BEFORE THE

KANSAS CITY BOARD OF PUBLIC UTILITIES

Prepared Direct Testimony of

Andrew Ferris

Issue:

Green Energy Rider

March 2023

Q: What is your name?

A: Andrew Ferris

Q: What is your position at the BPU?

A: I am the Director of Financial Planning.

Q: Please summarize your professional qualifications and experience.

A: I have a Bachelor's degree in Finance from Truman State University and a Master's in Business Administration from Webster University. I have worked in Finance, Credit Risk, Audit, and Planning for 25 years with 10 of those years being with the Kansas City Board of Public Utilities.

Q: What are your responsibilities as Director of Financial Planning?

A: My responsibilities include forecasting fuel, purchase power, customer demand, electric purchases and sales, as well as the Energy Rate Component (ERC) calculations. I also manage long term capacity planning through the management of sales/purchase contracts including renewable contracts and the implementation of demand response initiatives to meet customer requirements and to satisfy the utility's capacity planning margin.

Q: What is the purpose of your direct testimony in this proceeding?

A: My direct testimony in this proceeding describes the Utility's proposal to initiate a new service offering (Green Rider Program) under which qualifying customers can elect to participate in a subscription based renewable energy program. I would emphasize that this is an optional program that customers can join based on their assessment of their own value and economic considerations.

Q Why is the Kansas City Board of Public Utilities proposing the Green Rider program?

A. There is clearly an increasing customer appetite for renewable energy to meet customer-specific sustainability goals. The Kansas City Board of Public Utilities is well positioned to help its customers achieve these goals in a cost effective manner without impacting the service or costs of other customers who choose not to participate or are ineligible to do so.

Q: What customers are eligible to participate in the program?

A. Electric service under this Program is only available to Customers currently served by the Board of Public Utilities ("Utility") under the Large General Service Rate 300-322, Large General Service Electric Heating Rate 301-323, Large Power Service Rate 400-446, Large Power Service Electric Heating Rate 401-447, or Large Power High Load Factor Rate 450, service classification and that have an aggregate electric load of at least 2.5 MW, based upon annual billing demand. Aggregation of meters by a single non-Governmental Entity Customer is permitted to meet the 2.5 MW minimum. Aggregation between different Customers is not allowed, except as may be provided for with respect to Customers that are affiliates of each other in the applicable RE Service Agreement. Eligible Customers can contract for up to a maximum of 100% of their Annual Usage. At the Utility's discretion, Customers may be deemed ineligible for the Program if they have received a disconnection notice within twelve (12) months preceding their application. Each customer must have a minimum annual usage of 10,000 MWh and must subscribe to an expected subscription level equal to or exceeding 10,000 MWh annually.

Q: How will the process for customer enrollment take place?

A: Once the tariff is approved, the Utility will solicit participation from eligible customers. Interested customers will submit a non-binding expression of interest in the program to cover a percentage of their load with renewable energy. The percent of load subscribed may be any level from 0 to 100% at the customer's discretion based on their own goals and value considerations. That percent will be applied to their most recent 12 months of usage to determine a targeted number of megawatt-hours ("MWh") to produce annually from renewable energy as a part of the program on behalf of that customer. That MWh value will then be used to determine the installed MW of renewable capacity needed in order to produce the targeted MWh of renewable energy for that customer ("RE Service Level"), based on the expected production characteristics of potential renewable projects that may be developed. The Utility will aggregate the RE Service Levels of the non-binding expressions of interest to determine the MW capacity that is needed to meet the demand for renewable energy in the program.

Next, the Utility will engage developers to get initial pricing for potential projects that will meet the initial interest level, retaining some flexibility to size the final project based on final enrollment. Based on the pricing received, the Utility will return to customers who submitted an expression of interest and provide them with a fixed price offer to participate in the program, which will reflect the levelized cost of generation along with a small administrative cost recovery component. Customers that continue to be interested at the price level indicated will confirm their commitments by entering into a Renewable Energy ("RE") Service Agreement, which will include a fixed year commitment to a fixed price renewable service offering. The price reflected in the RE Service Agreement will be referred to as the Resource Price (RP) and will be used to bill the program. The Utility will then work with the developer(s) to establish the final amount of generation to be constructed based on the commitments contained in executed RE Service Agreements. In this somewhat iterative fashion of working with interested customers and developers, the supply and demand will be matched as closely as possible. To the extent that the match is still imperfect, customers' enrollments will be prorated based on their subscribed service level to achieve a match with the available resource. The tariff refers to the total capacity to be developed for a group of customers under the program in MWs as an RE Block. Each customer's share of that block is referred to as their RE Allocation Factor, which will also be used for billing.

Q: What rates will be applicable to subscribing customers' bills for this service?

