

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

In the Matter of KCP&L Greater Missouri)	
Operations Company Request for Authority)	
to Implement Rate Adjustments Required by)	<u>File No. ER-2018-0400</u>
4 CSR 240-20.090(4) and the Company's)	Tariff Tracking No. JE-2018-0170
Approved Fuel and Purchased Power Cost)	
Recovery Mechanism)	

**STAFF'S REPLY TO OFFICE OF PUBLIC COUNSEL'S RESPONSE
TO STAFF'S RECOMMENDATION TO APPROVE
TARIFF SHEET TO CHANGE RATES RELATED TO KCP&L
GREATER MISSOURI OPERATIONS COMPANY'S FUEL ADJUSTMENT CLAUSE**

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its reply to Office of Public Counsel ("OPC") regarding its Response to Staff's Recommendation To Approve Tariff Sheet To Change Rates Related To KCP&L Greater Missouri Operations Company's Fuel Adjustment Clause, respectfully states:

1. On August 9, 2018, OPC filed a response to Staff's recommendation to approve KCP&L Greater Missouri Operations Company ("GMO") proposed fuel adjustment clause ("FAC") tariff sheet bearing an effective date of September 1, 2018.¹

2. In its Response OPC takes issue with a \$230,000 accounting adjustment made by GMO which reduces the total fuel cost charged to electric retail customers through the FAC. This adjustment is attributable to GMO's current procedures regarding the allocation of auxiliary power at its Lake Road facility used in the production of steam for 1) generation of electricity for GMO's retail electric customers, and 2) industrial steam sales to GMO steam customers. GMO witness Lisa Starkebaum supports the \$230,000 fuel cost reduction, which favors GMO's electric customers.

¹ GMO, P.S.C.MO. No. 1, 3rd Revised Sheet No. 127.12 Canceling 2nd Revised Sheet No. 127.12.

3. In its report to the Commission, Staff reviewed Ms. Starkebaum's direct testimony, accompanying workpapers, and GMO's monthly information reports filed in compliance with 4 CSR 240-3.161(5). Staff 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 tariff sheet. Staff also verified that information filed with the proposed tariff sheet and workpapers included 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 and renewable energy credit revenue provided by GMO.

4. When Staff reviews an FAC filing to set new FAR rates, Staff relies on the utility for reporting accurate and timely actual cost data. The \$230,000 adjustment is an accounting entry that compensates GMO's electric customers for the cost of fuel used in the generation of steam for GMO's steam customers.

5. The \$230,000 accounting entry is not a change to the net base energy cost and is not a change to the fuel adjustment mechanism described in Section 386.266.4 RSMo. Changes to net base energy cost and the fuel adjustment mechanism can only be done in a general rate case. Public Counsel inappropriately conflates accounting adjustments that are made to reflect actual costs experienced in the FAC accumulation period for the setting of accurate FARs with the setting of net base energy cost used to calculate the FAC's base factor in a general rate case.

6. Further, Public Counsel confuses the update of GMO's Electric/Steam Allocation Procedures Manual with GMO's accounting entry which reduces actual fuel cost to GMO's electric customers.

7. In addition, the matter of whether an accounting entry reported by GMO in its FAR filings is correct, appropriate, reasonable or prudent is a matter for a FAC prudence review. Staff's next GMO FAC prudence review will be initiated in September.

WHEREFORE, for the reasons stated above, Staff prays the Commission accept its Reply to Public Counsel and renews its recommendation that the Commission issue an order approving the proposed revised tariff sheet as filed on June 29, 2018, and substituted on July 18, 2018, to become effective on September 1, 2018 as requested by GMO:

PSC Mo. No. 1

3rd Revised Sheet No. 127.12 Canceling 2nd Revised Sheet No. 127.12

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Deputy Staff Counsel
Missouri Bar No. 51709
Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526-7779 (Telephone)
(573) 751-9285 (Fax)

bob.berlin@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 14th day of August, 2018, to all counsel of record.

/s/ Robert S. Berlin