

Exhibit No.:
Issue: Fuel Adjustment Clause
Witness: Lisa A. Starkebaum
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: ER-2017-_____
Date Testimony Prepared: June 30, 2017

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

LISA A. STARKEBAUM

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Case No. ER-2017-___

1 **Q: Please state your name and business address.**

2 A: My name is Lisa A. Starkebaum. My business address is 1200 Main, Kansas
3 City, Missouri 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L”) as
6 Supervisor - Regulatory Affairs.

7 **Q: What are your responsibilities?**

8 A: My responsibilities include the coordination, preparation and review of financial
9 information and schedules associated with the Company’s compliance filings for
10 both KCP&L and KCP&L Greater Missouri Operations Company (“Company” or
11 “GMO”).

12 **Q: Please describe your education.**

13 A: In 1994, I received a Bachelor of Science Degree in Finance from Northwest
14 Missouri State University in Maryville, Missouri.

15 **Q: Please provide your work experience.**

16 A: In 1995, I joined Cerner Corporation as an Accountant in the Finance Department
17 assisting with month-end close and reporting responsibilities. In 1997, I joined
18 Aquila, Inc. (“Aquila”) where I worked in the Financial and Regulatory Reporting
19 group as an Accountant, until joining Regulatory Accounting Services as a

1 Regulatory Analyst in 1999. I was employed by Aquila for a total of 11 years
2 prior to beginning my employment with KCP&L in July 2008 as a part of the
3 acquisition of Aquila, Inc., by Great Plains Energy Incorporated. Since that time I
4 have held various positions with increasing responsibilities within Regulatory
5 Accounting Services and Regulatory Affairs, most recently as a Lead Regulatory
6 Analyst. As a Lead Analyst, my main areas of responsibility included the
7 preparation of FERC and jurisdictional reporting, and the preparation of rate cases
8 and rate case support for both KCP&L and GMO. In December 2015, I became a
9 Supervisor, Regulatory Affairs responsible for compliance reporting. In my
10 current position, I am responsible for overseeing the various reporting
11 requirements to ensure KCP&L and GMO are compliant with its jurisdictional
12 rules and regulations, in addition to the implementation of new reporting or
13 commitments resulting from various rate case orders and other regulatory filings.

14 **Q: Have you previously testified in a proceeding before the Missouri Public**
15 **Service Commission (“MPSC” or “Commission”) or before any other utility**
16 **regulatory agency?**

17 A: Yes, I have testified before the MPSC, the Kansas Corporation Commission
18 (“KCC” or “Commission”), and have provided written testimony before the
19 Public Utilities Commission of Colorado. In addition, I have worked closely with
20 both KCC and MPSC Staff on numerous filings and rate case issues.

21 **Q: What is the purpose of your testimony?**

22 A: In Case No. ER-2007-0004 (“2007 Case”), GMO was authorized to implement a
23 Fuel Adjustment Clause (“FAC”). A FAC is a way to ensure that customers pay

1 only for the actual cost of fuel they use during a certain time period rather than the
2 estimated fuel costs set in base rates. This FAC tariff filing consists of a Fuel
3 Adjustment Rate (“FAR”) for GMO. My testimony supports the rate schedule
4 filed by GMO to adjust rates for the FAC includable costs experienced during the
5 six-month period December 2016 through May 2017. This six-month period
6 represents the 20th accumulation period under GMO’s FAC, which was originally
7 approved by the Commission in the 2007 Case and modified in Case Nos. ER-
8 2009-0090, ER-2010-0356 (“2010 Case”), ER-2012-0175 (“2012 Case”), and
9 ER-2016-0156 (“2016 Case”). The proposed FAC charge will be \$0.00046 per
10 kWh. Based on usage of 1,000 kWh per month, the customer will see a monthly
11 charge of \$0.46. This represents an increase of \$2.31 to a GMO residential
12 customer’s monthly bill above the prior FAC.

13 **Q: Please explain why GMO filed the FAC adjustment rate schedules at this**
14 **time.**

15 A: The Commission’s rule governing fuel and purchased power cost recovery
16 mechanisms for electric utilities – specifically 4 CSR 240-20.090(4) – requires
17 GMO to make periodic filings to allow the Commission to review the actual net
18 FAC includable costs the Company has incurred and to allow rates to be adjusted,
19 either up or down, to reflect those actual costs. The Commission’s rule requires at
20 least one such review and adjustment each year. GMO’s approved FAC calls for
21 two annual filings – one filing covering the six-month accumulation period
22 running from June through November and another filing covering the
23 accumulation period running from December through May. Any increases or

1 decreases in rates in these filings are then included in the customers' bills over a
2 subsequent 12-month recovery period. Since the conclusion of the 2007 Case,
3 overall, the cost of fuel and purchased power necessary to meet the demand for
4 electricity by the Company's customers has been higher than the amount included
5 in the base energy costs. Fuel and purchased power costs net of off system sales
6 revenues were rebased in the 2010 Case, the 2012 Case, and the 2016 Case. The
7 actual net energy costs to provide energy to customers has decreased over the
8 most recent accumulation period.

9 For the 20th accumulation period covering December 2016 through May
10 2017, GMO's actual FAC includable costs exceeded the base energy costs
11 included in base rates by approximately \$2.1 million. In accordance with the
12 Commission's rule and GMO's approved FAC, GMO is filing the FAC tariff that
13 provides for a change in rates to recover 95% of those cost changes.

14 In addition, a true-up filing is being made concurrent with this filing
15 covering the 17th accumulation period of June 2015 through November 2015 and
16 its corresponding recovery period of March 2016 through February 2017. The
17 17th accumulation period true-up amount is an over-recovery of \$57,081.

