

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2017-0188, Tariff Tracking No. JE-2017-0135
KCP&L Greater Missouri Operations Company

FROM: Ashley Sarver, Utility Regulatory Auditor IV
David Roos, Regulatory Economist III
Curtis Gateley, Utility Policy Analyst II

DATE: /s/ John Rogers 1/30/2017 /s/ Bob Berlin 1/30/2017
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation for **Approval** of Tariff Sheet Filed to Change Rates Related to KCP&L Greater Missouri Operations Company's Fuel Adjustment Clause Pursuant to the Commission's Report and Order from Case No. ER-2016-0156

DATE: January 30, 2017

Summary

On December 30, 2016, KCP&L Greater Missouri Operations Company ("GMO" or "Company") filed one (1) tariff sheet, 14th Revised Sheet No. 127 Canceling 13th Revised Sheet No. 127, as substituted on January 19, 2017, and on January 26, 2017, bearing a proposed effective date of March 1, 2017, to revise GMO's current annual Fuel Adjustment Rates ("FARs") (lines 17 and 21 on substitute 14th Revised Sheet No. 127) of its Fuel Adjustment Clause ("FAC"). GMO also filed direct testimony of its witness Lisa A. Starkebaum on December 30, 2016, and supplemental testimony of Ms. Starkebaum on January 19, 2017, and submitted to Missouri Public Service Commission Staff ("Staff") work papers in support of the direct testimony and filed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2017-0135.

At the present time, there is no effective 13th Revised Sheet No. 127 Canceling 12th Revised Sheet No. 127 as a result of GMO's December 21, 2016, request¹ to delay the effective date of new rates in GMO's general rate proceeding from December 22, 2016 to February 22, 2017.

¹KCP&L Greater Missouri Operations Company's Request to Delay Effective Date of Order and Motion for Expedited Treatment (YE-2017-0068) filed on December 21, 2016 in Case No. ER-2016-0156. The Commission approve GMO's request on the same day it was filed.

** Denotes Highly Confidential Information **

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Appendix A

Based on its examination and analysis of information GMO filed and submitted in this case, Staff makes the following conditional recommendations:

- If there is an effective 13th Revised Sheet No. 127 on or after February 22, 2017, but prior to March 1, 2017, Staff recommends that the Commission approve substitute 14th Revised Sheet No. 127 Canceling 13th Revised Sheet No 127; but
- If there is no effective 13th Revised Sheet No. 127 prior to March 1, 2017, Staff recommends that the Commission reject substitute 14th Revised Sheet No. 127 Canceling 13th Revised Sheet No 127.

Background on GMO Rate Districts Consolidation and 13th Revised Sheet No. 127

Section 15 of the *Non-Unanimous Stipulation and Agreement* filed on September 20, 2016 in Case No. ER-2016-0156² includes the following:

The consolidation of the FAC for the consolidation of the L&P and MPS rate districts will be established at the date rates go into effect in this case and the historical cost recovery will be consolidated using weighted energy components for MPS and L&P.

On November 8, 2016, GMO filed compliance tariff sheets (Tariff Tracking No. YE-2017-0068) as directed by the Commission's September 28, 2016 *Order Approving Stipulations And Agreements, Rejecting Tariffs, Cancelling True-Up Hearing, And Ordering Filing Of Compliance Tariffs* in Case No. ER-2016-0156 including 13th Revised Sheet No. 127 which contained GMO's consolidated fuel adjustment rates to be effective December 22, 2016. See Attachment A.

On December 21, 2016, GMO filed *KCP&L Greater Missouri Operations Company's Request to Delay Effective Date of Order and Motion for Expedited Treatment* in Case No. ER-2016-0156 to extend the effective date of the *Order Approving Compliance Tariffs* from December 22, 2016, to February 22, 2017. GMO's request included: "GMO discovered a bill presentation issue that will prevent it from generating bills that reflect the new rates and rate structures set forth in the compliance tariffs. GMO is uncertain when this problem will be corrected and therefore

² The *Non-Unanimous Stipulation and Agreement* filed on September 20, 2016, was approved by the Commission in its September 28, 2016 *Order Approving Stipulations And Agreements, Rejecting Tariffs, Cancelling True-Up Hearing, And Ordering Filing Of Compliance Tariffs*.

