

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2015-0154, Tariff Tracking No. JE-2015-0231
KCP&L Greater Missouri Operations Company

FROM: Matthew J. Barnes, Utility Regulatory Auditor IV
David Roos, Regulatory Economist III
Curtis Gateley, Utility Policy Analyst II

DATE: /s/ John Rogers 01/29/2015 /s/ Whitney Payne 01/29/2015
Energy Resource Analysis Unit / Date Staff Counsel's Office / Date

SUBJECT: Staff Recommendation For **Approval** Of Tariff Sheet Filed to Change Rates
Related to KCP&L Greater Missouri Operations Company's Fuel Adjustment
Clause Pursuant to the Commission's Report and Order from Case No ER-2012-
0175.

DATE: January 29, 2015

Staff Recommendation

The Staff recommends the Commission issue an order approving the proposed 9th Revised Sheet No. 127 of the Fuel Adjustment Clause ("FAC") of KCP&L Greater Missouri Operations Company ("GMO") as filed on December 30, 2014, to become effective on March 1, 2015, as requested by GMO.

Discussion

On December 30, 2014, GMO filed one (1) tariff sheet¹ bearing a proposed effective date of March 1, 2015, to revise its current annual Fuel Adjustment Rates ("FARs") (Line Items 16 and 19 on 9th Revised Sheet No. 127) of its FAC. Included in the filing on December 30, 2015, is the testimony of GMO witness Linda J. Nunn and GMO's workpapers. The testimony and workpapers include information supporting GMO's calculation of the current annual Fuel and Purchased Power Adjustment ("FPA") amount of \$16,350,183 for its MPS rate district ("MPS") and \$3,197,711 for its L&P rate district ("L&P") for Accumulation Period 15 (June 1, 2014 through November 30, 2014) reflecting the sum of:

1. 95% of the difference between the jurisdictional Actual Net Energy Costs (fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenue less renewable energy credit revenue) and the jurisdictional Net Base Energy Cost for Accumulation Period 15 reflected on line 7 of 9th Revised Sheet No. 127 of \$16,194,790 for MPS and \$3,233,011 for L&P;
2. The true up of the under/over recovery for prior period amounts as a result of the FARs for Recovery Period 12 (September 1, 2013 through August 31, 2014) filed by GMO on

¹ Tracking No. JE-2015-0231

December 30, 2014, in File No. ER-2015-0153 which is reflected on line 8 of 9th Revised Sheet No. 127 of an over-recovery of \$36,639 for MPS and an over-recovery of \$89,760 for L&P, as well as;

3. The interest, also reflected on line 9 of 9th Revised Sheet No. 127, of \$192,032 for MPS and \$54,460 for L&P.

The MPS FAR of \$0.00254 per kWh (line 13 of 9th Revised Sheet No. 127) is equal to the MPS FPA amount of \$16,350,183 (line 11 of 9th Revised Sheet No. 127) divided by the forecasted retail net system input (“NSI”) of 6,442,487,597 kWh (line 12 of 9th Revised Sheet No. 127).

Similarly, the L&P FAR of \$0.00141 per kWh (line 13 of 9th Revised Sheet No. 127) is equal to the L&P FPA amount of \$3,197,711 (line 11 of 9th Revised Sheet No. 127) divided by the forecasted NSI of 2,262,514,486 kWh (line 12 of 9th Revised Sheet No. 127).

Because of differences in line losses for MPS and L&P of both primary and secondary voltage service levels², the amounts reflect different current period FARs for service taken at primary and secondary voltages in MPS and in L&P.

The current annual FARs are the sum of the current period FARs and the previous period FARs for MPS and L&P, as reflected on lines 16 and 19 of 9th Revised Sheet No. 127, respectively, for primary voltage service and secondary voltage service, respectively.

The Accumulation Periods, Recovery Periods, and other specifications of GMO’s FAC Accumulation Period 15 (June 1, 2014 through November 30, 2014) are set out in its tariff sheets designated 2nd Revised Sheet Nos. 124 through 126 and Original Sheet Nos. 126.1 and 126.2.

Listed below are GMO’s proposed current annual FARs and the now-effective current annual FARs together with the changes between them for primary and secondary voltage service in both the MPS and L&P rate districts.

