

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

In the Matter of Kansas City Power & Light Company)
for Periodic Changes to Fuel Adjustment Rates)
Required by 4 CSR 240-20.090(8) and the Company's)
Approved Fuel and Purchased Power Cost Recovery)
Mechanism)

File No. ER-2020-0025
Tariff No. JE-2020-0019

STAFF RECOMMENDATION TO APPROVE TARIFF SHEET

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its recommendation states:

1. On July 31, 2019, Kansas City Power & Light Company (“KCP&L”) filed one proposed tariff sheet, bearing an effective date of October 1, 2019, to revise its current period Fuel Adjustment Rates (“FARs”) for the 8th Accumulation Period (“AP8”) of its Fuel Adjustment Clause (“FAC”). This proposed tariff sheet is P.S.C. MO. No. 7 2nd Revised Sheet No. 50.31, Canceling P.S.C. MO. No. 7 1st Revised Sheet No. 50.31. The Commission assigned it Tariff No. YE-2020-0019.

2. Concurrently on July 31, 2019, KCP&L submitted a FAC true-up filing in File No. EO-2020-0026 to identify the true-up amount of \$(833,840) for the 5th Recovery Period (“RP5”) of its FAC. This amount and interest for RP5 are included in calculation of the FARs for AP8.

3. Commission Rule 4 CSR § 240-20.090(8)(F) provides that “[w]ithin thirty (30) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the staff shall submit a recommendation regarding its examination and analysis to the commission[.]” Staff must determine if KCP&L’s proposed adjustments to its FAC rates are in accordance with 4 CSR § 240-20.090 (“Fuel and Purchased Power Rate

Adjustment Mechanisms”), § 386.266 RSMo, and the “FAC mechanism established, continued, or modified in the utility’s most recent general rate proceeding.”¹

4. If the proposed rate adjustments are in accordance with the rule, statute, and FAC mechanism referenced above, 4 CSR § 240-20.090(8)(H)(1) and (2) provide:

- (H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either –
1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs [or]
 2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order[.]

5. In the attached Staff Memorandum, marked Appendix A, Staff recommends that the Commission issue an order approving KCP&L’s proposed tariff sheet P.S.C. MO. No. 7 2nd Revised Sheet No. 50.31, Canceling P.S.C. MO. No. 7 1st Revised Sheet No. 50.31, subject to true-up and prudence reviews.

6. For AP8, the fuel and purchased power adjustment (“FPA”) amount is \$(2,513,329), which divided by the forecasted net system input included in AP8 of 8,931,439,331 kWh results in a current period FAR of \$(0.00028) per kWh. The proposed AP8 FAR of \$(0.00028) per kWh is \$0.00125 per kWh less than the AP7 FAR of \$0.00097 per kWh.²

7. Lisa S. Starkebaum, Manager – Regulatory Affairs, at KCP&L, explains that in her filed testimony that the FAR’s decrease is due to colder weather in January through June that decreased retail load, an increased Base Factor that was approved in KCPL’s last general rate case, lower purchased power expenses, and an increase in off-system sales revenue.³

¹ 4 CSR § 240-20.090(8)(F)

² The AP7 FAR of \$0.00097 per kWh can be found on Line 13 of 1st Revised Sheet No. 50.31.

³ KCP&L, *Direct Testimony of Lisa A. Starkebaum*, ER-2020-0025, pages 5-6 (July 31, 2019).

8. Because of a difference in line losses, there are different FARs for service taken at transmission, substation, primary, and secondary voltages levels, reflected on lines 17, 21, 25, and 29 of the proposed 2nd Revised Sheet No. 50.31. The resulting FARs are in the column marked "Proposed" in the following table:

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Transmission	\$0.00390	\$0.00070	\$0.00320 Decrease
Substation	\$0.00391	\$0.00071	\$0.00320 Decrease
Primary	\$0.00400	\$0.00072	\$0.00328 Decrease
Secondary (Residential)	\$0.00409	\$0.00073	\$0.00336 Decrease

9. Based on a monthly usage of 1,000 kWh, these proposed changes will lower the FAR of a typical KCP&L residential customer's bill from \$4.09 to \$0.73, a decrease of \$3.36 per month.

