

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

In the Matter of KCP&L Greater Missouri)
Operations Company for Authority to File) **File No. HT-2015-0262**
Tariffs Changing the Steam QCA for Service) Tariff Tracking No. YH-2016-0014
Provided to 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 14, 2016, KCP&L Greater Missouri Operations Company (“GMO”) filed with the Commission one tariff sheet, 27th Revised Sheet No. 6.10 bearing an effective date of March 1, 2016, to add the quarterly cost adjustment (“QCA”) for steam service customers for the fourth quarter of calendar year 2015.

2. GMO’s filing includes the proposed tariff sheet and supporting work papers 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 \$(1.5878)¹ as compared to a customer credit of \$(1.4403) per million BTU reflected on the previous 26th 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 \$(678,556) decrease in the quarterly adjusted fuel costs when compared to the same quarter last year, and

2) the increase of the Reconciliation Rate (R Factor) component of \$12,895, which makes the R Factor in this QCA filing more of a positive 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 \$1.5878 per million BTU.

3. As more fully explained in its Memorandum, attached hereto as Appendix A, with supporting Attachment A, 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 14, 2016, to go into effect March 1, 2016, or to allow it to go into effect by operation of law that same date:

P.S.C. MO. No. 1
27th Revised Sheet No. 6.10 Canceling 26th Revised Sheet No. 6.10

Respectfully Submitted,

/s/ Marcella L. Mueth

Marcella L. Mueth
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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 3rd day of February, 2016.

/s/ Marcella L. Mueth

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. HT-2015-0262, Tariff Tracking No. YH-2016-0014
KCP&L Greater Missouri Operations Company

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

/s/Michael Scheperle 2/3/2016
Manager Economic Analysis / Date

/s/Marcella Mueth 2/3/2016
Staff Counsel Division / Date

SUBJECT: Staff Recommendation to Approve the Tariff Sheet Filed to Add the Quarterly Cost Adjustment for the fourth Quarter of 2015 to the Quarterly Cost Adjustment Rider – Steam of KCP&L Greater Missouri Operations Company to go into effect on March 1, 2016, or to go into effect by operation of law that same date.

DATE: February 3, 2016

On January 14, 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 fourth quarter of 2015. 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 2015.

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

On January 25, 2016, GMO filed an addendum to the tariff revision that includes information concerning the adjustment to annual Coal Performance Standard.

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 27 of Tariff Sheet No. 6.10 reflects a negative charge per million British Thermal Units (“BTU”) of (\$1.5878) as compared to a negative charge per million BTU of (\$1.4403) that was reflected on the previous revision 26 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

(\$678,556) 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 \$12,895 when compared to the same quarter last year. As a result, the QCA reflects a negative charge of (\$1.5878) compared to the negative charge of (\$1.4403) 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 repairs and replacements have been completed. 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 that reflects a level that complies with the provisions 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. 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.

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, 2016, the requested effective date:

P.S.C. MO. No. 1

27th Revised Sheet No. 6.10 Canceling 26th 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 |

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Service Provided to Customers in Its Service)
Territory)

Case No. HT-2015-0262
File No. YH-2016-0014

AFFIDAVIT OF MICHELLE BOCKLAGE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW Michelle 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 Bocklage

Subscribed and sworn to before me this 3rd day of February, 2016.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086


Notary Public

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Case No. HT-2015-0262
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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 before me this 3rd day of February 2016.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086



Notary Public