BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light	)	
Company's Request for Authority to Implement	)	File No. ER-2014-0370
A General Rate Increase for Electric Service	)	

KANSAS CITY POWER & LIGHT COMPANY'S RESPONSE TO AUGUST 12, 2015 AGENDA REGARDING FAC QUESTIONS

COMES NOW Kansas City Power & Light Company and hereby submits to the Missouri Public Service Commission ("Commission") its Response to August 12, 2015 Agenda regarding fuel adjustment clause ("FAC") questions.

1. Pursuant to the Commission's questions raised at the August 12, 2015 agenda session, the attached Exhibit A represents what Union Electric Company d/b/a Ameren Missouri, KCP&L Greater Missouri Operations Company and The Empire District Electric Company FAC tariff provisions provide. KCP&L worked with Commission Staff, the Office of the Public Counsel and Missouri Industrial Energy Consumers in preparing Exhibit A. Exhibit A does not represent a change in any party's position on any of the FAC issues.

WHEREFORE, KCP&L respectfully submits this Response to Agenda Discussion on August 12, 2015.

Respectfully submitted,

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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 14th day of August, 2015, to all parties of record.

/s/ Roger W. Steiner

Robert J. Hack

A. If the Commission Authorizes KCP&L to Have a FAC, How Should it be Structured?

1. What Percentage (Customers/Company) of Changes in Costs and Revenues Should the Commission Find Appropriate to Flow Through the FAC?

Ameren Missouri, Empire and GMO all have a 95%/5% sharing mechanism.

2. Should the Costs and Revenues That Are to be Included in the FAC be Approved by the Commission and Explicitly Identified Along with the FERC account, Subaccount and the Resource Code in Which KCP&L will Record the Actual Cost/Revenue? If so, What Costs and Revenues Should be Included and What are Their Corresponding FERC Accounts, Subaccounts and Resource Codes?

Costs and revenues included in the FAC along with the FERC account each is recorded in is included in Ameren Missouri, Empire and GMO's FAC tariff sheets. The FAC tariff sheets of Ameren Missouri and Empire reference a filed listing of costs and revenues included in their FACs. Ameren Missouri's listing only contains a listing of the RTO costs. It does not include account numbers for each cost and revenue type. Empire's list includes FERC and minor accounts for each cost and revenue type, both fuel and RTO, that is included in Empire's FAC.

3. Should the FAC Tariff Sheets Reflect the Accounts, Subaccounts, Resource Codes, and the Cost/Revenue Description?

See 2. above.

4. Should SPP and Other Regional Transmission Organization/Independent System Operator Transmission Fees be Included in the FAC, and at What Level?

GMO's FAC includes costs in 565 associated with transmission costs that are necessary to receive purchased power to serve native load and transmission costs that are necessary to make off system sales (excluding all base plan funding).

Empire is allowed 34% of SPP transmission service costs in FERC account 565 excluding Schedule 1A and Schedule 12 and 50% of Non-SPP services in FERC account 565. The SPP cost schedules included in its FAC are listed (Schedules 11, 7, 8, 2, and 3) and the types of non-SPP costs are described in the tariff sheets.

Ameren Missouri flows through the FAC 3.5% of its transmission costs in FERC account 565. The types of costs are listed and applicable MISO schedules are included in the tariff sheets.

MIEC/OPC witness Jim Dauphinais, who calculated the percentage in the Ameren Missouri tariff sheets, has calculated 7.3% of FERC account 565 should be included in KCPL's FAC if an FAC was granted. This was included on pages 11-14 of the rebuttal testimony of Jim Dauphinais (exhibit 557).

5. Should SPP and FERC Administrative Fees (SPP Schedule 1-A and 12) be Included in the FAC?

None of the other Missouri utilities recover these fees through the FAC. Additionally, none of the other Missouri utilities include FERC and NERC fees in their FAC.

6. Should All Realized Gains and Losses from KCP&L's Hedging and/or Cross Hedging Practices be Included in the FAC?

GMO uses natural gas derivatives to hedge natural gas and to cross-hedge power. GMO records the hedge adjustments for fuel and cross-hedging for power in FERC account 547 and flows those adjustments through the FAC.

Ameren Missouri's FAC tariff sheets list hedging in both fuel and purchased power categories. Cross-hedging is not mentioned.

Empire lists hedging in FERC Accounts 501, 547 and 555 and specifically identifies cross-hedging in FERC account 547.

7. Should SO_2 Amortizations, Bio Fuels, Propane, Accessorial Charges, and Broker Commissions, Fees and Margins be Included in the FAC?

