

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

In the Matter of KCP&L Greater)	
Missouri Operations Company for)	
Authority to File Tariffs Changing The)	<u>File No. HT-2014-0286</u>
Steam QCA for Service Provided To)	Tariff Tracking No. YH-2015-0242
Customers in its Service Territory)	

STAFF RECOMMENDATION TO APPROVE TARIFF SHEET

COMES NOW the Staff of the Public Service Commission of Missouri and, for its Staff Recommendation to Approve Tariff Sheet, states:

1. On January 15, 2015, KCP&L Greater Missouri Operations Company (“GMO”) filed with the Commission one tariff sheet, 23rd Revised Sheet No. 6.10 bearing an effective date of March 1, 2015, to add the quarterly cost adjustment (“QCA”) for steam service customers for the fourth quarter of calendar year 2014.

2. GMO’s filing includes the proposed tariff sheet and supporting workpapers consisting of electronic worksheets showing its calculation of the QCA. The proposed tariff sheet reflects a customer credit per million British Thermal Units (“BTU”) of \$(0.6741)¹ as compared to a customer credit of \$(0.6426) per million BTU reflected on the previous 22nd Revised Sheet No. 6.10. The change resulting from this filing causes more of a customer credit in the QCA Rider rate and is the result of the net effect of:

1) a (\$356,011) decrease in the quarterly adjusted fuel costs when compared to the same quarter last year, and

2) the decrease of the Reconciliation Rate (R Factor) component of (\$22,209) which makes the R Factor in this QCA filing more of a negative adjustment when compared to the same quarter last year.

¹ A “(bracketed amount)” represents a credit to the customer. The credit is also sometimes referred to as a “negative charge” as reflected by the brackets. In this instance the customer will receive a credit in the amount of \$.6741 per million BTU.

3. As more fully explained in its Memorandum, attached hereto as Appendix A, with supporting Highly Confidential Attachments A and B, the Staff has reviewed the data and calculations provided by GMO related to its proposed tariff sheet and has determined that it is correct and satisfies the standards set forth in GMO's Tariff Sheet Nos. 6.6 through 6.10.

4. Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. Staff's recommendation for approval of the QCA change in this case is solely based on the accuracy of GMO's calculations and is not indicative of the prudence of the fuel costs included in the QCA.

WHEREFORE, for the reasons discussed above and in Staff's Memorandum, the Staff recommends the Commission either issue an order approving the proposed tariff sheet as filed by GMO on January 15, 2015, to go into effect on March 1, 2015, or to allow it to go into effect by operation of law that same date:

P.S.C. MO. No. 1

23rd Revised Sheet No. 6.10 Canceling 22nd Revised Sheet No. 6.10

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 6th day of February, 2015.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. HT-2014-0286, Tariff Tracking No. YH-2015-0242
KCP&L Greater Missouri Operations Company

FROM: Brad J. Fortson, Regulatory Economist II

/s/Michael S. Scheperle 2/6/2015
Manager Economic Analysis / Date

/s/Robert S. Berlin 2/6/2015
Staff Counsel Division / Date

SUBJECT: Staff Recommendation to Approve the Tariff Sheet Filed to Add the Quarterly Cost Adjustment for the fourth Quarter of 2014 to the Quarterly Cost Adjustment Rider – Steam of KCP&L Greater Missouri Operations Company to go into effect on March 1, 2015, or to go into effect by operation of law that same date.

DATE: February 6, 2015

On January 15, 2015, KCP&L Greater Missouri Operations Company (“GMO”) filed with the Commission one (1) tariff sheet for steam service to add the quarterly cost adjustment (“QCA”) for the fourth quarter of 2014. The adjustment is required by GMO’s Quarterly Cost Adjustment Rider, which the Commission approved in Case No. HR-2005-0450, and modified in Case Nos. HR-2009-0092 and HR-2010-0028.

GMO’s filing included the proposed tariff sheet and supporting work papers consisting of electronic worksheets showing GMO’s calculation of the QCA for the fourth quarter of 2014.

On January 15, 2015, the Commission directed Staff to file a recommendation on the pending tariff no later than February 6, 2015.

