

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Kansas City Power & Light     )  
Company's Submission of its 2012 RES             )     **File No. EO-2012-0348**  
Compliance Plan                                     )

**STAFF REPORT ON COMPANY'S RES COMPLIANCE PLAN**

**COMES NOW** Staff of the Missouri Public Service Commission (Staff), by and through the undersigned counsel, and submits this *Staff Report On Company's RES Compliance Plan* (*Staff Report*) to the Missouri Public Service Commission (Commission). In support of the *Staff Report*, Staff respectfully states the following:

1.       On April 16, 2012, Kansas City Power & Light Company (Company) filed its 2012 Annual Renewable Energy Standard (RES) Compliance Plan (Plan) for calendar years 2012 through 2014.

2.       Commission rule 4 CSR 240-20.100(7) 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."

3.       Rule 4 CSR 240-20.100(7)(B) specifies what information the RES Compliance Plan shall provide.

4.       Rule 4 CSR 240-20.100(7)(D) provides that:

The staff of the commission shall examine each electric utility's annual RES compliance report and RES compliance plan and file a report of its review with the commission within forty-five (45) days of the filing of the annual RES compliance report and RES compliance plan with the commission. The staff's report shall identify any deficiencies in the electric utility's compliance with the RES.

5.       On April 17, 2012, the Commission issued its *Order Directing Notice And Setting Filing Date*, directing the Staff to file a report of its review of the Company's Plan before May 31, 2012, forty-five (45) days from the Company's filing.

6. In its *Memorandum*, attached hereto and labeled as Attachment A, Staff reports on its review of the Company's Plan.

7. At this time, Staff has identified no deficiencies within the Company's filing. While the Company did include a RES retail impact limit calculation as required by 4 CSR 240-20.100(7)(B)1.F., it was not at the level of detail contemplated by the rule. The rule requires a calculation to net the least-cost of renewable generation for RES compliance with the cost to provide an equivalent amount of generation from nonrenewable resources.

8. Rule 4 CSR 240-20.100(10) allows the Commission to waive or grant a variance from a provision of this rule for good cause shown. Although the term "good cause" is frequently used in the law<sup>1</sup>, the rule does not define it. Good cause "...generally means a substantial reason amounting in law to a legal excuse for failing to perform an act required by law<sup>2</sup>." To constitute good cause, the reason or legal excuse given "...must be real not imaginary, substantial not trifling, and reasonable not whimsical..."<sup>3</sup> Moreover, some legitimate factual showing is required, not just the mere conclusion of a party or his attorney.<sup>4</sup>

9. Although the Company did not file for a waiver from the netting calculation requirement, the calculation would serve no purpose in this instance. This netting would effectively reduce the cost attributed to RES compliance for purposes of meeting the limit. Since the Company's costs for these compliance periods are significantly below the one percent (1%) retail rate impact limit, performing the detailed netting calculation literally serves no purpose. Staff does not view this as a deficiency. As such, this instance meets the good cause requirement and Staff recommends that the Commission grant the Company a waiver from 4 CSR 240-20.100(7)(B)1.F., if the Commission deems it necessary to do so.

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<sup>1</sup> *State v. Davis*, 469 S.W.2d 1, 5 (Mo. 1971).

<sup>2</sup> *Black's Law Dictionary*, p. 692 (6th ed. 1990).

<sup>3</sup> *Belle State Bank v. Indus. Comm'n*, 547 S.W.2d 841, 846 (Mo. App. S.D. 1977). See also *Barclay White Co. v. Unemployment Compensation Bd.*, 50 A.2d 336, 339 (Pa. 1947) (to show good cause, reason given must be real, substantial, and reasonable).

<sup>4</sup> See generally *Haynes v. Williams*, 522 S.W.2d 623, 627 (Mo. App. E.D. 1975)

10. The Company filed its calendar year 2011 annual report on May 15, 2012. The Staff is currently reviewing the report. The Company owes \$0.01 on its quarterly payment of the fiscal year 2012 assessment.

11. The Staff is unaware of any other case currently pending before the Commission that a decision in this file will directly affect, or be affected by.

**WHEREFORE**, Staff submits this *Staff Report* for the Commission's information and consideration, and recommends the Commission grant Kansas City Power & Light Company a waiver from 4 CSR 240-20.100(7)(B)1.F., if the Commission deems it necessary to do so.

Respectfully submitted,

**/s/ Jennifer Hernandez**

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#### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by first class United States Postal Mail, postage prepaid, to Kansas City Power & Light Company, Legal Department, P.O. Box 418679, One Kansas City Place, 1200 Main Street, Kansas City, MO 64105; and electronic mail to Lewis Mills, attorney for the Office of the Public Counsel at [opcservice@ded.mo.gov](mailto:opcservice@ded.mo.gov) this 31<sup>st</sup> day of May 2012.

**/s/ Jennifer Hernandez**

## **MEMORANDUM**

TO: Missouri Public Service Commission Case File  
Case No. EO-2012-0348, Kansas City Power & Light Company Renewable Energy  
Standard Compliance Plan for Calendar Years 2012, 2013, and 2014

FROM: Michael E. Taylor, Energy Unit – Engineering Analysis

/s/ Daniel I. Beck / 5/31/12                      /s/ Jennifer Hernandez / 5/31/12  
Energy Unit / Date                      Staff Counsel's Office / Date

SUBJECT: Staff Report and Recommendation on Kansas City Power & Light Company's  
Renewable Energy Standard Compliance Plan

DATE: May 31, 2012

## **RECOMMENDATION**

The Staff has reviewed the Kansas City Power & Light Company 2012 RES Compliance Plan. Based on its review, Staff has not identified any deficiencies. As noted in paragraph F. of the Discussion portion of this Memorandum, Staff considers that compliance with the requirements of Rule 4 CSR 240-20.100(7)(B)1.F. would be a meaningless exercise for this filing and, therefore, only to the extent the Commission deems it necessary to do so, Staff recommends the Commission grant Kansas City Power & Light Company (Company) a waiver from the subparagraph.

