

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

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| In the Matter of KCP&L Greater Missouri |) | |
| Operations Company's Demand Side Investment |) | <u>File No. ER-2016-0327</u> |
| Mechanism Rider Rate Adjustment and True-Up |) | Tracking No. JE-2016-0345 |
| Required by 4 CSR 240-3.163(8) |) | |
| |) | |

**RESPONSE OF KCP&L GREATER MISSOURI OPERATIONS COMPANY
TO STAFF'S RECOMMENDATION TO REJECT TARIFF SHEETS**

COME NOW KCP&L Greater Missouri Operations Company ("GMO" or "Company") and provides its response to the Staff ("Staff") of the Missouri Public Service Commission's ("Commission") *Recommendation to Reject Tariff Sheets* ("Recommendation") filed with the Commission on July 1, 2016, and states as follows:

I. STAFF'S RECOMMENDATION REGARDING RECOVERY OF CARRYING COSTS CONTRADICTS THE COMMISSION'S MEEIA RULES AND THE COMPANY'S TARIFFS

1. Staff claims not to dispute that GMO is entitled to recover its prudently incurred program costs, including its Throughput Disincentive-Net Shared Benefits ("TD-NSB") amount. Yet Staff's recommendation to deny recovery of carrying costs on TD-NSB share amounts that were under-billed from customers would deny GMO recovery of the costs that it has incurred to offer MEEIA programs approved by the Commission. The carrying costs incurred by the Company are not a source of profit, or windfall, for GMO. By denying GMO recovery of these costs, Staff is recommending that GMO not recover all of its prudently incurred costs.

2. Moreover, Staff's recommendation ignores the Commission's MEEIA rules regarding the adjustment of MEEIA rates found at 4 CSR 240-20.093(4) and 4 CSR 240-3.163(8) as well as the Company's tariffs. Sheet 138 (attached as Exhibit A) provides that charges passed through the DSIM rider, which has been in effect since April 1, 2016 includes

reconciliations, **with interest**, to true-up for differences between the revenues billed under the DSIM rider and total actual monthly amounts for Cycle 1 program costs and TD. Prior to GMO's DSIM rider, GMO's tariff sheet R-63.01.2 (attached as Exhibit B) provides for a true-up of the TD-NSB to be tracked **with interest** and trued-up for amortization in a future rate case. The rules and tariffs require the recovery/crediting of revenue that was over-collected or under-collected through the most recent recovery period including interest at the electric utility's AFUDC rate.

3. Staff's justification for disallowance of carrying costs is that the Company failed to use the agreed upon method of discounting MEEIA program costs. However, this inadvertent error does not change the applicability of the Commission's rules and the Company's tariffs which prescribe recovery/payment of carrying costs at the utility's short term borrowing rate on all revenue that was under- or over-recovered in the prior DSIM recovery period. Calculation errors are exactly the type of situation that an adjustment to a rider mechanism is supposed to address so that the utility or the ratepayers are made whole for any inadvertent under- or over-recovery. If the error had been made where a refund was due to the customer, the Staff would likely follow the rule and tariffs and would require that any refunded amounts include carrying costs. Furthermore, the Staff's assertion that the carrying costs attributed to GMO's calculation error are harmful to customers is not true. GMO's DSIM charge was implemented as a tracker in base rates and was not subject to adjustment for the entire timeframe of the calculation error. Therefore, whether the calculation was made correctly each month or later when the error was identified, the amount billed to customers was not affected and customers were not harmed by the delay in making the correction. Staff's one-sided interpretation of the MEEIA rules and proposed tariffs should be rejected.

WHEREFORE, GMO requests the Commission consider the above opposition by GMO to Staff's Recommendation and approve GMO's tariffs as submitted.

Respectfully submitted,

/s/ Roger W. Steiner

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Attorney for KCP&L Greater Missouri Operations
Company

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 7th day of July, 2016, to all parties of record.

/s/ Roger W. Steiner

Roger W. Steiner

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. _____
KCP&L Greater Missouri Operations Company
KANSAS CITY, MO

Original Sheet No. 138
Original Sheet No. _____
For Territories Served as L&P and MPS

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM

APPLICABILITY:

This rider is applicable to all non-lighting kilowatt-hours (kWh) of energy supplied to customers under the Company's retail rate schedules, excluding kWh of energy supplied to "opt-out" customers.

