

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-2022-____

Date Testimony Prepared: February 1, 2022

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 Vicinity Energy)	
Kansas City Inc's Adjustment to)	Case No. HT-2022-
its PACC Tariff Rate)	
)	

STATE OF <u>MISSOURI</u>)	
)	SS
COUNTY OF <u>JACKSON</u>)	


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-2022-___ (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, 2022.

TINA MARIE MATESKI Notary Public - Notary Seal STATE OF MISSOURI Jackson County My Commission Expires: Feb. 27, 2025 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-2022-_____**

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 North America as the General Manager of Vicinity
7 Energy Kansas City, Inc. My duties and responsibilities include the management
8 and oversight of Vicinity Energy Kansas City, Inc. (referred to herein as
9 “Vicinity”¹).

10

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

13 A. Yes, I provided testimony in the last two years’ PACC filings, File Nos. HT-
14 2020-0223 and HT-2021-0245.

15

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

1 A. Vicinity's Production Adjustment Cost Clause (PACC) became effective on
2 January 1, 2015, which includes Vicinity's obligation to file annual, with an
3 option for semi-annual, rate adjustments to reflect 95% of the changes to
4 production costs. The purpose of my testimony is in support of Vicinity's annual
5 PACC filing (including, but not limited to, revised Tariff Sheet Nos. 36 and 37) as
6 required by the Non-unanimous Stipulation and Agreement in Case No. HR-
7 2014-0066 and the PACC tariff, to adjust customer rates for changes in Vicinity's
8 PACC production costs experienced during the accumulation period January 2021
9 through December 2021. Paragraph 8 of the Non-Unanimous Disposition
10 Agreement approved by the Commission in Vicinity's most recent rate case, Case
11 No. HR-2018-0341 (Tracking No. YH-2019-0076), continued the PACC Tariff
12 with approved modifications.²

13
14 The costs passed through this PACC filing reflect ninety-five percent (95%) of the
15 difference between actual fuel, purchased power, and consumable costs during the
16 2021 Accumulation Period and the comparable costs included in base rates. The
17 base rates were reset in Case No. HR-2018-0341 at seven dollars and eighteen
18 cents per thousand pounds of steam (\$7.18/mlb). The history of
19 surcharges/refunds under the PACC tariff are summarized below:

- 20 • On March 16, 2016, the Commission approved a PACC filing decreasing
21 (refunding) rates \$0.17905 per Mlb, effective April 1, 2016.

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 29, 2017, the Commission approved a PACC filing decreasing
2 (refunding) rates \$0.44636 per Mlb, effective April 1, 2017.
- 3 • On March 21, 2018, the Commission approved a PACC filing decreasing
4 (refunding) rates \$0.16412 per MLB, effective April 1, 2018.
- 5 • On March 20, 2019, the Commission approved a PACC filing decreasing
6 (refunding) rates \$0.40858 per MLB, effective April 1, 2019.
- 7 • On March 18, 2020, the Commission approved a PACC filing decreasing
8 (refunding) rates \$0.2901 per Mlb, effective April 1, 2020.
- 9 • On March 30, 2021, the Commission approved a PACC filing setting the rate
10 at \$0.0, effective April 1, 2021.

11 The PACC production costs included in this filing (including regulatory accounts)
12 are: (a) fuel costs: (i) 5011 Fuel expense – natural gas; (ii) 5012 Fuel expense –
13 natural gas transport; (iii) 5017 Fuel expense – purchased electricity; (b)
14 consumable costs: (i) 5021 Consumable expense – water; (ii) 5022 Consumable
15 expense – sewer; and (iii) 5027 Consumable expense – chemicals. In accordance
16 with the terms of the PACC tariff, no capital costs or internal company labor have
17 been included in actual production costs reported during the Accumulation
18 Period. In accordance with the November 14, 2020 Stipulation and Agreement
19 Resolving Issues Arising from the City of Kansas City Change in Sewer Billing in
20 Case No. HT-2020-0223, a Reconciling Adjustment is made to the calculation of
21 2021 sewer expense.³

22

³ The quantification of this Reconciling Adjustment is set forth on Schedule 1A.01.

