BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

In the Matter of the Joint Application of Evergy Kansas Central, Inc., Evergy Kansas South, Inc., and Evergy Metro, Inc. for approval of certain changes to their parallel generation tariff provisions.	)))))	Docket No. 24-EKCE-744-TAR

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION PUBLIC

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), and files its Report and Recommendation regarding the Joint Application of Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. (collectively referred to as "Evergy Kansas Central" or "EKC") and Evergy Metro Inc. ("Evergy Kansas Metro" or "EKM"), (together with Evergy Kansas Central, referred to as "Evergy") seeking changes to each utility's existing Parallel Generation ("PG") tariff provisions.

Staff has reviewed all the requested tariff changes and agrees they are just and reasonable and should be approved by the Commission. These changes will standardize the terms and conditions for PG connections between EKC and EKM. Staff believes it is in the public interest to standardize rates, terms and conditions between these utilities, to the extent feasible and reasonable, as this standardization can result in reduced customer confusion as well as reduced administrative expense for the utility, which ultimately is passed on to ratepayers.

Through its Joint Application Evergy also seeks to resolve several instances in which the compensation rate being paid to PG customers is inconsistent with the compensation rate specified in signed Facilities Interconnection Agreements ("FIAs") between Evergy and the customers. Staff has verified that there are four customer accounts that are being compensated at 100% of the utility's monthly system average cost of energy; however, each of these customers has signed an

FIA that calls for Evergy to compensate them at 150% of the monthly system average cost of energy. Staff recommends that Evergy be required to compensate each customer the accumulated total amount of under-compensation. Once completed, Staff recommends the Commission require Evergy to file an affidavit in this Docket attesting that it has provided its customers these accumulated make-up bill credits. Additionally, Staff recommends Evergy be required to continue to compensate these customers at 150% of its monthly system average cost of energy, until the previous FIAs are cancelled by mutual agreement between the customers and Evergy. Lastly, Staff recommends Evergy should be prohibited from recovering from ratepayers the compensation it provides these four customers to make up for previous under-compensation or any prospective compensation amount greater than 100% of monthly system average cost of energy.

Because Exhibit A, attached to Staff's Report and Recommendation, contains confidential information pertaining to Evergy's customers and compensation amounts under the signed FIAs, Staff has elected to file both a confidential and public version of the Report and Recommendation in accordance with K.S.A. 66-1220a.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and or such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Carly R. Masenthin

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REPORT AND RECOMMENDATION
UTILITIES DIVISION

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Justin Grady, Deputy Director of Utilities
Jeff McClanahan, Director of Utilities

DATE: December 18, 2024

SUBJECT: Docket No. 24-EKCE-744-TAR: In the Matter of the Joint Application of Evergy Kansas Central, Inc., Evergy Kansas South, Inc., and Evergy Metro, Inc. for approval of certain changes to their parallel generation tariff provisions.

EXECUTIVE SUMMARY:

On May 17, 2024, Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. (collectively referred to as Evergy Kansas Central or EKC) and Evergy Metro Inc. (Evergy Kansas Metro or EKM), (together with Evergy Kansas Central referred to as Evergy) filed a Joint Application seeking changes to each utility's existing Parallel Generation (PG) tariff provisions. These changes are being sought to allow for larger customer-owned, behind-the-meter renewable installations, as well as to standardize the terms applicable to renewable PG interconnections among the Evergy utilities. Through this Joint Application Evergy also seeks to resolve several instances in which the compensation rate being paid to PG customers is inconsistent with the compensation rate specified in signed Facilities Interconnection Agreements (FIAs) between Evergy and the customers.[1]

Evergy's requested tariff changes can be described generally as follows: standardizing tariffs, terms and conditions between EKC and EKM, adopting EKC's existing PG framework for EKM; removing previous design capacity limitations for customer generators; maintaining the requirement that systems be sized appropriately for the customer's load; adding a tariff requirement that PG customers be in good standing with the utility; requiring that all excess energy must be delivered to the utility; establishing compensation levels, consistent with K.S.A. 66-1,184, for excess energy based on system size; allowing the assessment of a non-refundable fee to compensate the utility for interconnection analysis of PG applications; and specifying the

[1] In each of these instances, the rate of compensation Evergy agreed to pay, pursuant to a FIA, is in excess of the minimum level established by the applicable tariff and statutory requirement from K.S.A. 66-1,184 – yet Evergy has been compensating these customers less than the contracted-for amount. *See* Discovery Response KCC-1, attached hereto as Exhibit A, in which Evergy identifies the affected customers and the amounts undercompensated. This response has been labeled Confidential due to its discussion of customer-specific contract information and shall be redacted appropriately for public consumption.

calculations that will be used to determine whether a system is appropriately sized for a customer's load.

