

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-2018-0400
Date Testimony Prepared: June 29, 2018

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

LISA A. STARKEBAUM

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


In the Matter of KCP&L Greater Missouri Operations)
Company for Authority to Implement Rate)
Adjustments Required by 4 CSR 240-20.090(4) and) Case No. ER-2018-0400
the Company's Approved Fuel and Purchased Power)
Cost Recovery Mechanism)

AFFIDAVIT OF LISA A. STARKEBAUM


STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Lisa A. Starkebaum, being first duly sworn on her oath, states:

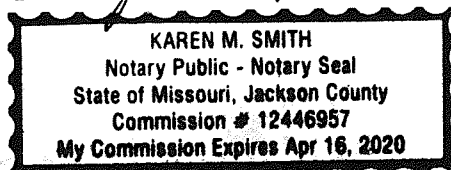
1. My name is Lisa A. Starkebaum. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Manager - Regulatory Affairs.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of nine (9) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Lisa A. Starkebaum

Subscribed and sworn before me this 28th day of June 2018.


Notary Public

My commission expires April 16, 2020



DIRECT TESTIMONY

OF

LISA A. STARKEBAUM

Case No. ER-2018-0400

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 Manager
6 - 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,
4 I 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 and was later
10 promoted to Manager, Regulatory Affairs effective June 2018. In my current
11 position, I am responsible for overseeing various reporting requirements to ensure
12 KCP&L and GMO are compliant with its jurisdictional rules and regulations, in
13 addition to the implementation of new reporting or commitments resulting from
14 various rate case orders and other regulatory filings. In addition, I oversee the
15 coordination, review and filing of the various rider mechanisms utilized by both
16 KCP&L and GMO.

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

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

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

2 A: In Case No. ER-2007-0004 (“2007 Case”), GMO was authorized to implement a
3 Fuel Adjustment Clause (“FAC”). A FAC is a way to ensure that customers pay
4 only for the actual cost of fuel they use during a certain time-period rather than
5 the estimated fuel costs set in base rates. This FAC tariff filing consists of a Fuel
6 Adjustment Rate (“FAR”) for GMO. My testimony supports the rate schedule
7 filed by GMO to adjust rates for the FAC includable costs experienced during the
8 six-month period December 2017 through May 2018. This six-month period
9 represents the 22nd accumulation period under GMO’s FAC, which was
10 originally approved by the Commission in the 2007 Case and modified in Case
11 Nos. ER-2009-0090, ER-2010-0356 (“2010 Case”), ER-2012-0175 (“2012
12 Case”), and ER-2016-0156 (“2016 Case”). The proposed FAC charge for
13 residential customers is \$0.00240 per kWh. Based on usage of 1,000 kWh per
14 month, the customer will see a monthly charge of \$2.40. This represents an
15 increase of \$1.14 to a GMO residential customer’s monthly bill above the prior
16 FAC.

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

19 A: The Commission’s rule governing fuel and purchased power cost recovery
20 mechanisms for electric utilities – specifically 4 CSR 240-20.090(4) – requires
21 GMO to make periodic filings to allow the Commission to review the actual net
22 FAC includable costs the Company has incurred and to allow rates to be adjusted,
23 either up or down, to reflect those actual costs. The Commission’s rule requires at

1 least one such review and adjustment each year. GMO's approved FAC calls for
2 two annual filings – one filing covering the six-month accumulation period
3 running from June through November and another filing covering the
4 accumulation period running from December through May. Any increases or
5 decreases in rates in these filings are then included in the customers' bills over a
6 subsequent 12-month recovery period. Since the conclusion of the 2016 Case,
7 overall, the cost of fuel and purchased power necessary to meet the demand for
8 electricity by the Company's customers has been higher than the amount included
9 in the base energy costs. Fuel and purchased power costs net of off system sales
10 revenues were rebased in the 2010 Case, the 2012 Case, and the 2016 Case.

