

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

In the Matter of KCP&L Greater Missouri Operations )  
Company’s Application for Authority to Establish a ) File No. EO-2014-0151  
Renewable Energy Standard Rate Adjustment ) Tariff No. YE-2014-0407  
Mechanism )

**THE OFFICE OF THE PUBLIC COUNSEL’S  
REPLY TO STAFF AND RENEW MISSOURI**

COMES NOW the Office of the Public Counsel (“OPC”), pursuant to Missouri Public Service Commission (“Commission”) Rule 4 CSR 240-20.080(13), and in response to the Commission’s Staff and Earth Island Institute d/b/a Renew Missouri’s (“Renew Missouri”) responses to KCP&L Greater Missouri Operations Company’s (“KCP&L-GMO”) application for authority to establish a Renewable Energy Standard Rate Adjustment Mechanism (“RESRAM”), states:

**RESRAM Charge**

Staff recommends that GMO’s Renewable Energy Standard (“RES”) Revenue Requirement be billed to customers as a percentage of taxable retail revenue for services rendered. Staff also recommends that GMO seek a limited variance of Commission Rule 4 CSR 240-20.100(6)(A)10 that would allow the RESRAM to be calculated as a percentage of the customer’s total bill for the applicable billing period.

Public Counsel does not support assigning RES costs to customer classes on the basis of the class share of total revenue. The RESRAM is designed to recover costs and pass through benefits of renewable energy resources. Because the RES impacts the generation of energy, it should reasonably be recovered on an energy-related basis rather than revenue-related basis.

Public Counsel opposes an allocation based on class share of total revenue because customer classes such as the residential and small commercial classes pay a disproportionate share of total company revenue for reasons unrelated to energy. *See* Appendix A. This is so because, for example, small customer classes are assigned a greater share of the cost of distribution facilities than are large customer classes. Similarly, small customer classes also pay a larger share of the total company revenue generated specifically from energy rates because a portion of distribution costs are recovered through the energy rate.

In this proceeding, the Company proposed to recover the RESRAM as a fixed rate per kWh. Allocating all RES costs to customer classes based on kWh usage is a fair method for apportioning the cost of RES compliance because RES compliance is directly related to the production of energy. Moreover, recovery on a kWh basis is also consistent with Commission Rule 4 CSR 240-20.100(6)(A)10 which requires that the RESRAM will be calculated as a percentage of each customer's energy charge for the applicable billing period.

Staff's recommendation is inconsistent with a proper reading of the Commission's rules, equitable considerations, and the utility's own RESRAM application, and so, should be rejected.

### **Proper RESRAM Formulae**

Staff and Renew Missouri each posit a respective formula to be used for RESRAM calculation. Public Counsel agrees with Renew Missouri that the plain language of the Commission's rules require that a RESRAM include both the costs and the benefits associated with RES compliance:

In all RESRAM applications, the increase in electric utility revenue requirements shall be calculated as the amount of additional RES compliance costs incurred since the electric utility's last RESRAM application or general rate proceeding, **net of** any reduction in RES compliance costs included in the electric utility's prior RESRAM application or general rate case, **and any new RES compliance benefits.**

4 CSR 240-20.100(6)(emphasis added). Public Counsel disagrees with Renew Missouri’s formula, however, in that it is not sufficiently inclusive of all factors needed to determine a RESRAM. Public Counsel agrees with Staff that the RESRAM formula must provide for ordered adjustments by the Commission and reconciliation adjustments. Public Counsel disagrees with Staff’s formula that the aforementioned adjustments can only add to the RESRAM revenue requirement; it is equally possible that adjustments may subtract from the revenue requirement. Further, Staff’s calculation does not provide for including the benefits associated with RESRAM compliance as an offset to costs. Accordingly, Public Counsel offers in Appendix B (attached) its formulae to calculate the RESRAM charge.

