

Exhibit No.

Issue: Adjustment to PACC Rate

Witness: Scott Stordahl

Type of Exhibit: Direct Testimony

Sponsoring Party: Vicinity Energy
Kansas City Inc.

Case No. HT-2021-____

Date Testimony Prepared: February 1, 2021

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

SCOTT STORDAHL

VICINITY ENERGY KANSAS CITY, INC.

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

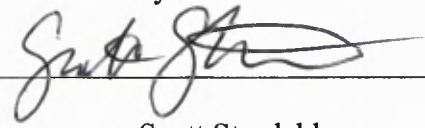
_____)
In the Matter of the Vicinity)
Energy Kansas City Inc's)
Adjustment to its PACC Tariff)
Rate) Case No. HT-2021-

STATE OF Missouri)
)
COUNTY OF Jackson) SS

Affidavit of Scott Stordahl

Scott Stordahl, being first duly sworn, on his oath states:

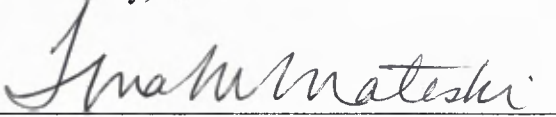
1. My name is Scott Stordahl. I am the General Manager of Vicinity Energy Kansas City, Inc. My business address is 115 Grand Blvd., Kansas City MO 64106.
2. Attached hereto and made a part hereof for all purposes is my revised direct testimony, which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. HT-2021-____ (In the Matter of Vicinity Energy Kansas City Inc.'s Adjustment to its PACC Tariff Rate).
3. I hereby swear and affirm that the testimony is true and correct.



Scott Stordahl

Subscribed and sworn before me this 1st day of February, 2021.

TINA MARIE MATESKI
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County
My Commission Expires: Feb. 27, 2021
Commission # 13450815



Notary Public

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DIRECT TESTIMONY OF
SCOTT STORDAHL

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF SCOTT STORDAHL
ON BEHALF OF VICINITY ENERGY KANSAS CITY, INC.
CASE NO. HT-2021-_____**

SECTION I. OVERVIEW

1 Q. Please state your name and business address.

2 A. My name is Scott Stordahl and my business address is Vicinity Energy Kansas
3 City, Inc., 115 Grand Blvd., Kansas City MO 64106.

4

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by Vicinity Energy Kansas City as the General Manager. My
7 duties and responsibilities include the management and oversight of Vicinity
8 Energy Kansas City, Inc. (referred to herein as “Vicinity”¹).

9

10 Q. Have you ever testified before this Commission or any other regulatory
11 commission?

12 A. Yes, I provided testimony in last year’s PACC filing, File No. HT-2020-0223.

13

14 Q. Please summarize the purpose and content of your testimony.

15 A. Vicinity’s Production Adjustment Cost Clause (PACC) became effective on
16 January 1, 2015, which includes Vicinity’s obligation to file annual, with an
17 option for semi-annual, rate adjustments to reflect 95% of the changes to

1 production costs. The purpose of my testimony is in support of Vicinity’s annual
2 PACC filing (including, but not limited to, revised Tariff Sheet Nos. 36 and 37) as
3 required by the Non-unanimous Stipulation and Agreement in Case No. HR-
4 2014-0066 and the PACC tariff, to adjust customer rates for changes in Vicinity’s
5 PACC production costs experienced during the accumulation period January 2020
6 through December 2020. Paragraph 8 of the Non-Unanimous Disposition
7 Agreement approved by the Commission in Vicinity’s most recent rate case, Case
8 No. HR-2018-0341 (Tracking No. YH-2019-0076), continued the PACC Tariff
9 with approved modifications.²

10
11 The costs passed through this PACC filing reflect ninety-five percent (95%) of the
12 difference between actual fuel, purchased power, and consumable costs during the
13 2020 Accumulation Period and the comparable costs included in base rates. The
14 base rates were reset in Case No. HR-2018-0341 at seven dollars and eighteen
15 cents per thousand pounds of steam (\$7.18/mlb). The history of
16 surcharges/refunds under the PACC tariff are summarized below:

- 17 • On March 16, 2016, the Commission approved a PACC filing decreasing
18 (refunding) rates \$0.17905 per Mlb, effective April 1, 2016.
- 19 • On March 29, 2017, the Commission approved a PACC filing decreasing
20 (refunding) rates \$0.44636 per Mlb, effective April 1, 2017.
- 21 • On March 21, 2018, the Commission approved a PACC filing decreasing
22 (refunding) rates \$0.16412 per MLB, effective April 1, 2018.

² The modifications to the PACC Tariff include the addition of chemical costs (Account 5027), the removal of coal costs (Account 5013) and resetting the PACC base factor from \$7.69/mlb to \$7.18/mlb effective December 1, 2018.

- 1 • On March 20, 2019, the Commission approved a PACC filing decreasing
2 (refunding) rates \$0.40858 per MLB, effective April 1, 2019.
- 3 • On March 18, 2020, the Commission approved a PACC filing decreasing
4 (refunding) rates \$0.2901 per Mlb, effective April 1, 2020.