11 For the 22nd accumulation period covering December 2017 through May
12 2018, GMO's actual FAC includable costs exceeded the base energy costs
13 included in base rates by approximately \$11.5 million, an increase of \$2.3 million
14 over the prior 21st accumulation period. In accordance with the Commission's
15 rule and GMO's approved FAC, GMO is filing the FAC tariff that provides for a
16 change in rates to recover 95% of those cost changes or \$11 million.

17 In addition, a true-up filing is being made concurrent with this filing
18 covering the 19th accumulation period of June 2016 through November 2016 and
19 its corresponding recovery period of March 2017 through February 2018. The
20 19th accumulation period true-up amount is an under-recovery of \$136,957.

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

1 A: The proposed tariff rates are shown in Schedule LAS-1. The filing made in
2 conjunction with this testimony contains all the information as set in 4 CSR 240-
3 3.161(7)(A) which supports these proposed rates. In addition, I am submitting a
4 copy of the workpapers that support the determination of the current FAR.

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

7 A: Yes, there are a couple of items to note. GMO's actual FAC includable costs that
8 exceed the base energy costs are higher in this accumulation period than in the
9 previous accumulation period by roughly \$2.3 million. There are a couple factors
10 contributing to this increase. First, the Actual Net Energy Costs ("ANEC") in the
11 22nd accumulation period of December 2017 through May 2018 remained
12 relatively consistent to the ANEC in the previous 21st accumulation period of
13 June through November 2017; however, the Net Base Energy Costs are lower.
14 The base energy costs are driven by seasonal differences as retail load
15 requirements reflected in the Accumulation Period NSI are naturally lower in the
16 winter months. Second, the ANEC for the 22nd accumulation period was similar to
17 the ANEC from the 21st accumulation period due to lower generation expense
18 offset by higher purchased power expense driven by an Accumulation Period NSI
19 that was higher than we've had recently for the same time period of December
20 through May, or the 20th accumulation period. This was mainly due to colder
21 than normal weather experienced during January through April and warmer than
22 normal weather in May. Scheduled maintenance outages started in March but
23 have now been extended through June for both Iatan 2 and the Jeffrey Energy

1 Center. These factors combined result in an increase to the proposed FAC charge
2 for this 22nd accumulation period.

3 **Q: Is there anything else included in this 6-month accumulation period of**
4 **December 2017 through May 2018 that should be mentioned?**

5 A: Yes, also included in this accumulation period is a reduction to total fuel expense
6 amounting to \$230K related to the Lake Road steam allocation of auxiliary
7 power. This entry was recorded in May 2018 and represents costs incurred for the
8 period of January through May 2018.

9 **Q: Why is this entry included at this time?**

10 A: In GMO's current general rate case, Case No. ER-2018-0146, GMO updated its
11 Electric/Steam Allocation Procedures Manual. GMO initiated this allocation of
12 auxiliary power beginning in January 2018 as a reduction in total fuel expense
13 charged to electric retail customers through the FAC that is attributable to the
14 allocated auxiliary power used in the production of industrial steam to GMO
15 steam customers.

16 **Q: How is the auxiliary electric power priced?**

17 A: As described in the Electric/Steam Allocation Procedures Manual, the auxiliary
18 electric power is priced using the average system energy cost (\$/MWH) for each
19 month, which includes all GMO fuel related generation costs, fuel handling
20 expenses and net purchased power expenses.

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

1 A: The proposed current period FAR for GMO is \$0.00134 per kWh for primary
2 voltage customers and \$0.00138 per kWh for secondary voltage customers. This
3 is the difference between base FAC includable costs and the actual costs incurred
4 by the Company including interest during the 22nd accumulation period of
5 December 2017 through May 2018 and will be billed over the recovery period
6 running from September 2018 through August 2019.

