MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ET-2023-0252, Tariff No. JE-2023-0132
Cogeneration and Net Metering rate for
Evergy Missouri West, Inc., d/b/a Evergy Missouri West

FROM: Cedric E. Cunigan, PE, Senior Professional Engineer
Engineering Analysis Department

/s/ *Cedric E. Cunigan, PE* / 05-31-2023 — Industry Analysis Division / Date

/s/ *Jeffrey A. Keevil* / 05-31-2023 — Staff Counsel's Office / Date

SUBJECT: Staff Report on the Cogeneration and Net Metering rate for
Evergy Missouri West, Inc., d/b/a Evergy Missouri West

DATE: May 31, 2023

SUMMARY

Staff has reviewed the Evergy Missouri West, Inc., d/b/a Evergy Missouri West ("Evergy" or "EMW") rate tariff sheet filed on January 17, 2023 and associated cogeneration filing.

Staff recommends that the Commission approve the tariff sheet filed on January 17, 2023, after being corrected to reflect the correct sheet numbering (see footnote below), to go into effect for service on and after June 12, 2023. However, Evergy's proposed rate is 30% lower than the rate Staff calculated using a 3-year average as adjusted for Winter Storm Uri[1]. Staff is not opposing the rate but recommends that Evergy provide better support and justification for its proposed cogeneration rate and modeling assumptions in future filings.

Regarding the cogeneration filing requirements, Staff notes two concerns with Evergy's cogeneration filing. The first is a matter of clarity in the standard form contract. Staff suggests that Evergy update the standard form contract for facilities over 100kW with details of how the monthly system average cost of energy will be calculated.

The second concern is that the cogeneration filing requirements require certain information be maintained by the electric utilities for public inspection and that information is contained in Evergy's confidential workpaper. Therefore, Staff recommends the Commission order Evergy to file a public version of the data required by 20 CSR 4240-3.155(4).

[1] Staff calculated a rate of $0.0334/kWh compared to Evergy's proposed rate of $0.0233/kWh.

OVERVIEW

On January 17, 2023, Evergy filed one (1) rate tariff sheet[2] in JE-2023-0132 with a proposed effective date of February 16, 2023. Staff filed a motion to suspend the tariff sheet on February 3, 2023, to allow Staff sufficient time to conduct discovery necessary for Staff to make an informed recommendation to the Commission regarding Evergy's proposed cogeneration and net-metering rate for 2023-2024. On February 14, 2023, the Commission issued an Order Suspending Tariff Sheet and Directing Filing, which suspended the tariff effective date until June 12, 2023 and ordered Staff to file a recommendation no later than May 31, 2023.

The Commission's Cogeneration Rule, 20 CSR 4240-3.155, provides, in part, that "tariffs providing standardized rates for facilities at or under one hundred (100) kilowatts on design capacity (subpart(2)) … shall be submitted no later than January 15, 2005, and updated and revised on or before January 15 of every odd-numbered year after that, unless otherwise ordered by the Commission (subpart (3))."

The Commission's Net Metering Rule, 20 CSR 4240-20.065, implements Section 386.890, RSMo., the "Net Metering and Easy Connect Act." The Act makes it easier to obtain net metering service from electric utility service providers in Missouri, including Evergy. As a part of its Net Metering Rule, the Commission requires regulated utilities' net metering rate to be the same as its cogeneration rate. Specifically, the Commission's Net Metering Rule, 20 CSR 4240-20.065(1)(B) states "avoided fuel cost means the incremental costs to the electric utility of electric energy, but for the purchase from the customer generator, the utility would generate itself or purchase from another source. Avoided fuel cost is used to calculate the electric utility's standard rate for purchase from systems less than one hundred (100) kilowatts pursuant to 20 CSR 4240-20.060. "

Through its filings, Evergy is proposing the same rate change for both the rates Evergy will pay its customers under its rate schedule titled, "Cogeneration Purchase Rate, Schedule CP" and the rates Evergy will pay its customers under its "Net Metering Rider, Rider NM."