10. Except for KCP&L's RP5 true-up filing in File No. EO-2020-0026, also filed July 31, 2019, Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

11. The Staff's review shows KC&L's filing is in compliance with Commission Rule 4 CSR § 240-20.090, § 386.266 RSMo, and KCP&L's FAC embodied in its tariff.

12. Staff verified that KCP&L is not delinquent on any assessment and KCP&L filed its 2018 annual report. KCP&L is current on submission of its monthly reports, required by 4 CSR § 240-20.090(5), and its surveillance monitoring reports, required by 4 CSR § 240-20.090(6).

WHEREFORE, for the above-stated reasons, Staff recommends that the Commission issue an interim rate adjustment order approving KCP&L's proposed tariff

sheet P.S.C. MO. No. 7 2nd Revised Sheet No. 50.31, Canceling P.S.C. MO. No. 7 1st Revised Sheet No. 50.31., to become effective October 1, 2019, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Karen E. Bretz

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served via e-mail on counsel for the parties of record to this case on this 29th day of August, 2019.

/s/ Karen Bretz

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2020-0025, Tariff Tracking No. JE-2020-0019
Kansas City Power & Light Company

FROM: Lisa Wildhaber, Utility Regulatory Auditor III
Brooke Mastrogiannis, Utility Regulatory Auditor IV
Cyndi Tandy, Utility Regulatory Auditor I

DATE: /s/ Brad J. Fortson 08/29/2019 /s/ Karen Bretz 08/29/2019
Commission Staff/ Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation For **Approval** Of Tariff Sheet Filed to Change Rates Related to Kansas City Power & Light Company’s Fuel Adjustment Clause Pursuant to the Commission’s *Report and Order* and *Order Regarding Compliance Tariff Sheets* in Case No. ER-2020-0025.

DATE: August 29, 2019

On July 31, 2019, Kansas City Power & Light Company (“KCPL”) filed with the Missouri Public Service Commission (“Commission”) one (1) tariff sheet, 2nd Revised Sheet No. 50.31, bearing a proposed effective date of October 1, 2019 and cancelling 1st Revised Sheet No. 50.31. The Commission assigned the new tariff sheet Tariff Tracking No. JE-2020-0019 and ordered Staff to file its recommendation concerning the tariff sheet by August 30, 2019. The 2nd Revised Tariff Sheet No. 50.31 proposes to revise KCPL’s Fuel Adjustment Rates (“FARs”) of its Fuel Adjustment Clause (“FAC”) for Accumulation Period 8 (“AP8”). AP8 was January 1, 2019 through June 30, 2019. Staff recommends that the Missouri Public Service Commission (“Commission”) approve 2nd Revised Sheet No. 50.31 to change its Fuel Adjustment Rates (“FAR”).

KCPL’s July 31, 2019 filing includes the testimony of KCPL witness Lisa A. Starkebaum, Manager – Regulatory Affairs at KCPL, and associated work papers. The testimony and work papers include information and data supporting KCPL’s calculation of its Fuel and Purchased Power Adjustment (“FPA”) for its Missouri jurisdiction electric operations. That amount is \$(2,513,329) and is on line 11 of 2nd Revised Sheet No. 50.31. This FPA results in a FAR of \$(.00028) per kWh. This proposed AP8 FAR of \$0(.00028) per kWh on line 13 of 2nd Revised Sheet No. 50.31 is \$0.00125 less than the AP7 FAR OF \$0.00097/kWh on line 13 of 1st Revised Sheet No. 50.31.

Calculation of Total Company Fuel and Purchased Power Difference

KCPL’s work papers for AP8 contain data and calculations for Actual Net Costs (“ANEC”)¹ of \$122,582,716 (line 1 of proposed 2nd Revised Sheet No. 50.31) and Net Base Energy Costs (“B”)

¹ ANEC = fuel costs (FC), plus net emissions allowances (E), plus purchased power costs (PP), plus transmission costs (TC), minus off-system sales revenues (OSSR), minus renewable energy credit revenues (R).