5 The PACC production costs included in this filing (including regulatory accounts)
6 are: (a) fuel costs: (i) 5011 Fuel expense – natural gas; (ii) 5012 Fuel expense –
7 natural gas transport; (iii) 5017 Fuel expense – purchased electricity; (b)
8 consumable costs: (i) 5021 Consumable expense – water; (ii) 5022 Consumable
9 expense – sewer; and (iii) 5027 Consumable expense – chemicals. In accordance
10 with the terms of the PACC tariff, no capital costs or internal company labor have
11 been included in actual production costs reported during the Accumulation
12 Period. In accordance with the November 14, 2020 Stipulation and Agreement
13 Resolving Issues Arising from the City of Kansas City Change in Sewer Billing in
14 Case No. HT-2020-0223, a Reconciling Adjustment is made to the calculation of
15 2020 sewer expense.³

16
17 The Recovery Period applicable to this filing will consist of the billing months
18 April 2021 – March 2022. Pursuant to the reporting requirements contained in the
19 Non-unanimous Stipulation and Agreement, the testimony will address: (1) Mlb
20 sales by rate class and by individual customer, separately showing steam sales to
21 Vicinity Missouri and the process steam customers; (2) Fuel, purchased electricity
22 and consumable costs included in base rates, the amount of such costs includable
23 in the PACC and the variance of eligible costs during the Accumulation Period;

³ The quantification of this Reconciling Adjustment is set forth on Schedule A.01.

1 and (3) calculation of the proposed net change in the annual PACC collection rate,
2 along with supporting work papers.

3

4 In addition, in Section V. of this testimony, I will describe an error discovered in
5 the calculation of the 2019 PACC submission (filed on February 1, 2020 in File
6 No. HT-2020-0223) that resulted in refunds to customers being understated. I
7 will also outline Vicinity's proposed remedy for this error.

8

9 Q. What adjustment is being made in this filing?

10 A. Customer rates will decrease (refund) \$1.2651 per Mlb driven primarily by
11 decreases in the cost of fuel and consumable costs relative to a PACC base of
12 \$7.18/mlb effective December 1, 2018. The main driver of the reduction in costs
13 in 2019 was the cost of natural gas in 2019 versus the cost of natural gas in the
14 base PACC cost.

15

16 The rate reduction under the PACC tariff represents ninety-five percent (95%) of
17 the total company PACC variance from the PACC base cost. The 2020 PACC
18 will appear as a separate line item on the customer's bills starting with April
19 2021, when the Recovery Period applicable to the subject Accumulation Period
20 begins. In addition, Vicinity proposes to include another line item will appear on
21 customers' March 2021 bills to reflect a one-time credit for the additional 2019
22 amounts owed due to the error correction described in Section V. of this
23 testimony.

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As supported by Schedules 1 and 2, the Company’s filing proposes two refunds to tariff customers. The 2020 PACC filing (Schedule 1) supports annual customer credits of \$579,806 while the correction of the 2019 PACC filing (Schedule 2) results in additional customer credits of \$152,132 to eligible customers.

Q. How did Vicinity calculate the PACC adjustments requirements contained in the Non-Unanimous Disposition Agreement in Case No. HR-2018-0341, the November 14, 2020 Stipulation and Agreement Resolving Issues Arising from the City of Kansas City Change in Sewer Billing in Case No. HT-2020-0223, and Vicinity’s PACC Tariff?

A. In order to address the specific PACC filing requirements contained in the Non-Unanimous Disposition Agreement in Case No. HR-2018-0341, the November 14, 2020 Stipulation and Agreement Resolving Issues Arising from the City of Kansas City Change in Sewer Billing in Case No. HT-2020-0223, and Vicinity’s PACC Tariff, the following information associated with the filing of this case was prepared by me or under my direction and supervision:

1. Base PACC Costs & Rate, attached as Schedule 1A, details the allowable regulatory accounts and amounts approved in Case No. HR-2018-0341 and the associated amounts in the applicable Accumulation Period. Total steam sales by customer class for the Accumulation Period are also summarized and compared to comparable sales levels from the last rate case.

