

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2015-0265, Kansas City Power & Light Company's 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 Kansas City Power & Light Company's 2015 Annual Renewable Energy
Standard Compliance Plan

DATE: June 5, 2015

CONCLUSION

The Staff has reviewed Kansas City Power & Light Company's ("KCPL" 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.

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 wind resources Spearville 1 and 2, wind resource Cimarron II purchased power agreement ("PPA"), wind resource Spearville 3 PPA, and possibly from Hampton Alternative Energy Products ("Hampton") PPA.

KCPL executed an agreement for the Waverly wind PPA and Slate Creek wind PPA, both wind facilities are expected to commence operation by December 31, 2015. ** _____

_____ **

For solar compliance, the Company will utilize solar renewable energy credits ("S-RECs") obtained from customer-generators and S-RECs from the solar generation facilities installed as a part of the SmartGrid project (refer to Table 1 of the *Plan* for a listing of specific projects).

The Company expects to add 3 MW of solar resources on roof-tops owned by KCPL in 2016. The Company has not yet certified or registered customer-generated S-RECs in the commission-approved tracking system. KCPL has estimated the number of S-RECs obtained from customer-generators for purposes of calculating the retail rate impact limit. ** _

**

- 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: ** _____

**

- 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 preferred resource plan includes 350 MW of wind additions in 2016, 3 MW of solar additions in 2016, and 300 MW of wind additions in 2017. The additions detailed in the *Plan* are consistent with the preferred plan in 2016. The *Plan* does not address the planned addition of 300 MW of wind in 2017. ** _____

¹ Staff Data Request 1 in EO-2014-0287

² Staff Data Request 2.2 in EO-2014-0287

³ Staff Data Request 1 in EO-2013-0504

⁴ 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 Spearville 1, Spearville 2, Spearville 3 and Cimarron II to comply with the non-solar portion of the RES for 2015 through 2017. The costs associated with Spearville 1 and Spearville 2 are already included in revenue requirements.⁵ The Company selected wind resources Spearville 3 and Cimarron II PPAs in response to the August 2011 Request For Proposals (RFP) and provided the reports regarding the selection process.⁶ Spearville 3 and Cimarron II are currently included in purchased power expense.⁷

The Company executed a PPA in November 2013 with EDP Renewables for Waverly, a 200 MW wind resource located in Coffey County, Kansas. The Company also executed a PPA in June 2014 with EDP Renewables for Slate Creek, a 150 MW wind resource located in Sumner and Cowley Counties, Kansas. ** _____

**

For compliance with the solar portion of the RES, the Company plans to use S-RECs from customer-generators and future KCPL 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. ** _____

**

⁵ In-service requirements for Spearville 1 met in Case No. ER-2006-0314; In-service requirements for Spearville 2 met in Case No. ER-2010-0355.

⁶ The Company provided documentation in response to Staff Data Request 3 in EO-2013-0504.

⁷ Case No. ER-2012-0174.

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. Work papers supporting the calculation were provided to Staff. 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 350 MW of wind in 2016, 300 MW of wind in 2017, and 3 MW of roof-top solar additions in 2016. ** _____

_____ **

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-2014-0071. The Commission's order in Case No. ET-2014-0071 approved the Non-unanimous Stipulation and Agreement which states in part⁸:

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 rule⁶ 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 comments⁹. However, Staff disagrees with the Company's assertion that the rate impact of RES spending is at or above 1 percent. By including a carry-forward amount representing the Company's solar rebate expenditures, the RRI calculation would result in ** _____ **. The Company's assertion is based on comparing the stipulated limit on solar rebates (\$36.5 million) to 1 percent of its revenues, rather than calculating the maximum average retail rate increase required by statute (RSMo 393.1030.2(1)).

The Company points to its current rate case, Case No. ER-2014-0370, 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 KCPL's revenues. However, the Company agreed to limit its rate recovery of solar rebates to 1 percent of the Commission-

⁸ Section 7b, page 4

⁹ See Docket No. EX-2014-0352.

determined annual revenue requirement in the Non-unanimous Stipulation and Agreement¹⁰ in ET-2014-0071.

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 portfolio far exceeds the RES requirements (see Tables 3 & 4 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 ** _____

_____ **

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 KCPL 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.¹¹

¹⁰ Section 7e, page 6

¹¹ Rule 10 CSR 140-8.010(4).