requests that it continue to be allowed to bill customers under the currently effective tariffs. Therefore, the Company requests that the Commission delay the effective date of its November 30 *Order Approving Compliance Tariffs* until February 22, 2017. Customers will continue to be billed under the existing lower rates until the billing problem is resolved. Customers will benefit from the Commission's action because they will continue to receive accurate bills.”³ On December 21, 2016, the Commission granted *KCP&L Greater Missouri Operations Company's Request to Delay Effective Date of Order and Motion for Expedited Treatment*.⁴

Assuming GMO's billing system is working properly on February 22, 2017, GMO's 13th Revised Sheet No. 127 will be effective on that date. Then, on March 1, 2017, the 14th Revised Sheet No. 127 can go into effect canceling 13th Revised Sheet No. 127.

However, if the GMO billing system is not working on February 22, 2017, then according to Lisa A. Starkebaum's supplemental testimony filed on January 19, 2017 (page 3 line 22 through page 4 line 6), “the Company would revise the tariff sheet 14th Revised Sheet No. 127 to reflect the 13th Revised Sheet No. 127 cancelling the 12th Revised Sheet No. 127 and submit a substitute tariff requesting expedited treatment [in Tariff Filing No. JE-2017-0135].”

Accumulation Period 19 FARs

The testimony and work papers include information supporting GMO's calculation of the Fuel and Purchased Power Adjustment (“FPA”) amount of \$3,088,483 for its MPS rate districts (“MPS”), (\$1,195,635)⁵ for its L&P rate district (“L&P”), and a combined amount of \$1,892,848 for GMO (line 11 of substitute 14th Revised Sheet No. 127) for Accumulation Period 19 (“AP19”) (June 1, 2016 through November 30, 2016) reflecting the sum of:

1. The amount equal to 95% of the difference between the jurisdictional Actual Net Energy Costs (fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenue less renewable

³ EFIS No. 448 (December 21, 2016) *KCP&L Greater Missouri Operations Company's Request to Delay Effective Date of Order and Motion for Expedited Treatment*.

⁴ EFIS No. 449 (December 21, 2016) *Order Extending Effective Date*.

⁵ Amounts in parentheses are over collected amounts.

- energy credit revenue) and the jurisdictional Net Base Energy Cost for AP19 reflected on line 7 of 14th Revised Sheet No. 127 of \$3,325,661 for MPS, (\$961,248) for L&P, and \$2,364,413 for GMO;
2. The true-up amounts⁶ reflected on line 8 of substitute 14th Revised Sheet No. 127 of (\$146,087) for MPS, (\$188,467) for L&P, and(\$334,554) for GMO; and
 3. The interest amounts reflected on line 9 of substitute 14th Revised Sheet No. 127 of (\$91,091) for MPS, (\$45,920) for L&P, and (\$137,011) for GMO.

The Current Period MPS FAR of \$0.00047 per kWh (line 13 of substitute 14th Revised Sheet No. 127) is equal to the MPS FPA amount of \$3,088,483 divided by the Estimate Recovery Period Retail Net System Input (“NSI”) of 6,511,884,717 kWh (line 12 of substitute 14th Revised Sheet No. 127).

Similarly, the Current Period L&P FAR of (\$0.00054) per kWh (line 13 of substitute 14th Revised Sheet No. 127) is equal to the L&P FPA amount of (\$1,195,635) divided by the Estimate Recovery Period Retail Net System Input (“NSI”) of 2,226,700,297 kWh (line 12 of substitute 14th Revised Sheet No. 127).

Because of differences in line losses for MPS and L&P of both primary and secondary voltage service levels⁷, lines 15 and 19 of substitute 14th Revised Sheet No. 127 reflect different Current Period FARs for service taken at primary and secondary voltage levels for MPS and for L&P, respectively. The GMO Current Period FARs for service taken at primary and secondary voltage levels are included on lines 15 and 19 of substitute 14th Revised Sheet No. 127 and are calculated from the MPS and L&P Current Period FARs “using weighted energy components for MPS and L&P.”⁸

⁶ The true-up amounts were requested by GMO in its December 30, 2016 filing in File No. ER-2017-0189.