- 1 2. PACC Rider, attached as Schedule 1B, details the calculation of the
2 production adjustment (i.e., \$/Mlb) pursuant to the PACC tariff rider.
- 3 3. Customer Sales & Refund/Surcharge during the Accumulation Period,
4 attached as Schedule 1C, also details customer accounts, sales (in Mlbs)
5 by customer, the impact of the PACC rate adjustment in the Recovery
6 Period and the monthly PACC adjustment (refund and/or surcharge).⁴
7

SECTION II. MLB SALES BY RATE CLASS AND BY INDIVIDUAL CUSTOMER, SEPARATELY SHOWING STEAM SALES TO VICINITY MISSOURI AND THE PROCESS STEAM CUSTOMERS

- 8 Q. Please detail Mlb sales by rate class and by individual customer, separately
9 showing steam sales to Vicinity Missouri and the process steam customers.
- 10 A. Please see Schedule 1A for Mlb sales by rate class and Schedule 1C for sales by
11 individual tariff customer (detailed as Tariff Customer account codes). The tariff
12 steam sales to Vicinity Missouri during the Accumulation Period are included
13 among the tariff customers listed on Schedule 1C. Please also refer to this same
14 Schedule 1C for steam sales to process steam customers during the Accumulation
15 Period.
16

SECTION III. FUEL, PURCHASED ELECTRICITY AND CONSUMABLE COSTS INCLUDED IN BASE RATES, THE AMOUNT OF SUCH COSTS INCLUDABLE IN THE PACC, AND THE VARIANCE OF ELIGIBLE COSTS DURING THE ACCUMULATION PERIOD

⁴ Because the Commission may approve Tariff Sheets 36 and 37 before April 1, 2021, Sheet 36 shows both the refund continuing through March 31, 2021 and the refund commencing April 1, 2021.

1 Q. Please detail fuel, purchased electricity and consumable costs included in base
2 rates, the amount of such costs includable in the PACC, and the variance of
3 eligible costs during the Accumulation Period.

4 A. Please see Schedule 1A, column (B) for fuel, purchased electricity and
5 consumable costs included in base rates and column (D) for the actual 2020
6 comparable amounts. Schedule 1B summarizes the total amount of such costs
7 includable in the 2020 PACC and the calculation of customer responsibility for
8 the variance in eligible costs during the Accumulation Period.

9
10 As noted previously, Schedule 1A supports the actual adjusted consumable costs
11 for the Accumulation Period and Schedule 1A.01 shows the quantification of the
12 sewer expense Reconciling Adjustment approved by the Commission⁵ pursuant to
13 the November 14, 2020 Stipulation and Agreement Resolving Issues Arising from
14 the City of Kansas City Change in Sewer Billing in Case No. HT-2020-0223.
15 This Reconciling Adjustment reverses refunds received from the City of Kansas
16 City and imputes additional sewer expense for those months in which the City
17 ceased billing sewer charges to the Company related to the Company's sales to
18 Cargill and instead commenced direct billing Cargill for sewer costs. The
19 Reconciling Adjustment applies a cost rate of \$1.49 per Mlb to the applicable
20 metered steam sales to Cargill.

21

SECTION IV. CALCULATION OF THE PROPOSED PACC COLLECTION RATES, ALONG WITH SUPPORTING WORK PAPERS

⁵ See Commission order issued December 30, 2020, in File No. HT-2020-0223.

1 Q. Please detail the calculation of the proposed PACC collection rates, along with
2 supporting work papers.

3 A. Please see Schedules 1A, 1A.01, 1B and 1C for the calculation of the proposed
4 2020 PACC collection rates.

5

6 Q. Does Vicinity seek application of the PACC Rider to the Residential High-Rise
7 class at this time?

8 A. No, however that decision shall not be interpreted as a waiver by Vicinity to seek
9 future application of the PACC Rider to the Residential High-Rise customer class
10 in the future. At this time, the Company does not have any customers receiving
11 steam service under the Residential High-Rise tariff.

12

SECTION V. RE-CALCULATION OF 2019 PACC

13 Q. Please describe the issue.

14 A. In reviewing the 2019 PACC filing, Vicinity discovered that the PACC filing
15 inadvertently included zero steam sales to Cargill for the month of December
16 2019. When Vicinity began preparing the 2019 PACC filing, Cargill's December
17 2019 sales numbers were not yet available. Although the Company intended to
18 update and revise the Cargill sales in the 2019 PACC calculation prior to its
19 filing, the calculations never got updated to reflect the actual December 2019

1 sales.⁶ Schedule 2 is comprised of multiple schedules that quantify the additional
2 refund due customers as a result of correcting this inadvertent error. Schedule 2
3 attached hereto represents a revision of the 2019 PACC filing, including all
4 related calculations (File No. HT-2020-0223), calculates the corrected 2019
5 refund due to each customer through the PACC from April 2020-March 2021 and
6 quantifies the incremental refund to each customer. The total amount of this
7 additional refund to tariff customers is approximately \$152,132.

8

9 Q. How does Vicinity propose to correct that error now?

10 A. For customers that have been on the system for 2019 and 2020, Vicinity will
11 reflect a separate bill credit on March 2021 bills to refund the differences
12 calculated on Schedule 2C. For the two customers that were on the system in
13 2019, but are no longer tariff steam customers, Vicinity will refund the difference
14 calculated on Schedule C by check. For customers who have come onto the
15 system in 2020, but were not customers in 2019, no action is needed because
16 those customers are not entitled to refunds based on 2019 calculations.

17

18 Q. Does this conclude your direct testimony?

19 A. Yes.

⁶ This oversight only applies to Cargill as the sales for all other customers include a full twelve months for calendar year 2019.