#### **St. Joseph Landfill Gas Variance**

State statute and Commission rules require the inclusion of all RES compliance costs to be recovered through a RESRAM or general rate proceeding.<sup>1</sup> GMO has received a variance from the Commission rule which normally requires all RES compliance costs recovered between rate cases to be recovered only in the RESRAM.<sup>2</sup> GMO’s Commission-approved waiver permits GMO to recover costs relating to its St. Joseph landfill gas operation in its Fuel Adjustment Clause (“FAC”).<sup>3</sup> Public Counsel argues that inclusion of RES compliance costs for recovery in

---

<sup>1</sup> §§ 393.1025(5), 393.1030.1, RSMo. (defining the term “renewable energy resources”); Section 393.1030.2(4) RSMo. (requiring the creation of a mechanism to permit utilities to recover “outside the context of a regular rate case...prudently incurred costs...by an electrical corporation in meeting the requirements...” of the Renewable Energy Standard); 4 CSR 240-20.100(6)(A)(16) (stating that RES compliance costs shall only be recovered through a RESRAM and not through a fuel adjustment clause).

<sup>2</sup> *Order Granting Waiver, Iss’d* January 3, 2013, Case Nos. ER-2012-0175 and ER-2013-0341.

<sup>3</sup> *Id.*

the FAC runs contrary to the statutes enacting the RESRAM and, as a matter of law, cannot continue.

In its memorandum, Staff recommended “continuance of the waiver regarding St. Joseph Landfill gas recovery in the Fuel Adjustment Clause[.]”<sup>4</sup> GMO also seeks a continuation of that variance in its pending FAC case, Case No. ER-2014-0373. In its *Response to Public Counsel’s Reply to The Staff’s Recommendation* in Case No. ER-2014-0373, Staff argues that the FAC cannot be changed prior to a general rate proceeding.<sup>5</sup> But inclusion of RES compliance costs in the FAC exceeded the Commission’s statutory authority, as the RES statute makes clear that costs for RES compliance must flow through only the interim recovery mechanism established by the Commission under the RES statute. The language of the FAC statute cited by State is inapposite, as it does not treat the situation now before the Commission, which is how to correct treatment of a cost incorrectly included in the FAC which should have been included in another interim recovery mechanism. In light of this situation, Public Counsel suggests that now that GMO has filed this RESRAM and has an on-going FAC case, the time is right to eliminate the variances, comply with the statute, and require GMO to account for the landfill gas costs and benefits in the RESRAM. Moreover, to the extent any other RES costs may be flowing through any other interim recovery mechanism, Public Counsel suggests those costs, too, must begin to be recovered through a RESRAM.

---

<sup>4</sup> *Staff’s Recommendation to Approve RESRAM with Variance, Reject Certain Tariff Sheets and Order Compliance Tariff Sheets and Customer Notice*, Attachment 1, p. 1.

<sup>5</sup> *Staff’s Response to Public Counsel’s Reply to The Staff’s Recommendation*, p. 3, Case No. ER-2014-0373.

### **U.S. Solar rebate amounts**

OPC does not object to Staff's recommendation to exclude all U.S. Solar related solar rebate amounts from RESRAM recovery at this time. Similarly, because KCP&L Solar transactions were recorded as having occurred outside the period in which GMO is attempting to recover RES compliance costs, OPC will continue to examine the prudence of costs related to the solar rebates GMO has paid or committed to KCP&L Solar in future cases in which GMO attempts to recover those costs.<sup>6</sup>

### **Conclusion**

The Commission's rules require that RESRAM charges be calculated as a percentage of each customer's energy charge, and not as a percentage of their total bill. The formulae for RESRAM calculation offered by both Renew Missouri and Staff are incomplete and should not be accepted. Further, Missouri statute and the Commission rules require GMO to flow all RES compliance costs or benefits, including landfill gas purchases and power purchase agreements related to RES compliance, through a RESRAM or as part of a general rate proceeding.<sup>7</sup>

WHEREFORE, the Office of the Public Counsel submits this *Reply* for the Commission's consideration.

---

<sup>6</sup> Public Counsel notes it may be that by failing to include all RES compliance costs accrued to the date of filing in its current RESRAM application, the utility will be prohibited by rule from recovering those costs in a future proceeding.

<sup>7</sup> 4 CSR 240-20.100(6)(A)(16).

