

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

In the Matter of the Application of)	
KCP&L Greater Missouri Operations)	<u>File No. ER-2016-0156</u>
Company for Authority to Implement a)	Tariff No. YE-2016-0223
General Rate Increase for Electric)	
Service)	

STAFF'S POSITIONS ON LISTED ISSUES

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and states its positions on the listed issues as follows:

I. Cost of Capital

- A. Return on Common Equity – what return on common equity should be used for determining rate of return?
- B. Capital structure – what capital structure should be used for determining rate of return?
- C. Cost of debt – what cost of debt should be used for determining rate of return?

Staff Position: A. The Commission should allow GMO an ROE of 9.0%, which is the midpoint of Staff's recommended allowed ROE range of 8.65% to 9.35%.
B. The Commission should use Great Plain's consolidated capital structure as of July 31, 2016, after excluding preferred stock that was redeemed on August 10, 2016. This capital structure consists of 49.64% common equity and 50.36% long-term debt.
C. The Commission should adopt Great Plain's consolidated cost of debt, which was 5.42% as of July 31, 2016.

II. Crossroads

- A. Should the increased transmission costs GMO incurs to transmit energy from its Crossroads Energy Center at Clarksdale, Mississippi to its service area in Missouri due to Entergy's entry in MISO be included in GMO's revenue requirement?¹
- B. Should Crossroads be excluded from GMO's rate base?

Staff Position: A. No. While GMO attempts to spin including the transmission costs it incurs from transmitting energy from Crossroads to Missouri as being new, the Commission has already decided twice, in Case Nos. ER-2010-0356 and

¹ If the Commission includes the additional transmission costs due to Entergy's entry into MISO in GMO's revenue requirement, at what value should the Commission include Crossroads in GMO's rate base?

ER-2012-0175 that while including the Crossroads Energy Center in GMO's operations is prudent, the added cost of transmitting energy to Missouri is not. GMO unsuccessfully challenged the first of these Commission Crossroads transmission costs prudence disallowances through the Missouri courts, ultimately losing in the Missouri Supreme Court, then sought, but was denied, U.S. Supreme Court review. That Entergy entered MISO when before it was an Independent Coordinator of Transmission is not material to the Commission's prior decisions that the cost of transmitting energy from Crossroads to Missouri is imprudent and, therefore, form no basis for the Commission to revisit them.

Further, Staff does not see how the Commission would avoid running afoul of the federal law requirement that when state commissions set retail rates they must allow costs a utility incurs due to FERC-determined wholesale prices if it were to allow GMO a portion, but not all of its Crossroads transmission costs. See *In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service v. Missouri Public Service Commission*, Nos. WD79125, WD79143 & WD79189, Slip. Op. at 23-24 (W.D. Mo. App. Sept. 6, 2016).

Moreover, if the Commission revisits Crossroads transmission costs and grants GMO any relief for them, then, because the value of a generating facility and its location are inextricably linked, it should revisit its rate base valuation of Crossroads and reduce that value. If the Commission revisits the value of Crossroads Staff recommends it use the value for Crossroads disclosed in the Joint Proxy Statement filed with the Securities Exchange Commission in May 2007 and August 2007 that identified the value as \$51.6 million.

B. No. Consistent with its position that the Commission should not revisit its decision that Crossroads transmission costs are imprudent, Staff recommends that the Commission also not revisit its decisions to include the Crossroads Energy Center in GMO's operations.

III. Fuel Adjustment Clause

- A. Has GMO met the criteria for the Commission to authorize it to continue to have a fuel adjustment clause?
- B. Should the Commission authorize GMO to continue to have a fuel adjustment clause?
- C. What costs should flow through GMO's fuel adjustment clause?
- D. What revenues should flow through GMO's fuel adjustment clause?
- E. How should the Commission address in GMO's fuel adjustment clause moving from district specific rates to GMO-wide rates?
- F. What is the appropriate sharing mechanism of the difference between actual and base fuel costs in GMO's FAC?
- G. What FAC-related reporting requirements should the Commission impose?

