

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

In the Matter of Kansas City Power & Light)
Company's Request for Authority to)
Implement a General Rate Increase for)
Electric Service)

Case No. ER-2014-0370

**STAFF'S RESPONSE TO
KCPL'S MOTION FOR CLARIFICATION OR RECONSIDERATION**

COMES NOW the Staff of the Missouri Public Service Commission and responds to *KPCL's Motion for Clarification or Reconsideration* as follows:

1. KCPL complains that the definition of off-system sales revenues ("OSSR") in its FAC should not include the term "revenue sufficiency" asserting that term "drawn from the MISO's tariff and is not found in the SPP's tariff." While Staff disagrees with KCPL that the term is problematic and expressed its disagreement to KCPL before KCPL filed its motion, both Staff and KCPL agree that expanding on the meaning of "revenue sufficiency" in KCPL's FAC tariff by following that phrase with this parenthetical and comma: "(such as make whole payments, and out-of-merit payments and distributions)," is acceptable.

2. The actual phrase in the MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff is "revenue sufficiency guarantee"¹ which either is a credit given if the MISO commits a generation or demand-side resource through the

¹ For examples:

Day Ahead Revenue Sufficiency Guarantee Charge: The sum of the Day-Ahead Revenue Sufficiency Guarantee Credits in an Hour in the Day, excluding Day-Ahead Revenue Sufficiency Guarantee Credits associated with Voltage and Local Reliability Commitments, allocated to Market Participants in that Hour pro rata based upon cleared Bids, in that Hour.

and

Day-Ahead Revenue Sufficiency Guarantee Credit: A Resource credit guaranteed by the Transmission Provider ensuring the minimum recovery of the Production Cost and Operating Reserve Cost of a Resource that has been committed and scheduled by the Transmission Provider in the Day-Ahead Energy and Operating Reserve Market. MISO, FERC Electric Tariff Modules, 1.D Definitions – D, 35.0.0, effective on July 25, 2015.

reliability assessment commitment process after close of the day-ahead energy and operating reserve markets, but there is insufficient real-time energy and operating reserve revenues to cover the as-offered production costs of that resource or a charge based on virtual supply offers and real-time load, injection, export, and import deviations from day-ahead schedules which is used to fund the credits.

3. Staff's intent with the phrase "revenue sufficiency" in KPCL's FAC tariff was to include all the SPP charges and credits made for the purpose of assuring the owner of each generation or demand-side resource the SPP requires to supply that resource recovers at least its cost. Staff disagrees that the term "revenue sufficiency" is specific to the MISO; the term equally could have been "revenue adequacy." Staff views KCPL's proposal of replacing "revenue sufficiency" with "make whole payment and out of merit payments and distributions" to be too narrow; however, Staff has no objection to elaborating on the meaning of "revenue sufficiency" in KCPL's FAC tariff by following that phrase with this parenthetical and comma: "(such as make whole payments, and out-of-merit payments and distributions),".

4. With respect to the "J" component in its FAC tariff, after discussions with KCPL, MIEC and Public Counsel, both Staff and KCPL agree that the Commission should modify its order so that the "J" component in KCPL's FAC tariff matches the energy allocator used to allocate KCPL's costs between Kansas and Missouri, which is better expressed by the following formula:

$$J = \text{Missouri Retail Energy Ratio} = \frac{(\text{MO Retail kWh sales} + \text{MO Losses})}{(\text{MO Retail kWh Sales} + \text{MO Losses} + \text{KS Retail kWh Sales} + \text{KS Losses} + \text{Sales for Resale, Municipals kWh Sales [includes border customers]} + \text{Sales for Resale, Municipals Losses})}$$

MO Losses = 6.121%; KS Losses = 6.298%; Sales for Resale, Municipals Losses = 21.50%

5. KCPL and Staff agree, and no party has expressed its disagreement, that the method used to calculate the jurisdictional energy factor used to develop KCPL's revenue requirement in this case should also be used for the J component of KCPL's FAC. After discussions with KCPL and other parties, and review, Staff agrees that the equation it provided for the J component, which the Commission adopted, is not explicit that Missouri retail and Kansas retail kWh sales as Staff used them in that equation are net of losses, and should be modified to make that explicit.

WHEREFORE, the Staff of the Missouri Public Service Commission responds to KCPL's motion for clarification or reconsideration as set forth above.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
Deputy Staff Counsel
Missouri Bar No. 35512

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8702 (Telephone)
(573) 751-9285 (Fax)
nathan.williams@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or by electronic mail to all counsel of record on this 15th day of September, 2015.

/s/ Nathan Williams