

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

In the Matter of KCP&L Greater Missouri)	
Operations Company for Authority to File)	<u>File No. HT-2016-0284</u>
Tariffs Changing the Steam QCA for)	Tracking No. YH-2016-0012
Service Provided to Customers in its)	
Service Territory)	

STAFF'S RECOMMENDATION TO APPROVE TARIFF SHEET

COMES NOW the Staff of the Missouri Public Service Commission (“Commission”) and, for its recommendation to approve tariff sheet filed by KCP&L Greater Missouri Operations (“GMO”), respectfully states:

1. In the attached Memorandum (Appendix A) the Staff recommends the Commission approve the tariff sheet GMO filed on July 15, 2016, to become effective September 1, 2016.

2. On July 15, 2016, GMO filed its tariff sheet to make a quarterly cost adjustment required by GMO’s Quarterly Cost Adjustment (“QCA”) Rider, which the Commission approved in Case No. HR-2005-0450, and modified in Case Nos. HR-2009-0092 and HR-2010-0028. The QCA Rider requires quarterly rate adjustments, with provisions for true-ups of revenues collected with costs intended for collection.

3. Staff reviewed the tariff sheet and is of the opinion that the quarterly cost adjustment for the second quarter of 2016 has been calculated in accordance with the provisions of the Quarterly Cost Adjustment Rider tariff and complies with the Commission’s Order in HR-2010-0028.

4. The proposed QCA Rider reflects a negative charge which is a reduction to customer bills represents the customer share of the variation in fuel cost for the most

recent quarter. Customers will receive an overall rate decrease of \$370,815 in the quarterly adjusted fuel costs when compared to the same quarter last year with the overall decrease mostly due to the impact of lower gas costs for generation.

5. The Staff recommends the Commission issue an order approving the tariff sheet to become effective September 1, 2016, as requested by GMO, or allow it to go into effect by operation of law.

WHEREFORE, the Staff of the Missouri Public Service Commission recommends the Commission approve the Tariff Sheet GMO filed in this case file to become effective on September 1, 2016, or allow it to go into effect by operation of law to wit:

P.S.C. MO. No. 1
29th Revised Sheet No. 6.10 Canceling 28th Revised Sheet No. 6.10

Respectfully submitted,

/s/ Hampton Williams
Wm. Hampton Williams
Assistant Staff Counsel
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record on this 3rd day of August, 2016.

/s/ Hampton Williams

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. HT-2016-0284, Tariff Tracking No. YH-2017-0012
KCP&L Greater Missouri Operations Company

FROM: Michelle Bocklage, Rate and Tariff Examiner III
Michael Stahlman, Regulatory Economist III

/s/ Robin Kliethermes 8/3/2016 /s/ Robert S. Berlin 8/3/2016
Manager Tariff and Rate Design Unit/ Date Staff Counsel Division / Date

SUBJECT: Staff Recommendation to Approve the Tariff Sheet Filed to Add the Quarterly Cost Adjustment for the Second Quarter of 2016 to the Quarterly Cost Adjustment Rider – Steam of KCP&L Greater Missouri Operations Company to go into effect on September 1, 2016, or to go into effect by operation of law that same date.

DATE: August 3, 2016

On July 15, 2016, 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 first quarter of 2016. 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 first quarter of 2016.

On July 15, 2016, the Commission directed Staff to file a recommendation on the pending tariff no later than August 5, 2016.

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 29 of Tariff Sheet No. 6.10 reflects a negative charge per million British Thermal Units (“BTU”) of (\$1.7041) as compared to a negative charge per million BTU of (\$1.6268) that was reflected on the previous revision 28 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 (\$370,815) in the quarterly adjusted fuel costs when compared to the same quarter last year with the overall decrease principally due to the impact of gas costs for generation. The Reconciliation Rate or R factor component reflects an increase of \$27,957 when compared to the same quarter last year. As a result, the QCA reflects a negative charge of (\$1.7041) per million BTU compared to the negative charge of (\$1.6268) per million BTU from the previous quarter.

Attachment A is a summary of the Coal Performance Standard adjustments that are associated with the unavailability of Boiler Number 5 at the Lake Road Generating Station during the 2nd and 3rd quarters of 2015. These equipment repairs and replacements are complete. As a result of lower coal burn due to system maintenance during the 2nd and 3rd quarters of 2015, the

Company made an adjustment to the annual coal performance standard. Since the repairs and replacements were completed in the third quarter of 2015, the three-month standard has returned to 460,000 million BTU. However, the 12-month standard continues to be adjusted until the third quarter of 2016, which no longer includes the period of Boiler Number 5 outage. In addition, due to the low price of natural gas, GMO complied with the quarterly coal performance standard with natural gas rather than coal. The adjustments to the quarterly and annual coal performance standards comply with the provisions set out in the Quarterly Cost Adjustment Rider, section 2.