- Staff Position:** A. Yes, GMO has met the criteria to continue to have a fuel adjustment clause with modifications.
- B. Yes, the Commission should authorize GMO to continue to have a fuel adjustment clause with modifications.
- C. GMO should be allowed to continue to recover the same categories of prudently incurred fuel and purchased power costs plus net emission allowances through its fuel adjustment clause.
- D. GMO should be allowed to continue to recover the same categories of prudently incurred off-system sales revenues and renewable energy credit revenues through its fuel adjustment clause.
- E. The Commission should address in GMO's fuel adjustment clause moving from rate district specific rates to GMO wide rates by calculating GMO's total fuel and purchased power costs plus net emission allowances minus GMO's total off-system sales and renewable energy credits as Staff recommended in its direct-filed Rate Design Report.
- F. The appropriate sharing mechanism for GMO's fuel adjustment clause is 95% / 5%.
- G. The Commission should impose fuel adjustment clause related reporting requirements that Staff recommends in its Revenue Requirement Cost of Service Report.

IV. Transmission Fees Expense and Transmission Revenues

- A. What level of transmission fees expense should the Commission recognize in GMO's revenue requirement?
- B. Should the Commission authorize GMO prospectively to compare its actual transmission expenses that it does not recover through its fuel adjustment clause with the level of transmission expense used for setting permanent rates in this case, and to accrue and defer the difference for potential return to customers in future rate cases, i.e., to employ an asymmetrical tracker?
- C. What level of transmission revenues should the Commission recognize in GMO's revenue requirement?
- D. Should the Commission authorize GMO prospectively to compare its actual transmission revenues that do not flow through its fuel adjustment clause with the level of transmission revenue used for setting permanent rates in this case, and to accrue and defer the difference for potential return to customers in future rate cases, i.e., to employ an asymmetrical tracker?
- E. What level of RTO administrative fees should the Commission recognize in GMO's revenue requirement?
- F. Should the Commission authorize GMO prospectively to compare its actual RTO administrative fees with the level of RTO administrative fees used for setting permanent rates in this case, and to accrue and defer the difference for potential return to customers in future rate cases, i.e., to employ an asymmetrical tracker?

Staff Position: Staff proposes an annualized level of transmission expense and transmission revenue based on the five month period March 2016 through July 2016. Staff will annualize the RTO administrative fees in the true up phase of this case. Forecasted costs are not known and measurable and Trackers should be used only in rare circumstances when it is difficult to identify an appropriate level of revenue or costs to include in rates. The use of a tracker does not account for any changes in investment, expense, or revenue that could offset the expense being tracked. Transmission expense is a normal recurring operating expense incurred by GMO that can be annualized using ratemaking principles. Therefore, Staff is opposed to GMO's recommendation for a tracker based on forecasted levels of transmission expense and revenue.

V. Line Loss Study— Which data set containing the results of a loss analysis of the individual rate districts should be used in calculating GMO company-wide energy loss factors that are then utilized in the determination of GMO's hourly loads, fuel costs, revenue requirement, and rate design?

Staff Position: The losses reported in the loss study R145-09 – Revision 1 dated October 8, 2009.

VI. Lake Road Plant electric/steam allocation factors—What factors should the Commission use to allocate GMO's total rate base, expenses and revenues of its Lake Road Plant to its electric customers to account for GMO contemporaneously using the Lake Road Plant to serve its steam customers?

Staff Position: In the surrebuttal testimony of Charles T. Poston, Staff recommends a set of electric/steam allocation factors that are based on the factors from GMO's Case No. ER-2012-0175 rate case. Staff's proposed factors are updated to reflect current plant balances and the anticipated elimination of the MPS and L&P rate districts. Staff does not support GMO's proposed changes to the methods used to calculate the 900 lb. steam demand factor and total coal burned factor.

VII. RESRAM Prudence Review (Solar rebates)—Should the Commission authorize GMO to recover through its RESRAM (renewable energy standard rate adjustment mechanism) charges the \$2.6 million in solar rebates it paid to qualifying customers that GMO incurred subsequent to August 31, 2012, and paid in excess of the Commission-approved \$50 million aggregate level it agreed to in Case No. ET-2014-0059?

