

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2017-0357, Tariff Tracking No. JE-2017-0280
KCP&L Greater Missouri Operations Company

FROM: David C. Roos, Regulatory Economist III
Ron Irving, Utility Regulatory Auditor I
Curtis B. Gateley, Utility Policy Analyst II

/s/ John A. Rogers 7/31/2017 /s/ Robert S. Berlin 7/31/2017
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation for **Approval** of Tariff Sheet Filed to Change Rates Related to KCP&L Greater Missouri Operations Company's Fuel Adjustment Clause Pursuant to the Commission's Report and Order from Case No. ER-2016-0156

DATE: July 31, 2017

Staff Recommendation

The Staff recommends the Commission issue an order approving the proposed 1st Revised Sheet No. 127.12 of the Fuel Adjustment Clause ("FAC") of KCP&L Greater Missouri Operations Company ("GMO" or "Company") as filed on June 30, 2017, to become effective on September 1, 2017, as requested by GMO.

Discussion

On June 30, 2017, GMO filed one (1) tariff sheet, 1st Revised Sheet No. 127.12 Canceling Original Sheet No. 127.12, bearing a proposed effective date of September 1, 2017, to revise GMO's current annual Fuel Adjustment Rates ("FARs") (lines 16 and 19 on 1st Revised Sheet No. 127.12) of its Fuel Adjustment Clause ("FAC"). GMO also filed direct testimony of its witness Lisa A. Starkebaum on June 30, 2017, and submitted to Missouri Public Service Commission Staff ("Staff") work papers in support of the direct testimony and filed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2017-0280.

NP

**** Denotes Highly Confidential Information ****

Appendix A

Background on GMO Rate Districts Consolidation and 1st Revised Sheet No. 127.12

Section 15 of the *Non-Unanimous Stipulation and Agreement* filed on September 20, 2016 in GMO's 2016 general rate case, Case No. ER-2016-0156,¹ includes the following:

The consolidation of the FAC for the consolidation of the L&P and MPS rate districts will be established at the date rates go into effect in this case and the historical cost recovery will be consolidated using weighted energy components for MPS and L&P.

As a result of GMO's 2016 general rate case, the MPS and L&P rate districts were consolidated on February 22, 2017, and a GMO base factor of \$0.2055 per kWh was first used to bill GMO's customers for the net base energy cost. As a result of GMO's 2013 general rate case, Case No. ER-2012-0175, from January 26, 2013 through February 21, 2017, the MPS rate district base factor used for billing MPS customers was \$0.02278 per kWh and the L&P rate district base factor used for billing L&P customers was \$0.02076 per kWh.

Accumulation Period 20 FARs

The testimony and work papers include information supporting GMO's calculation of the Fuel and Purchased Power Adjustment ("FPA") amount of \$1,920,010 (line 11 of 1st Revised Sheet No. 127.12) for Accumulation Period 20 ("AP20") (December 1, 2016 through May 31, 2017) reflecting the sum of:

1. The amount of \$2,044,231 on line 7 of 1st Revised Sheet No. 127.12 which is equal to 95% of the difference between: a) GMO's Missouri jurisdiction Actual Net Energy Costs (fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenue less renewable energy credit revenue) and b) GMO's Missouri jurisdiction Net Base Energy Cost;

¹ The *Non-Unanimous Stipulation and Agreement* filed on September 20, 2016, was approved by the Commission in its September 28, 2016 *Order Approving Stipulations And Agreements, Rejecting Tariffs, Cancelling True-Up Hearing, And Ordering Filing Of Compliance Tariffs*.

2. The true-up amounts² reflected on line 8 of 1st Revised Sheet No. 127.12 of (\$57,081); and
3. The interest amounts reflected on line 9 of 1st Revised Sheet No. 127.12 of (\$67,140).

The Current Period GMO FAR of \$0.00022 per kWh (line 13 of 1st Revised Sheet No. 127.12) is equal to the GMO FPA amount of \$1,920,010 divided by the Estimate Recovery Period 20, (“RP20”)³ Retail Net System Input (“NSI”) of 8,736,067,018 kWh (line 12 of 1st Revised Sheet No. 127.12).

Because of differences in line losses of both primary and secondary voltage service levels⁴, the tariff sheet reflects different current period FARs for service taken at primary and secondary voltages. The GMO Current Period FARs of \$0.00023 per kWh for service taken at primary and \$0.00024 per kWh for secondary voltage levels are included on lines 14 and 17, respectively, of 1st Revised Sheet No. 127.12.

For AP20, the Current Annual FARs are the sum of the Current Period FARs and the Prior Period FARs for GMO,⁵ and are \$0.00045 per kWh for primary voltage service and \$0.00046 per kWh for secondary voltage service reflected on lines 16 and 19, respectively, of 1st Revised Sheet No. 127.12.