## **OVERVIEW**

On April 16, 2012, the Company filed its Renewable Energy Standard (RES) Compliance Plan (Plan) for calendar years 2012 through 2014 (Case No. EO-2012-0348)<sup>1</sup>. 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

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<sup>1</sup> April 15, 2012 occurred on a Sunday; therefore the required filing date was April 16, 2012.

plan and file a report within forty-five (45) days of the filing. This is the second compliance plan filing for the Missouri electric utilities required by the Missouri Renewable Energy Standard, Sections 393.1020 through 393.1030, RSMo.

## **DISCUSSION**

Staff has reviewed the Company's Compliance Plan in accordance with the established requirements to verify the Plan contains the information required by rule. The results of this review are detailed below with appropriate rule subparagraphs A. through G. identified and quoted.

**A. "A specific description of the electric utility's planned action to comply with the RES;"**

The Company explained in detail its completed and planned actions for compliance with the RES for 2012, 2013, and 2014. For non-solar compliance during the Plan period, the Company will utilize renewable energy certificates (RECs) from the Spearville 1 and 2 Wind Facilities located in Ford County, Kansas. The Company has procured two purchased power agreements (PPAs) for additional wind generating capacity. The two PPAs will total approximately 230 MW of capacity. The facilities, Cimarron II and Spearville 3 are located in Gray County and Ford County, Kansas, respectively. The Company has an additional PPA for the net generation from a Missouri facility powered by methane from animal waste. For solar compliance, the Company will utilize solar renewable energy credits (S-RECs) produced by a 100 kW solar generating system in the Kansas City SmartGrid project area and S-RECs purchased from brokers. The Company does not currently have a Standard Offer Contract tariff for purchase of S-RECs from its net-metered customers.

- 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 has PPAs with the Cimarron II and Spearville 3 facilities for energy and RECs. These facilities should begin commercial operation later this year. These facilities will be utilized to satisfy renewable energy requirements in Missouri and Kansas.

- C. “The projected total retail electric sales for each year;”**

The Company has provided values for projected retail electric sales. The values appear to be reasonable estimates and consistent with the Company’s most recent triennial filing for electric utility resource planning.

- 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 filed its most recent triennial compliance filing with the Commission on April 9, 2012. The Company owns sufficient wind resources to comply with requirements during the Plan period. The Company also has new PPAs that will become effective during the Plan period. These wind resources were included in the most recent preferred resource plan. The Company’s preferred resource plan included the potential installation of additional solar resources. Due to the uncertainty regarding the RES rules and the cost of S-RECs, the Company currently intends to purchase S-RECs for compliance.

- 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 Company provided information regarding its utilization of existing resources and new resources (Cimarron II and Spearville 3) to comply with the non-solar portion of the RES for 2012 through 2014. The costs associated with the existing resources are already included in revenue requirements. The new PPAs were selected as the low cost alternative

for future energy and RES requirements. For compliance with the solar portion of the RES, the Company provided information regarding purchase of solar RECs from third parties. The information provided by the Company showed that the costs associated with S-REC purchases are significantly lower than ownership or a PPA associated with solar generating facilities.

**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:”**

This subparagraph of the rule provides for a detailed calculation of the retail rate impact to ensure that the statutory requirement of limiting the RES impact to one percent (1%) is met. The rule requires a calculation to net the least-cost of renewable generation for RES compliance with the cost to provide an equivalent amount of generation from nonrenewable resources. This netting would effectively reduce the cost attributed to RES compliance for purposes of meeting the limit.

Staff considers the level of detail required for the rate impact calculation to be subjective. For the Company to expend significant resources to provide a more detailed calculation would serve no purpose, since the requirements for this Plan period are met by existing resources, new low-cost alternative resources, and purchase of S-RECs. The Company did not request a waiver from this rule subparagraph. Because the detailed calculation would serve no purpose in this instance, Staff would not seek for the Commission to enforce literal compliance with this rule provision, whether the Company requested relief or not. Staff recommends that the Commission grant a waiver from this subparagraph if the Commission deems it necessary to do so.

The Company has determined that non-solar renewable resources did not result in a projected rate impact. The solar-based expenses were evaluated and used to determine a

projected rate impact. S-REC purchases and solar rebates (solar rebates being the dominant compliance expenditure) were totaled for the impact determination.

Based on the projected Plan costs for calendar years 2012 and 2013 compared to one percent (1%) of the current revenue requirement for the Company, the rate impact limit should not be exceeded. Dependent on the expenditures associated with S-REC purchases and solar rebates for calendar year 2014, the one percent (1%) rate impact limit could be reached. However, the three (3) year average rate impact should not exceed one percent (1%). The Company will monitor the solar rebate expenditures closely. The Company provided the basis for its determination and summarized the projected rate impact as 0.78% for calendar year 2012 and 0.92% based on a three year average (2012-2014).


- 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 it has met requirements to the best of its knowledge.



In the Matter of Kansas City Power & Light Company's Submission of its 2012 RES Compliance Plan ) ) Case No. EO-2012-0348 )

**STATE OF MISSOURI            )**  
                                       **) ss**  
**COUNTY OF COLE            )**

  
Michael E. Taylor

  
Notary Public

