

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 27<sup>th</sup> day of August, 2014.

In the Matter of KCP&L Greater Missouri Operations Company's FAC Tariff Revision	)	
	)	<b><u>File No. ER-2014-0373</u></b>
	)	Tariff No. JE-2014-0566
	)	

**ORDER APPROVING TARIFF TO CHANGE FUEL ADJUSTMENT CLAUSE RATES**

Issue Date: August 27, 2014

Effective Date: September 1, 2014

On June 30, 2014, KCP&L Greater Missouri Operations Company ("GMO") filed a tariff to adjust the company's Fuel Adjustment Rates ("FAR") pursuant to its Fuel Adjustment Clause ("FAC"). In accordance with GMO's FAC, the proposed rate schedules are designed to recover from customers 95 percent of the company's net cost increases. The requested adjustments would increase a typical "MPS" residential customer's bill by approximately \$2.44 per month and increase a typical "L&P" residential customer's bill by approximately \$1.20 per month.<sup>1</sup>

The Commission's Staff filed a recommendation regarding GMO's tariff on July 25, 2014. Staff verified that GMO's actual fuel and purchased power costs match the fuel and purchased power costs included in the company's calculated rates set in the submitted tariffs. Staff also reviewed GMO's monthly interest rates that are applied to the under/over recovery of base fuel and purchased power costs for Accumulation Period 14, and verified

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<sup>1</sup> GMO has two rate jurisdictions ("L&P" and "MPS"). Direct Testimony of Linda Gunn; Pg. 2, Ln. 15-16.

that the monthly interest rates and calculations of interest amounts are correct.<sup>2</sup> Staff advises the Commission to approve the tariff submitted by GMO to become effective on its September 1, 2014 effective date.

On August 4, 2014, the Office of the Public Counsel (“OPC”) filed a reply to Staff’s recommendation. OPC requests the Commission disallow recovery through the FAC of landfill gas purchased from the landfill owner of the St. Joseph Landfill Gas Facility. OPC contends the appropriate mechanism for recovering such landfill costs is through a Renewable Energy Standard Rate Adjustment Mechanism (“RESRAM”) or in GMO’s next rate case.<sup>3</sup> OPC does not seek disallowance of any other FAC costs.

Staff agrees that all of the costs for the St. Joseph landfill gas are Renewable Energy Standard (“RES”) costs. Commission Rule 4 CSR 240-20.100(6)(A)16 states that all RES compliance costs shall only be recovered through a RESRAM or as part of a general rate case and not be considered through an FAC.

As Staff and GMO point out, during GMO’s last general rate case (File No. ER-2012-0175) the parties assumed the landfill gas costs would be recovered through an FAC. Due to difficulties recalculating the FAC at such a late date and the very small impact the costs would have on net fuel costs, GMO requested the Commission waive Commission Rule 4 CSR 240-20.100(6)(A)16.<sup>4</sup> As part of its application for a waiver, GMO represented to the Commission that all parties to its general rate case were notified, including OPC, and none objected to the application. On January 3, 2013, the Commission issued an order

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<sup>2</sup> The amounts included in GMO’s fuel and purchased power adjustment include the true-up amounts for Recovery Period 11 (March 1, 2013 through February 28, 2014) currently before the Commission in File No. ER-2014-0372.

<sup>3</sup> GMO is currently seeking Commission authority for a RESRAM in File No. EO-2014-0151.

<sup>4</sup> Commission Rule 4 CSR 240-20.100(10) allows the Commission to waive or grant a variance from a provision of Chapter 20 for good cause shown.

granting GMO's request for a waiver, thereby permitting GMO to include the landfill gas costs in its FAC.<sup>5</sup>

In its August 18, 2014, *Reply to Staff's Response*, OPC argues that § 393.1030.2(4) requires the creation of a RESRAM and that allowing recovery through any other interim rate mechanism exceeds the Commission's statutory authority.<sup>6</sup> The Commission does not find this assertion to be persuasive. Nothing in § 393.1030 prohibits the recovery of landfill gas through an FAC. The statute in question authorizes the Commission to make whatever rules are necessary to enforce renewable energy standards. While the Commission's rule – not the statute – may specifically restrict the recovery of a RES cost through an FAC, the Commission's rule also permits waiver of that requirement. OPC did not object or request a hearing when GMO originally requested the waiver in File Nos. ER-2012-0175 and ER-2013-0341.

As Staff and GMO correctly point out, pursuant to § 386.266.4, GMO's FAC cannot be changed outside a general rate case.<sup>7</sup> While § 386.266.2 authorizes GMO to seek Commission approval for its FAC rate schedule outside a general rate case, subsection 5 of that same statute prohibits the Commission from modifying, extending or discontinuing the FAC outside of a general rate case or complaint proceeding. There is no dispute that the landfill gas cost in question should be considered a RES expense. However, based on the Commission's order granting a waiver in GMO's last general rate case and the restrictions

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<sup>5</sup> See *Order Granting Waiver* issued on January 3, 2013 in File Nos. ER-2012-0175 and ER-2013-0341.

<sup>6</sup> All statutory references are to the 2013 Cumulative Supplement of the Missouri Revised Statutes.

<sup>7</sup> See Staff's August 8, 2014, *Response to Public Counsel's Reply to the Staff's Recommendation*; GMO's August 13, 2014, *Response to Public Counsel*; Staff's August 21, 2014 *Surreponse to Public Counsel's Reply to Staff's Response*; and GMO's August 25, 2014 *Response to Public Counsel's Reply to Staff's Response*.

in §386.266, the landfill gas cost cannot be removed from the FAC before GMO's next general rate case.

Based on the Direct Testimony of Linda Nunn, submitted by GMO along with its tariff, and the recommendations of Staff, the Commission will approve GMO's proposed rate schedule.

**THE COMMISSION ORDERS THAT:**

1. The rate schedule submitted by KCP&L Greater Missouri Operations Company as Tariff No. JE-2014-0566, is approved as an interim rate adjustment, subject to true-up and prudence reviews, to become effective on September 1, 2014. The tariff sheet approved is:

**P.S.C. MO. No. 1**

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8<sup>th</sup> Revised Sheet No. 127, Cancelling 7th Revised Sheet No. 127.

2. This order shall become effective on September 1, 2014.
3. This file shall be closed on September 2, 2014.

**BY THE COMMISSION**



A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff  
Secretary

R. Kenney, Chm., Stoll, W. Kenney,  
Hall, and Rupp, CC., concur.

Burton, Regulatory Law Judge.