The Accumulation Periods, Recovery Periods, and other specifications of GMO’s FAC AP20 are set out in its tariff sheets identified in the following table:

² The true-up amounts were requested by GMO in its June 30, 2017 filing in File No. ER-2017-0359.

³ RP20 runs from September 1, 2017 through August 31, 2018.

⁴ The voltage adjustment factors (VAFs) for GMO for both primary and secondary voltage service levels are included at the bottom of 1st Revised Sheet No. 127.12.

⁵ The Prior Period FARs for GMO are contained on lines 11 and 14 of 14th Revised Sheet No. 127.

For Service Provided December 1, 2016 through February 21, 2017	For Service Provided February 22, 2017 through May 31, 2017
3 rd Revised Sheet No. 124 3 rd Revised Sheet No. 125 3 rd Revised Sheet No. 126 1 st Revised Sheet No. 126.1 1 st Revised Sheet No. 126.2	2 nd Revised Sheet No. 127.1 2 nd Revised Sheet No. 127.2 2 nd Revised Sheet No. 127.3 2 nd Revised Sheet No. 127.4 6 th Revised Sheet No. 127.5 2 nd Revised Sheet No. 127.6 2 nd Revised Sheet No. 127.7 2 nd Revised Sheet No. 127.8 2 nd Revised Sheet No. 127.9 4 th Revised Sheet No. 127.10 Original Sheet No. 127.11

Listed below are GMO's proposed Current Annual FARs of 1st Revised Sheet No. 127.12 and the GMO Current Annual FARs on 14th Revised Sheet No. 127 together with the changes between them for primary and secondary voltage service levels.

GMO Current Annual Fuel Adjustment Rates per kWh			
Service	Proposed 1 st Revised Sheet No. 127.12	Now Effective 14 th Revised Sheet No. 127	Difference
Primary	\$0.00045	(\$0.00180)	\$0.00225 Increase
Secondary	\$0.00046	(\$0.00185)	\$0.00231 Increase

The proposed changes to FARs will result in an increase to the typical GMO residential customer's monthly bill (1,000 kWh) before taxes of \$2.31.

Staff Review

Staff reviewed GMO's proposed 1st Revised Sheet No. 127.12 Canceling Original Sheet No. 127.12 the direct testimony of GMO witness Lisa A. Starkebaum and the work papers in this filing, in addition to GMO's monthly information reports filed in compliance with 4 CSR 240-3.161(5) for AP20, and verified that the actual fuel and purchased power costs less off-system sales revenues match the fuel and purchased power costs less off-system sales revenues in GMO's proposed 1st Revised Tariff Sheet No. 127.12. Staff also reviewed GMO's monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under-/over-recovery of base fuel and purchased power costs for AP20 and verified that the monthly interest rates and calculations of monthly interest amounts are correct.

The information filed with the proposed tariff sheet and work papers includes sufficient data to calculate GMO's FARs based on the actual fuel, purchased power, emission allowance and transmission costs net of off-system sales revenue plus renewable energy credit revenue provided by GMO for AP20.

Attachment A includes three charts which provide a summary of GMO's twenty (20) FAC rate adjustment filings. Chart 1 illustrates a) GMO's actual net energy cost, net base energy cost and under- (over-) recovery amounts for each accumulation period, and b) that there have been sixteen (1) accumulation periods with under-recovered amounts and four (4) accumulation periods with over-recovered amounts (AP10, AP16, AP17 and AP18). Chart 2 illustrates GMO's FAC cumulative under-recovered amount at the end of each accumulation period with the cumulative under-recovered amount through AP20 of approximately \$243 million. Chart 3 illustrates GMO's FAC cumulative under-recovered percentage at the end of each accumulation period with the cumulative under-recovered percentage through AP20 of approximately 11%.

Landfill Gas Facility

The rates from the rate case number ER-2016-0156 went into effect on February 22, 2017. From December 1, 2016 through February 21, 2017 the costs for the St. Joseph landfill gas facility flowed through the FAC. On February 22, and thereafter, costs for the St. Joseph landfill gas facility flow through GMO's RESRAM.

On December 21, 2012, GMO filed in File No. ER-2012-0175 an *Application for Waiver or Variance of 4 CSR 240-20.100(6) (A)16 for St. Joseph Landfill Gas Facility and Motion for Expedited Treatment*. The St. Joseph Landfill Gas Facility was built to comply with the Renewable Energy Standard (“RES”). Rule 4 CSR 240-20.100(6)(A)16 provides that RES compliance costs may only be recovered through a Renewable Energy Standard Rate Adjustment Mechanism (“RESRAM”) or as part of a general rate proceeding, but not through a fuel adjustment clause. The St. Joseph Landfill Gas Facility was deemed in-service March 30, 2012, and fuel costs for it began to flow through GMO’s fuel adjustment clause. Landfill gas costs for AP20 were ** _____ **.