Staff Position: No. Staff recommends that the solar rebate payments to be included in recovery through the RESRAM be limited to the \$50 million specified level which was set out in the Commission approved agreement in Case No. ET-2014-0059.

VIII. MEEIA Cycle 1 (2013-2015)—Should billing determinants—customer usage data required to develop the rates that appear on the rate schedules—be adjusted in this rate case, and outside of the MEEIA Cycle 1 Stipulation, for MEEIA measures installed during the period August 1, 2014 – March 31, 2016? If so, how?

Alternatively, should GMO's annualized and normalized sales and sales revenues and net system input reflect decreased energy and demand due to MEEIA programs in Cycle 1 from the test period up to and including the true-up?

Staff Position: No. Only MEEIA Cycle 2 demand-side programs can be used when annualizing kWh sales in accordance with GMO's MEEIA Cycle 2 Stipulation and MEEIA Cycle 2 DSIM Rider. GMO's MEEIA Cycle 1 Throughput Disincentive Net Shared Benefit ("TD-NSB") does not and should not allow annualization of kWh sales due to MEEIA Cycle 1 demand-side programs. GMO's proposed MEEIA Cycle 1 adjustments are not reasonable and should not be reflected in billing determinants. GMO relies on a methodology specified to operate in conjunction with the MEEIA Cycle 2 mechanism in the MEEIA Cycle 2 Stipulation to justify providing shareholders with additional revenues already provided through the MEEIA Cycle 1 recovery mechanism, resulting in double recovery of those revenues. Further, GMO's adjustment is based on values stipulated in the context of the MEEIA Cycle 2 stipulation and MEEIA Cycle 2 mechanism that are not applicable to measures installed pursuant to the MEEIA Cycle 1 Stipulation and already compensated through the MEEIA Cycle 1 mechanism.

IX. Depreciation Rates—What depreciation rates should the Commission order GMO to use?

Staff Position: Staff recommends the adoption of company-wide depreciation rates calculated by combining the current Commission ordered rates for the L&P and MPS districts. Staff further recommends new accrual rates for the Greenwood Solar Facility and AMI meters.

X. Depreciation Study Costs—What level of depreciation study costs should the Commission recognize in GMO's revenue requirement?

Staff Position: Staff recommends normalizing depreciation study expense over five years using the most recent study as a cost basis.

XI. Amortization Periods Ending Before the End of the True-up Period

- A. Should the Commission include in GMO's revenue requirement amounts designed to return to retail customers the amounts related to amortizations that GMO collected from those customers through its rates for GMO's 2010 and 2012 rate case expense, FAS 87 prepaid pension asset, St. Joseph Light & Power transition costs, Renewable Energy Standard costs and Iatan 2 operations & maintenance costs from the time the amortization periods amortizations ended until new rates in this case? If so, how?

- B. Should the Commission include in GMO's revenue requirement amounts designed to return to retail customers the amounts related to amortizations that GMO collected from those customers through its rates for L&P prepaid pension asset, and should those amounts be included in GMO's pension tracking mechanism?

Staff Position: Staff proposes the four-year amortization of the over-recovery in rates of the 2010 and 2012 Rate Case expense and the SJLP Rate Phase-In Transition costs. Staff proposes that any amounts GMO collected from its customers related to amortizations ending for the Economic Relief Pilot Program (Vintage 1 and 2), Renewable Energy costs, and later 2 O&M, and Pensions be applied to related amortizations.

XII. Hedging and Cross-Hedging

- A. Should GMO cease hedging its natural gas purchases?
- B. Should GMO cease cross-hedging purchased power with natural gas futures?
- C. How should GMO account for its hedging costs?

Staff Position: GMO should suspend all hedging activities associated with its natural gas for purchased power (cross-hedging) as well as natural gas hedging used in the production of energy from its generation fleet. Staff recommends language is retained in GMO's Fuel Adjustment Clause (FAC) which would allow GMO to resume its hedging activities for natural gas used for its generation fleet (not cross hedging). Retaining language in the FAC would allow for recovery of gains and losses associated with GMO's hedging activities between rate cases.

XIII. Advanced Meter Infrastructure Meters—

- A. Should the Commission order GMO to allow customers the option of not having an Advanced Meter Infrastructure meter at the customer's residence?
- B. If so, what is the appropriate opt-out charge?

