BEFORE THE PUBLIC SERVICE
COMMISSION STATE OF MISSOURI

In the Matter of the Eighth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of KCP&L Greater Missouri Operations Company	))))	**File: EO-2019-0067**
In the Matter of the Second Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Kansas City Power and Light Company	))))	**File: EO-2019-0068**
In the Matter of the Application of KCP&L Greater Missouri Operations Company Containing Its Semi-Annual Fuel Adjustment Clause True-Up	)))	**File: ER-2019-0199**

POSITION STATEMENT OF
KANSAS CITY POWER & LIGHT COMPANY
AND KCP&L GREATER MISSOURI OPERATIONS COMPANY

COME NOW Kansas City Power & Light Company ("KCP&L"), and KCP&L Greater Missouri Operations Company ("GMO") (collectively "Company"), and respectfully submit their Position Statement in this matter:

Issue (1) A. Was it imprudent, or in violation of its Rider FAC tariff, for KCPL to allow 722,628 renewable energy credits ("RECs") to expire during the review period of File EO-2019-0068 rather than take action which would have allowed KCPL to generate revenues from those RECs? B. If it was, what if any adjustment should the Commission order?

KCP&L Position: No. KCP&L was not imprudent in its management decision regarding RECs during the FAC prudence period in question, nor was KCP&L in violation of its Rider FAC tariff by not unbundling and selling the environmental attributes of the renewable energy it generates in excess of RES compliance. Therefore, neither of the adjustments proposed by Staff or OPC should be adopted.

KCP&L has based its decision not to sell its RECs on an analysis, which includes the desires of its customers. KCP&L is in regular contact with its customers and seeks to satisfy their objectives, in whole or in part, when it is feasible to do so. Keeping the environmental attribute of renewable energy bundled with the power sold to its customers facilitates the goals of KCP&L's larger customers to reduce greenhouse gas emissions and corresponds to the desires of residential customers as expressed through multiple customer surveys.

Surveys conducted on behalf of KCP&L indicate that a substantial percentage of the respondents are interested in purchasing clean power (power bundled with its environmental attribute), sustainable energy practices and mitigating impacts on the environment. This confirms, on a broader basis that a majority of the Company's customer classes value KCP&L's ability to demonstrate that a key component of the power it sells to retail customers retains its environmental attributes.

It is also notable that customer bills would have changed very little if the revenues presumed by Staff's disallowance had been generated during the period in question, approximately $0.02 per month for a customer with monthly usage of 1,000 kWh.

KCP&L currently generates approximately 25% of its retail load using renewable resources. Staff's position in its audit is that KCP&L was imprudent because it did not unbundle and sell the environmental attributes from the renewable energy that it sells its customers. Should

the Commission adopt Staff's position, then the Company will never be able to claim actual renewable energy is being used to serve its retail customers beyond the minimum needed to comply with the Renewable Energy Standard.

Section 393.1030(1) RSMo. only requires 10% of KCP&L's generation come from renewable resources for calendar years 2018 through 2020 (this amount increases to 15% in 2021). Since the law only requires 10% be produced by renewable resources, under Staff's proposal KCP&L will have to unbundle and sell the environmental attributes of the clean power produced beyond RES compliance. By requiring KCP&L to sell all RECs above the 10% (or 15% in 2021) amount, Staff's position severely limits KCP&L's representations to its customers regarding how much of their energy is from renewable resources as the environmental attribute to the renewables energy would be unbundled and sold off. (Martin Surrebuttal, pp. 6-7)

Contrary to Staff's arguments, there is nothing in GMO's Rider FAC tariff that requires the Company to sell any RECs not needed to meet the Missouri Renewable Energy Standard. While KCP&L's Rider FAC certainly contemplates and allows for revenues from the sale of RECs being included into the FAC calculation, it does *not* mandate or require the sale of all RECs. It is a misinterpretation of the tariff to require the sale of RECs when other factors discussed herein suggest that, at the current

levels and price of RECs, it is better to keep the environmental attribute bundled with the energy we sell to our customers.

Staff's allegation of imprudence is unreasonable, because KCP&L's decision to keep the environmental attributes of the renewable energy in excess of RES compliance bundled with the power is based in substantial part on the desires of our customers and because the financial impact of that decision is immaterial to customers, Staff's recommendation that the Commission disallow approximately $350,000 on the basis that KCP&L's decision not to generate revenues through the sale of RECs should be rejected. (Martin Direct, pp. 10-11).