Respectfully,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Tim Opitz \_\_\_\_\_

Tim Opitz  
Assistant Counsel  
Missouri Bar No. 65082  
P. O. Box 2230  
Jefferson City MO 65102  
(573) 751-5324  
(573) 751-5562 FAX  
[Timothy.opitz@ded.mo.gov](mailto:Timothy.opitz@ded.mo.gov)

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 19<sup>th</sup> day of August 2014:

**Missouri Public Service Commission**

Jennifer Hernandez  
200 Madison Street, Suite 800  
P.O. Box 360  
Jefferson City, MO 65102  
[jennifer.hernandez@psc.mo.gov](mailto:jennifer.hernandez@psc.mo.gov)

**Missouri Public Service Commission**

Office General Counsel  
200 Madison Street, Suite 800  
P.O. Box 360  
Jefferson City, MO 65102  
[staffcounsel@psc.mo.gov](mailto:staffcounsel@psc.mo.gov)

**Renew Missouri**

Andrew J Linhares  
910 E Broadway, Ste 205  
Columbia, MO 65201  
[Andrew@renewmo.org](mailto:Andrew@renewmo.org)

**Union Electric Company**

James B Lowery  
111 South Ninth St., Suite 200  
P.O. Box 918  
Columbia, MO 65205-0918  
[lowery@smithlewis.com](mailto:lowery@smithlewis.com)

**Union Electric Company**

Thomas M Byrne  
1901 Chouteau Avenue  
P.O. Box 66149 (MC 1310)  
St. Louis, MO 63166-6149  
[AmerenMOService@ameren.com](mailto:AmerenMOService@ameren.com)

**Union Electric Company**

Wendy Tatro  
1901 Chouteau Avenue  
St. Louis, MO 63166-6149  
[AmerenMOService@ameren.com](mailto:AmerenMOService@ameren.com)

**AG Processing, Inc.**  
Stuart Conrad  
3100 Broadway, Suite 1209  
Kansas City, MO 64111  
stucon@fcplaw.com

**KCP&L Greater Missouri Operations  
Company**  
James M Fischer  
101 Madison Street, Suite 400  
Jefferson City, MO 35101  
jfischerpc@aol.com

**KCP&L Greater Missouri Operations  
Company**

Roger W Steiner  
1200 Main Street, 16th Floor  
P.O. Box 418679  
Kansas City, MO 64105-9679  
roger.steiner@kcpl.com

/s/ Tim Opitz

---

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

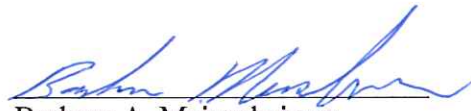
In the Matter of KCP&L Greater Missouri Operations        )  
Company's Application for Authority to Establish a        ) File No. EO-2014-0151  
Renewable Energy Standard Rate Adjustment        ) Tariff No. YE-2014-0407  
Mechanism        )

**AFFIDAVIT OF BARBARA MEISENHEIMER**

STATE OF MISSOURI    )  
                                  )    ss  
COUNTY OF COLE     )

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

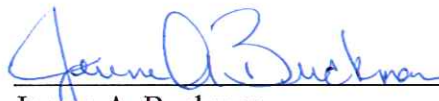
1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof as Appendix A are tables that illustrate the relative class shares of total revenue and billed kWh sales for the Residential, Small General Service, Large General Service, Large Power Service and Metered Lighting classes served in the GMO-MPS and GMO-L&P service areas. The revenue and kWh billed sales data was provided in the workpapers supporting the direct testimony of Company witness Paul M. Normand in Case ER-2012-0175.
3. I hereby swear and affirm that the information contained in Appendix A is true and correct to the best of my knowledge and belief.

  
Barbara A. Meisenheimer  
Chief Utility Economist

Subscribed and sworn to me this 19<sup>th</sup> day of August 2014.



JERENE A. BUCKMAN  
My Commission Expires  
August 23, 2017  
Cole County  
Commission #13754037

  
Jerene A. Buckman  
Notary Public

My Commission expires August 23, 2017.



The tables provided in Appendix A illustrate the relative class shares of total revenue and billed kWh sales for the Residential, Small General Service, Large General Service, Large Power Service and Metered Lighting classes served in the GMO-MPS and GMO-L&P service areas. The revenue and kWh billed sales data was provided in the workpapers supporting the direct testimony of Company witness Paul M. Normand in Case ER-2012-0175.