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.

d. Coal used in Lake Road Boiler 5 includes both high BTU coal and low BTU coal. These coals are blended for use in the boiler. If natural gas is less expensive than either coals used in Lake Road Boiler 5 and can be effectively used to lower the overall cost of fuels, then the BTU quantity of natural gas burned which would have otherwise been coal will be treated as coal BTU in determining the coal BTU used in comparison to the coal performance standard.

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 September 1, 2016, the requested effective date:

P.S.C. MO. No. 1

29th Revised Sheet No. 6.10 Canceling 28th 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.

**Lake Road Generating Station
Coal Performance Adjustment**

**Due to Boiler 5 Outage:
May 17, 2015-July 18, 2015
Update as of October 15, 2015**

Boiler 5 Outage Overview-

At the Lake Road Generating Station, Boiler 5 is the main boiler used for generating steam due to its ability to burn coal, the lowest cost fuel. Increasing incidents in tube leaks has necessitated a need to replace Boiler 5 super-heater and casing for purposes of restoring its capability to operate at 250,000 PPH.

While there have been repairs and replacements to other equipment to maintain Boiler 5 performance (that has already necessitated an adjustment to the coal performance standard), the actual major maintenance to improve performance on Boiler 5 has not been scheduled until now. An outage is currently planned for Q2 2015 through Q3 2015 to allow for major maintenance of Boiler 5. This outage will occur on May 17th and is expected to last through July 18 and will impact 2 Quarters that will require further adjustment of the Coal Performance Standard. All customers have been notified of the outage and the impact on unavailability of coal during that time.

Coal Performance Standard-

As set under section 2. (b.) of the Quarterly Cost Adjustment Rider(QCA) –Steam Tariff, a coal performance standard is set at 1,920,000 million BTU on a 12 month basis and 460,000 million BTU 3 month standard. Both are based on sales exceeding 2,594,975 million BTUs. The Coal Performance Standard sets a certain utilization of coal for purposes of the minimization of incurred total fuel costs to steam customers.

Adjustment of the Coal Performance Standard 2015-

As outlined in 2. (c.), of the QCA-Steam Tariff, the Coal Performance Standard may be adjusted to reflect major scheduled outage for system maintenance and improvement. 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 adjustment as agreed upon the 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.

The following is the adjustment to the coal performance standard to reflect the unavailability of coal during the outage. If the unit takes outage is longer or shorter, adjustments may be made to reflect those time periods.

**Lake Road Generating Station
Coal Performance Adjustment**

**Due to Boiler 5 Outage:
May 17, 2015-July 18, 2015
Update as of October 15, 2015**

Boiler 5 Outage Impact on Coal Performance Standard-

	Adjustment (mmBtu)	Original 3 Month Standard (mmBtu)	Original Annual Standard (mmBtu)
		460,000	1,920,000
		Adjusted 3 Month Standard (mmBtu)	Adjusted Annual Standard (mmBtu)
Previous Adjustment		368,000	1,536,000
Q2 2015	184,000	184,000	1,344,000
Q3 2015	208,000	160,000	1,144,000
Q4-2015		460,000	1,228,000
Q1-2016		460,000	1,324,000
Q2-2016		460,000	1,612,000
Q3-2016		460,000	1,920,000

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

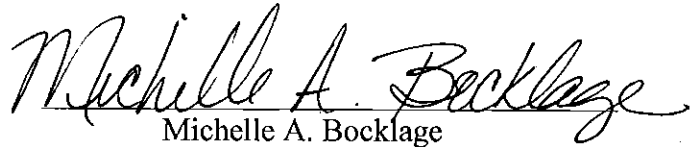
In the Matter of KCP&L Greater Missouri Operations)
Company for Authority to File Tariffs Changing the) **File No. HT-2016-0284**
Steam QCA for Service Provided to Customers in its)
Service Territory)

AFFIDAVIT OF MICHELLE A. BOCKLAGE

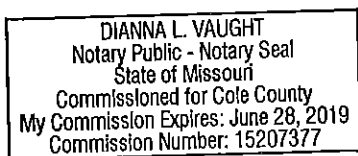
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

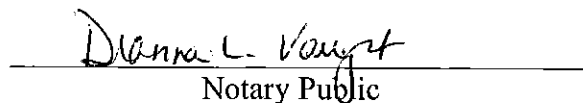
COMES NOW, Michelle A. Bocklage, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Recommendation in memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


Michelle A. Bocklage

Subscribed and sworn to be this 2nd day of August, 2016.




Notary Public

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) **File No. HT-2016-0284**
Steam QCA for Service Provided to Customers in its)
Service Territory)

AFFIDAVIT OF MICHAEL L. STAHLMAN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

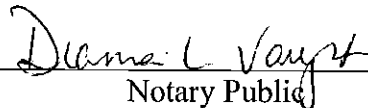
COMES NOW, Michael L. Stahlman, and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



Michael L. Stahlman

Subscribed and sworn to be this 15th day of August, 2016.


Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377