its Next Triennial Compliance Filing or Next Annual Update Report	)))))	Case No. EO-2021-0068

THE OFFICE OF THE PUBLIC COUNSEL'S RESPONSES
TO THE SIERRA CLUB'S SUGGESTED SPECIAL CONTEMPORARY ISSUES

COMES NOW the Office of the Public Counsel and, by the October 8, 2020 filing date the Commission ordered on September 15, 2020, responds to certain of the Sierra Club's suggested special contemporary issues for Evergy Missouri Metro as set out in the attached verified memorandum.

Respectfully,

/s/ Nathan Williams

Nathan Williams
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 6th day of October 2020.

/s/ Nathan Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Determination of Special Contemporary Resource Planning Issues to be Addressed by Evergy Missouri West In its Next Triennial Compliance Filing or Next Annual Update Report	)))))	Case No. EO-2021-0067
In the Matter of a Determination of Special Contemporary Resource Planning Issues to be Addressed by Evergy Missouri Metro In its Next Triennial Compliance Filing or Next Annual Update Report	)))))	Case No. EO-2021-0068

VERIFICATION OF GEOFF MARKE

Geoff Marke, 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.

Geoff Marke
Chief Economist

MEMORANDUM

To: Missouri Public Service Commission Official Case Files, Case Nos. EO-2021-0067 & EO-2021-0068

From: Geoff Marke, Chief Economist
Missouri Office of the Public Counsel

Subject: Response to Sierra Club's Recommended Special Contemporary Issues for Evergy Missouri Metro and Evergy Missouri West

Date: October 6, 2020

My silence regarding any issue should not be construed as an endorsement of, agreement with, or consent to Sierra Club's filed recommendation.

Sierra Club Recommended Issue 1:

Analyze and document on a unit-by-unit basis the net present value revenue requirement of the relative economics of continuing to operate each Evergy coal-fired generating unit versus retiring and replacing each such unit in light of the total costs (fuel, capital, and non-fuel O&M costs) needed to keep each unit operating as compared to the cost of other supply-side and demand-side resources.

Response

I believe the Company already models the possibility of early retirements of its baseload generation if it falls within the planning period; however, if the Commission elects to support this specific recommendation, I recommend that the analysis needs to capture all potential costs as well. Specifically, it needs to capture stranded costs associated with said units—return on and of the remaining life and undepreciated balance of the capital investments accurately in its analysis.

Furthermore, any economic analysis of prematurely retiring a coal-firing generating unit needs to consider the dynamic generation make-up within Southwest Power Pool's Integrated Market. That is, the economics of running a coal plant is, in part, dependent on other coal plants (or similar base load units) continuing or retiring in the market. If merchant generators retire because they are no longer economically competitive that does not necessarily mean the existing vertically integrated utility's units are not competitive. In fact, it could mean the opposite.

The analysis would also need to maintain reliable service for customers and consider any devaluation of intermittent resources as a result of market rule changes as renewable penetration increases and diminishing returns in valuation set in (i.e., only so much wind is needed at 3AM).

Sierra Club Recommended Issue 2:

Analyze the comparative public health impacts of each of the alternative resource plans considered by the Company. At a minimum, Evergy should quantify the public health cost that various air pollutants have on public health, including, but not limited to, sulfur dioxide (SO_2), nitrogen oxides (NOx), particulate matter (PM), and mercury.

Response

If the Commission elects to support this recommendation, I recommend requiring the Company to utilize existing publicly available third party sources (e.g., American Lung Association[1], Missouri Department of Natural Resources Air Quality reports, etc…) for "public health costs" related to maintaining fossil fuel units on line. Such an approach would provide a reasonable (in terms of Evergy costs and time) proxy for consideration.

I do not recommend that ratepayers fund duplicative, and likely contentious third-party studies to determine any purported valuations. Alternatively, I suggest that such an analysis is already captured, in part, through model carbon pricing projections and expected EPA costs. Further modeling above and beyond that which attempts to capture for further externalities will be subject to considerable confounding variables and debate.