GMO, Ameren Missouri and Empire's tariffs all list costs net of revenues associated with SO_2 allowance sales as included in their FACs. GMO flows SO_2 amortizations through the FAC. Staff has indicated that Ameren does not flow SO_2 amortizations through the FAC.

Regarding Bio Fuels, GMO, Ameren and Empire's FAC tariff sheets all include the cost of alternative fuels.

GMO and Empire flow propane costs through the FAC. Ameren Missouri does not list propane as a FAC cost.

Ameren Missouri, Empire and GMO do not use the term accessorial charges in their FAC tariff sheets. However, Ameren Missouri, GMO and

Empire tariff's list many of the charges that would fall under the heading of accessorial charges as indicated by the railroads.

GMO, Ameren Missouri and Empire's FAC tariff sheets include broker commissions and fees, but do not list margins.

8. Should the FAC Include Costs and Revenues that KCP&L is Not Currently Incurring or Receiving, Other than Insurance Recoveries, Subrogation Recoveries and Settlement Proceeds Related to Costs and Revenues Included in the FAC?

It is not known if the other companies have include costs and revenues for which they are not currently making expenditures or receiving revenues in their FAC tariff sheets.

9. Does the FAC Need to Have Exclusionary Language added to Insure that North American Electric Reliability Corporation ("NERC") and FERC Penalties Are Not Included?

None of the other Missouri utilities' FAC tariff sheets mention NERC penalties.

10. Should the Phrase "Miscellaneous SPP IM Charges, Including But Not Limited To," Be Included in KCP&L's FAC tariff?

GMO's tariff says…"SPP EIS market charges, and SPP Integrated Market charges" under account 555 and 447.

Ameren Missouri and Empire have a listing of IM charges. Empire's FAC tariff sheets include a miscellaneous line item for FERC accounts 447 Off-System Sales and account 555 Purchased Power Costs.

Ameren Missouri and Empire's FAC tariff sheets have multiple paragraphs explaining the steps that will need to be taken if RTOs add/delete/change charge types and they include these changes in their FACs.

GMO, Ameren Missouri and Empire each have a paragraph that discusses the notification process if FERC changes the FERC account where includable costs are to be charged.

11. How Should Off-System Sales Revenue be Defined?

Revenue from off-system sales is defined by Empire and GMO in their FACs to include all sales reflected in FERC Account 447 (Sales for Resale), excluding sales in 447.1-- sales to municipalities. Off-system sales, due to conditions specific to Ameren Missouri, include sales to municipalities in its FAC.[1] Ameren Missouri and Empire have the MISO/SPP types of revenues listed out.

12. How Should the "J" Component (i.e., Net System Input) be Defined for KCP&L's Operations?

The "J" component refers to the definition of KCP&L's jurisdictional allocation calculation. To be consistent with how costs are allocated between the Missouri and Kansas jurisdiction's in this rate case, the J calculation should be as follows: J = Missouri Retail Energy Ratio = Missouri Retail kWh Sales/Total Retail kWh Sales (Kansas and Missouri) + Sales for Resale (Account 447.1 - Municipals).

13. Should the Rate Schedules Implementing the FAC Have an Amount for the Base Factor When the Commission Initially Approves Them, or Not Until After the End of the First FAC Accumulation Period?

Empire and Ameren Missouri included the base factor calculation on the FAC rate tariff sheets filed to implement the Commission's orders in their recent rate increase cases. GMO did not include it in its FAC tariff sheet filings in its last rate case.

14. How Many Different Voltage Levels of Service Should be Recognized for Purposes of Applying Loss Factors?

Ameren Missouri has three.
Empire has two.
GMO has two.

15. What are the Appropriate Recovery Periods and Corresponding Accumulation Periods for the FAC?

The utilities have different recovery periods, as well as the number of accumulation periods in a year. KCP&L, Staff and OPC have agreed to use recovery periods of October through September and April through March with the corresponding accumulation periods of January through June and July through December should the Commission grant KCP&L a FAC.

[1] It also includes the fuel costs to serve the municipalities in its FAC. GMO and Empire do not include these costs in their FACs.

16. **Should FAC Costs and Revenues be Allocated in the Accumulation Period's Actual Net Energy Cost in a Manner Consistent With the Allocation Methodology Utilized to Set Permanent Rates in this Case?**

All costs and revenues are allocated on an energy basis, which is consistent with the KCP&L FAC rate design.

E. <u>If the Commission Authorizes KCP&L to Have a FAC, What FAC-related Reporting Requirements Should it Order KCP&L to Comply with?</u>

KCP&L has already agreed to provide to Staff the reports requested in the testimony of Staff witness Dana Eaves.