⁷ The voltage adjustment factors (VAFs) for MPS and L&P for both primary and secondary voltage service levels are included at the bottom of 14th Revised Sheet No. 127.

⁸ Section 15 of the *Non-Unanimous Stipulation and Agreement* filed on September 20, 2016 in Case No. ER-2016-0156 includes: “The consolidation of the FAC for the consolidation of the L&P and MPS rate districts will be established at the date rates go into effect in this case and the historical cost recovery will be consolidated using weighted energy components for MPS and L&P.”

For AP 19, the Current Annual FARs are the sum of the Current Period FARs and the Prior Period FARs for GMO,⁹ and are reflected on lines 17 and 21 of the GMO column of substitute 14th Revised Sheet No. 127 for primary voltage service and secondary voltage service, respectively.

The Accumulation Periods, Recovery Periods, and other specifications of GMO's FAC AP19 (June 1, 2016 through November 30, 2016) are set out in its tariff sheets designated 2nd Revised Sheet Nos. 124 through 126 and Original Sheet Nos. 126.1 and 126.2.

Listed below are GMO's proposed Current Annual FARs of substitute 14th Revised Sheet No. 127 and the GMO Current Annual FARs on 13th Revised Sheet No. 127 together with the changes between them for primary and secondary voltage service levels.

GMO Current Annual Fuel Adjustment Rate per kWh			
Service	Substitute		Difference
	14 th Revised Sheet No. 127	13 th Revised Sheet No. 127	
Primary	(\$0.00180)	(\$0.00220)	\$0.00040 Increase
Secondary	(\$0.00185)	(\$0.00226)	\$0.00041 Increase

The proposed changes to FARs will result in an increase to the typical GMO residential customer's monthly bill (868 kWh) of approximately \$0.35.

Staff Review

Staff reviewed GMO's proposed 14th Revised Sheet No. 127 Canceling 13th Revised Sheet No. 127, as substituted January 19, 2017 and January 26, 2017, the direct testimony and supplemental testimony of GMO witness Lisa A. Starkebaum and the work papers in this filing, in addition to GMO's monthly information reports filed in compliance with 4 CSR 240-3.161(5) for AP19, and verified that the actual fuel and purchased power costs less off-system sales revenues match the fuel and purchased power costs less off-system sales revenues in GMO's

⁹ The Prior Period FARs for GMO are contained on lines 11 and 14 of 13th Revised Sheet No. 127.

proposed 14th Revised Tariff Sheet No. 127. Staff also reviewed GMO's monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under-/over- recovery of base fuel and purchased power costs for AP19 and verified that the monthly interest rates and calculations of monthly interest amounts are correct.

The information filed with the revised tariff sheet and work papers includes sufficient data to calculate GMO's FARs based on the actual fuel, purchased power and emission allowance costs net of off-system sales revenue plus renewable energy credit revenue GMO provided for AP19.

Attachment B includes three charts which provide a summary of GMO's nineteen (19) FAC rate adjustment filings. Chart 1 illustrates a) GMO's actual net energy cost, net base energy cost and under- (over-) recovery amounts for each accumulation period, and b) that there have been fifteen (15) accumulation periods with under-recovered amounts and four (4) accumulation periods with over-recovered amounts (AP10, AP16, AP17 and AP18). Chart 2 illustrates GMO's FAC cumulative under-recovered amount at the end of each accumulation period with the cumulative under-recovered amount through AP19 of approximately \$241 million. Chart 3 illustrates GMO's FAC cumulative under-recovered percentage at the end of each accumulation period with the cumulative under-recovered percentage through AP19 of approximately 12%.

Landfill Gas Facility

On December 21, 2012, GMO filed in File No. ER-2012-0175 an *Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility and Motion for Expedited Treatment*. The St. Joseph Landfill Gas Facility was built to comply with the Renewable Energy Standard ("RES"). Rule 4 CSR 240-20.100(6)(A)16 provides that RES compliance costs may only be recovered through a Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM") or as part of a general rate proceeding, but not through a fuel adjustment clause. The St. Joseph Landfill Gas Facility was deemed in-service March 30, 2012, and fuel costs for it began to flow through GMO's fuel adjustment clause. Landfill gas costs for AP19 were ** _____ **.

