

**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) 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

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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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

Lena M. Mantle
Senior Analyst
Office of the Public Counsel

MEMORANDUM

To: Missouri Public Service Commission Official Case Files
Case Nos. EO-2021-0346 and EO-2021-0348

From: Lena M. Mantle, PE, Senior Analyst

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

Date: June 1, 2021

Summary

Evergy Missouri West's ("Evergy West") 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 West's renewable resources. This memo provides recommendations intended to generate additional information that more accurately describes the renewable energy position of Evergy West followed by a brief explanation of why the specific requested information is necessary.

Examination of the information that Evergy West has provided in its initial RES report and plan makes it is clear that Evergy West wind and solar resources generated 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 West's RES report and plan does not identify all the resources directly attributable to the RES, so the true cost to Evergy West's customers of meeting the Missouri RES are not included in the report. Almost all of Evergy West'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 West states that it entered into these wind PPAs mainly because it considered the PPAs to be priced economic favorably to Evergy West's estimates of future energy market prices.¹

These PPAs, which Evergy West modeled as "economic," have resulted in retail customers bearing a cost of approximately \$31 million in 2020 alone. However, the 2020 losses of the wind PPAs

¹ These PPAs in fact have been very unfavorably economic resulting in losses of \$101 million since the SPP Integrated market began in 2014.

are not included in the Company's RES report. Evergy West, meanwhile, will experience almost no losses incurred by these PPAs because it will recover over 95% of the losses from its customers through its fuel adjustment clause ("FAC").²

Evergy West has added further confusion by including in its RES plan a PPA that has been designated for its 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 and added a PPA that was not in its preferred resource plan.³

Recommendations

To provide a more complete picture of Evergy West's renewable energy position, the Commission should require Evergy West 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 West 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;

In addition, the Commission should require Evergy West to meet the requirements of its Electric Utility Resource Planning Chapter 22 regarding Evergy West's termination of the Jayhawk Wind

² Due to the structure of Evergy West's FAC, Evergy West customers will be paying the negative margin of the PPAs incurred 2020 in through August 2021.

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

Farm PPA that had been included in its preferred resource plan and the addition of the Cimarron Bend 2 PPA that was not included in its preferred resource plan.⁴

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

2020 RES Energy Requirement

In its RES report, Evergy West provides that its retail sales for 2020 was 7,979,927 MWh. The RES statute requires that 9.8%, or 782,033 MWh of the retail sales in 2020 be provided by non-solar renewable energy. Evergy West's wind generation PPAs generated 2,298,458 MWh, over 2.5 times its Missouri RES requirement for 2020. Therefore, there is no doubt that Evergy West met the non-solar energy RES requirements. What is not clear from this report is which of Evergy West'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 West's 2021 Renewable Energy Standard Compliance Plan ("RES plan") states that, because Evergy West first entered into the Gray County wind project PPA prior to the passage of the RES rules, it is the least-cost approach for achieving non-solar compliance.⁵ The RES report shows that this wind project only generated 210,851 MWh, far short of the 782,033 MWh required to meet the RES.

Evergy West's RES plan also states that it entered into the Ensign PPA as a result of a request for proposals ("RFP") to cover Evergy West's non-solar requirements for the RES.⁶ In 2020 the Ensign wind project generated 446,122 MWh. The two resources Evergy West identified as providing energy for its Missouri RES generated 656,973 MWh, still short of the required 782,033 MWh of non-solar renewable energy.

⁴ 20 CSR 424-22.080(12).

⁵ P. 7.

⁶ Id.

Neither the RES report nor the plan specifically identifies any other PPA that Evergy West entered into to meet the RES. Evergy West states in its RES plan that it entered into all its PPAs “because of favorable economics and are not directly attributable to RES compliance” but will be used to meet future non-solar RES requirements.”⁷

Therefore, based on information from Evergy West’s RES report and plan, Evergy West’s resources to meet its non-solar RES energy requirement of 782,033 MWh and the amount of energy generated by each resource is shown in the table below.

<u>Resource</u>	<u>2020 MWh</u>	<u>Cumulative</u>
Gray County	210,851	210,851
Ensign	446,122	656,973
???	125,060	782,033

RES Compliance Costs

Evergy West states in its RES report that its total cost for 2020 RES compliance, both solar and non-solar resources, was \$2,274,891 which equates to 0.303% of its retail rate revenues. However, the RES cost included in the RES report is dramatically less than just the 2020 cost of the Gray County and Ensign PPAs.

For each of the wind PPAs, Evergy West pays a defined price for each MWh of energy. Evergy West also receives, from the Southwest Power Pool (“SPP”) revenue for every MWh generated. These costs and revenues for Evergy West’s PPAs in 2020 are not provided in either its RES report or plan. However, Evergy West’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 West’s wind PPAs in 2020. The net margin for the Gray County and Ensign PPAs was a negative \$14.8 million. This means that, in 2020, the costs for these PPAs was \$14.8 million more than the revenue Evergy West received for the energy provided through these PPAs.

⁷ 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.”

Because no other single PPA was identified as an RES resource, to estimate Evergy West’s cost to meet the RES, I calculated the average cost for a MWh of the remaining PPAs to estimate the cost of the remaining 125,060 MWh at \$1.6 million.

These costs are shown in the table below.

