

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. HT-2013-0456, Tariff Tracking No. YH-2014-0175  
KCP&L Greater Missouri Operations Company

FROM: Randy Gross, Utility Regulatory Engineer I  
Dana Eaves, Utility Regulatory Auditor IV

/s/ John A. Rogers 11/14/2013

Energy Resource Analysis Unit / Date

/s/ Robert S. Berlin 11/14/2013

Staff Counsel Division / Date

SUBJECT: Staff Recommendation to Approve the Tariff Sheet Filed To Add The Quarterly Cost Adjustment For The Third Quarter Of 2013 To The Quarterly Cost Adjustment Rider - Steam of KCP&L Greater Missouri Operations Company<sup>1</sup> to go into effect on December 1, 2013, or to go into effect by operation of law that same date.

DATE: November 14, 2013

On October 15, 2013, KCP&L Greater Missouri Operations Company (“GMO”) filed with the Commission one (1) tariff sheet, Revised Sheet No. 6.10 bearing an issue date of October 15, 2013, and an effective date of December 1, 2013, to add the quarterly cost adjustment (“QCA”) for steam service customers for the third quarter of calendar year 2013. The adjustment is required by GMO’s Quarterly Cost Adjustment Rider - Steam, which the Commission approved in Case No. HR-2005-0450, for steam service on and after July 1, 2009, and subsequently modified in Case Nos. HR-2009-0092 and HR-2010-0028.

GMO’s filing included the proposed tariff sheet, and work papers consisting of electronic worksheets showing its calculation of the QCA for the third quarter of 2013 and a one page explanation titled, *Steam/Electric Hedging Misclassification Explanation*.<sup>2</sup>

The procedure for the calculation of the QCA for steam service sales occurring on and after July 1, 2009, is set out in GMO’s Tariff Sheet Nos. 6.6 through 6.10, which are entitled “Quarterly Cost Adjustment Rider – Steam.” The QCA calculation components as described in Tariff Sheet Nos. 6.6 and 6.7 includes the Current Quarterly Cost Adjustment (CQCA), the Reconciliation Rate or “R factor” plus any applicable reconciling adjustments.

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<sup>1</sup> AVAILABILTY ...The company will file rate adjustments quarterly to reflect eighty-five percent (85%) of the change in the actual fuel costs above or below a base amount of \$3.9500 per million BTU. The sum of the Current Quarterly Cost Adjustment (CQCA), plus the three (3) preceding CQCA’s, plus reconciling adjustments, if any, plus the Reconciliation Rate will be billed in addition to all other charges under applicable tariff provisions. KCP&L Greater Missouri Operations Company, Schedule of Rates for Steam, Revised Sheet No. 6.6

<sup>2</sup> The Steam/Electric Hedging Misclassification Explanation is located on sheet 12 of 12 of the Company’s work papers filed on October 15, 2013 in File No. HT-2013-0456.

The QCA Rider for this revision 18 of Tariff Sheet No. 6.10 reflects an additional charge per million British Thermal Units (“BTU”) of \$0.4243 versus the credit per million BTU of (\$0.1468) reflected on the previous revision 17 of Tariff Sheet No. 6.10. This QCA Rider rate reflects a decrease of \$148,928 in the quarterly adjusted fuel costs from the previous quarter and the overall increase is principally due to the impact of GMO reconciling an error in assigning the costs of fuel hedge positions described below.

After the Commission opened the Ag Processing, Inc. Steam Complaint file (HC-2012-0259) on January 30, 2012, GMO discovered, and verbally advised Staff, that starting in or around February 2009, it had erroneously treated fuel hedge positions as electric positions and not as steam positions. In its *Steam/Electric Hedging Misclassification Explanation*, GMO explains that it stopped hedging fuel for its steam operations in November 2010, and that to correct for this cost allocation error, GMO has included an additional amount of \$1,208,550 in the “R-factor” calculation in this QCA filing to correct this error. GMO plans to also include a refund amount of \$1,454,190 in its January 2014 fuel adjustment clause (“FAC”) semi-annual rate adjustment filing for its MPS rate district.<sup>3</sup>

Staff has reviewed the data and mathematical calculations that GMO provided in its work papers, and GMO’s calculations related to the filed tariff sheet are correct and satisfy the standards set forth in GMO’s Tariff Sheet Nos. 6.6 through 6.10. The calculations are also consistent with previous QCA filings.

Therefore, based upon on its review, Staff recommends that the Commission enter an order approving the following proposed tariff sheet, as filed on October 15, 2013, to go into effect on December 1, 2013, as requested by GMO, or allow it to become effective by operation of law on that same date, to wit:

P.S.C. MO. No. 1  
18<sup>th</sup> Revised Sheet No. 6.10 Canceling 17<sup>th</sup> Revised Sheet No. 6.10

Staff has verified that GMO is not delinquent on any assessment and has filed its 2012 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

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<sup>3</sup> The Steam/Electric Hedging Misclassification Explanation provides the following discussion concerning the \$1,208,550 and \$1,454,190 amounts:

Since these misclassified costs were subsequently accounted for as MPS electric positions, they were included in the MPS electric customers' Fuel Adjustment Clause (FAC) at 95% of the total costs overstating the costs recovered under the FAC. Thus they were not included in the industrial steam customers' Quarterly Cost Adjustment (QCA) (at either 80% or 85% recovery depending on the timeframe) understating the costs recovered under the QCA. To correct for the misclassification, a refund of \$1.4 million (95% of \$1.4 million for 2009 plus \$62,000 for 2010) will need to be made to the MPS electric customers in the next semi-annual filing. This current QCA filing includes a \$1.2 million (80% of \$550,000 through 6/30/2009 plus 85% of \$903,000) charge added to the r-factor calculation.

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 submitted information and is not indicative of the prudence of the fuel costs included in the QCA.

**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 Steam QCA for                         )  
Service Provided to Customers in its Service                )  
Territory    )

Case No. HT-2013-0456

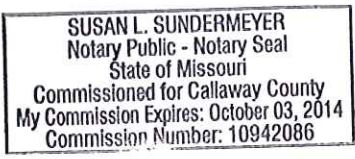
**AFFIDAVIT OF DANA E. EAVES**

STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF COLE     )

Dana E. Eaves, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.

  
Dana E. Eaves

Subscribed and sworn to before me this 13<sup>th</sup> day of November, 2013.



  
Notary Public

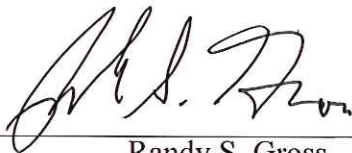
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Service Provided to Customers in its Service        )  
Territory    )

**AFFIDAVIT OF RANDY S. GROSS**

**STATE OF MISSOURI    )**  
  )**ss**  
**COUNTY OF COLE        )**

Randy S. Gross, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.

  
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Randy S. Gross

Subscribed and sworn to before me this 13<sup>th</sup> day of November, 2013.

**SUSAN L. SUNDERMEYER**  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Callaway County  
My Commission Expires: October 03, 2014  
Commission Number: 10942086

  
Notary Public