Charges passed through this DSIM Rider reflect the charges approved to be collected from the implementation of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 2 Plan & any remaining unrecovered charges from the MEEIA Cycle 1 Plan DSIM. Those charges include:

- 1) Program Costs, Throughput Disincentive (TD), and Earnings Opportunity Award (EO), if any, for the MEEIA Cycle 2 Plan; as well as, Program Costs and TD-NSB Share for any unrecovered balances from the MEEIA Cycle 1 Plan, as outlined in Stipulation & Agreement in Docket No EO-2015-0241 and any earned Performance Incentive earned (and ordered) attributable to MEEIA Cycle 1, as set out in Case No. EO-2012-0009.
- 2) Reconciliations, with interest, to true-up for differences between the revenues billed under this DSIM Rider and total actual monthly amounts for:
 - i) Program Costs incurred in Cycle 2 and/or remaining unrecovered amounts for MEEIA Cycle 1.
 - ii) TD incurred in Cycle 2, and/or remaining unrecovered amounts for MEEIA Cycle 1.
 - iii) Amortization of any Performance Incentive Award or Earnings Opportunity ordered by the Missouri Public Service Commission (Commission), as set out in EO-2012-0009 or EO-2015-0241.
- 3) Any Ordered Adjustments. Charges under this DSIM Rider shall continue after the anticipated 36 month plan period of MEEIA Cycle 2 until such time as the charges described in items 1) and 2) above have been billed.

Charges arising from the MEEIA Cycle 2 Plan that are the subject of this DSIM Rider shall be reflected in one "DSIM Charge" on customers' bills in combination with any charges arising from a rider that is applicable to post-MEEIA Cycle 2 Plan demand-side management programs approved under the MEEIA. This may also include any unrecovered amounts for Program Costs, TD-NSB Share from MEEIA Cycle 1 and any Performance Incentive, etc. earned/remaining from MEEIA Cycle 1 that is expected to begin payout in January 2017. The Cycle 1 Performance Incentive Award methodology can be found in the October 29, 2012 Non-Unanimous Stipulation & Agreement found in EO-2012-0009.

DEFINITIONS:

As used in this DSIM Rider, the following definitions shall apply:

"Company's Throughput Disincentive (TD) is meant to represent the utility's lost margins associated with the successful implementation of the MEEIA programs. The detailed methodology for calculating the TD is described beginning in Tariff Sheet No. 138.4.

"Effective Period" (EP) means the six (6) months beginning with January of 2016, and each six month period there-after.

Issued: March 16, 2016
Issued by: Darrin R. Ives, Vice President

Effective: ~~April 15, 2016~~
April 1, 2016

FILED
Missouri Public
Service Commission
EO-2015-0241; YE-2016-0232

EXHIBIT A

KCP&L Greater Missouri Operations Company
KANSAS CITY, MO 64106

For All Territory Served as L&P and MPS

RULES AND REGULATIONS
ELECTRIC

10.02 Projected Annual Energy and Demand Savings Targets by Program During the Three-Year Plan, MEEIA Program Revenue Requirements and MEEIA and Pre-MEEIA Opt-Out Provisions (continued)

D. True-Up.

The Company shall, pursuant to the procedures outlined in the Non-Unanimous Stipulation And Agreement Resolving KCP&L Greater Missouri Operations Company's MEEIA Filing approved in Case No. EO-2012-0009, true-up, as close as reasonably practicable, the application of the DSIM Charges on customer billings for the following items: a)all actual MEEIA Programs' Costs, b)the Company's Throughput Disincentive-Net Shared Benefits (TD-NSB) Share amounts and c)the Performance Incentive Award. Any difference between the Company's billed and actual MEEIA program costs, and any difference between the billed and 100% of the actual TD-NSB share will be tracked with interest and trued-up for amortization in a future general electric rate case. Should a rider mechanism be in effect for the DSIM Charge, then the rider will be used to effectuate the true-up.

E. Prudency Review.

Commission staff shall perform prudence reviews no less frequently than at twenty-four (24) month intervals in accordance with 4 CSR 240-20.093(10). Any amount the Commission orders refunded as a result of such a prudence review shall be a reduction to the Company's revenue requirement in the first general electric rate proceeding occurring after such Commission order. However, if a rider mechanism is in effect for recovery of DSIM Charges, then any prudence review refund shall be effectuated through that rider.