² of \$126,403,808 (line 2 of proposed 2nd Tariff Sheet 50.31). For this filing, B equals sales of 7,546,496,001 kWh for January 2019 through June 2019 multiplied by the Base Factor (“BF”) of \$0.01675 per kWh. The difference between ANEC and B is \$(3,821,092) and is the amount on line 3 of 2nd Revised Sheet No. 50.31, Total Fuel and Purchased Power Difference.

The Accumulation Periods, Recovery Periods, and other specifications of KCPL’s FAC are set out in its tariff sheets designated Original Sheet Nos. 50.21 through 50.30.

Calculation of FPA Amount

KCPL’s work papers and proposed 2nd Revised Sheet No. 50.31 show the FPA amount of \$(2,513,329) on line 11 is the sum of:

1. 95% of the difference between the jurisdictional Actual Net Energy Costs and the jurisdictional Net Base Energy Cost for AP8, which is on line 7 of 2nd Revised Sheet No. 50.31 and is \$(2,094,032); and
2. The true-up amount for Recovery Period 5 (“RP5”) of \$(833,840)³ on line 8 of 2nd Revised Sheet No. 50.31; and
3. The interest amount of \$414,543 on line 9 of 2nd Revised Sheet No. 50.31, which includes all interest for RP5 and AP8, as well as interest credit of \$6,685 and an interest correction of \$1,510.⁴

Calculation of FAR

The proposed FAR of \$(0.00028) per kWh (line 13 of 2nd Revised Sheet No. 50.31) is equal to the FPA amount of \$(2,513,329) divided by the estimated recovery period retail net system input (“NSI”) of 8,931,439,331 kWh (line 12 of 2nd Revised Sheet No. 50.31). This proposed FAR will be in effect for Recovery Period 8, which is KCPL’s billing months of October 2019 through September 2020.

Voltage Level FARs

Because of differences in line losses for transmission, substation, primary, and secondary voltage service levels,⁵ lines 15, 19, 23, and 27 of 2nd Revised Sheet No. 50.31 reflects different FARs for service taken at transmission, substation, primary, and secondary voltage service levels, respectively.

The proposed FARs for transmission, substation, primary, and secondary service voltage levels

² B = Base Factor multiplied by the accumulation period sales reflected on lines 2, 2.1, and 2.2 of 2nd Revised Sheet No. 50.31.

³ See Staff Recommendation in File No. EO-2020-0026.

⁴ Interest is defined on KCPL, P.S.C.MO. No. 7, Original Sheet No. 50.28 as: Interest applicable to (i) the difference between Missouri Retail ANEC and B for all kWh of energy supplied during an AP until those costs have been recovered; (ii) refunds due to prudence reviews (“P”), if any; and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the true-up filings (“T”) provided for herein. Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company’s short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

⁵ The voltage adjustment factors (VAFs) for transmission, substation, primary and secondary voltage service levels are included on lines 30 through 33, respectively, of 2nd Revised Sheet No. 50.31.

are on lines 17, 21, 25, and 29, respectively, of 2nd Revised Sheet No. 50.31. They are the sum of the current period FARs and KCPL’s prior period FARs.

Listed below are KCPL’s proposed AP8 FARs, the current AP7 FARs, and the difference between them for Transmission, Substation, Primary, and Secondary voltage service.

Proposed and Current Annual Fuel Adjustment Rates \$ per kWh			
Service	Proposed AP8 Annual FAR	Current AP7 Annual FAR	Difference
Transmission	\$0.00070	\$0.00390	\$0.00320 Decrease
Substation	\$0.00071	\$0.00391	\$0.00320 Decrease
Primary	\$0.00072	\$0.00400	\$0.00328 Decrease
Secondary	\$0.00073	\$0.00409	\$0.00336 Decrease

Based on a monthly usage of 1,000 kWh per month, the proposed change to the secondary FAR will result in a decrease of the FAR of a typical KCPL residential customer’s bill⁶ by \$3.36 per month, from \$4.09 to \$0.73.

