

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

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

STAFF'S TEST YEAR RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and, as directed by the Commission's *Order* of March 3, 2016, states as follows in response to the Company's proposed test year:

1. A test year of 12 months ending June 2015 is quite stale; however, given the complexity of the revenue calculation and the consolidation of the L&P and MPS rate districts in this case, Staff is willing to work with this stale data. KCP&L Greater Missouri Operations Company ("GMO") has performed an analysis to determine its position on billing determinants and revenues that would result from the consolidation of the rate districts. Staff does understand that this was a time-consuming process.

2. GMO has verbally requested an update period ending March 31, 2016. However, GMO represents that it will not have the non-revenue data associated with this period until the end of April and that the revenue-related data – load research, billing determinants, etc. - associated with this period will not be available until August or September. Therefore, Staff recommends the use of an update period ending December 31, 2015. Given the amount of time GMO requires to provide the updated data and its practice of processing the revenue-related data on a quarterly basis, this is the latest date for which all necessary data will be available.

3. Staff's ability to accommodate a particular true-up period ending date is driven by GMO's ability to promptly provide the true-up data and by the true-up filing

dates.¹ In reliance on Mr. Klote's non-detailed list of true-up items, Staff believes the end of June is reasonable for the true-up cut off. First, GMO's direct testimony contemplated a July 2016 true-up based on its proposed procedural schedule.² This schedule contemplated an 11-month suspension of tariffs, which is now 10 months. Second, GMO is requesting a consolidation of GMO rate districts MPS and L&P. This consolidation creates complexity that requires more time to properly process data for revenue requirement and rate design. Staff recommends the Commission require GMO provide all true-up calculations and supporting documentation no later than two weeks past the true-up cutoff. However, If GMO does not provide the end-of-June true-up data prior to the end of July, Staff will have to file based on the most recent information that GMO has provided to Staff as of July 31, 2016.

4. Staff requests that the Commission require GMO to identify, by page and line number, the location in its direct testimony of the explanation of the methodology used for calculating each discreet true-up item.

5. If a discreet true-up item was not covered in direct, for example, such as the allocation of the Solar Facility costs between KCP&L and GMO, then GMO should file supplemental direct providing the methodology for the calculation by April 15, 2016.³

¹ A true-up is used to mitigate regulatory lag; it includes the impacts of known material events that occur after the update period and much closer to when rates are going to be in effect to be reflected in the determination of rates. True-ups consider all the relevant and material cost components making up the revenue requirement calculation, but several months past the update period. The update period is the basis for the direct filing by the various non-utility parties.

² Minimum Filing Requirements, Page 6.

³ Commission Order in Case No. EA-2016-0256.

6. GMO should include an estimate of the magnitude and direction of each discreet true-up item.⁴

7. Staff requests that the Commission clarify whether the hearing dates included in the March 3, 2016, Order are intended as the firm hearing dates or whether the parties may propose a schedule with different dates.

WHEREFORE, Staff prays that the Commission will accept its *Test Year Recommendation*.

Respectfully submitted,

/s/ Kevin A. Thompson

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⁴ In the past, various areas of the cost of service that often change materially over short periods of time, such as plant additions, payroll increases, fuel and purchased power price increases that increase the utility's revenue requirement were trued-up; however, offsets to revenue requirement increases that existed, such as customer growth or declines in employee levels, were also trued-up. At certain times, as plant construction cycles were completed, rate base declined with increasing depreciation reserve and deferred tax reserves—both used as offsets to rate base.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all parties of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, on this 7th day of March, 2016.

/s/ Kevin A. Thompson