

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

In the Matter of Vicinity Energy Kansas City,    )     **File No. HT-2021-0245**  
Inc.'s Adjustment to its PACC Tariff            )     Tariff No. YH-2021-0174

**STAFF RECOMMENDATION TO APPROVE SUBSTITUTE TARIFF SHEETS**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through the undersigned counsel, and hereby respectfully submits this *Staff Recommendation to Approve Substitute Tariff Sheets* as follows:

1. On February 1, 2021, Vicinity Energy Kansas City, Inc. ("Vicinity") filed two tariff sheets and supporting workpapers for steam service to implement the Production Adjustment Cost Clause ("PACC") for inclusion in customers' bills starting April 1, 2021 through March 31, 2022.

2. On February 2, 2021, the Commission directed Staff to file a recommendation regarding the proposed tariff sheets no later than March 4, 2021.

3. Following the approval of a *Joint Motion for Extension of Time*, Vicinity Staff filed a *Stipulation and Agreement Resolving Issues Arising From Gas Price Spikes of February 2021* ("Stipulation and Agreement") on March 12, 2021. Vicinity also filed a *Motion for Expedited Treatment* on March 12, 2021.

4. On March 24, the Commission issued its *Order Approving Stipulation and Rejecting Production Adjustment Cost Clause (PACC) Tariff*. The Order granted Vicinity's *Motion for Expedited Treatment* and ordered Vicinity to file tariff sheets in conformity with the Stipulation and Agreement no later than March 25, 2021.

5. On March 24, 2021, Vicinity filed its *Tariff Revision*. On March 25, 2021, Vicinity filed its *Substitute Tariff* to correct an error in the company name.

6. On March 25, 2021, the Commission issue its *Order Directing Filing*, which directed Staff to file a recommendation on Vicinity's tariff revision no later than March 29, 2021.

7. As further explained in Staff's Memorandum, attached hereto as Appendix A, the proposed substitute tariff sheets reflect a charge per million pounds ("mlb") of \$0 as compared to a negative charge per mlb of (\$0.02901) from the previous rate. The change resulting from this filing causes an increase of \$0.29 per mlb of steam used.

8. Staff has verified that Vicinity is current on its submissions and filings pursuant to 20 CSR 4240-20.090(5) and (6). 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 PACC change in this case is solely based on the accuracy of Veolia's calculations.

**WHEREFORE**, Staff recommends that the Commission issue an order approving the following tariff sheets, as substituted March 25, 2021, to go into effect on and after April 1, 2021:

P.S.C. MO. No. 1

7th Revised Sheet No. 36 Canceling 6th Revised Sheet No. 36

7th Revised Sheet No. 37 Canceling 5th Revised Sheet No. 37

Respectfully submitted,

**/s/ Casi Aslin**

Casi Aslin

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 29th day of March 2021, to all counsel of record.

**/s/ Casi Aslin**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File Case  
No. HT-2021-0245, Tariff Tracking No. HT-2021-0174  
Vicinity Energy Kansas City, Inc.

FROM: Nancy L. Harris, Regulatory Auditor  
Michael L. Stahlman, Economist

/s/ Robin Kliethermes 3/29/2021      /s/ Robert Berlin 3/29/2021  
Tariff/Rate Design Manager/Date      Staff Counsel Division/ Date

SUBJECT: Staff Recommendation to Approve the Substitute Tariff Sheets Filed to  
Revise the Production Adjustment Cost Clause rates to go into effect on  
April 1, 2021.

DATE: March 29, 2021

On February 1, 2021, Vicinity Energy Kansas City, Inc. (“Vicinity”) filed with the Commission two (2) tariff sheets for steam service to implement the Production Adjustment Cost Clause (“PACC”) for the twelve (12) months starting April 1, 2021 through March 31, 2022. The adjustment is required by Vicinity’s PACC, which the Commission approved in Case No. HR-2014-0066, effective August 1, 2014.

Vicinity’s filing included the proposed tariff sheets and supporting work papers consisting of electronic worksheets showing Vicinity’s calculation of the PACC for inclusion in customers bills’ beginning April 1, 2021 through March 31, 2022.