Staff Position: GMO customers should have the option of opting out of having an AMI meter installed at their residences, with the following opt-out charges: One-time setup charge: \$75.00, Recurring monthly meter read charge: \$10.00.

XIV. Greenwood Solar Energy Center— Should the Commission allocate any of the capital costs, operating and maintenance costs, revenues, energy, SRECs, etc., attributable to the Greenwood Solar Energy Center between GMO and KCP&L? If so, how should it be allocated?

Staff Position: The Greenwood Solar project was constructed to allow KCPL employees to gain experience designing, constructing, maintaining and operating a utility scale solar facility. The percentage of GMO customers that will actually benefit

from the energy is approximately 0.1%. However, both KCPL (Missouri and Kansas operations) and GMO will benefit from the knowledge acquired from building and operating a utility-scale solar facility. Staff recommends the Commission allocate the facility costs and revenues between KCPL and GMO based on energy. As an alternative, Staff recommends the Commission allocate the facility costs and revenues based on KCPL and GMO customers.

XV. Bad Debt Expense – What level of bad debt expense should the Commission recognize in GMO’s revenue requirement?

Staff Position: Staff recommends the Commission recognize an annualized level of bad debt expense based on the retail revenues for the twelve months ending June 30, 2015, and actual twelve-month history of bad debts that were never collected for the twelve months ending December 31, 2015. Staff does not believe there is any direct relationship between bad debts or and increasing or decreasing revenues and, as such, is opposed to a bad debt factor-up or gross-up. GMO treats the bad debt gross-up like a the income tax gross-up, as any increase in revenues causes an increase in bad debts. Staff’s analysis shows that relationship does not hold. Therefore, Staff is opposed to any bad debt gross-up.

XVI. Prepayments

- A. What level of prepayments should the Commission recognize when determining GMO’s revenue requirement?
- B. Where should GMO record its PSC assessments?

Staff Position: Because they are paid quarterly PSC assessments are prepayments.

XVII. Late Payment Revenues—What level of late payment revenues should the Commission recognize when determining GMO’s revenue requirement?

Staff Position: Staff recommends the Commission recognize an annualized level of late payment fees based on the retail revenues for the twelve months ending December 31, 2015 and the actual late payment fees for the twelve months ending December 31, 2015. Staff does not believe there is any direct relationship between late payment revenue or increasing or decreasing revenues and, as such, is opposed to a late payment revenue factor-up or gross-up. GMO treats the late payment revenue factor-up like a the income tax gross-up, as any increase in revenues causes an increase in late payment revenue. Staff’s analysis shows that relationship does not hold. Therefore, Staff is opposed to any late payment revenue gross-up.

However, should the Commission find that bad debts should be factored up based upon the revenue requirement increase, Staff recommends that late payment revenue should be factored-up.

XVIII. Transource Missouri FERC Incentives—Has GMO proposed to include CWIP FERC incentives in its cost of service for the Iatan-Nashua and Sibley-Nebraska City transmission projects that it agreed to forego in File No. EA-2016-0098?

Alternatively, what level of adjustment should be made, per File No. EA-2013-0098, to the transmission expenses that are allocated to GMO by SPP for the Transource Missouri Sibley-Nebraska City and Iatan-Nashua transmission projects?

Staff Position: Staff made an adjustment related to transmission respecting resolution of the Transource Missouri cases EA-2013-0098 and EO-2012-0367 which involved the Iatan-Nashua and Sibley-Nebraska City 345 kV lines now transferred to Transource Missouri from KCPL and GMO. For ratemaking purposes GMO in its direct filing used a GMO and KCPL Missouri Commission weighted average cost of capital which did not include a short term debt component to calculate the allowance for funds used during construction (AFUDC). The Staff used GMO and KCPL's actual AFUDC rate (weighted average cost of capital with a short-term debt component) over time.

XIX. Payroll Expense—What level of payroll expense should the Commission recognize in GMO's revenue requirement?

Staff Position: The payroll costs of employees attributable to MEEIA should be based on the actual historical payroll, payroll taxes and payroll benefits assigned to the MEEIA recovery mechanism.