On December 28, 2012, Staff filed *Staff's Response to KCP&L Greater Missouri Operations Company's Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility*. In its response, Staff expressed that while it did not oppose GMO's application for waiver, its non-opposition is because of GMO's commitment to work with the parties to resolve these issues before GMO files its next general electric rate case. On January 3, 2013, the Commission issued an *Order Granting Waiver* with an effective date of January 4, 2013 granting GMO relief from Commission Rule 4 CSR 240-20.100(6)(A)16 for purposes of Case Nos. ER-2012-0175 and ER-2013-0341, i.e. the Commission's order allows GMO to flow its St. Joseph landfill gas facility RES compliance costs through its FAC rather than through a RESRAM or as part of a general rate proceeding.

Based on the Commission's approval of GMO's request for a waiver from Commission Rule 4 CSR 240-20.100(6)(A)16, Staff has worked with the Company to reach a resolution concerning the treatment of the costs of landfill gas purchased for the Company's St. Joseph Landfill Gas Facility. On February 23, 2016, GMO filed its general rate case in Case No. ER-2016-0156, GMO witness, Tim M. Rush on page 5 line 23 to page 6 line 3: "In this case, the Company proposes to shift the fuel costs associated with the St. Joseph land fill from the FAC to be included in the 182513 deferred account and recovered through the RESRAM rate that is currently being charges to customers." When the rates from the rate case number ER-2016-0156 goes into effect then the St. Joseph landfill gas facility will flow through the RESRAM.

Correction for MISO Transmission Charges in True-Up

On December 30, 2016, GMO filed with the Commission (File No. ER-2017-0189), along with direct testimony of GMO witness Lisa A. Starkebaum, its sixteenth (16) fuel adjustment clause true up. The true up amounts contain corrections for MISO transmission charges related to the Crossroads Generating Station. These corrections represent the MISO transmission expenses for the Crossroads Generating Station that were in the FAC for L&P July 2013 and August 2013 and MPS January 2013 through May 2016. In the Report and Orders for Rate Case Nos. ER-2010-0356, effective May 14, 2011, and ER-2012-0175 effective January 9, 2013, the Commission ordered Crossroads related transmission charges to be excluded from both base rates and the

FAC. For the purposes of this true up, Staff does not object to the amounts returned to the customers to correct this error by GMO. However, Staff may pursue this issue in other cases before the Commission. A more detailed discussion of this issue can be found in the Staff Recommendation Memo for GMO' sixteenth (16) fuel adjustment clause true-up filed in File No. ER-2017-0189.

For AP19, June 1, 2016, through November 30, 2016, work papers for the fuel adjustment rate filing in File No. ER-2017-0188 filed on December 30, 2016, show the removal of all Crossroads-related transmission expenses from the FAC.

Staff Recommendation

The Staff is of the opinion that GMO timely filed 14th Revised Tariff Sheet No. 127 and that it complies with the Commission's *Report and Order* in Case No. ER-2016-0156, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and GMO's FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(4) provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility's filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

GMO requested that the 14th Revised Tariff Sheet No. 127 Canceling 13th Revised Tariff Sheet No. 127, initially filed December 30, 2016, and revised through the substitute tariff sheet filed on January 19, 2017 become effective on March 1, 2017. The Company filed the tariff sheet with 60 days' notice. Staff, therefore, recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on December 30, 2016 and substituted on January 26, 2017, to become effective on March 1, 2017, as requested by GMO:

P.S.C. Mo. No. 1
14th Revised Sheet No. 127 Canceling 13th Revised Sheet No. 127

Staff has verified that GMO is not delinquent on any assessment and has filed its 2015 Annual Report. GMO is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Except for GMO's RP16 true-up filing in File No. ER-2017-0189 (also filed on December 30, 2016) and 13th Revised Sheet No. 127 in Tariff Tracking No. YE-2017-0068 being effective prior to March 1, 2017, Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

Based on the examination and analysis of the information GMO filed and submitted in this case, Staff recommends the Commission issue and order approving the substituted tariff sheet filed on January 26, 2017, to become effective on March 1, 2017.