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[2] PSC MO No. 1, 4th Revised Sheet No. 102.1 canceling 3rd **Revised** Sheet No. 102.1. It should be noted that the tariff sheet filed by EMW incorrectly identified it as PSC MO No. 1, 4th Revised Sheet No. 102.1 canceling 3rd **Original** Sheet No. 102.1. [Emphasis added.]

DISCUSSION

Biennially, in odd-numbered years, the electric utilities submit and Staff reviews the cogeneration and net metering rate tariff filings. Staff reviews these filings to ensure compliance with the filing requirements and to ensure the proposed rates are reasonable. Typically, Staff completes its review within 30 days (20 CSR 4240-2.065(5)). In the case of the January 2023 filings, Staff noticed a divergence in the proposed rates across the four electric utilities.[3] Specific to EMW, Staff noted a slight increase in the proposed rate as compared to its previous filings. For these reasons, Staff requested additional time to allow for discovery regarding the proposed rates.

Filing Requirements

Staff reviewed the information submitted by Evergy to determine whether or not it met the cogeneration filing requirements of 20 CSR 4240-3.155. The filing requirements include the following components:

- Standardized rates for facilities 100 kW or less. The standard rates are to take account of the aggregate output of small systems. When the capacity of the dispersed systems, in the aggregate, allows the utility to avoid a capacity cost and can be reasonably estimated, a corresponding credit must be included in the standard rates.[4]
- Submittal of a standard form contract for facilities over 100 kW. Issues such as avoided costs, losses, reliability and ability to schedule are to be considered in the contract.
- Provide and maintain for public inspection:
    - Avoided energy cost stated in blocks of not more than 100 MW for systems with peak demand of 1,000 MW or more. Avoided energy costs shall be stated on a cents/kWh basis, daily and seasonal peak and off-peak periods, by year, for the current calendar year and each of the next 5 years.

[3] Liberty and Ameren Missouri's proposed cogeneration/net-metering rates for purchases for 2023-2024 are substantially higher than its respective 2021-2022 rates. Evergy Missouri West proposed a modest increase to its cogeneration/net-metering rates for purchase while Evergy Missouri Metro proposed a decrease.

[4] EMW reports it has a total of 3,535 net metering agreements (40,537.26 kW) and 2 cogeneration agreements (820.8 kW).

- Plans for capacity additions (by amount and type) during the next ten years.
- Estimated capacity costs at completion of the planned capacity additions ($/kW) and associated energy costs (cents/kWh).

Staff identified two concerns related to the cogeneration filing requirements. Evergy originally failed to provide its standard form contract for systems sized over 100 kW ("standard contract form") as required by 20 CSR 4240-3.155(2)(B). Staff requested the standard contract form and the Company provided a copy in response to Staff Data Request No. 0008 on May 9, 2023. The contract provided in the response to Staff Data Request No. 0008 differs from what Evergy has previously provided in EW-2021-0077, Joint Comments, Attachment b1. The most recently provided contract language regarding purchases has been changed to "Purchases shall be made by Company from a Cogeneration customer at 150% x the monthly system average cost of energy x kWh supplied." It is currently unclear in the contract how the monthly system average cost of energy will be calculated. Staff suggests that Evergy include an explanation of how the monthly system average will be calculated in the contract. While filing the standard contract form is a requirement of 20 CSR 4240-3.155(2)(B), rates and terms of the contract may be agreed to that differ from what would otherwise be required by 20 CSR 4240-20.060.[5] Staff makes this suggestion for the sake of clarity in the contract terms, and not as a matter of compliance.

Staff is also concerned that Evergy has designated its entire workpaper as confidential. The cogeneration filing requirements require certain information be maintained by the electric utilities for public inspection and that information is contained in Evergy's confidential workpaper. Staff recommends the Commission order Evergy to file in this case a public version of the data required by 20 CSR 4240-3.155(4). This data was provided within Evergy's confidential supplemental workpapers on February 17, 2023.

[5] 20 CSR 4240-20.060 (2)(B) Negotiated Rates or Terms. Nothing in this section-

1. Limits the authority of any electric utility or any qualifying facility to agree to a rate for any purchase or terms or conditions relating to any purchase, which differ from the rate or terms or conditions which would otherwise be required by this rule; or
2. Affects the validity of any contract entered into between a qualifying facility and an electric utility for any purchase.