A: Subscribing customers will still be responsible for all base charges associated with their existing service classification, as well as all applicable riders, such as the Energy Rate Component (ERC) and Environmental Surcharge (ESC). The subscribing customer will receive a separate invoice associated with the Green Energy Rider which may result in a charge or a credit depending on market conditions.

Q: Please explain how the Customer Monthly Green Energy Rider invoice will be determined?

A: Each calendar month, the renewable generation output will be metered and sold into the wholesale markets. The Utility will separately track all of the market based revenues and costs associated with the wholesale energy transactions related to the renewable generation. The total monthly net revenues will be divided by the total monthly output to come up with the monthly SPP price (SPP). This reflects the market value of the generation. The SPP price will be compared to the Resource Price to determine a credit or charge for a MWh of renewable service in that month. This difference will be the net of the fixed purchase price of the renewable energy and the variable sale price that energy receives in the wholesale market, on a per MWh basis. The MWhs attributable to a customer, on which the charge or credit will be based, will be equal to the total resource output for the month multiplied by the customer's RE Allocation Factor – this represents the amount of energy that was produced by the customer's share of the renewable resource. This charge or credit will appear on the first monthly customer bill issued after the settlement process has been completed for the first month of operation of the renewable generation, and will continue monthly thereafter.

Green Rider Charge = (kWh * RP) – (kWh * SPP$) Where:

RP = Resource Price per kilowatt-hour. The RP will include all costs associated with the additional renewable resources. In addition to the cost of the renewable generation, the RP will include all new transmission costs needed to transmit the renewable energy to market, integration costs, and administration costs.

kWh = The monthly kilowatt-hour equivalent produced by the generator for which the Customer has contracted.

SPP$ = The average monthly net of all revenues and costs assessed by the Southwest Power Pool Integrated Market at the Contracted Renewable Facility Settlement locations divided by the total kilowatt-hours to determine average SPP$ per kilowatt-hour. All revenues and charges will be allocated by settlement date and will include but will not be limited to day-ahead, real-time, and distribution charges such as losses, revenue neutrality, and make-whole payments.

Q: Are there any benefits of the program to non-subscribers?

A: Yes. The motivation for the program offering is to meet the customer demand for renewable energy, in particular from large electricity users. If the Utility is unable to satisfy that demand the issue will not go away. Instead, those customers may look for other means to achieve their renewable goals, which may result in some or all of their load being taken off the system as alternative solutions are pursued. Because the large customers in question make a significant contribution to the recovery of the fixed costs in the Utility’s revenue requirement, the potential for unsatisfied customers reducing their utilization of the system could result in higher costs to all remaining customers since the fixed costs incurred to provide service to all customers would not disappear if these customers reduce their system loads.

Q: What are the administrative costs that are intended to be covered by the adder to RE Price?

A: The Utility will incur some costs both to set up the program and to implement the program on an ongoing basis and therefore to avoid any costs from falling on non-subscribers the Utility expects to implement a small charge to cover those fees and services.

Q: What will happen under the terms of the program if a customer terminates service

with the Utility, or otherwise seeks to exit the program?

A: If, prior to the end of the term of a given subscription, a Customer provides written notification of its election to terminate or reduce RE Service for an account covered by an RE Service Agreement:

a. The Customer without penalty may transfer the RE Service to another account that is within the Utility's service territory and is either (i) currently not covered by an RE Service Agreement, or (ii) is covered by an RE Service Agreement for only a part of its eligible usage, in either case only to the extent the consumption at the new account under (i) or the eligible unsubscribed usage at an account that had already been receiving RE Service under (ii) is sufficient to accommodate the transfer; or

b. At Customer's written request, the Utility will attempt to find another interested Customer that meets the Utility's eligibility requirements and is willing to accept transfer of RE Service (or that part which cannot be transferred to another Customer account) for the remainder of the term of the subscription at issue; or

c. If option a) or b) is not applicable as to some or all the RE Service at issue, the Customer will continue to be obligated to pay for, or be eligible to receive, the Customer Monthly RP Adjustment as to that part of the RE Service that was not transferred; or

d. If option a) or b) is not applicable and in lieu of option c), the Customer may terminate all or part of the RE Service for the account at issue upon payment of the Termination Fee, which is as follows: The average of the Customer's Monthly RE Adjustment for the preceding 12 months (or all preceding months, if less than 12) times the number of months remaining in the term; if this value is less than or equal to zero (e.g., a credit to Customer), then the Termination Fee is zero, and in no event shall the Customer receive a net credit from the Utility for terminating RE Service.

e. Failure to meet the requirements of options a), b), c) or d) will result in the forfeiture of all funds dedicated in the letter of credit or other security provision.

Q: **Does this conclude your prepared direct testimony in this matter?**

A: Yes. It does.