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

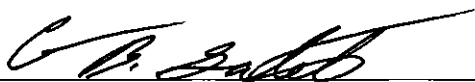
In the Matter of KCP&L Greater Missouri)
Operations Company Request for Authority to)
Implement Rate Adjustments Required by)
4 CSR 240-20.090(4) and the Company's)
Approved Fuel Adjustment Clause)
File No. ER-2017-0188

AFFIDAVIT OF CURT B. GATELEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Curt B. Gateley and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

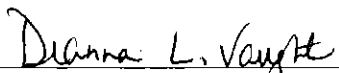
Further the Affiant sayeth not.



Curt B. Gateley

Subscribed and sworn to be this 30th day of January, 2017.

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377



Notary Public

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

In the Matter of KCP&L Greater Missouri)
Operations Company Request for Authority to) **File No. ER-2017-0188**
Implement Rate Adjustments Required by)
4 CSR 240-20.090(4) and the Company's)
Approved Fuel Adjustment Clause)

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, David C. Roos and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

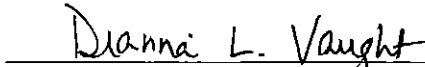
Further the Affiant sayeth not.



David C. Roos

Subscribed and sworn to be this 30th day of January, 2017.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377



Notary Public

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

In the Matter of KCP&L Greater Missouri)
Operations Company Request for Authority to)
Implement Rate Adjustments Required by)
4 CSR 240-20.090(4) and the Company's)
Approved Fuel Adjustment Clause) **File No. ER-2017-0188**

AFFIDAVIT OF ASHLEY SARVER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Ashley Sarver and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

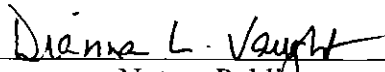
Further the Affiant sayeth not.



Ashley Sarver

Subscribed and sworn to be this 30th day of January, 2017.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377



Notary Public

KCP&L GREATER MISSOURI OPERATIONS COMPANY

P.S.C. MO. No. 1 13th Revised Sheet No. 127

Canceling P.S.C. MO. No. 1 12th Revised Sheet No. 127

For Missouri Retail Service Area

FUEL ADJUSTMENT CLAUSE – Rider FAC
 FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
 (Applicable for the billing months of September 2016 through February 2017)

Accumulation Period Ending:			Rates Effective through December 21, 2016	
			MPS	L&P
1	Current Period Fuel Adjustment Rate (FAR)	=	(\$0.00195)	(\$0.00190)
2	Current Period FAR _{Prim} = FAR x VAF _{Prim}		(\$0.00203)	(\$0.00198)
	Prior Period FAR _{Prim}	+	(\$0.00007)	(\$0.00051)
	Current Annual FAR _{Prim}		(\$0.00210)	(\$0.00249)
3	Current Period FAR _{Sec} = FAR x VAF _{Sec}		(\$0.00209)	(\$0.00203)
4	Prior Period FAR _{Sec}	+	(\$0.00007)	(\$0.00052)
5	Current Annual FAR _{Sec}		(\$0.00216)	(\$0.00255)
6				
7	<ul style="list-style-type: none"> • The consolidation of the L&P and MPS rate districts will be established as ordered by the Commission in Rate Case No. ER-2016-0156. In order to accomplish this consolidation for the FARs effective December 22, 2016 the current annual FARs in effect through December 21, 2016 will be consolidated using the weighted average energy components originally used to calculate the L&P and MPS current annual FARs. 			
8				
9			Rates Effective December 22, 2016	
10		=	GMO	
11	Current Period FAR _{Prim} = FAR x VAF _{Prim}		(\$0.00202)	
12	Prior Period FAR _{Prim}	+	(\$0.00018)	
13	Current Annual FAR _{Prim}		(\$0.00220)	
14	Current Period FAR _{Sec} = FAR x VAF _{Sec}		(\$0.00207)	
15	Prior Period FAR _{Sec}	+	(\$0.00019)	
16	Current Annual FAR _{Sec}		(\$0.00226)	
	MPS VAF _{Prim} = 1.0419			
	MPS VAF _{Sec} = 1.0712			
	L&P VAF _{Prim} = 1.0421			
	L&P VAF _{Sec} = 1.0701			

Attachment B