1 The Recovery Period applicable to this filing will consist of the billing months
2 April 2022 – March 2023. Pursuant to the reporting requirements contained in the
3 Non-unanimous Stipulation and Agreement, the testimony will address: (1) Mlb
4 sales by rate class and by individual customer, separately showing steam sales to
5 Vicinity Missouri and the process steam customers; (2) Fuel, purchased electricity
6 and consumable costs included in base rates, the amount of such costs includable
7 in the PACC and the variance of eligible costs during the Accumulation Period;
8 and (3) calculation of the proposed net change in the annual PACC collection rate,
9 along with supporting work papers.

10

11 In addition, in Section V. of this testimony, I will Vicinity’s proposal for
12 continuing to follow the terms of the Order Approving Stipulation and Rejecting
13 Production Adjustment Cost Clause (PACC) Tariff issued in File No. HT-2021-
14 0245 on March 24, 2021.

15

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

17 A. Customer rates will increase \$2.10 per Mlb driven primarily by decreases in the
18 cost of fuel and consumable costs relative to a PACC base of \$7.18/mlb effective
19 December 1, 2018. The main driver of the increase in costs in 2021 was the cost
20 of natural gas in 2021 versus the cost of natural gas in the base PACC cost.

21

22 The rate reduction under the PACC tariff represents ninety-five percent (95%) of
23 the total company PACC variance from the PACC base cost. The PACC will

1 appear as a separate line item on the customer's bills starting with April 2021,
2 when the Recovery Period applicable to the subject Accumulation Period begins.

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

8 A. In order to address the specific PACC filing requirements contained in the Non-
9 Unanimous Disposition Agreement in Case No. HR-2018-0341, the November
10 14, 2020 Stipulation and Agreement Resolving Issues Arising from the City of
11 Kansas City Change in Sewer Billing in Case No. HT-2020-0223, and Vicinity's
12 PACC Tariff, the following information associated with the filing of this case was
13 prepared by me or under my direction and supervision:

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

20 2. PACC Rider, attached as Schedule 1B, details the calculation of the
21 production adjustment (i.e., \$/Mlb) pursuant to the PACC tariff rider.

22 3. Customer Sales & Refund/Surcharge during the Accumulation Period,
23 attached as Schedule 1C, also details customer accounts, sales (in Mlbs)

1 by customer, the impact of the PACC rate adjustment in the Recovery
2 Period and the monthly PACC adjustment (refund and/or surcharge).⁴
3

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

4 Q. Please detail Mlb sales by rate class and by individual customer, separately
5 showing steam sales to Vicinity Missouri and the process steam customers.

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

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

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

16 A. Please see Schedule 1A, column (B) for fuel, purchased electricity and
17 consumable costs included in base rates and column (D) for the actual 2020

⁴ Because the Commission may approve Tariff Sheets 36 and 37 before April 1, 2022, Sheet 36 shows both the refund continuing through March 31, 2022 and the refund commencing April 1, 2022.

1 comparable amounts. Schedule 1B summarizes the total amount of such costs
2 includable in the 2020 PACC and the calculation of customer responsibility for
3 the variance in eligible costs during the Accumulation Period.

4
5 As noted previously, Schedule 1A supports the actual adjusted consumable costs
6 for the Accumulation Period and Schedule A.01 shows the quantification of the
7 sewer expense Reconciling Adjustment approved by the Commission⁵ pursuant to
8 the November 14, 2020 Stipulation and Agreement Resolving Issues Arising from
9 the City of Kansas City Change in Sewer Billing in Case No. HT-2020-0223.
10 This Reconciling Adjustment reverses refunds received from the City of Kansas
11 City and imputes additional sewer expense for those months in which the City
12 ceased billing sewer charges to the Company related to the Company's sales to
13 Cargill and instead commenced direct billing Cargill for sewer costs. The
14 Reconciling Adjustment applies a cost rate of \$1.49 per Mlb to the applicable
15 metered steam sales to Cargill.

16
SECTION IV. CALCULATION OF THE PROPOSED PACC COLLECTION RATES, ALONG WITH SUPPORTING WORK PAPERS

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

19 A. Please see Schedules 1A, 1A.01, 1B and 1C for the calculation of the proposed
20 2021 PACC collection rates.

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

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

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

7

**SECTION V. CONTINUED IMPLEMENTATION OF THE ORDER
APPROVING STIPULATION AND REJECTING PRODUCTION ADJUSTMENT
COST CLAUSE (PACC) TARIFF ISSUED ON MARCH 29, 2021 IN FILE NO.
HT-2021-0245**

8 Q. What was the effect of the Order Approving Stipulation and Rejecting Production
9 Adjustment Cost Clause (PACC) Tariff (“Order Approving Stipulation”) issued in
10 File No. HT-2021-0245?