Staff has reviewed all the requested tariff changes and agrees they are just and reasonable and should be approved by the Commission. These changes will standardize the terms and conditions for PG connections between EKC and EKM. Staff has previously supported, and the Commission has previously approved, efforts to reduce tariff differences between EKC and EKM.[2] It is in the public interest to standardize rates, terms and conditions between these utilities, to the extent feasible and reasonable, as this standardization can result in reduced customer confusion as well as reduced administrative expense for the utility, which ultimately is passed on to ratepayers.

The tariff changes requested by Evergy will allow the utilities to interconnect larger customer-owned, behind-the-meter renewable generators, as long as those generators are appropriately sized to the customer's load. Staff considers this a positive change for customers, as there is increasing evidence that customers would prefer the ability to self-generate with renewable generation, sometimes in excess of the existing size limitations that are currently allowed by tariff. Importantly, the tariff changes include a revision to reflect the minimum level of compensation for excess energy allowed in K.S.A. 66-1,184, which will ensure that Evergy's other non-PG customers are not overpaying for the energy produced by these installations.

Staff has verified that there are four customer accounts, each served by EKM, that are being compensated at 100% of the utility's monthly system average cost of energy; however, each of these customers has signed an FIA that calls for Evergy to compensate them at 150% of the monthly system average cost of energy.[3] Staff recommends that Evergy compensate each customer the accumulated total amount of under-compensation. Once completed, Evergy should file an affidavit in this Docket attesting that it has provided its customers these accumulated make-up bill credits. Additionally, Evergy should be required to continue to compensate these customers at 150% of its monthly system average cost of energy, until the previous FIAs are cancelled by mutual agreement between the customers and Evergy.[4] Lastly, Evergy should not be allowed to recover from ratepayers[5] the compensation it provides these four customers to make up for previous under-compensation or any prospective compensation amount greater than 100% of monthly system average cost of energy from ratepayers.[6]

BACKGROUND:

On May 17, 2024, EKC and EKM, (together referred to as Evergy) filed a Joint Application seeking changes to each utility's existing PG tariff provisions. These changes were sought to allow

[2] *See* September 29, 2023, Order Approving Unanimous Settlement Agreement: https://estar.kcc.ks.gov/estar/ViewFile.aspx/20231121091511626.pdf?Id=75b40eaf-bc48-48f1-9162-596aeaecbdcb

[3] Evergy has stated it did not intend to enter into an agreement with the four customers to compensate them a higher percentage than what is referenced in K.S.A. 66-1,184. *See* KCC-2S Supplemental Response, attached hereto as Exhibit B.

[4] Each agreement contains a cancellation clause, Section 3.3.3, that requires mutual agreement of the parties prior to cancelation.

[5] As purchased power expense through its Energy Cost Adjustment (ECA), through base rates, or otherwise.

[6] These four customer accounts have generation installations greater than 200 kW; this means that neither EKM's existing Schedule PG tariff, nor K.S.A 66-1,184 requires these customers to be compensated above 100% of monthly average avoided energy cost.

for larger customer-owned, behind-the-meter renewable installations than what is currently allowed per each utility's PG tariffs, as well as to standardize the terms applicable to renewable PG interconnections among the companies.

EKC's proposed changes are contained within the Parallel Generation Rider (PGR) tariff, and EKM's proposed changes are contained withing the Parallel Generation Contract Service, Schedule PG (Schedule PG) tariff. Redlined and Clean versions of each affected tariff are attached as Exhibit 1 and Exhibit 2 to the Application, respectively. EKM's proposed tariff changes also required a minor change to Schedule 11, Section 11.03.A of its General Terms and Conditions.

