

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

In the Matter of Vicinity Energy Kansas) **File No. HT-2023-0247**
City, Inc.'s Adjustment to its PACC Tariff) Tracking No. JH-2023-0140

STAFF'S RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its Staff Recommendation, states the following:

1. On February 1, 2023, Vicinity Energy Kansas City, Inc. (“Vicinity”) filed two tariff sheets, each bearing an effective date of April 1, 2023, as well as the supporting testimony and workpapers of Scott Stordahl, to revise its Production Adjustment Cost Clause (“PACC”). The Commission assigned this Tariff No. YH-2023-0140.

2. In this filing, Vicinity proposes a PACC surcharge of \$7.53 per mlb, which is an increase of \$7.15 over the current PACC surcharge of \$.38 per mlb.

3. Mr. Stordahl explains in his direct testimony that the PACC surcharge increase is primarily driven by increases in the cost of fuel and consumable costs relative to the PACC base of \$7.18 per mlb.¹

4. In its *Order Directing Notice and Setting a Deadline for Applications to Intervene and For Staff to File a Recommendation* issued on February 2, 2023, the Commission ordered Staff to file a recommendation in this case no later than March 6, 2023.

5. This tariff filing would revise Vicinity’s PACC for the twelve months starting April 1, 2023, through March 31, 2023. The Commission approved Vicinity’s PACC base rate in File No. HR-2014-0066 and modified it in File No. HR-2018-0341.

¹ *Direct Testimony of Scott Stordahl*, HT-2023-0247, 4:18-20 (Feb 1, 2023).

Vicinity is required to file annual, with an option of semi-annual, rate adjustments to reflect changes to fuel and production costs.

6. In its 2021 PACC filing, which was File No. HT-2021-0245, Vicinity originally proposed a negative PACC surcharge of (\$1.2651) per mlb to be refunded to its customers. It proposed to return to customers \$731,938, which consisted of PACC credits and an amount resulting from a calculation error.

7. However, shortly after making its 2021 PACC filing, Winter Storm Uri occurred, and Vicinity stated that it experienced extraordinary high gas costs. Symmetry Energy Solutions, LLC (“Symmetry”) submitted a February 2021 invoice to Vicinity for \$18.6 million, which the parties are currently litigating in Jackson County Circuit Court. A trial in this matter is scheduled to begin April 17, 2023.

8. In the 2021 PACC filing, Vicinity and Staff requested that to minimize future rate shock, the Commission reject Vicinity’s tariff sheets and approve a stipulation setting the PACC surcharge at \$0 per mlb; defer into a regulatory liability account the amount of \$731,938 that would otherwise be refunded to customers; and defer into a regulatory asset account accrued, but unpaid, extraordinary gas costs that would otherwise be charged to purchased gas expense in 2021. The Commission approved this stipulation on March 24, 2021, and the new rate went into effect April 1, 2021.

9. In its 2022 PACC filing, which was File No. HT-2022-0212, Vicinity originally proposed continuing to defer the credits and return these funds to customers in a future PACC surcharge after the Symmetry litigation is resolved. Vicinity initially proposed a PACC surcharge of \$2.10 per mlb. Staff recommended that the Commission reject Vicinity’s tariff sheets and direct Vicinity to file substitute tariff sheets that include

refunding the \$731,938 regulatory liability that was not returned to customers pursuant to the stipulation in Vicinity's 2021 PACC filing.

10. Vicinity did not oppose Staff's recommendation. It filed revised testimony and supporting workpapers, as well as tariff sheets, proposing a PACC surcharge of \$0.38 per mlb. On June 9, 2022, the Commission approved tariff sheets bearing an issue date of May 20, 2022 and an effective date of June 19, 2022.

11. In its current PACC filing, Staff agrees with Vicinity's calculation of a PACC surcharge of \$7.53 per mlb. Staff has reviewed the data and calculations provided by Vicinity related to its proposed substitute tariff sheets and recommends that the Commission issue an order approving them.

12. Staff verified that Vicinity filed its annual report, as well as its monthly and surveillance reports. Other than Vicinity's current rate case, which is File No. HR-2023-0198, 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 new PACC surcharge in this case is solely based on the accuracy of Vicinity's calculations and is not indicative of the prudence of the costs included in the PACC surcharge.

13. Staff recommends the Commission approve the following tariff sheets, filed on February 1, 2023, with a proposed effective date April 1, 2023.

P.S.C. MO. No. 1
9th Revised Sheet No. 36 Cancelling (8th Revised) Sheet No. 36
9th Revised Sheet No. 37 Cancelling (8th Revised) Sheet No. 37

WHEREFORE, Staff recommends that the Commission issue an order approving Vicinity's tariff sheet filed February 1, 2023.

Respectfully submitted,

/s/ Eric Vandergriff

Eric Vandergriff

Legal Counsel

Missouri Bar No. 73984

P.O. Box 360

Jefferson City, MO 65102

573-522-9524 (Voice)

573-751-9285 (Fax)

Eric.Vandergriff@psc.mo.gov

Staff Counsel for the Missouri

Public Service Commission

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 parties and/or counsel of record on this 6th day of March, 2023.

/s/ Eric Vandergriff