<u>Resource</u>	<u>2020 MWh</u>	<u>2020 Cost</u>
Gray County	210,851	\$5,062,245
Ensign	446,122	\$9,733,234
???	125,060	\$1,568,658
Total	782,033	\$16,364,137

Therefore, according to the information provided in Evergy West’s RES report, RES plan, and FAC monthly reports, OPC estimates Evergy West’s cost to meet the non-solar RES requirements in 2020 is over \$16.4 million, which is much greater than the \$2,274,891 cost provided in Evergy West’s RES report. This \$16.4 million, which is only the margin for SPP costs and revenues, is 2.18% of Evergy West retail revenues in 2020.⁸

RES Plan

In its RES plan, Evergy West states that no additional resources are required to meet the RES requirements through 2023⁹ even with the RES increasing to its maximum requirement of 15% of sales in 2021.¹⁰ The RES plan, in Table 1, shows the total expected annual Evergy West wind energy for the seven PPAs for wind projects that are currently in operation to be greater than 2.95 million MWh.¹¹

⁸ The total PPA losses for 2020 is 4.1% of 2020 retail revenues.

⁹ Evergy Missouri Metro 2020 RES Compliance Plan, p. 13.

¹⁰ 20 CSR 4240-20.100(1)(R).

¹¹ The estimated annual energy provided in this table is suspect. For example, the Gray County wind farm generated 210,851 MWh in 2020 and this table shows Metro West estimates it will generate 496,816 MWh in 2021 through 2023 with the same capacity amount. I have issued a data request so I can better understand this discrepancy.

Evergy West’s projected non-solar requirement for the RES in 2021 is 1.2 million MWh – far below the current 2.9 million MWh it expects from its current wind resources. Therefore, there is no need for Evergy West to acquire more renewable energy resources 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”.¹² In other words, these contracts were not entered into because customers needed additional capacity or energy. They were not entered into for its Renewable Energy Rider program. Instead, Evergy West entered into contracts that resulted in losses of almost \$31 million in 2020 based on Evergy West *forecasts* that the energy costs of these contracts were low enough and market prices would in 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 request and monthly FAC reports submitted to the Commission show that, from January 2016 through December 2020, these PPAs that Evergy West entered into to “take advantage of low-cost energy,” have cost Missouri customers almost \$105 million. Attachment B to this memo shows the off-system sales margin for each of these contracts over the past five years.

Inclusion of PPA used for RER Program

In its RES report and plan, Evergy West includes its PPA with the Cimarron Bend 3 Wind Project without identifying in the report or plan that this PPA is assigned to Evergy West’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 West renewable energy resource since the participants in the program own the RECs, not Evergy West.

This does not mean that renewable PPAs entered assigned to the RER program should not be identified in Evergy West’s RES reports or plans. They should be included in and described as they truly are – PPAs that Evergy West has entered into to meet its large customers’ request for renewable energy. This is a part of Evergy West’s renewable strategy and to give a complete

¹² P. 7.

picture, a description and the status of the RER program should be included in the RES report and plan. However, it should be clearly identified in the report and plan as it truly is – a resource for a few large customers that cannot be used to meet the RES requirement.

Change to Preferred Resource Plan

Finally, Evergy West's RES report and plan provides information regarding changes to Evergy West's preferred resource plan. The Cimarron Bend 3 PPA was not included in the preferred plan and the Jayhawk Wind PPA, that was included in the preferred plan, was terminated by Evergy on February 18, 2021. This resource had been included in Evergy West's 2020 Integrated Resource Plan update as a resource that was to reach commercial operations in the 4th quarter of 2021. At the time of the filing of this report, I am not aware of a filing by Evergy West notifying the Commission that it has changed its resource plan as required.¹³ Therefore, the Commission should order Evergy West 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).

¹³ 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 West

	MWh Generated	Total Cost	Revenues	Margin
Ensign	446,713	\$12,538,890	(\$2,805,656)	(\$9,733,234)
Gray County	207,728	\$6,529,003	(\$1,466,759)	(\$5,062,245)
Osborn	284,226	\$9,373,343	(\$5,015,170)	(\$4,358,174)
Rock Creek	447,483	\$13,775,993	(\$6,557,093)	(\$7,218,900)
Pratt Wind	570,944	\$8,355,118	(\$4,197,209)	(\$4,157,908)
Prairie Queen	351,287	\$5,396,007	(\$4,976,301)	(\$419,706)
Total	2,308,381	\$55,968,354	(\$25,018,188)	(\$30,950,166)

Attachment B
Off-System Sales Margin
Energy West
Profit/(Loss)

	2016	2017	2018	2019	2020	Total
Ensign	(\$7,983,734)	(\$10,316,123)	(\$6,951,863)	(\$7,845,422)	(\$9,733,234)	(\$42,830,375)
Gray County	(\$2,841,643)	(\$3,900,583)	(\$3,294,416)	(\$4,198,309)	(\$5,062,245)	(\$19,297,196)
Osborn	\$273,645	(\$5,029,557)	(\$3,040,623)	(\$4,166,036)	(\$4,358,174)	(\$16,320,744)
Rock Creek		(\$2,320,041)	(\$4,354,459)	(\$5,906,646)	(\$7,218,900)	(\$19,800,045)
Pratt Wind			\$2,803	(\$2,460,888)	(\$4,157,908)	(\$6,615,993)
Prairie Queen				\$424,729	(\$419,706)	\$5,022
Total	(\$10,551,732)	(\$21,566,303)	(\$17,638,558)	(\$24,152,572)	(\$30,950,166)	(\$104,859,331)