Evergy requests the following specific changes to its PGR and Schedule PG tariffs:

- Standardize PG terms and conditions between EKC and EKM, adopting EKC's framework;
- Align the calculation of monthly system average cost of energy for both EKC and EKM with the Retail Energy Cost Adjustment (RECA) and the ECA, respectively;
- Remove the design capacity limits from both tariffs, historically 25kW for Residential customers, and 200kW for Commercial and Industrial customers, and 1.5 MW for schools;
- Add a requirement for customers to be in good standing with the utility in order to be qualified for PG service;
- Establish that Residential systems smaller than 25kW, and Commercial, Industrial, and School systems smaller than 200kW will be compensated at 150% of monthly system average cost of energy;
- Establish that Residential systems larger than 25kW, and Commercial, Industrial, and School systems larger than 200kW will be compensated at 100% of monthly system average cost of energy;
- Establish that any excess energy and related services like voltage from a PG system be sold to the utility;
- Establish a non-refundable fee for the review of PG applications ranging from $300 for small systems below 200kW to $3,000 for systems 10MW in size, plus $1.00/kW for systems larger than 10MW;
- Specify the calculations to determine if a PG system is "appropriately sized" to match the customer's load; and
- Maintain all previous system protections in the tariffs, ensuring that larger PG systems will not create reliability or safety impacts to the distribution system.

Additionally, Evergy stated in its Application that it has encountered instances in which the company did not have appropriate records about parallel generation agreements with larger systems (larger than 200kW) that do not currently qualify under the PGR tariff or Schedule PG tariff. Evergy also stated that it had identified billing discrepancies between the compensation level provided to some of these customers and the compensation level stated in the parallel generation contract each of them signed. Evergy proposes to evaluate two years of historical billing information to identify the amount of make-up payments to customers for any under-compensation. Evergy also requests that the Commission order the Company to amend its existing PG contract agreements to conform to and be consistent with the compensation level contained in the final tariffs approved in this proceeding.

ANALYSIS:

Review of Proposed Tariff Changes

Staff has reviewed each of the proposed tariff changes requested by Evergy, and we find that the changes are just and reasonable and in the public interest. Many of these changes can be characterized as eliminating unnecessary differences between EKC and EKM's tariffs, as well as clarifying that the calculation of monthly system average cost of energy, used to compensate customer-generators for excess energy supplied to the utility, will be performed the same as the RECA (for EKC) or ECA (for EKM) calculations are today. Previously EKM's Schedule PG tariff did not include a specific formula for calculating the monthly system average cost of energy. It is an improvement to include these formulas in the tariffs to improve clarity and consistency of the calculations. Staff has previously supported, and the Commission has previously approved, efforts to reduce differences between the tariffs of EKC and EKM. It is in the public interest to standardize rates, terms and conditions between these utilities, to the extent feasible and reasonable, as this standardization can result in reduced customer confusion, as well as reduced administrative expense for the utility.

Additionally, Evergy has proposed changes which would allow customer-generators to install larger behind-the-meter renewable generation than the what the tariff previously authorized, as long as the PG systems were appropriately sized for the customer's load. Previously these systems were limited to 25kW for Residential, 200kW for Commercial and Industrial, and 1.5MW for Schools. Evergy describes in its Application that it is experiencing an increase in residential and commercial customer applications for installation of behind-the-meter renewable generation over the last several years. Some of these applications are for installations that exceed the applicable limits in the tariffs, and Evergy expects these trends to continue, driven by federal incentives and customer preferences.

Staff considers this a positive change for customers. There is evidence that customers would like to install larger behind-the-meter renewable generators. As long as these customers are not paid more than the monthly system average cost of energy for their excess energy production and Evergy verifies that these larger PG systems are not causing safety or reliability concerns on the distribution system, Staff supports these larger PG systems being installed behind-the-meter. Evergy is experiencing load growth and declining capacity reserve margins. Additionally, it is costly and time consuming to add new generation capacity to the grid. In this environment, Staff contends that these customer installations can contribute to overall system reliability.

Evergy's agreement to allow these larger PG systems to be connected to the Evergy distribution system is accompanied by the request to standardize the formulas used to determine whether the

PG system is appropriately sized for the load of the customer. The formulas proposed by Evergy are consistent with the formulas added to K.S.A. 66-1267 during the 2024 legislative session to determine whether net metered systems are sized appropriately for load. Additional proposed tariff changes related to allowing larger PG systems to attach to the distribution system are:

- Requiring all excess energy and related services to be sold to the utility;
- Establishing a non-refundable fee to recover the cost associated with the review of interconnection agreements, which increases along with the size of the PG installation; and
- Establishing that the minimum compensation allowed by K.S.A. 66-1,184 will be paid to customer-generators who deliver excess energy to the utility.