7 The proposed FAR was calculated in the manner specified in the
8 Company's FAC tariff, Sheet Nos. 127.1 – 127.12, that were effective February
9 22, 2017. Attached to my testimony, as Schedule LAS-1, is a copy of the tariff
10 sheet with the current FAR, the prior period FAR and the total FAR that will be
11 billed to customers over the recovery period. The FAR calculated for the 20th
12 accumulation period has been removed as its recovery period will cease in August
13 2018. The FAR for the 21st accumulation period is added to the FAR for the
14 current 22nd accumulation period to provide the annual FAR. Thus, given the
15 proposed current FAR calculations, the annual FAR for GMO will be \$0.00233
16 per kWh for primary voltage customers and \$0.00240 per kWh for secondary
17 voltage customers. As stated earlier, based on usage of 1,000 kWh per month,
18 this will result in an increase to a GMO residential customer's bill of \$1.14 per
19 month.

20 **Q: If the rate schedules filed by GMO are approved or allowed to go into effect,**
21 **what safeguards exist to ensure that the revenues the Company bills to its**
22 **customers do not exceed the fuel and purchased power costs that GMO**
23 **actually incurred during the Accumulation Period?**

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

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

14 A: Yes, GMO has been through seven prudence reviews to date. In all prudence
15 reviews, the MPSC Staff indicated in each of their reports that there were no areas
16 of imprudence identified within the audits with the exception of Staff's
17 recommendation in GMO's third prudence review which was taken before the
18 Commission. However, following the Commission's review, the Commission
19 issued its order stating no indication of imprudence by the Company. In addition,
20 the Company has made 18 true-up filings, all of which were approved by the
21 MPSC. Additionally, a 19th true-up filing is being made concurrent with this
22 filing covering the 19th accumulation period of June 2016 through November
23 2016 and its corresponding recovery period of March 2017 through February

1 2018. The Company's calculation of the true-up and under-recovery for GMO
2 has been included in the calculation of the current proposed tariff change.

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

5 A: The Company requests the Commission approve the rate schedule to be effective
6 as of September 1, 2018.

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

8 A: Yes, it does.

KCP&L GREATER MISSOURI OPERATIONS COMPANY

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

For Missouri Retail Service Area

FUEL ADJUSTMENT CLAUSE – Rider FAC
 FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
 (Applicable to Service Provided February 22, 2017 and Thereafter,
 Effective for the Billing Months of September 2018 through February 2019)

Accumulation Period Ending:			March 2018
			GMO
1	Actual Net Energy Cost (ANEC) = (FC+E+PP+TC-OSSR-R)		\$101,881,736
2	Net Base Energy Cost (B)	-	\$90,247,688
	2.1 Base Factor (BF)		0.02055
	2.2 Accumulation Period NSI (S _{AP})		4,391,615,000
3	(ANEC-B)		\$11,634,048
4	Jurisdictional Factor (J)	x	99.601980%
5	(ANEC-B)*J		\$11,587,742
6	Customer Responsibility	x	95%
7	95% *((ANEC-B)*J)		\$11,008,355
8	True-Up Amount (T)	+	\$136,957
9	Interest (I)	+	\$221,510
10	Prudence Adjustment Amount (P)	+	\$0
11	Fuel and Purchased Power Adjustment (FPA)	=	\$11,366,822
12	Estimated Recovery Period Retail NSI (S _{RP})	÷	8,785,320,152
13	Current Period Fuel Adjustment Rate (FAR)	=	\$0.00129
14	Current Period FAR _{Prim} = FAR x VAF _{Prim}		\$0.00134
15	Prior Period FAR _{Prim}	+	\$0.00099
16	Current Annual FAR _{Prim}	=	\$0.00233
17	Current Period FAR _{Sec} = FAR x VAF _{Sec}		\$0.00138
18	Prior Period FAR _{Sec}	+	\$0.00102
19	Current Annual FAR _{Sec}	=	\$0.00240
	VAF _{Prim} = 1.0419		
	VAF _{Sec} = 1.0709		