Additionally, Staff's proposed disallowance is also overstated. Staff fails to include any expenses associated with REC sales and assumes that all the revenues from REC sales can be used to offset other FAC costs. This is clearly unreasonable. For this reason, the Staff's proposed adjustment must be rejected.

Issue (2) A. Has GMO appropriately allocated the costs associated with the auxiliary power between the electric operations and the steam operations at GMO's Lake Road plant? B. If not, what if any adjustment should the Commission order for the review period of File EO-2019-0067? C. Should the Commission order GMO to calculate the fuel cost of the steam operations auxiliary power that was recovered through the FAC since July 1, 2011, and return that amount plus interest at its short-term borrowing rate back to GMO's customers? D. Should the Commission Order GMO to make adjustments to the method by which it allocates auxiliary power between the electric operations and the steam operations at GMO's Lake Road plant for the 23rd Accumulation Period and/or any future FAC rate change cases?

GMO Position: Yes. GMO appropriately allocated the costs associated with the auxiliary electric power between the electric operations and the steam operations at GMO's Lake Road plant.

Prior to the purchase of St. Joseph Light and Power Company ("SJLP") in 2000 by UtiliCorp United, Inc., (a predecessor to Aquila, Inc. ("Aquila")), SJLP used an allocation methodology that included direct assignment as well as allocation of costs. At that time, SJLP had separate sets of accounting records for its electric, gas and steam businesses. Auxiliary power, which is the cost of power used to run the Lake Road plant, was identified and directly assigned separately to the electric and steam businesses.

In Case No. EO-94-36, SJLP agreed to utilize the same allocation method "until the Commission orders SJLP to use a different allocation method." (Stipulation and Agreement, Case No. EO-94-36.

In a subsequent general rate case for the steam operations, Case No. HR-2005-0450 ("2005 rate case"), a Stipulation and Agreement was filed which stated that "The allocation methodology will continue until another approach is presented and approved or agreed among parties in a general rate proceeding." (Stipulation and Agreement, Case No. ER-2005-0450).

More recently, in Case Nos. ER-2009-0090 and HR-2009-0092 ("2009 cases"), GMO proposed to allocate its costs, both rate base and cost of service, for its L&P jurisdiction (what SJLP was called after being acquired by Utilicorp/Aquila), between its electric and industrial steam businesses using seven allocation factors. Costs for auxiliary power were not directly assigned to the steam business through the allocation

methodology used in the 2009 cases. No party to the 2009 cases disputed the electric/steam allocation methodology proposed by GMO.

The Commission approved the Stipulation and Agreement in the 2009 GMO rate case, and noted that "No party objected to the Agreements within the deadlines set by the Commission. Consequently, pursuant to the Commission's rules, the Agreement [sic] shall be treated as though they are unanimous…" (Order Approving Non-Unanimous Stipulations and Agreements and Authorizing Tariff Filing, Case No. ER-2009-0090, p. 8.)

GMO has used the same allocation methodology in every GMO rate case since the 2009 GMO rate case. The same seven factor allocation methodology has been used to allocate electric and steam costs for each of the following rate cases: ER-2010-0356, ER-2012-0175, ER-2016-0156 and ER-2018-0146. The only change made was to accommodate for the consolidation of the MPS and L&P jurisdictions into one GMO jurisdiction. This consolidation required a change to the denominator of the O&M and A&G factors. Otherwise, the calculation of the factors has remained consistent from the 2009 cases forward. No party has raised an issue with this seven-factor allocation method in these subsequent rate cases over the last ten years.

While GMO has not filed a general rate case for its steam operations since the resolution of Case No. HR-2009-0092, GMO has filed a number of general rate cases for its electric operations since June 10,

2009 (the date on which the Commission issued its decisions in Case Nos. ER-2009-0090 and HR-2009-0092). The rates finally established for electric service in each general rate case for GMO's electric operations since 2009, have been based on the seven-allocation-factor methodology proposed by GMO in Case Nos. ER-2009-0090 and HR-2009-0092 which did not involve direct assignment of auxiliary power costs to the steam operation as set forth in the Allocation Procedures manual from Case No. EO-94-36. In fact, when GMO proposed a more detailed allocation methodology involving direct assignment of auxiliary power costs more akin to the methodology from EO-94-36 in its most recently concluded general rate case for its electric operations, Staff objected and the electric/steam allocations issue was resolved by the Company's continued use of the allocators developed by Staff in the immediately preceding general rate case (Case No. ER-2016-0156). Therefore, from the 2009 case forward, the Company has used the allocation method, not the direct assignment methodology approved in ER-94-36, to distribute costs between its electric and steam operations. (Nunn Direct, pp.2-8)