Evergy has maintained all system protection elements in the PG tariffs, including the ability to require a customer to limit energy production from the facility under certain circumstances, to ensure that these larger PG systems will not create reliability or safety impacts to the distribution system. Staff has reviewed the support provided by Evergy for the proposed schedule of fees to be charged to customer-generators as part of the request for interconnection.[7] Staff finds that these fees are a reasonable and appropriate way to recover costs incurred by Evergy for studying these interconnection requests.

<u>Discrepancies Between Customer Compensation and Facilities Interconnection Agreements</u>

In response to Staff Data Request No. 1, Evergy identified seven customers that it believed were being undercompensated relative to either the signed FIAs between Evergy and the customer, or the compensation levels required by K.S.A. 66-1,184.[8] Three of these customers are listed as undercompensated by Evergy because they are being compensated at 100% of monthly system average cost of energy, but they have a PG system that is smaller than 200kW, when measured in alternating current (AC).[9] When measured in direct current (DC), which is the common nameplate rating of behind-the-meter renewable energy generators, each of these PG systems are larger than 200kW, which would not require them to be compensated at 150% of monthly system average cost of energy. K.S.A 66-1,184 uses the term "nameplate capacity" when determining how PG systems contribute to compliance with the renewable energy standards act. For this reason, Staff contends that the size of PG systems, when measured to determine the minimum compensation levels, should be measured in DC. Accordingly, Staff does not consider these three customers to be undercompensated.

For the other four customers identified in response to Staff Data Request No. 1, Evergy reports that each of these customers has a signed FIA that calls for them to be compensated at 150% of monthly system average cost of energy. This is despite the fact that each of these customers has a PG system that is far in excess of 200kW. These systems range from 750kW to 889kW (DC).

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[7] *See* Response to CURB Data Request No. 7, attached hereto as Exhibit C.

[8] *See* Exhibit A.

[9] K.S.A. 66-1,184 states, "[s]uch compensation shall be not less than 100% of the utility's monthly system average cost of energy per kilowatt hour *except that* in the case of renewable generators with a capacity of 200 kilowatts or less, such compensation shall be not less than 150% of the utility's monthly system average cost of energy per kilowatt hour." (Emphasis added).

Evergy reports that it did not intend to agree to pay these customers more than the minimum allowed in K.S.A. 66-1,184, and that these agreements "were issued in error based on state, service territory and applicable statutory requirement where they are located."[10]

Despite these agreements being entered into in error, Staff contends that Evergy should be required to fulfill its obligations to these customers, unless Evergy and the customer mutually agree to terminate these contracts in accordance with Section 3.3.3 of each FIA. Evergy should also be required to make each customer whole with the back payments necessary to fulfill its obligations under the FIAs. Evergy reports that these four customers are owed approximately $39,650 through November of this year. Because Evergy agreed to pay these customers a larger compensation amount than required by tariff or statute, Staff contends that Evergy's other ratepayers should not bear the cost of Evergy compensating these four customers greater than 100% of monthly system average cost of energy.

RECOMMENDATION:

Staff recommends Commission approval of the tariff changes requested by Evergy in this Docket. Additionally, Staff recommends that the Commission order Evergy to file a compliance report in this Docket attesting to the following: 1) that it has paid the back compensation necessary to make these four customers whole under the FIAs; 2) that it will not seek to recover the back compensation from other Evergy ratepayers through its ECA, base rates, or otherwise; and 3) that it will not seek to recover from ratepayers any prospective compensation levels greater than 100% of the monthly system average cost of energy for these four customers, through its ECA, base rates, or otherwise.

[10] *See* Exhibit B.

EXHIBIT A

Evergy KS Central, KS South, and KS Metro
Case Name: 2024 Approval of Tariff Changes - Parallel Generation Tariff
Case Number: 24-EKCE-744-TAR

Requestor Grady Justin -
Response Provided December 02, 2024

Question:KCC-1
Please Provide the Following:
In paragraph 19 of the Application, the company states that it has encountered instances in which there were billing discrepancies between the compensative level provided to the customer and the compensation level stated in the tariff (if applicable) or parallel generation contract.
Please provide the following:

1. Please identify each instance in which Evergy believes a parallel generation customer has been undercompensated compared to either the tariff on file at the Commission, or a parallel generation contract.
2. For each instance identified in No. 1 above, please provide the dollar amount of under compensation, by year, beginning at the date of interconnection of each customer's parallel generation facilities to Evergy's distribution system, and ending with the most recent date possible.