XX. Dues and Donations—What level of dues and donations expense should the Commission recognize when determining GMO's revenue requirement?

Staff Position: Staff recommends that the Commission not recognize (1) GMO's Edison Electric Institute (EEI) dues because GMO's membership in EEI does not benefit its ratepayers, (2) some GMO chamber of commerce contributions that are duplicative, and (3) donations GMO made because they are charitable in nature, and do not benefit GMO's ratepayers. These recommendations are consistent with how the Commission treated these same or similar dues and donations in its Report and Order in Case No. EO-85-185.

XXI. Short-term Incentive Compensation—What level of short-term incentive compensation should the Commission recognize in GMO's revenue requirement?

Staff Position: Staff is opposed to GMO's proposal for rate recovery of short-term incentive compensation on the 2016 Annual Incentive (Executive) and ValueLink (non-executive, non-union) which in part are based on the assumption that employees will achieve 100% of metrics as of the July 31, 2016 true-up date, project the expense into 2017, which is not known or measurable, and utilizes in part a "non-utility investment" criterion. Staff recommends calculating a normalized incentive compensation expense based on historical incentive compensation payouts, excluding payouts for metrics that do not directly benefit ratepayers.

XXII. Supplemental Employee Retirement Plan (SERP)

- A. What level of SERP expense should the Commission recognize in GMO's revenue requirement?
- B. Should SERP expense be capitalized?
- C. Should KCPL employee SERP expense be allocated to GMO?

Staff Position: A.

B. Yes, SERP expense should be capitalized. Normal pension expense is capitalized based on Staff's payroll capitalization ratio. These capitalized amounts are properly included in plant in service as they are a cost of construction. For consistency, both SERP and pension expenses should be capitalized using Staff's payroll capitalization ratio.

C. Yes, KCPL SERP expense should be allocated to GMO. Normal pension expense is allocated between KCPL and GMO. For consistency, both SERP and pension expenses should be allocated using Staff's payroll allocators.

XXIII. Rate Case Expense

- A. Should the Commission require GMO's shareholders to bear part of GMO's rate case expense?
- B. What level of rate case expense should the Commission recognize in GMO's revenue requirement?

Staff Position: A. Yes. Every party other than GMO to this rate case is required to bear its rate case expense. Both GMO's ratepayers and its shareholders benefit from GMO's participation in its rate case. As such, rate case expense should be shared between GMO's shareholders and ratepayers based upon a ratio of the amount of increase approved by the commission to the amount of increase requested by GMO.

B. Staff recommends that GMO's actual rate case expense be allocated between shareholders and ratepayers based upon a ratio of the amount of increase approved by the Commission to the amount of increase requested by GMO. With the anticipation that GMO will not file another rate case for three years and one month after the conclusion of the current case, the rate case expense allocated to ratepayers should be divided by four and included in the revenue requirement.

XXIV. Class cost of service, rate design, tariff rules and regulations

- A. Should the Commission eliminate the MPS and L&P rate districts, and order GMO-wide rates?

Staff Position: Yes. No evidence has been presented to preserve the distinction in rates charged to similarly-situated customers in the historic rate districts.

- B. Rate design
 - a) What is an appropriate residential rate design?

Staff Position: Staff recommends the rate design provided below, with any increase to be applied first to the customer charge, up to a level of \$11.92, and any increase in excess of \$11.92 to be applied as an equal percentage increase to the remaining volumetric charges provided below.

	General Use	Space Heating
Customer Charge:	\$10.71	\$10.71
Summer First 600/650 kWh	\$0.10871	\$0.10871
Summer Next 400 kWh:	\$0.10871	\$0.10871
Summer over 1000 kWh	\$0.10871	\$0.10871
Winter First 600/650 kWh	\$0.10871	\$0.10871
Winter Next 400 kWh:	\$0.07724	\$0.08932
Winter over 1000 kWh	\$0.07724	\$0.05903

b) What is an appropriate residential customer charge under the appropriate rate design?