Cogeneration/Net-Metering Rate

The Cogeneration/net-metering rate is the rate electric utilities pay customer-generators for the output of certain renewable and cogeneration resources. PURPA and Commission Rule 20 CSR 4240-20.060(4)(A) require that rates for purchases be just and reasonable to the electric consumer of the electric utility and in the public interest and shall not discriminate against qualifying cogeneration and small power production facilities.

The proposed rate for purchases, as well as the rates from the previous two biennial filings, are shown in the table below:

	Proposed 2023-2024	2021-2022	2019-2020
Annual Average	$0.0233/kWh	$0.0220/kWh	$0.0240/kWh

Evergy used its ** [redacted] ** to develop its avoided_energy cost for parallel generation.

As a reasonableness check, Staff compared Evergy's 2023-2024 proposed rate for purchases to a historical 3-year period of market prices at its load node[6] (2020-2022). Winter Storm Uri occurred during the historical period used. Therefore, for the month of February, Staff excluded the February 2021 market prices from its data set. The resulting avoided energy cost using historical market prices, results in a $0.0334/kWh annual average.[7] Evergy's proposed rates are 30% lower than those calculated by Staff using a 3-year historical period. Staff did note that market prices for the Summer of 2022 on average were significantly higher than recent summer periods. When adjusting for this, the percent difference fell to 17%.[8] Further, Staff compared the previous two cogeneration/net-metering rates against the historical market prices from that same time frame to assess how accurate the past rates have been. As shown in the table below, the tariff rate has fluctuated below and above the experienced LMP over time during this time period, which

[6] MPS_MPS
[7] Summer is the months June through August. Winter is the months September through May.
[8] 3 year average removing Summer 2022 resulted in average annual cost of $0.0280/kWh.

is to be expected when making estimations and shows no bias toward either direction. For this reason, Staff is not opposing the rate.

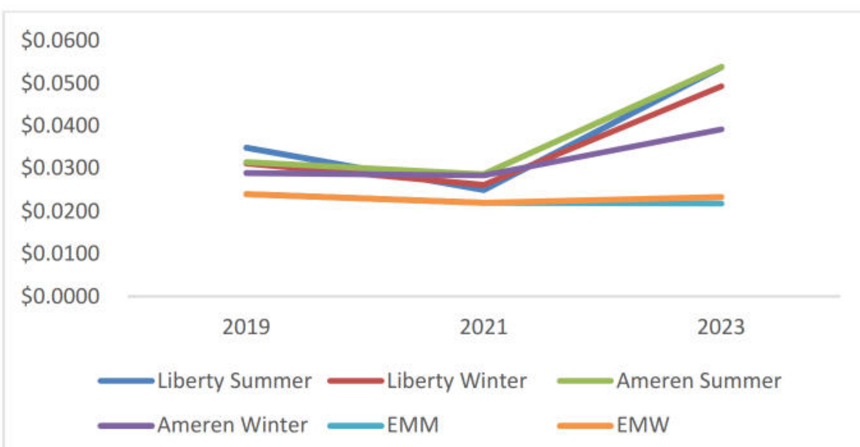
Evergy Missouri West Historical Cogen Rates					
Years	Tariff	Actual	Diff	% Diff	Notes:
2019-2020	$0.0240	$0.0219	$0.0021	10%	
2021-2022	$0.0220	$0.0393	-$0.0173	-44%	Storm Uri removed
2021-2022	$0.0220	$0.0346	-$0.0126	-36%	Storm Uri and Summer 2022 removed

Staff inquired of Evergy on its justification for its forecasted market prices in development of its proposed rates. Evergy explained that it used forecast data consistent with its most recent IRP filing. Evergy further explained in part that they felt the mid gas and low CO_2 assumptions were most aligned with near term expectations.[9]

While Staff is not opposing the rate, Staff brings up the following concerns:

(1) The proposed rate is 30% lower than the rate Staff calculated using a 3-year average as adjusted for Winter Storm Uri. Staff's calculation is similar to its methods for calculation of market prices for use in general rate cases and similar to the method Ameren Missouri uses for its cogeneration/net-metering rate.