RESPONSE: (do not edit or delete this line or anything above this)

Confidentiality: CONFIDENTIAL
Statement: (1) Material or documents that contain information relating directly to specific customers

Response:

1. Enclosed below please find each instance where the Company identified a variance to the tariff or agreement by customer.

[redacted]

[redacted]

Response:

2. For each instance identified in No. 1 above, below is the annual dollar amount, beginning at the date of interconnection of each customer's parallel generation facilities to the Company's distribution system, and ending with the most current information available.

[redacted]

Information provided by: Tammie Rhea, Lead Product Manager

Attachment(s):

Verification:
I have read the Information Request and answer thereto and find answer to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signature /s/ *Brad Lutz*
Director Regulatory Affairs

EXHIBIT B

Evergy KS Central, KS South, and KS Metro
Case Name: 2024 Approval of Tariff Changes - Parallel Generation Tariff
Case Number: 24-EKCE-744-TAR

Requestor Grady Justin -
Response Provided December 09, 2024

Question:KCC-2S
SUPPLEMENTAL

From Justin: In response to Staff Data Request No. 2, Evergy states that it has "since updated these agreements to reflect the correct service territory and compensation structure."

Does this mean that the customers have all agreed to these updated service agreements? If so, can you please supplement this DR response with these agreements attached?

Originial data request:

Please Provide the Following:

On March 4, 2024, in prefiling discussions with Staff, Evergy provided a list of customers that it did not have active interconnection agreements with, or whom Evergy believed it was under compensating relative to their interconnection agreements. Four of these customer accounts have an interconnection agreement that states that compensation will be provided at 150% of the monthly system average cost of energy, which is greater than the minimum required by K.S.A. 66-1,184, and greater than the amounts called for under Evergy Kansas Metro's existing Schedule PG. Please provide the following with regard to these four customer accounts:

1. Why did Evergy enter into an agreement with these customers agreeing to pay them 150% of system average energy cost, statute referenced above only requires Evergy to pay at least 100% of system average energy cost?
2. What benefit do Evergy ratepayers receive from Evergy's decision to sign a contract with these customers agreeing to pay 150% of system average energy cost, instead of the minimum compensation level allowed under K.S.A. 66-1,184 of 100% of system average energy cost?

Does Evergy believe that ratepayers should have to pay for compensation levels greater than 100% of system average energy cost, the minimum level called for under K.S.A. 66-1,184? If so, please provide Evergy's rationale and support for this position

RESPONSE: (do not edit or delete this line or anything above this)

Confidentiality: PUBLIC
Statement: This response is Public. No Confidential Statement is needed.

Response:

1. The Company did not intend to enter into an agreement with the four customers to pay them a higher percentage referenced in the K.S.A. 66-1,184 statute. The four customer interconnection agreements were issued in error based on state, service territory and applicable statute requirement where they are located.

2. The Company did not intend to sign a contract with the four customers to pay a higher system average energy cost. The Company will work with each customer to place them on the correct agreement for their state and corresponding service territory and applicable statutes minimum compensation level allowed.

Information provided by: Kevin Brannan, Sr. Manager, DER Products & Services

Attachment(s):

Verification:
I have read the Information Request and answer thereto and find answer to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signature /s/ *Brad Lutz*
Director Regulatory Affairs

EXHIBIT C

CURB-7. How did the Company determine the proposed processing and engineering study fees in Sections 12a and 12b? Please include any applicable workpapers with formulas intact.

Below is a summary of how the Company determined the proposed processing and engineering study fees in Sections 12a and 12b.

Interconnection engineering study fees are calculated based on the following criteria:

- Data sample including interconnection studies reviewed between 2021 through 2022, with generation system sizes ranging from 500kW to 40MW.

- Engineering Fees were based on a mid-level engineer salary range to determine hourly fees.

- Engineering fees are calculated based on the (study hours invested) x (average hourly salary for a mid-level engineer).
- Additional hours were required to evaluate/analyze larger DER interconnections due to increased system constraints, complexity, and problem resolutions.

- DER interconnection sizes were consolidated based on the average amount of time required to complete the study.

CERTIFICATE OF SERVICE

24-EKCE-744-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation (Public) was served via electronic service this 18th day of December, 2024, to the following:

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