On December 28, 2012, Staff filed *Staff’s Response to KCP&L Greater Missouri Operations Company’s Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility*. In its response, Staff expressed that while it did not oppose GMO’s application for waiver, its non-opposition is because of GMO’s commitment to work with the parties to resolve these issues before GMO files its next general electric rate case. On January 3, 2013, the Commission issued an *Order Granting Waiver* with an effective date of January 4, 2013 granting GMO relief from Commission Rule 4 CSR 240-20.100(6)(A)16 for purposes of Case Nos. ER-2012-0175 and ER-2013-0341, i.e. the Commission’s order allows GMO to flow its St. Joseph landfill gas facility RES compliance costs through its FAC rather than through a RESRAM or as part of a general rate proceeding.

Based on the Commission’s approval of GMO’s request for a waiver from Commission Rule 4 CSR 240-20.100(6)(A)16, Staff has worked with the Company to reach a resolution concerning the treatment of the costs of landfill gas purchased for the Company’s St. Joseph Landfill Gas Facility. On February 23, 2016, GMO filed its general rate case in Case No. ER-2016-0156, GMO witness, Tim M. Rush on page 5, line 23 to page 6, line 3: “In this case, the Company proposes to shift the fuel costs associated with the St. Joseph land fill from the FAC to be included in the 182513 deferred account and recovered through the RESRAM rate that is currently being charges to customers.”

Staff Recommendation

The Staff is of the opinion that GMO timely filed 1st Revised Tariff Sheet No. 127.12 and that it complies with the Commission's *Report and Order* in Case No. ER-2016-0156, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and GMO's FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(4) provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility's filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

GMO requested that the 1st Revised Tariff Sheet No. 127.12 Canceling Original Tariff Sheet No. 127.12, filed June 30, 2017, become effective on September 1, 2017. The Company filed the tariff sheet with 60 days' notice. Staff, based on its examination and analysis of the information GMO filed and submitted in this case, recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on June 30, 2017, becoming effective on September 1, 2017, as requested by GMO:

P.S.C. Mo. No. 1
1st Revised Sheet No. 127.12 Canceling Original Sheet No. 127.12

Staff has verified that GMO is not delinquent on any assessment and has filed its 2016 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). Except for GMO's RP17 true-up filing in File No. ER-2017-0359 (also filed on June 30, 2017), Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company Request for Authority to) Case No. ER-2017-0357
Implement Rate Adjustments Required by)
4 CSR 240-20.090(4) and the Company's)
Approved Fuel and Purchased Power Cost)
Recovery Mechanism)

AFFIDAVIT OF CURTIS B. GATELEY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CURTIS B. GATELEY and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing 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.

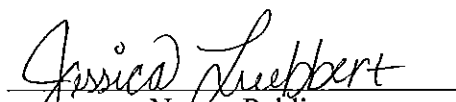


CURTIS B. GATELEY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of July, 2017.

JESSICA LUEBBERT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: February 19, 2019
Commission Number: 15633434



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company Request for Authority to) Case No. ER-2017-0357
Implement Rate Adjustments Required by)
4 CSR 240-20.090(4) and the Company's)
Approved Fuel and Purchased Power Cost)
Recovery Mechanism)

AFFIDAVIT OF RON IRVING

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW RON IRVING and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing 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.

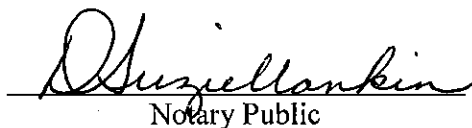


RON IRVING

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of July, 2017.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company Request for Authority to) Case No. ER-2017-0357
Implement Rate Adjustments Required by)
4 CSR 240-20.090(4) and the Company's)
Approved Fuel and Purchased Power Cost)
Recovery Mechanism)

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DAVID C. ROOS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

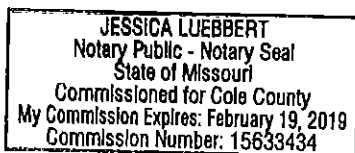
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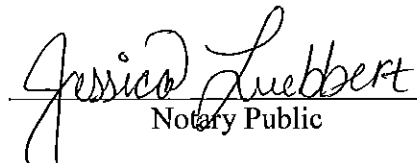


DAVID C. ROOS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of July, 2017.





Notary Public

