

Exhibit No.

Issue: Adjustment to PACC Rate

Witness: Scott Stordahl

Type of Exhibit: Revised Direct
Testimony

Sponsoring Party: Vicinity Energy
Kansas City Inc.

Case No. HT-2022-0212

Date Testimony Prepared: April 29, 2022

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

REVISED DIRECT TESTIMONY

OF

SCOTT STORDAHL

VICINITY ENERGY KANSAS CITY, INC.

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REVISED DIRECT TESTIMONY OF
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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
REVISED DIRECT TESTIMONY OF SCOTT STORDAHL
ON BEHALF OF VICINITY ENERGY KANSAS CITY, INC.
CASE NO. HT-2022-0212**

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 City,
3 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-2020-
14 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 option
3 for semi-annual, rate adjustments to reflect 95% of the changes to production costs.
4 The purpose of my testimony is in support of Vicinity’s annual PACC filing
5 (including, but not limited to, revised Tariff Sheet Nos. 36 and 37) as required by
6 the Non-unanimous Stipulation and Agreement in Case No. HR-2014-0066 and the
7 PACC tariff, to adjust customer rates for changes in Vicinity’s PACC production
8 costs experienced during the accumulation period January 2021 through December
9 2021. Paragraph 8 of the Non-Unanimous Disposition Agreement approved by the
10 Commission in Vicinity’s most recent rate case, Case No. HR-2018-0341 (Tracking
11 No. YH-2019-0076), continued the PACC Tariff with approved modifications.²

12
13 The costs passed through this PACC filing reflect ninety-five percent (95%) of the
14 difference between actual fuel, purchased power, and consumable costs during the
15 2021 Accumulation Period and the comparable costs included in base rates. The
16 base rates were reset in Case No. HR-2018-0341 at seven dollars and eighteen cents
17 per thousand pounds of steam (\$7.18/mlb). The history of surcharges/refunds under
18 the PACC tariff are summarized below:

- 19 • On March 16, 2016, the Commission approved a PACC filing decreasing
20 (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 Period.
18 In accordance with the November 14, 2020 Stipulation and Agreement Resolving
19 Issues Arising from the City of Kansas City Change in Sewer Billing in Case No.
20 HT-2020-0223, a Reconciling Adjustment is made to the calculation of 2021 sewer
21 expense.³

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

10

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

15

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

17 A. Customer rates will increase \$0.38 per Mlb. The main driver of the increase in
18 costs in 2021 was the cost of natural gas in 2021 versus the cost of natural gas in
19 the base PACC cost, but much of this increase is mitigated by the return of the
20 Regulatory Liability.

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, when
2 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 14,
10 2020 Stipulation and Agreement Resolving Issues Arising from the City of Kansas
11 City Change in Sewer Billing in Case No. HT-2020-0223, and Vicinity's PACC
12 Tariff, the following information associated with the filing of this case was prepared
13 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 and
16 the associated amounts in the applicable Accumulation Period. Total steam
17 sales by customer class for the Accumulation Period are also summarized
18 and compared to comparable sales levels from the last rate case.

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

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

1 customer, the impact of the PACC rate adjustment in the Recovery Period
2 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 showing
5 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 eligible
15 costs during the Accumulation Period.

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 A. Please see Schedule 1A, column (B) for fuel, purchased electricity and consumable
2 costs included in base rates and column (D) for the actual 2021 comparable
3 amounts. Revised Schedule 1B summarizes the total amount of such costs
4 includable in the 2021 PACC and the calculation of customer responsibility for the
5 variance in eligible costs during the Accumulation Period, and also shows the
6 inclusion of the Regulatory Liability.

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

19

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, and 1A.01, and Revised Schedules 1B and 1C for the
4 calculation of the proposed 2021 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. TREATMENT OF THE REGULATORY LIABILITY CREATED
PURSUANT TO THE ORDER APPROVING STIPULATION AND REJECTING
PRODUCTION ADJUSTMENT COST CLAUSE (PACC) TARIFF ISSUED ON
MARCH 29, 2021 IN FILE NO. HT-2021-0245**

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

16 A. In that Order Approving Stipulation, the Commission stated, at Ordered Paragraph
17 5, that:

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

23 Q. Has Vicinity created this regulatory liability?

- 1 A. Yes. Vicinity deferred the specified amounts into the regulatory liability as agreed
2 to by the parties in HT-2021-0245 and ordered by the Commission.
- 3 Q. How has Vicinity treated the regulatory liability in this PACC filing?
- 4 A. As recommended by the Staff of the Commission in its March 11 Staff
5 Recommendation, and as ordered by the Commission in its March 24 Order
6 Rejecting Tariff to Adjust PACC Adjustment Rates, Vicinity has included the
7 distribution of the Regulatory Liability to customers in its calculation of the 2022
8 PACC rates. Substitute proposed tariff sheet 37 is attached as an exemplar tariff
9 sheet to this testimony and reflects the inclusion of the \$731,938 Regulatory
10 Liability.
- 11 Q. How does the \$731,938 Regulatory Liability flow through the PACC calculation?
- 12 A. The \$731,938 Regulatory Liability will be applied as a credit to the Total
13 Production Adjustment on Revised Schedule 1B of \$895.713, resulting in a Revised
14 Total Production Adjustment of \$163,775. This changes the PACC surcharge from
15 \$2.10/Mlb to \$0.38/Mlb.
- 16 Q. Does this conclude your direct testimony?
- 17 A. Yes.

VEOLIA ENERGY KANSAS CITY, INC.
Name of Issuing Corporation

For KANSAS CITY, MISSOURI
Community, Town or City

VEOLIA ENERGY KANSAS CITY, INC.
RATES FOR STEAM SERVICE
PRODUCTION ADJUSTMENT COST CLAUSE (“PACC”)

Calculation of Current PACC Adjustment Factor

Accumulation Period Beginning	<u>January 1, 2020</u> (Month, Day, Year)	and Ending	<u>December 31, 2020</u> (Month, Day, Year)
1. Actual Production Costs (FCAP)			\$16,219,846
2. Base PACC Production Costs (FCBR)	= \$7.18/mlb * BDAP _t		\$12,396,672
3. Variance (FCAP – FCBR)	Line 1 - Line 2		<u>(\$3,823,174)</u>
4. Customer Responsibility (95%)	Line 4 * 0.95		<u>(\$3,632,016)</u>
5. Reconciliation Amount			\$0
6. Prudence Adjustment Amount			\$0
7. Total Dollar Amount to Determine Adjustment Factor	Line 4 + Line 5 + Line 6		<u>(\$3,632,016)</u>
8. Accumulation Period Metered Steam Sales	mlb		1,726,574
9. Production Adjustment Factor (PACC _t)	Line 7 / Line 8		\$2.10/mlb
			425,801
10. Accumulation Period Metered Tariff Only Steam Sales	Mlb		
11. Total Production Adjustment	Line 9 * Line 10		\$895,713
12. Regulatory Liability			(\$731,938)
13. Revised Total Production Adjustment	Line 11 + Line 12		\$163,775
14. Revised Production Adjustment Factor (PACC _t)	Line 13 / Line 10		\$0.38/mlb

DATE OF ISSUE _____
month day year

DATE EFFECTIVE _____
month day year

ISSUED BY Robert Arendell, EVP and General Counsel, Vicinity Energy 100 Franklin St., 2nd Floor, Boston, MA 02110
name of officer title address