Sierra Club Recommended Issue 3:

Analyze and develop as candidate resource options the satisfaction of municipal and corporate renewable energy goals. In Metro's territory, that includes Resolution 200005 adopted by the City of Kansas City on May 14, 2020. That resolution requires the city to develop a comprehensive Climate Protection and Resiliency Plan and establishes a goal of reducing greenhouse gas emissions from municipal operations from 2005 levels by 100% by 2022 for emissions related to electricity consumption, and a goal of reducing citywide greenhouse gas emissions from 2005 levels by 100% by 2030 for emissions related to electricity consumption. As elements of that plan are enacted by ordinance, such elements will be legal mandates subject to the planning requirements of 20 CSR 4240-22.060(3)(A). Other cities within Evergy's service territory, most recently St. Joseph, have pledged to meet similar goals. Regardless of whether such goals yet amount to legal mandates, they present alternatives that should be modeled.

Response

If the Commission elects to support this recommendation I recommend expanding the scope of the modeling to include a range of potential outcomes (low, medium, high) of customers (municipal and commercial/industrial) that would participate in approved Green Tariff programs and adhere to cost causation principles (i.e., those customers pay for the costs they incur and hold other customers harmless). At a large enough participation level it could have an impact on load forecasting and existing supply-side make-up. Of course, renewable energy goals would need to be defined. As there is a considerable difference between entering into a Green Tariff (i.e., the

[1] American Lung Association (2020) State of the Air. https://www.stateoftheair.org/assets/SOTA-2020.pdf

building of new renewables) compared to claiming unretired renewable energy credits (RECs) made by the Company as the basis for meeting said goals (i.e., renewables that already exist or produced energy in another state) as was the subject, in part, of Evergy West's last FAC prudence review (Case No: EO-2019-0067).

Sierra Club Recommended Issue 5:

Analyze and document the prospects for using securitization to support cost-effective accelerated retirement of coal generation assets and to channel the savings into cost effective investments such as demand-side management, wind and solar generation, and storage.

Response

What are the terms of the securitization? What are the costs? Securitization for all coal units immediately? Specific units at different times? Something else? Will investment be returned over the remaining life from the last depreciation study or some other period for repayment? Would the utility receive return of stranded asset value or would a return on be provided as well? It is difficult to respond to this recommendation without any details. My concern is the negative impact on captive customers relative to the gain for shareholders who have already been well compensated for the risks inherent in investing in a fossil-fuel intensive utility. If the Commission elects to pursue this recommendation it should define the parameters in as much detail as possible to avoid wasting time and resources. Presently, this blanket recommendation does not define those parameters.

Sierra Club Recommended Issue 12:

Analyze and screen electric vehicle charging infrastructure as a candidate resource option.

Response

This likely will become a contemporary issue at some point, but it is not yet one, and such an analysis is complicated. Charging stations by themselves are not a candidate resource option but require the joint effort of privately owned EVs. Theoretically, car batteries at a coordinated scale could hypothetically work as a candidate option similar to rooftop solar virtual power plants (a recommendation in OPC's issues), but the implementation of such effort would be complicated. Keep in mind, this recommendation is made to a Company that has not utilized its tens of thousands of smart thermostats that it has given away for free to customers to call demand events in any meaningful manner to date. The greater Kansas City area has nowhere near the same amount of EV cars as it does smart thermostats.

To date, I am not aware of any example where this option has been exercised at scale as a resource candidate. In fact, EV entrepreneur and advocate Elon Musk has downplayed such a model in the future just two weeks ago at Tesla's "Battery Day":

"Vehicle-to-grid sounds good but I think actually has a much lower utility than people think," Musk said. "Very few people would actually use vehicle-to-grid" capabilities, he said, in part because cars are not plugged in constantly.[2]

[2] Waltton, R. (2020) Tesla unveils new EV battery design, but Musk downplays vehicle-to-grid application. *UtilityDive* https://www.utilitydive.com/news/tesla-unveils-new-ev-battery-design-but-musk-downplays-vehicle-to-grid-app/585723/