### Appendix A

<b><u>GMO MPS</u></b>	<b><u>Revenue</u></b>	<b><u>Share</u></b>	<b><u>Billed kWhs</u></b>	<b><u>Share</u></b>
Residential	292,767,975	55.47%	2,768,601,182	46.92%
Small General Service	78,158,277	14.81%	784,896,096	13.30%
Large General Service	71,472,490	13.54%	943,906,757	16.00%
Large Power Service	85,398,998	16.18%	1,403,161,928	23.78%
Metered Lighting	-			
	527,797,741	100.00%	5,900,565,964	100.00%

<b><u>GMO L&amp;P</u></b>	<b><u>Revenue</u></b>	<b><u>Share</u></b>	<b><u>Billed kWhs</u></b>	<b><u>Share</u></b>
Residential	72,014,344	43.62%	764,256,139	36.40%
Small General Service	12,812,493	7.76%	106,267,754	5.06%
Large General Service	29,549,954	17.90%	372,255,469	17.73%
Large Power Service	50,597,602	30.65%	855,445,074	40.74%
Metered Lighting	129,933	0.08%	1,622,413	0.08%
	165,104,327	100.00%	2,099,846,849	100.00%



## RENEWABLE ENERGY STANDARD RATE ADJUSTMENT MECHANISM

1.) The RESRAM Revenue Requirement [RRR] should be calculated as follows:

$$RRR = CC - CB$$

2.) The Allowable RESRAM Revenue Requirement [ARRR] should be calculated as follows:

$$ARRR = RRR +/- OA +/- RA$$

3.) The RESRAM should be calculated as follows:

$$RESRAM = ARRR / PR$$

4.) The RESRAM Offset rate should be calculated as follows:

$$ROA = DA / DEP$$

### DEFINITIONS:

**ARRR = Allowable RESRAM Revenue Requirement** means the amount of RESRAM Revenue Requirement, adjusted by any Commission-ordered reconciliations or other adjustments, that does not exceed the retail rate impact of 4 CSR 240-20.100(5)(A).

**CB = Compliance Benefits** means benefits directly related to compliance of the Renewable Energy Standard. Compliance benefits include, but are not limited to, avoided fuel costs, avoided plant operation and maintenance costs, avoided generation capacity costs, avoided reserve capacity cost, avoided transmission capacity cost, avoided cost of coal ash disposal, and avoided SO<sub>x</sub> and NO<sub>x</sub> emissions liability.

**CC = Compliance Costs** means prudently incurred costs, both capital and expense, directly related to compliance with the Renewable Energy Standard. Prudently incurred costs do not include any increased costs resulting from negligent or wrongful acts or omissions by the electric utility.

**DA = Disallowance Amount** means the offset amount determined to be disallowed by the Commission in the event the Commission disallows, during a subsequent general rate proceeding, recovery of RES compliance costs previously in an RESRAM, or pass-through of benefits previously in an RESRAM. The offset

amount shall include a calculation of interest at the electric utility's short-term borrowing rate.

DEP = **Disallowance Effective Period** means the six (6) months beginning with the first billing month following the promulgation of tariffs resulting from a general rate case.

OA = **Ordered Adjustment** is the amount of any adjustment to the ARRR or RRR ordered by the Commission as a result of prudence reviews and/or corrections under this RESRAM Rider. Such amounts shall include monthly interest at the Company's monthly short-term borrowing rate.

PR = **Projected Revenues**, in dollars, forecasted to be billed to customers during the applicable effective period.

RA = **Reconciliation Adjustment** is equal to the cumulative difference, if any, between the revenues billed during the previous effective period resulting from the application of the RESRAM and the RESRAM revenues intended to be collected through the end of the previous effective period (which will reflect projections through the end of the previous effective period due to timing of adjustments). Such amounts shall include monthly interest on cumulative over - or under - balances at the Company's monthly short-term borrowing rate.

RESRAM = **Renewable Energy Standard Rate Adjustment Mechanism** means a mechanism that allows period rate adjustments to recover prudently incurred RES compliance costs and pass-through to customers the benefits of any savings achieved in meeting the requirements of the Renewable Energy Standard.<sup>1</sup>

ROA = **RESRAM Offset Rate** is designed to reconcile such disallowed costs or benefits within the six (6)-month period subsequent to any commission order regarding such disallowance of RES compliance costs or benefits.

RRR = **RESRAM Revenue Requirement** means the RES compliance costs net of RES compliance benefits.<sup>2</sup>

---

<sup>1</sup> The RESRAM rate shall be rounded to the nearest 0.0001%

<sup>2</sup> If the RRR is greater than the ARRR, the difference between the ARRR and the RRR shall be carried forward for future recovery. Such amounts shall include monthly interest at the Company's monthly short-term borrowing rate.