Ms. Starkebaum explains the FAR decrease on pages five and six of her testimony:

KCP&L’s actual FAC includable costs in the eighth accumulation were \$23 million lower than they were in the previous seventh accumulation primarily due to cooler weather as January through June months are naturally cooler than July through December, and retail load requirements are lower. In addition, the increased FAC Base Factor of \$0.01675 approved in KCP&L’s last general rate case (ER-2018-0145) effective December 6, 2018, was in effect for the entire six-week accumulation period of January through June 2019.

FAC includable costs are \$44 million lower than the sixth accumulation which covers the same months of January through June. There are a few factors contributing to this decrease. First, purchased power expense decreased \$18 million. This was offset by a \$3.3 million increase in actual fuel expense during this eighth accumulation period because Wolf Creek was back online after its planned maintenance and refueling outage in the sixth accumulation that began in April 2018 and continued through mid-May 2018. Second, retail load requirements were lower due to weather. Winter weather in February and March of 2019 was colder than normal and colder than prior year. This was offset by milder Spring

⁶ All residential customers take service at secondary voltage.

weather with fewer cooling degree days in 2019.

...

Lastly, there was a significant increase [of] \$29 million in off-system sales revenue over the sixth accumulation period as more generation was available to sell to Southwest Power Pool (“SPP”) Integrated Marketplace which offsets FAC includable costs.⁷

Plant in Service Accounting (PISA) Deferrals Permitted Under Section 393.1400, RSMo, and Limitations on Rate Modifications Permitted Under Section 393.1655, RSMO

KCPL stated in its tariff filing letter,

Earlier this year, in Case No. EO-2019-0047, KCP&L provided notice of its election, effective January 1, 2019, to make the plant in service accounting (“PISA”) deferrals permitted under section 393.1400 RSMo. Due to the rate cap provisions of section 393.1655 RSMo., KCP&L performed the calculations to determine if this semi-annual FAR filing exceeded the compound annual growth rate (CAGR) limitations. KCPL used 2.46% for the average overall rate cap and 1.64% for the class average overall rate cap in this filing. As shown in the KCP&L PISA Calculation that is provided as support with this filing, there is no PISA impact resulting from this FAR filing.

KCPL’s FAR filing demonstrated that it is not necessary to have separate rates for Large Power Service customers and Non-Large Power Service customers as a result of Section 393.1655, RSMo. Ms. Starkebaum also provided Staff with work papers to support not having separate rates for customer classes. Staff agrees that the overall outcome of the 1.64% Compounded Annual Growth Rate calculation in KCPL’s work papers does not result in separate rates for Large Power customers and Non-Large Power customers. Further, Staff’s recommendation comes with the acknowledgement that KCPL’s FAC allows for retrospective adjustments in subsequent FAR filings, if in the future there is a more comprehensive understanding of the methodology and framework of Section 393.1655, RSMo, and its impact on adjustments for KCPL in the future.

Staff Review

Staff reviewed the proposed 2nd Revised Sheet No. 50.31, filed on July 31, 2019, Ms. Starkebaum’s direct testimony and work papers, as well as KCPL’s monthly information reports filed in compliance with 4 CSR 240-20.090(5) for AP8. Staff verified that the actual fuel costs, net emissions allowances, purchased power costs, and transmission costs less off-system sales revenues and renewable energy credit revenues, match the fuel costs, net emissions allowances, purchased power costs, and transmission costs less off-system sales revenues and renewable energy credit revenues, on line 1 of KCPL’s proposed 2nd Revised Sheet No. 50.31 and Ms. Starkebaum’s supporting work papers. Staff also reviewed KCPL’s monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under/over-recovery of base fuel and purchased power costs and 100% of the true-up amount for RP5 and AP8 and verified that the monthly interest rates and calculations of monthly interest amounts are correct.

⁷ KCPL witness Lisa A. Starkebaum’s testimony on page 5 line 12 through page 6 line 5.

Attachment A includes three charts summarizing KCPL's eight FAC rate adjustment filings. Chart 1 illustrates: a) KCPL's actual net energy cost, net base energy cost and under- (over-) recovery amounts for each accumulation period, and b) that seven accumulation periods have under-recovered amounts and one accumulation period has an over-recovered amount. Chart 2 illustrates KCPL's FAC cumulative under-recovered amount at the end of each accumulation period with the cumulative under-recovered amount through AP8 of approximately \$241 million. Chart 3 illustrates that for KCPL's accumulation periods one through eight, KCPL under-recovered an average of \$23% of its actual Net Energy Costs.

