BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Application for Authority to Establish a Renewable Energy Standard Rate Adjustment Mechanism	))))	**File No. EO-2014-0151** Tariff No. YE-2014-0407

COMMENTS OF RENEW MISSOURI

COMES NOW Earth Island Institute d/b/a Renew Missouri ("Renew Missouri"), pursuant to 4 CSR 240-20.100(6)(A), and offers the below comments regarding KCP&L Greater Missouri Operations Company's ("KCP&L-GMO") submission of its application and tariff designed to establish a Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM").

I. The Commission's rule requires accounting for benefits in a RESRAM.

A. How to account for benefits; RESRAM Formula.

1. Section (6) of the Commission's rule at 4 CSR 240-20.100 establishes the procedures by which a utility applies for and implements a RESRAM. Section (6) is clear that a RESRAM is required to account for both the benefits and the costs resulting from utility RES compliance spending. Section (6) mentions the word "benefits" 13 separate times in reference to how to account for RES-compliant investments within a RESRAM. Section (6) is even given the title "Cost Recovery *and Pass-through of Benefits*." (emphasis added)

2. Despite the rule's clarity, KCP&L-GMO's application, proposed tariff, and Direct Testimony do not address how the company will account for RES benefits in the RESRAM. From the Direct Testimony of Tim M. Rush (at pg. 7, lines 3-6), it appears that KCP&L-GMO is simply proposing "recovery of the prudently incurred RES compliance costs, which include solar rebates, RESs [sic], S-RECs, and all other costs, including carrying costs necessary to comply with Section 393.1030 RSMo. and the Commission's rules." Nowhere in Mr. Rush's testimony

or elsewhere in KCP&L-GMO's tariff or application is it mentioned how RES benefits are to be accounted for in the company's proposed RESRAM.

3. Section (6) of the Commission's rule defines exactly how the increase in a utility's revenue requirement is required to be calculated under a RESRAM. The first paragraph of Section (6) states:

> In all RESRAM applications, the increase in electric utility revenue requirements shall be calculated as the amount of additional RES compliance costs incurred since the electric utility's last RESRAM application or general rate proceeding, net of any reduction in RES compliance costs included in the electric utility's prior RESRAM application or general rate case, and any new RES compliance benefits.

The above language translates into the, the following formula:

RESRAM = ARCC – PRCC – RCB

Where "ARCC" means the amount of additional RES compliance costs incurred since the electric utility's last RESRAM application or general rate proceeding; "PRCC" means the reduction in RES compliance costs included in the electric utility's prior RESRAM application or general rate case; and "RCB" means any new RES compliance benefits.

B. Actual Financial Benefits

4. The actual financial benefits that a utility receives as a result of RES compliance include, but are not limited to, the following:[1]

a. Avoided fuel costs, including the avoided cost of long-term price risk;

b. Avoided plaint operation and maintenance (O&M) costs;

c. Avoided generation capacity costs;

d. Avoided reserve capacity cost;

e. Avoided transmission capacity cost;

[1] *Minnesota Value of Solar Methodology*. Minnesota Department of Commerce, Division of Energy Resources, Nov. 19, 2013. <https://mn.gov/commerce/energy/images/DRAFT-MN-VOS-Methodology-111913.pdf>

f. Avoided environmental costs, such as disposal of coal ash, avoided SO_X and NO_X emissions liability, etc.;

g. Reduction in peak demand due to the addition of renewable generation, especially due to incremental additions of solar generation, the peak production of which is coincidental to system peak demand when energy prices are higher than average.

5. When discussing “benefits” within the context of a RESRAM, it may be helpful to also include a discussion of such things as benefits to society, health benefits, PR benefits, and any other difficult-to-quantify positive impacts that may result from increased renewable energy. It is unclear to what degree these benefits are measurable or required to be accounted for by the Commission’s rule. However, for the purposed of a proposed RESRAM, the rule absolutely requires quantification and inclusion of the actual financial benefits (including those listed above) that accrue to the utility and to their ratepayers as a result of investments in renewable energy.

6. Regardless of whether they are measured or properly accounted for, these financial benefits accrue to the utility and reduce its costs to a significant degree. Utilities are required to pass through these benefits to their ratepayers as an essential element of the RESRAM calculation. The Commission does not have the authority to approve KCP&L-GMO’s RESRAM application and tariff without requiring the company to modify it by studying, quantifying, and accounting for all actual financial benefits received as a result of compliance with RES investments, and deducting such benefits from the total RES compliance costs to be recovered through the RESRAM.

II. KCP&L-GMO's proposed "target amount for annual recovery" violates both the RES rule as well as the Stipulation from ET-2014-0059.

7. In his Direct Testimony (at pg. 7, lines 14-17), Mr. Rush states that KCP&L-GMO's "target amount for annual recovery" is calculated by taking 1% of the company's Commission-determined retail revenues. Mr. Rush then applies this methodology to arrive at a target amount for annual recovery of $7.6 million (1% of $758,211,718 or the most recently-approved annual retail revenues).