Staff Position: If the Commission orders an overall increase in rates greater than 0.5%, Staff recommends that its direct-recommended Residential rate design be modified to apply that increase to the customer charge up to a level of \$11.92, as warranted by the revenue requirement.

c) What customer impact mitigation measures, if any, should be used for the LPS, LGS, and SGS classes?

Staff Position: For most C&I customers, such as those taking service on the Large Power Service (“LPS”), Large General Service (“LGS”), and Small General Service – Demand (“SGS-D”) rate schedules, GMO has modified the impact of annual and summer customer NCP demands in calculating a customer’s bill. For current C&I customers served on L&P schedules, in a given non-summer month, at an individual customer level, that customer’s summer NCPs will set the facilities charge to be paid, and can act as limit on that customer’s demand charges in that non-summer month. A customer may be able to lower the energy and demand charges billed each month, but the facilities charge is based on the higher of the current month’s NCP, or the highest NCP in the last 11 months. For current C&I customers served on MPS schedules, in a given non-summer month, at an individual customer level, that customer’s summer NCP’s can limit what that customer pays in that non-summer month, but cannot force that customer to pay a higher bill if the customer had very low demand and usage in that month. Under current MPS rates, a customer’s billing determinants each month are established by that customer’s usage and demand in that month, unless the determinant or the rate is reduced in proportion of that month’s determinants to the summer determinants.

Because GMO’s requested rate design places increased emphasis on annual and summer customer NCP, Staff recommends GMO revise certain definitions in its redesigned tariff so that they read as follows:

Annual Base Demand: The Annual Base Demand is 100% of the maximum measured demand established during the preceding four (4) summer billing months. Company will determine the Annual Base Demand each year prior to the October billing month to be used for the following twelve (12) billing months. Company will estimate the Annual Base Demand for customers who have insufficient billing history. For billing months prior to June 2017, the Annual Base Demand will be the lesser of (1) 85% of the customer's 4 maximum demand during the billing months of June – September 2016, (2) 100% of the customer's billing demand in May of 2016, or (3) 100% of the customer's billing demand in October of 2016.

Facilities Demand: Facilities Demand shall be equal to the higher of: (a) the highest Monthly Maximum Demand occurring in the last twelve (12) months including the current 12 months or (b) the Minimum Demand. If there are less than eleven (11) previous billing periods, the determination will be made using all available previous billing periods. The Facilities Demand is defined as the Maximum Actual Demand as determined from the comparison but in no case less than five hundred (500) for Facilities Demand Charge billing purposes. For billing months prior to June 2017, the Facilities Demand shall be the highest Monthly Maximum Demand occurring since the effective date of this tariff sheet.

Finally, Staff is supportive of the payment arrangement approach described in the Surrebuttal of Brad Lutz at page 16, "where the customer is required to pay the new amount but is allowed to spread that payment over time would provide a suitable transition."

- d) What billing determinants should be used for determining the rates to collect GMO's cost of service?

Staff Position: Staff's billing determinants should be used. Staff's billing determinants for consolidated rates were provided to the parties as workpapers to Staff's Rate Design Report. As part of true-up, Staff will update these determinants for net customer growth and the MEEIA Cycle 2 rebasing adjustment.

- e) What adjustment should be made to account for any changes in retail revenue attributable to customers being placed on their most advantageous rate as a result of the rate design approved in this case?

Staff Position: \$8,369,850, subject to true-up only for changes in the number of customers.

- f) When should GMO revise its load research to account for the elimination of the MPS and L&P rate districts?

Staff Position: As soon as possible, and no later than December 31, 2016.

- g) Should the Commission order GMO to file a rate design case once a year of hourly data is available under the new classes and implemented rates?

Staff Position: Yes.

- h) Should the Commission order GMO to file a Class Cost of Service Study with supporting data in its next rate case?

Staff Position: Yes.

- i) Should the Commission allow GMO to freeze its time differentiated rates, including Time of Use (“TOU”)?

Staff Position: Yes.

- j) Should the Commission order GMO to file a proposal to make TOU rates available to all customers including a study of applicable TOU determinants?

Staff Position: Yes.

- k) Should the Commission order GMO specifically to study time of use rates and summer/shoulder/winter rates, and to include its proposals for such rates in its next rate filing?

Staff Position: Yes.