The procedure for the calculation of the QCA for steam service sales is set out in GMO’s Tariff Sheet Nos. 6.6 through 6.10, which are titled “Quarterly Cost Adjustment Rider – Steam.” The QCA calculation components as described in Tariff Sheet Nos. 6.6 and 6.7 include the Current Quarterly Cost Adjustment (CQCA), the Reconciliation Rate or “R factor” plus any applicable reconciling adjustments. Additionally, Tariff Sheet 6.8 includes Coal Performance Standards.

The QCA Rider for this revision 23 of Tariff Sheet No. 6.10 reflects a negative charge per million British Thermal Units (“BTU”) of (\$0.6741) as compared to a negative charge per million BTU of (\$0.6426) that was reflected on the previous revision 22 of Tariff Sheet No. 6.10. The QCA Rider negative charge is a reduction to customer bills to reflect the customer share of the variation in fuel cost for the most recent quarter. The QCA Rider rate reflects a decrease of (\$356,011) in the quarterly adjusted fuel costs when compared to the same quarter last year with the overall decrease principally due to the impact of coal costs for generation. The Reconciliation Rate or R factor component reflects a decrease of (\$22,209) which makes the R factor in this QCA a negative amount when compared to the same quarter last year. As a result, the QCA reflects a negative charge of (\$0.6741) compared to the negative charge of (\$0.6426) from the previous quarter.

Attachment A is a Highly Confidential summary of the Coal Performance Standard adjustments that occurred over the last twelve months. As a result, the Company made an adjustment to reflect the coal performance standard to a level that reflects additional adjustments for provisions as set out in the Quarterly Cost Adjustment Rider, section 2. Coal Performance Standard (c) for this quarter.

2. Coal Performance Standard

c. In the event of a major scheduled outage for system maintenance and improvement, such as occurred in the last quarter of 2008, the Coal Performance Standard shall be subject to further adjustments as agreed upon by signatories herein, to reflect the reduced availability of the coal-fired boiler resulting from the scheduled outage. In such case, the three-month and twelve-month coal performance standard will be further adjusted proportionately as agreed to reflect any reduced availability of the Lake Road Boiler 5. As an example, should the coal-fired boiler be scheduled to be off line for 55 days in one quarter due to a major outage, the three-(3) month standard would be reduced to a level of 38.89% $((90-55)/90)$ of the three-(3) month standard. A corresponding adjustment of 84.93% $((365-55)/365)$ would be made to the twelve-(12) month standard.

Under section 2.(b.), the coal performance standard is set at 1,920,000 million BTU on a twelve-month basis and 460,000 million BTU on a three-month standard. Both are based on sales exceeding 2,594,975 million BTUs. This Coal Performance Standard shall be further adjusted to reflect major scheduled outages as set out in section 2.(c), as stated above. This adjustment will continue until the completion of Boiler 5 maintenance, currently planned for mid-2015. As a result, the three-month standard and twelve-month standards were adjusted until major maintenance is finished.

Attachment B is a Highly Confidential business plan for Boiler 5 major maintenance. These repairs and replacements are currently underway and have been planned since early 2013.

Staff reviewed the data and mathematical calculations GMO provided in its worksheets and found GMO's calculations related to the filed tariff sheet to be correct, and that the calculations satisfy the standards set forth in GMO's Tariff Sheet Nos. 6.6 through 6.10. The calculations are also consistent with previous GMO QCA filings.

Staff Recommendation

Staff has reviewed the filed tariff sheet and recommends approval of the following tariff sheet to go into effect for service on and after March 1, 2015, the requested effective date:

P.S.C. MO. No. 1

23rd Revised Sheet No. 6.10 Canceling 22nd Revised Sheet No. 6.10

Staff has verified that GMO is not delinquent on any assessment and has filed its Annual Report. GMO is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. Staff's recommendation for approval of the QCA change in this case is solely based on the accuracy of GMO's calculations, R factor adjustments, and an adjustment for Coal Performance Standards outlined above and is not indicative of the prudence of the fuel costs included in the QCA.