8. In support, Mr. Rush points to a clause of the Non-Unanimous Stipulation & Agreement approved in File No. ET-2014-0059, which reads: "any recovery of RES compliance costs *related to solar rebate payments* will not exceed one percent (1%) of the Commission-determined annual revenue requirement in the proceeding." (at pg. 6, lines 11-14) (emphasis added). Mr. Rush then incorrectly concludes (at pg. 7, lines 11-13): "As agreed to in the Stipulation and Agreement in Case No. ET-2014-0059, GMO is limited to requesting a recovery based on 1% of the Commission-determined annual revenues."

9. Contrary to Mr. Rush's assertion, the quoted Stipulation term only limits *solar rebate costs* to 1% of the Commission-determined annual revenue requirement. All additional RES compliance costs are limited to the normal 1% retail rate impact as determined by section (5) of the Commission's rule.

10. Mr. Rush's testimony (at pg. 7, lines 3-6) makes it clear that KCP&L-GMO is seeking a RESRAM for *all* RES compliance costs, not simply costs related to solar rebates:

> "With this filing, GMO seeks a RESRAM for recovery of the prudently incurred RES compliance costs, which include solar rebates, *RESs* [sic], *S-RECs, and all other costs, including carrying costs necessary to comply with Section 393.1030 RSMo. and the Commission's rules.*" (emphasis added).

These additional, non-solar rebate compliance costs are clearly not covered by the language of the Stipulation. The first paragraph of Section (6), as well as subsections (A)(3) and (A)(4), all clarify that the 1% retail rate impact calculation of Section (5) is the total annual limit that a utility may recover through a RESRAM.

11. Under the terms of the Stipulation, KCP&L-GMO may limit the amount of solar rebates it recovers annually to 1% of the Commission-determined annual revenue requirement. However, KCP&L-GMO must then add an additional amount of other RES compliance costs and subtract all RES compliance benefits to reach its overall "target amount for annual recovery." Ultimately, the total amount recovered through the RESRAM each year must be limited by the company's 1% retail rate impact limit as calculation by Section (5). The 1%-of-revenues limit proposed by KCPL-GMO has no basis under the RES law or rule, and therefore cannot be legally approved as proposed.

III. KCP&L-GMO may not use a RESRAM and a general rate proceeding concurrently to recover RES compliance costs.

12. The Commission's rule at 4 CSR 240-20.100(6) does not allow a utility to recover some RES costs in a RESRAM and others in a general rate proceeding concurrently; rather, the rule requires either the use of a RESRAM or a rate case.

13. The Commission's rule at Section (6)(D) clarifies that recovery of RES compliances costs in a general rate proceeding is an "alternative" to recovery through a RESRAM.:

> *Alternatively,* an electric utility may recover RES compliance costs without use of the RESRAM procedure through rates established in a general rate proceeding…. Any rate recovery granted to RES compliance costs under this *alternative* approach will be fully subject to the retail rate impact requirements set forth in section (5) of this rule.

To allow recovery of RES costs through both a RESRAM and a rate case would essentially allow KCP&L-GMO to use the RESRAM as a separate rider for certain RES costs, rather than using the RESRAM as one of two alternative recovery mechanisms as the Commission's rule intends.

14. Additionally, KCP&L-GMO proposes using a RESRAM to recover RES compliance costs from its last Commission-approved rate proceeding up until the end of 2013 (December 31, 2013), rather than the date of its application for a RESRAM (April 10, 2014). Section (6) does not authorize this establishment of an arbitrary time period.

15. The first paragraph of Section (6) indicates that a RESRAM is meant to adjust the costs and benefits incurred "since the electric utility's *last RESRAM application or general rate proceeding*." The result of KCP&L-GMO's selected period of recovery would be that all costs and benefits incurred from December 31, 2013 to April 10, 2014 would never be recoverable in a RESRAM. As noted above, the Commission's rule does not allow for RES compliance costs to be recovered through a RESRAM and a rate case concurrently.

IV. Other Comments (Miscellaneous)

A. <u>KCP&L-GMO's proposed tariff and customer notice do not use the language of the RESRAM.</u>

16. In KCP&L-GMO's testimony, proposed tariff, and its proposed customer notices (Schedule TMR-1), the company repeatedly refers to the RESRAM in confusing or misleading ways that are materially different than the Commission's rule. In these comments, Renew Missouri identifies some of these instances and requests that the Commission require all references to the RESRAM to use language consistent with Section (6).

17. In KCP&L-GMO's proposed tariff and its proposed customer notice, the company refers to the RESRAM as a "charge" rather than a "rate adjustment mechanism." (see

Revised Sheet No. 104 and Schedule TMR-1.) Referring to the RESRAM as a charge is misleading and potentially inaccurate, as a RESRAM may well result in a *credit* to a customer's bill if RES compliance benefits outweigh costs. In addition, referring to a separate bill line item as a "charge" has a negative connotation and may be a political device used to influence customer opinion of renewable energy. Renew Missouri requests that the Commission require all mentions of a "charge" in KCP&L-GMO's proposed tariff and customer notices be replaced with "rate adjustment mechanism."