- l) Should the Commission order a working group be formed to evaluate the impacts, for residential and small general service class, of transitioning to inclining block rates on lower income and electric space heating and cooling users and to consider the merits of more extensive block rate modifications?

Staff Position: Staff is not opposed to such a working group, but recommends that the scope be expanded to consider a study of the cost basis for any such rate design that would be contemplated.

C. Tariff rules and regulations

- 1) Special Contracts—Should GMO’s tariff include a “special contract rate” schedule?

Staff Position: No. In October of 2013, Staff and other parties participated in extensive negotiations with GMO to modify GMO’s Economic Development Rider (“EDR”), currently tariffed on 9 P.S.C. MO. No. 1 1st Revised Sheet No. 120 et seq. to significantly increase GMO’s flexibility in making that rider available to customers, and to impose customer safeguards appropriate for that increased flexibility. GMO’s special contract tariff lacks these safeguards, and is largely superseded by the EDR. Staff recommends the special contract rate schedules be removed from GMO’s tariff.

- 2) Service extensions—Should GMO be allowed to modify its line extension tariff provisions?

Staff Position: No. GMO's existing tariff strikes a reasonable balance of aligning cost-causation without restricting new growth. Additionally, GMO's tariff provisions concerning service extensions should not be modified to remove consideration of the cost of the energy a customer will consume from the calculation of what customer advances, if any, a new or expanding customer will contribute towards new infrastructure. GMO's existing facilities extension tariff provisions better consider the incremental costs a customer causes to a system in determining how much, if any, customer advance is required than would occur under its revised tariff.

- 3) Miscellaneous tariff changes- Should the Commission allow the miscellaneous proposed tariff changes not specifically **addressed elsewhere in this list?**

Staff Position: Yes.

D. Customer Disclaimer

- 1) Should the Commission order GMO to deploy a disclaimer indicating "rebates are subject to change" for net metering/solar rebate and MEEIA programs?

Staff Position: Staff does not oppose the disclaimer language.

XXV. Income-Eligible Weatherization Program

- A. At what level should low-income weatherization program be funded when the program transitions out of GMO's Cycle 2 MEEIA back to a ratepayer funded program?

Staff Position: Staff supports GMO's Income-Eligible Weatherization program, and recommends that the Commission approve program funding of \$300,000 in base rates. Staff also recommends that GMO fully contract all available weatherization funds out to the Community Action Agencies servicing the GMO territory

XXVI. Economic Relief Pilot Program - should the funding levels of the program be modified?

- A. At what level should Economic Relief Pilot Program be funded?
- B. Should the Commission order a third party to evaluate the program?

Staff Position:

- A. Staff recommends that the Commission approve increasing the annual funding level of this program by shareholders and ratepayers equally from \$315,000 to \$394,000, each.
- B. Staff recommends that the Commission order a second third-party evaluation of this program.

XXVII. Expense Trackers in rate base - Should GMO's expense trackers in rate base be excluded from rate base? Should there be a general policy concerning the inclusion of expense trackers in rate base?

Staff Position: The tracker balances associated with deferred pension, OPEBs, Iatan 1/Common, Iatan 2 costs and demand-side management costs should be included in GMO's rate base. There should not be a general policy regarding inclusion of expense trackers in rate base; such issues should be considered on a case-by-case basis.

XXXVIII. Employee Meal Expense Policy—Should there be an adjustment associated with GMO's expense accounts?

Staff Position: Staff has no position on this issue.

XXVIII. Income Taxes—What level of GMO's income tax expense should the Commission recognize in GMO's revenue requirement?

Staff Position: Staff recommends current income taxes be included in revenue requirement and calculated consistent with Staff's methodology in Case Nos. ER-2012-0174, ER-2012-0175, and ER-2014-0370.

XXIX. Transmission Revenue ROE adjustment/Transource adjustment- Should transmission revenues be adjusted to reflect differences between MoPSC and FERC authorized ROEs?

Staff Position: No.

WHEREFORE, Staff files with the Commission its positions on the listed issues.

Respectfully submitted,

/s/ Nathan Williams

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 9th day of September, 2016.

/s/ Nathan Williams