The Commission should also reject OPC's attempt to re-open past FAC periods by ordering GMO to calculate the fuel cost of the steam operations auxiliary power that was recovered through the FAC since July 1, 2011, and return that amount plus interest at its short-term borrowing rate back to GMO's customers. Electric customers rates have already been adjusted to account for any fuel used to produce steam auxiliary

power during this time period. In addition, OPC's proposed adjustment goes beyond the time frame of the audit in this case. The current audit period covers December 2016 through November 2018. It is inappropriate to venture back to periods that have already been prudence reviewed and approved by the Commission.

GMO should not be ordered to make an adjustment to exclude the costs of the auxiliary power necessary to generate steam for its steam system from future FAC rate changes until otherwise authorized by the Commission. GMO has already allocated a representative amount of costs from its electric business in the setting of base rates. This representative amount is based upon allocation methods used to develop rates approved by the Commission in six previous GMO rate cases. In addition, the Commission has already ordered GMO to work with Staff and OPC to develop new allocation procedures before GMO's next rate case.

(Nunn, Surrebuttal, p. 7)

For these reasons, the Commission should reject OPC's proposed adjustments in this case.

Issue (3) A. Was it prudent for GMO and KCP&L to have entered into Purchase Power Agreements with the Rock Creek and Osborn Wind Projects under the terms of the contracts as executed? B. If it was not prudent, what if any adjustment should the Commission order?

Company Position: Yes. Prior to entering the PPAs with Osborn Wind Energy and Rock Creek Wind project in 2015, both projects were evaluated with respect to their projected impact on long-term retail revenue requirements over nine different scenarios. These nine scenarios

included various combinations of projected natural gas prices and future CO2 restrictions, consistent with the Company's IRP planning process. Both wind projects were shown to reduce NPVRR under eight of nine scenarios modeled. The one scenario that increased NPVRR was based on low natural gas prices and no future CO2 restrictions. These evaluations were based on the projected SPP wholesale market energy prices used in the KCP&L and GMO 2014 Integrated Resource Plan analysis.

The Osborn wind project was estimated to provide $2.5 Million for road and bridge improvements in the local community, $21.7 Million to support Clinton and DeKalb county schools, $2.4 million to support local emergency services, and six to ten full time operations jobs. Additionally, it is expected that over $35 million in property taxes and over $26 million in landowner payments will be paid during the first 30 years of Osborn's life.

The Rock Creek wind project anticipated economic impact to Atchison County and the surrounding area to reach over $100 million during the first 20 years of operation through the creation of new jobs, increased county tax revenues and landowner royalties. The Rock Creek facility currently employs 16 people full time and is working to fill 4 additional full-time positions. (Crawford Direct, pp. 2-5)

The competent and substantial evidence demonstrates that the Company's decisions to enter into the Osborn and Rock Creek wind PPAs were prudent and reasonable since they were projected to produce lower

revenue requirements for customers over the life of the PPAs, helped address a future need to comply with the Clean Power Plan (CPP), and provided economic benefits to the counties in Missouri where the wind projects are located. It is also important to note that Missouri law and a related Commission rule (4 CSR 240-20.100 (2)(B)(1)) concerning the state renewable standards provide for an incentive to locate renewable generation in Missouri. Finally, the Company was also able to obtain firm transmission service to the combined KCP&L/GMO load.

OPC's allegations concerning the Rock Creek and Osborn PPAs have nothing to do with prudence or rely on hindsight, and therefore do not meet the Commission's prudence standard. The Commission should continue to allow recovery of these costs in the FACs of KCP&L and GMO. At the time the decisions to enter into these contracts were made, the Company was facing the potential need for Missouri-based wind for compliance with the CPP. In addition, the federal PTC had expired making future wind additions likely more expensive, the projects were projected to reduce the long-term revenue requirements, and the projects were going to be interconnected in the GMO transmission zone. Since these facilities were to be located in Missouri, there would be economic benefits to the state, a state that also provides an incentive in the renewable energy standard for Missouri-based renewable energy. For these reasons, the decision to enter these wind PPAs was prudent. (Crawford Surrebuttal, p. 16)

For these reasons, the OPC's proposed disallowances should be rejected.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been electronically mailed this 13th day of August 2019, to all counsel of record in this proceeding.

/s/ Roger W. Steiner

Roger W. Steiner