F. <u>If the Commission Authorizes KCP&L to have a FAC, should KCP&L be Allowed to Add Cost and Revenue Types to Its FAC Between Rate Cases?</u>

Empire and Ameren Missouri have similar provisions in their FAC tariff sheets that fuel costs are only those listed in the tariff and they both have provisions for changes in RTO revenues and costs are included in their tariff sheets. GMO's FAC tariff sheets do not include language relating to changes in either fuel or RTO costs/revenues.

The language in Empire's FAC tariff sheets follows:
Costs and revenues not specifically detailed in Factors FC, PP, E, or OSSR shall not be included in the Company's FAR filings; provided however, in the case of Factors PP or OSSR the market settlement charge types under which SPP or another market participant bills / credits a cost or revenue need not be detailed in Factors PP or OSSR for the costs or revenues to be considered specifically detailed in Factors PP or OSSR; and provided further, should the SPP or another market participant implement a new charge type, exclusive of changes in transmission revenue, not listed in Exhibit 3**, "**List of Sub- Accounts Included and Excluded for FAC" of the Non-Unanimous Stipulation and Agreement on Certain Issues in Case No. ER-2014-0351:

A. The Company may include the new charge type cost or revenue in its FAR filings if the Company believes the new charge type cost or revenue possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR, as the case may be, subject to the requirement that the Company make a filing with the Commission as outlined in B below and also subject to another party's right to challenge the inclusion as outlined in E. below;

B. The Company will make a filing with the Commission giving the Commission notice of the new charge type no later than 60 days prior to the Company including the new charge type cost or revenue in a FAR filing. Such filing shall identify the proposed accounts affected by such new charge type cost or revenue, provide a description of the new charge type demonstrating that it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR as the case may be, and identify the preexisting market settlement charge type(s) which the new charge type replaces or supplements;

C. The Company will also provide notice in its monthly reports required by the Commission's fuel adjustment clause rules that identifies the new charge type costs or revenues by amount, description and location within the monthly reports;

D. The Company shall account for the new charge type costs or revenues in a manner which allows for the transparent determination of current period and cumulative costs or revenues;

E. If the Company makes the filing provided for by B above and a party challenges the inclusion, such challenge will not delay approval of the FAR filing. To challenge the inclusion of a new charge type, a party shall make a filing with the Commission based upon that party's contention that the new charge type costs or revenues at issue should not have been included, because they do not possess the characteristics of the costs or revenues listed in Factors PP or OSSR, as the case may be. A party wishing to challenge the inclusion of a charge type shall include in its filing the reasons why it believes the Company did not show that the new charge type possesses the characteristic of the costs or revenues listed in Factors PP or OSSR, as the case may be, and its filing shall be made within 30 days of the Company's filing under B above. In the event of a timely challenge, the Company shall bear the burden of proof to support its decision to include a new charge type in a FAR filing. Should such challenge be upheld by the Commission, any such costs will be refunded (or revenues retained) through a future FAR filing in a manner consistent with that utilized for Factor P; and

F. A party other than the Company may seek the inclusion of a new charge type in a FAR filing by making a filing with the Commission no less than 60 days before the Company's next FAR filing. Such a filing shall give the Commission notice that such party believes the new charge type should be included because it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR, as the case may be. The party's filing shall identify the proposed accounts affected by such new charge type cost or revenue, provide a description of the new charge type demonstrating that it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP or OSSR as the case may be, and identify the preexisting market settlement charge type(s) which the new charge type replaces or supplements. If a party makes the filing provided for by this paragraph F and a party (including the Company) challenges the inclusion, such challenge will not delay inclusion of the new charge type in the FAR filing or delay approval of the FAR filing. To challenge the inclusion of a new charge type, the challenging party shall make a filing with the Commission based upon that party's contention that the new charge type costs or revenues at issue should not have been included, because they do not possess the characteristics of the costs or revenues listed in Factors PP or OSSR, as the case may be. The challenging party shall make its filing challenging the inclusion and stating the reasons why it believes the new charge type does not possess the characteristic of the costs or revenues listed in Factors PP or OSSR, as the case may be, within 30 days of the filing that seeks inclusion of the new charge type. In the event of a timely challenge, the party seeking the inclusion of the new charge type shall bear the burden of proof to support its contention that the new charge type should be included in the Company's FAR filings. Should such challenge be upheld by the Commission, any such costs will be refunded (or revenues retained) through a future FAR filing in a manner consistent with that utilized for Factor P.