On February 2, 2021, the Commission directed Staff to file a recommendation on the pending tariff sheets no later than March 4, 2021. On March 3, 2021 the Commission extended the deadline, as requested by Staff, to March 12, 2021. Vicinity filed on March 12, 2021 a Stipulation and Agreement to mitigate impact of recent anticipated natural gas cost increases. The Commission approved the Stipulation and Agreement on March 24, 2021 and issued an order directing Staff to file a recommendation no later than March 29, 2021. Vicinity filed two tariff sheets on March 24, 2021 to comply with the Commission’s Order filed on March 24, 2021. On March 25, 2021 Vicinity filed two substitute tariff sheets.

The PACC Rider for this 7th revision of Tariff Sheet No. 36 reflects a \$0 charge per million pounds (“mlb”) for the January 1, 2020 through December 31, 2020 period. This is a \$.29 per mlb of steam used increase from the previous rate of (\$0.2901). Customers’ total monthly PACC bill will increase \$.29 for every mlb of steam used. The customer share of the variation in fuel cost, which is below base level costs for the calendar year that ended in 2020, will be offset by a Reconciliation Amount of \$2,385,480, resulting in a \$0.00/mlb PACC rate. This adjustment is consistent with the Stipulation and Agreement filed on March 12, 2021 to mitigate customer impact of recent extraordinary natural gas price increases. In part, the approved Stipulation and Agreement authorizes credit amounts that would have been issued to customers for calendar year 2020 be set aside in a regulatory liability account offsetting predicted natural gas cost increases. These credits cover the 2019 and 2020 calendar years. Vicinity proposed a credit to correct an error in its 2019 PACC calculation. The correction to the Company’s 2019 PACC filing adds

additional customer credits of \$152,132 to eligible customers or a (\$.32) per mlb of steam used which will be reserved in the regulatory liability established in the Stipulation and Agreement.

The procedure for the calculation of the PACC for steam service sales is set out in Vicinity's Tariff Sheets Nos. 31 through 37, which are titled "Production Adjustment Cost Clause." The PACC calculation components as described in Tariff Sheet Nos. 36 and 37 include the Current PACC and the Reconciliation Rate or "R factor" plus any applicable reconciling adjustments.

The PACC Rider rate factor is designed to reflect each customer's share of the variation in production costs for the current accumulation period compared to the actual production costs in Case No. HR-2014-0066. The difference between actual production costs and the amount of production costs covered by base rates (both on a dollar basis) is multiplied by 95% and then divided by the total metered sales during the accumulation period to quantify the PACC adjustment factor. To determine the amount of an individual customer's responsibility, the PACC adjustment factor is multiplied by the actual steam sales to that individual customer during the accumulation period, with the resulting dollar amount charged or credited to the customer in twelve (12) equal installments.

### **Staff Recommendation**

Staff has reviewed the filed tariff sheets and recommends approval of the following tariff sheets filed on March 24, 2021 and substituted on March 25, to go into effect for service on and after April 1, 2021, the requested effective date:

#### **P.S.C. MO. No. 1**

7<sup>th</sup> Revised Sheet No. 36 Cancelling 6<sup>th</sup> Revised Sheet No. 36

7<sup>th</sup> Revised Sheet No. 37 Cancelling 6<sup>th</sup> Revised Sheet No. 37

Staff has verified that Vicinity's tariff revisions comply with the Commission's order from February 2, 2020 and the Stipulation and Agreement approved by the Commission on March 24, 2021. Staff has verified that Vicinity is not delinquent on any assessment and has filed its Annual Report. Vicinity is current on its submission of its Surveillance Monitoring reports as required in 20 CSR 4240-20.090(6) and its monthly reports as required by 20 CSR 4240-20.090(5). Staff's recommendation for approval of the PACC change in this case is solely based on the accuracy of Vicinity's calculations.

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

In the Matter of Vicinity Energy Kansas City, Inc.'s ) **File No. HT-2021-0245**  
Adjustment to Its PACC Tariff ) Tracking No. YH-2021-0156

**AFFIDAVIT OF NANCY L. HARRIS AND MICHAEL L. STAHLMAN**

STATE OF MISSOURI        )  
  )        ss.  
COUNTY OF COLE        )

**COME NOW** Nancy L. Harris and Michael L. Stahlman, and on their oath declare that they are of sound mind and lawful age; that they contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Nancy L. Harris  
Nancy L. Harris

/s/ Michael L. Stahlman  
Michael L. Stahlman