² The voltage adjustment factors (VAFs) for MPS and L&P for both primary and secondary voltage service levels are included at the bottom of 9th Revised Sheet No. 127.

| Current Fuel Adjustment Rate per kWh - MPS | | | |
|--|-----------------------------|----------------------------------|--------------------|
| Service | Proposed Current Annual FAR | Now-Effective Current Annual FAR | Difference |
| Primary | \$0.00597 | \$0.00385 | \$0.00212 Increase |
| Secondary | \$0.00614 | \$0.00397 | \$0.00217 Increase |
| | | | |
| Current Fuel Adjustment Rate per kWh – L&P | | | |
| Service | Proposed Current Annual FAR | Now-Effective Current Annual FAR | Difference |
| Primary | \$0.00437 | \$0.00332 | \$0.00105 Increase |
| Secondary | \$0.00448 | \$0.00340 | \$0.00108 Increase |

The proposed changes to the FARs will result in an increase to a typical MPS residential customer’s bill of approximately \$1.88 per month and an increase to a typical L&P residential customer’s bill of approximately \$0.94 per month, based on an average use of 867 kWh per month. The increase in FARs for both districts is caused mostly as a result in fuel costs and a decrease in off-system sales.

Staff reviewed the 9th Revised Sheet No. 127, the direct testimony of Linda J. Nunn and the workpapers in this filing, as well as GMO’s monthly information reports filed in compliance with 4 CSR 240-3.161(5) for Accumulation Period 15, and verified that the actual fuel and purchased power costs less off-system sales revenues match the fuel and purchased power costs less off-system sales revenues in GMO’s proposed 9th Revised Tariff Sheet No. 127 and the supporting workpapers of Linda J. Nunn’s direct testimony. Staff also reviewed GMO’s monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under/over recovery of base fuel and purchased power costs for Accumulation Period 15 and verified that the monthly interest rates and calculations of monthly interest amounts are correct.

The information filed with the revised tariff sheet and workpapers includes sufficient data to calculate GMO’s FARs based on the actual fuel, purchased power and emission allowance costs net of off-system sales revenue plus renewable energy credit revenue and base fuel, purchased power and emission allowance costs net of off-system sales revenue and renewable energy credit revenue GMO provided for Accumulation Period 15.

Landfill Gas Facility

On December 21, 2012, GMO filed in File No. ER-2012-0175 an *Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility and Motion for*

Expedited Treatment. The St. Joseph Landfill Gas Facility was built to comply with the Renewable Energy Standard (“RES”). Rule 4 CSR 240-20.100(6)(A)16 provides that RES compliance costs may only be recovered through a Renewable Energy Standard Rate Adjustment Mechanism (“RESRAM”) or as part of a general rate proceeding, but not through a fuel adjustment clause. The St. Joseph Landfill Gas Facility was deemed in-service March 30, 2012, and fuel costs for it began to flow through GMO’s fuel adjustment clause. Landfill gas costs for Accumulation Period 14 (June 1, 2014 through November 30, 2014) were ** _____ **.

On December 28, 2012, Staff filed *Staff’s Response to KCP&L Greater Missouri Operations Company’s Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility*. In its response, Staff expressed that while it did not oppose GMO’s application for waiver, its non-opposition is because of GMO’s commitment to work with the parties to resolve these issues before GMO files its next general electric rate case.

On January 3, 2013, the Commission issued an *Order Granting Waiver* with an effective date of January 4, 2013 granting GMO relief from Commission Rule 4 CSR 240-20.100(6)(A)16 for purposes of Case Nos. ER-2012-0175 and ER-2013-0341, i.e. The Commission’s order allows GMO to flow its St. Joseph landfill gas facility RES compliance costs through its FAC rather than through a RESRAM or as part of a general rate proceeding.

Based on the Commission’s approval of GMO’s request for a waiver from Commission Rule 4 CSR 240-20.100(6)(A)16, Staff will continue to work with the Company to reach a resolution concerning the treatment of the costs of landfill gas purchased for the Company’s St. Joseph Landfill Gas Facility.

Staff Recommendation

The Staff is of the opinion that GMO timely filed 9th Revised Tariff Sheet No. 127 and that it complies with the Commission’s *Report and Order* in Case No. ER-2012-0175, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and GMO’s FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(4) provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility’s filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

GMO requested that 9th Revised Tariff Sheet No. 127, filed December 30, 2014, become effective on March 1, 2015. The Company filed the tariff sheet with 60 days’ notice. Staff, therefore, recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on December 30, 2014, to become effective on March 1, 2015, as requested by GMO:

P.S.C. Mo. No. 1
9th Revised Sheet No. 127 Canceling 8th Revised Sheet No. 127

Staff has verified that GMO is not delinquent on any assessment and has filed its 2013 Annual Report. GMO is current on its submission of its Surveillance Monitoring reports as required by 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Other than the true-up amounts that are the subject of Case No. ER-2015-0153, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