18. In KCP&L-GMO's proposed tariff and customer notice – as well as Tim M. Rush's Direct Testimony – the company refers to "RES compliance costs" with no mention of "benefits." For example, KCP&L-GMO's customer notice (Schedule TMR-1) contains the following sentence: "The RESRAM factor is calculated by taking the accrued costs associated with the Renewable Energy Standard since the last rate request." As discussed above, the RESRAM is intended to account for all RES compliance costs and pass through benefits to consumers. Referring to costs without referring to benefits incorrectly implies to consumers that renewable energy investments are solely a financial burden and do not result in any consumer benefits, financial or otherwise. Accordingly, Renew Missouri requests that the Commission require KCP&L-GMO's approved-tariff and customer notice to include "benefits" alongside any mention of RES compliance "costs."

B. Revised or added definitions to KCP&L-GMO's "RESRAM Determination."

19. KCP&L-GMO's tariff at Original Sheet 137 contains various definitions of terms used in its "RESRAM Determination on Original Sheet No. 137.1 of its proposed tariff. Based

on the above comments and the clear language of Section (6), Renew Missouri suggests the following revised or additional definitions used in the RESRAM Determination.[2]

a. "Actual Compliance Costs" (ACC) means the total accumulated cost of compliance and is the current balance RES deferred costs. These costs include costs that are directly attributable to compliance with §393.1030 RSMo., including but not limited to Solar Rebates, S-RECs, RECs, and NAR system costs, along with carrying costs as determined in the Non-Unanimous Stipulation and Agreement from *File No. ET-2014-0059. These costs shall include the costs of renewable energy generation, RECs or S-RECs that qualify as "economical" investments at the time of their procurement, provided that the difference in the cost of an equivalent amount of traditional generation and the cost of such economical investments is accounted for as a benefit and deducted from the total accumulated cost of compliance.*[3] Costs incurred subsequent to *April 10, 2014* as well as costs in excess of the recovery cap will continue to be deferred according to *the provisions of 4 CSR 240-20.100*.

b. "RES Compliance Benefits" (RCBs) means the total amount of financial benefits accruing to the utility that result from investments in renewable energy directly attributable due to RES compliance. These benefits include but are not limited to avoided fuel costs, avoided plaint operation and maintenance (O&M) costs, avoided generation capacity costs, avoided reserve capacity cost, avoided transmission capacity cost, avoided environmental costs, and reduction in peak demand.

c. "Recovery cap" (RC) shall be set at *the Company's 1% retail rate impact limit calculated in accordance with 4 CSR 240-20.100(5) as approved by the Commission*, *provided that the cost of Solar Rebates be limited to* 1% of the Commission-determined annual revenue requirement in Rate Case No. ER-2012-0175.

C. <u>Potential for additional Solar Rebate costs</u>.

20. On pg. 6-7 of Mr. Rush's Direct Testimony, he states: (emphasis added)

> As of the end of December, GMO had paid out $27.6 million in rebates and the accumulation of solar rebates, RECs, S-RECs and costs of compliance in account 182, including carrying costs had amounted to $27.7 million. GMO currently has nearly $6 million in applications above those committed, and those applications have been processed, *but unless others under the aggregate level of $50 million drop out, those customers will not receive a rebate*.

[2] Italics signifies Renew Missouri's proposed alterations to the language of KCP&L-GMO's proposed tariff.
[3] This added sentence is intended to deal with so-called "economical" renewable investments to ensure that consumers experience the financial benefit of such economic investments, provided that the utility is using the generation for RES compliance. E.g. if a utility were to make investments in wind generation or wind PPAs that cost less than the non-renewable generation alternative, the difference between those costs would be subtracted from the overall "actual compliance costs."

21. In these comments, Renew Missouri identifies several other reasons why KCP&L-GMO may be required to pay additional solar rebates. These reasons are included here in these comments to ensure that KCP&L-GMO, the Commission, and other stakeholders are on notice of the potential that KCP&L could be ordered to pay additional rebates.

22. Several ongoing legal disputes exist that involve the potential remedy of ordering KCP&L-GMO to pay additional solar rebates. These matters include:

a. File No. EC-2014-0343, a complaint currently pending before the Public Service Commission, involving allegations from KCP&L-GMO consumers that the company wrongfully denied them solar rebates;

b. *SOLAR, LLC, et. al v. Missouri Public Service Commission*, Case No. 14AC-CC00316, currently pending before the Cole County Circuit Court.

23. In addition, several unresolved investigations or matters exist that may result in an order or remedy finding that certain solar rebate costs are unrecoverable. KCP&L-GMO should be prepared to deduct any such unrecoverable costs from the total recoverable amount under the RESRAM. These matters include:

a. Any currently pending cases, files, investigations, or other matters alleging improper or non-recoverable solar rebate payments made to KCP&L Solar;

b. Any currently pending cases, files, investigations, or other matters regarding alleged improper or non-recoverable solar rebate payments involving installation projects of US Solar.

WHEREFORE, Renew Missouri respectfully files these comments regarding KCP&L Greater Missouri Operations Company's application and tariff designed to establish a Renewable Energy Standard Rate Adjustment Mechanism.

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 8th day of August, 2014.

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