18 **Q: How did you develop the various values used to derive the proposed FARs**
19 **that are shown on Schedule LAS-1?**

20 A: The proposed tariff rates are shown in Schedule LAS-1. The filing made in
21 conjunction with this testimony contains all of the information as set in 4 CSR
22 240-3.161(7)(A) which supports these proposed rates. In addition, I am

1 submitting a copy of the workpapers that support the determination of the current
2 FAR.

3 **Q: Is there anything impacting this semi-annual FAC filing that should be**
4 **mentioned?**

5 A: Yes, in the 2016 Case, GMO requested and was granted authorization to
6 consolidate its MPS and L&P rate jurisdictions. As a result of this consolidation
7 and timing of the effective date of rates in the 2016 Case, there were three base
8 factors during the 20th accumulation period. From December 1, 2016 through
9 February 21, 2017, the MPS base factor was \$0.02278 and the L&P base factor
10 was \$0.02076. Effective February 22, 2017, the effective date of rates in the 2016
11 Case, the GMO base factor is \$0.02055. The actual net energy costs were
12 calculated separately for each base factor. For both primary and secondary
13 customers, the current loss factors or Voltage Adjustment Factor (“VAF”) from
14 the 2016 Case were applied to the combined GMO FAR.

15 **Q: Please describe the impact of the change in costs and how it will affect a**
16 **typical customer.**

17 A: The proposed current period FAR for GMO is \$0.00023 per kWh for primary
18 voltage customers and \$0.00024 per kWh for secondary voltage customers. This
19 is the difference between base FAC includable costs and the actual costs incurred
20 by the Company including interest during the 20th accumulation period of
21 December 2016 through May 2017 and will be billed over the recovery period
22 running from September 2017 through August 2018.

1 The proposed FAR was calculated in the manner specified in the
2 Company's FAC tariff, Sheet Nos. 127.1 – 127.12, that were effective February
3 22, 2017. Attached to my testimony, as Schedule LAS-1, is a copy of the tariff
4 sheet with the current FAR, the prior period FAR and the total FAR that will be
5 billed to customers over the recovery period. The FAR calculated for the 18th
6 accumulation period has been removed as its recovery period will cease on
7 August 2017. The FAR for the 19th accumulation period is added to the FAR for
8 the current accumulation period to provide the annual FAR. Thus, given the
9 proposed current FAR calculations, the annual FAR for GMO will be \$0.00045
10 per kWh for primary voltage customers and \$0.00046 per kWh for secondary
11 voltage customers. As stated earlier, based on usage of 1,000 kWh per month,
12 this will result in an increase to a GMO residential customer's bill of \$2.31 per
13 month.

14 **Q: Please explain the increase in the proposed current annual FAR for the 20th**
15 **accumulation period as compared to that approved in the previous 19th**
16 **accumulation period.**

17 A: As stated earlier, the actual net energy costs to provide energy to customers has
18 decreased over the most recent accumulation period. However, the FAR
19 calculated for the 18th accumulation period, which resulted in a credit rate, has
20 been removed in this filing as its recovery period will cease on August 31, 2017.

21 **Q: If the rate schedules filed by GMO are approved or allowed to go into effect,**
22 **what safeguards exist to ensure that the revenues the Company bills to its**

1 **customers do not exceed the fuel and purchased power costs that GMO**
2 **actually incurred during the Accumulation Period?**

3 A: GMO's FAC and the Commission's rules provide two mechanisms to ensure that
4 amounts billed to customers do not exceed GMO's actual, prudently-incurred fuel
5 and purchased power costs. First, at the end of each recovery period the
6 Company is required to true up the amounts billed to customers through the FAR
7 with the excess fuel and purchased power costs that actually were incurred during
8 the accumulation period to which the FAR applies. Second, GMO's fuel and
9 purchased power costs are subject to periodic prudence reviews to ensure that
10 only prudently-incurred fuel and purchased power costs are billed to customers
11 through GMO's FAC. These two mechanisms serve as checks to ensure that the
12 Company's customers pay only the prudently-incurred, actual costs of fuel and
13 purchased power used to provide electric service.

14 **Q: Have each of these mechanisms been in effect throughout the FAC process**
15 **since its inception in the 2007 Case?**

16 A: Yes, GMO has been through six prudence reviews to date. The seventh prudence
17 review of the costs and revenues associated with GMO's FAC is currently in
18 process for the audit period of June 2015 through November 30, 2016 with Staff's
19 Report & Recommendation due by August 28, 2017. In all prior prudence
20 reviews, the MPSC Staff indicated in each of their reports that there were no areas
21 of imprudence identified within the audits with the exception of Staff's
22 recommendation in GMO's third prudence review which was taken before the
23 Commission. However, following the Commission's review, the Commission

1 issued its order stating no indication of imprudence by the Company. In addition,
2 the Company has made 16 true-up filings, all of which were approved by the
3 MPSC. Additionally, a 17th true-up filing is being made concurrent with this
4 filing covering the 17th accumulation period of June 2015 through November
5 2015 and its corresponding recovery period of March 2016 through February
6 2017. The Company's calculation of the true-up and over-recovery for GMO has
7 been included in the calculation of the current proposed tariff change.

8 **Q: What action is GMO requesting from the Commission with respect to the**
9 **rate schedules that the Company has filed?**

10 A: The Company requests the Commission approve the rate schedule to be effective
11 as of September 1, 2017.

12 **Q: Does this conclude your testimony?**

13 A: Yes, it does.