Staff Recommendation

KCPL timely filed its 2nd Revised Sheet No. 50.31 on July 31, 2019, and it complies with the Commission's *Report and Order* and its *Order Regarding Compliance Tariff Sheets* in Case No. ER-2018-0145, Commission Rule 4 CSR 240-20.090 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and KCPL's FAC in its tariff.

Commission Rule 4 CSR 240-20.090(8)(H)⁸ provides in part:

(H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either—

1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs;
2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order; or
3. If it determines the adjustment to the FARs is not in accordance with the provisions of this rule, section 386.266, RSMo, and the FAC mechanism established in the electric utility's most recent general rate proceeding, reject the proposed rate sheets, suspend the timeline of the FAR adjustment filing, set a prehearing date, and order the parties to propose a procedural schedule. The commission may order the electric utility to file tariff sheet(s) to implement interim adjusted FARs to reflect any part of the proposed adjustment that is not in question;

KCPL requests that its proposed 2nd Revised Sheet No. 50.31, filed July 31, 2019, become effective on October 1, 2019. 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 July 31, 2019, to become effective on October 1, 2019:

P.S.C. Mo. No. 7

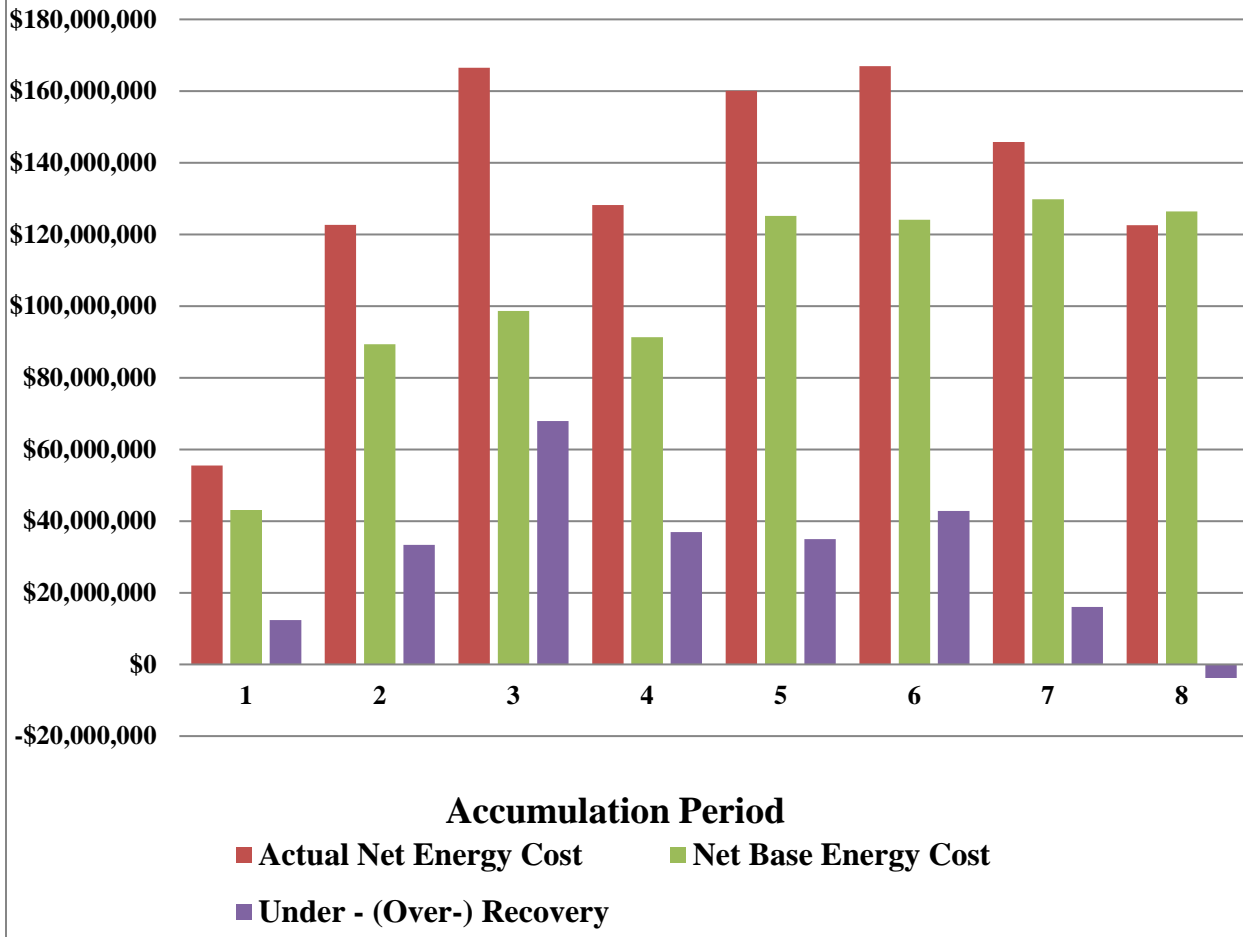
2nd Revised Sheet No. 50.31 Canceling 1st Revised Sheet No. 50.31