(2) The proposed rate is not following trends that would be expected in the market in recent history and is not in line with other Missouri utilities.[10] The chart below shows cogeneration rates for the past 3 filing periods by utility.



[9] Response to Staff Data Request No. 0002.
[10] While other Missouri utilities are showing increases, Evergy is showing a stagnant rate or even slight decrease in price in the case of Evergy Missouri Metro.

Staff recommends that Evergy provide better support and justification for its proposed cogeneration rate and modeling assumptions in future filings.

The proposed cogeneration tariff does not include an avoided capacity cost component. In response to Staff Data Request No. 0004, Evergy stated:

> Per 20 CSR 4240-3.1555(2)(A), the requirement to provide credit for capacity under the Parallel Gen tariff only applies when the aggregate capacity value allows the utility to avoid a capacity cost. Given the scale of customer capacity contracted under the parallel generation tariff is not sufficient to avoid capacity purchases which have been identified in the IRP, an avoided capacity cost is not provided.

FERC has established that it is appropriate for the avoided cost rate for capacity to be set at $0 when a utility demonstrates it does not need capacity.[11] 20 CSR 4240-3.155(2)(A) requires that "[w]hen that aggregate capacity value which allows the utility to avoid a capacity cost occurs and can be reasonably estimated, a corresponding credit must be included in the standard rates." ** [redacted] ** However, Evergy reports that it currently has executed 2 cogeneration agreements totaling 820.8 kW. This level of aggregate capacity is not yet enough to avoid a capacity cost and the exclusion of the capacity cost component is reasonable. In future cogeneration filings, Staff recommends Evergy further justify its position regarding the avoided energy and capacity components in the standard rate taking into account the factors affecting rates for purchases contained in 20 CSR 4240-20.060(4)(E):

1. The data provided pursuant to 4 CSR 240-3.155, including PSC review of any such data;

2. The availability of capacity or energy from a qualifying facility during the system daily and seasonal peak periods, including:

   A. The ability of the utility to dispatch the qualifying facility;

   B. The expected or demonstrated reliability of the qualifying facility;

[11] City of Ketchikan, 94 FERC ¶ 61,293, at 62,061 (2001) ("[A]voided cost rates need not include the cost for capacity in the event that the utility's demand (or need) for capacity is zero. That is, when the demand for capacity is zero, the cost for capacity may also be zero."

C. The terms of any contract or other legally enforceable obligation, including the duration of the obligation, termination notice requirement and sanctions for noncompliance;

D. The extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the utility's facilities;

E. The usefulness of energy and the capacity supplied from a qualifying facility during system emergencies, including its ability to separate its load from its generation;

F. The individual and aggregate value of energy and capacity from qualifying facilities on the electric utility's system; and

G. The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities.

3. The relationship of the availability of energy or capacity from the qualifying facility as derived in paragraph (4)(E)2. of this rule, to the ability of the electric utility to avoid costs, including the deferral of capacity additions and the reduction of oil use; and

4. The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility, if the purchasing electric utility generated an equivalent amount of energy itself or purchased an equivalent amount of electric energy or capacity.

Staff recommends that the Commission approve the following tariff sheets, as filed on January 17, 2023, to go into effect for service on and after June 12, 2023:

PSC MO No. 1

4th Revised Sheet No. 102.1 canceling 3rd **Revised** Sheet No. 102.1

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Evergy Missouri West, Inc. d/b/a Evergy Missouri West Pursuant to 20 CSR 4240-3.155	)))	File No. ET-2023-0252 Tariff No. JE-2023-0132

AFFIDAVIT OF CEDRIC E. CUNIGAN, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Cedric E. Cunigan, PE, and on his oath declares that he is of sound mind and lawful age, that he reviewed the facts contained within the foregoing *Staff Recommendation*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Cedric E. Cunigan, PE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of May, 2023.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D Suzie Mankin
Notary Public