11 A. In that Order Approving Stipulation, the Commission stated, at Ordered
12 Paragraph 5, that:

13 The Commission authorizes Vicinity to defer into a regulatory liability the
14 amount of \$731,938, representing \$579,806 for the amount that otherwise would
15 flow as credits to customers through the PACC from April 1, 2021 through March
16 31, 2022, plus \$152,132 for the one-time refund for the error in the 2019 filing
17 described in the body of this order.
18

19 Q. Has Vicinity created this regulatory liability?

20 A. Yes. Vicinity deferred the specified amounts into the regulatory liability as agreed
21 to by the parties in HT-2021-0245 and ordered by the Commission.

22 Q. What was the rationale behind the creation of this regulatory liability?

1 A. As a result of Winter Storm Uri in February 2021, Vicinity faced extraordinarily
2 high gas bills. If Vicinity were to ultimately be required to pay the full amount of
3 those bills, the PACC billed to customers could also be extraordinarily high. The
4 parties believed, and the Commission agreed, that it would not be in the public
5 interest to flow the deferred amounts to customers as a refund who might then see
6 a significant surcharge. The parties believed, and the Commission agreed, that it
7 would be better to hold those amounts in a regulatory liability until the actual
8 amount that Vicinity will have paid for gas during Winter Storm Uri is known and
9 paid, and use those deferred amounts as an offset to the paid gas costs.

10 Q. Is that amount known now?

11 A. No. The full amount is still subject to litigation, and the final total may not be
12 known until 2023 or later. Symmetry Energy Solutions, LLC has submitted an
13 invoice to Vicinity for February 2021 for \$18,599,773.90. On or about January
14 18, 2022, Vicinity filed its Second Amended Petition in Case No. 2116-CV07877,
15 Vicinity Energy Kansas City, Inc., v. Symmetry Energy Solutions, LLC, pending
16 in the Circuit Court of Jackson County, Missouri. In the lawsuit, Vicinity brings
17 claims against Symmetry for breach of contract, fraud, unjust enrichment, and
18 declaratory relief related to Symmetry's actions during Winter Storm Uri. The
19 lawsuit is set for trial on September 26, 2022. Given the inherent uncertainty
20 related to litigation and potential appeals, it is possible that this matter will not be
21 resolved until 2023 or later. If, however, the circumstances change in the interim,
22 Vicinity will update this filing with information regarding any significant
23 development in that case. The only costs included in this PACC filing are those

1 actually paid in 2021. Just as they were in March 2021, when the Commission
2 issued the Order Approving Stipulation, Vicinity and its customers are still
3 potentially exposed to extraordinarily high costs for gas used during Winter Storm
4 Uri.

5 Q. In March 2021 when the Stipulation and Agreement Resolving Issues Arising
6 from Gas Price Spikes of February 2021 (“Stipulation”) was filed, what was
7 Vicinity’s expectation of when the full amount for gas used during Winter Storm
8 Uri would be billed and paid?

9 A. Vicinity expected that the full amount would be known and paid within months of
10 March 2021, and the Stipulation even described a probable biannual PACC filing
11 to be made in August 2021 or earlier that would reflect those billed amounts.
12 Because the full amount was neither known nor paid, the August filing was not
13 made. Although the Stipulation contemplated that the deferred liability would be
14 flowed back through this PACC filing along with the fully paid final amount, that
15 amount has not been paid and may not be paid during the Recover Period for this
16 PACC filing.

17 Q. Would flowing the deferred liability back to customers in this PACC filing be
18 consistent with the purpose of the deferral?

19 A. No. The purpose of the deferral was to allow the deferred amounts to be flowed
20 back to customers concurrently with the full amounts billed and paid for gas used
21 during Winter Storm Uri.

22 Q. How has Vicinity treated the regulatory liability in this PACC filing?

1 A. Vicinity has not included any of the regulatory liability in this filing, but rather
2 proposes to maintain that liability on its books and will flow it back to customers
3 in a subsequent PACC filing that includes the final, actually paid amounts for gas
4 used during Winter Storm Uri.

5 Q. Does this conclude your direct testimony?

6 A. Yes.