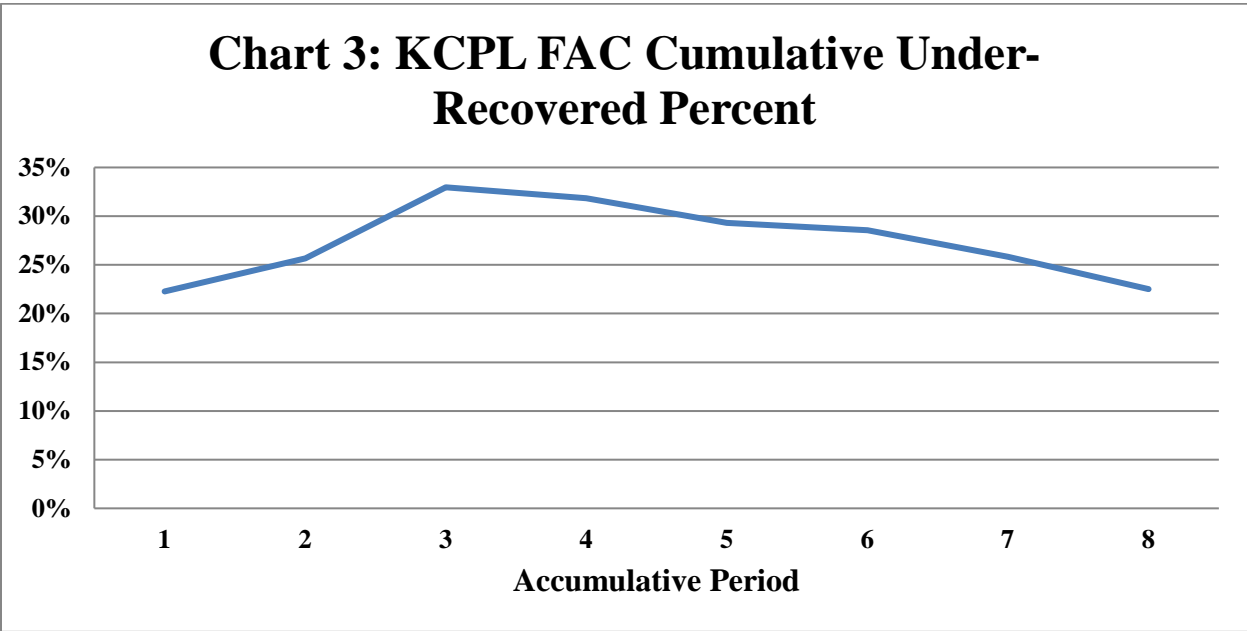
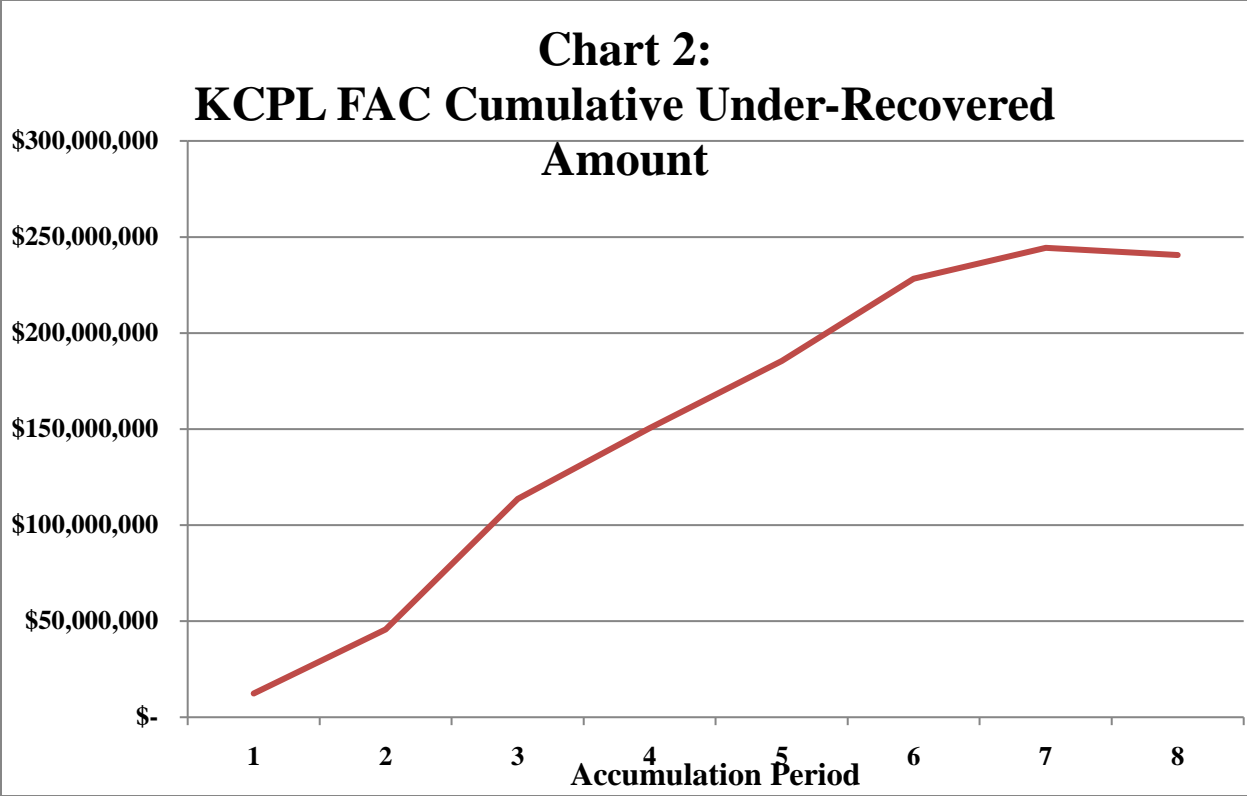
Staff verified that KCPL is not delinquent on any assessment and filed its 2018 Annual Report. KCPL is current on its submission of its Surveillance Monitoring reports, required by 4 CSR 240-20.090(6), and its monthly reports, required by 4 CSR 240-20.090(5). Except for KCPL's RP5 true-up filing in File No. EO-2020-0026, Staff is not aware of any other matter before the

⁸ Effective January 30, 2019.

Commission that affects or is affected by this filing. Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of KCPL's calculations, and is not indicative of the prudence of the actual net energy costs incurred during AP8.

Chart 1: KCPL FAC Costs





BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light)
Company for Periodic Changes to Fuel Adjustment) File No. ER-2020-0025
Rates Required by 4 CSR 240-20.090(8) and the)
Company's Approved Fuel and Purchased Power)
Cost Recovery Mechanism)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

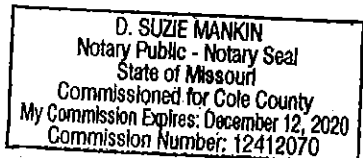
COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Brooke Mastrogiannis
BROOKE MASTROGIANNIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 28th day of August 2019.



D. Suzie Mankin
Notary Public

