

**EXHIBIT**

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Crossroads

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**SURREBUTTAL TESTIMONY**

**OF**

**LENA M. MANTLE**

Submitted on Behalf of the Office of the Public Counsel

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

CASE NO. ER-2016-0156

September 2, 2016



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**SURREBUTTAL TESTIMONY**

**OF**

**LENA M. MANTLE**

**KCP&L – GREATER MISSOURI OPERATIONS COMPANY**

**CASE NO. ER-2016-0156**

1 **Q. Please state your name.**

2 **A. My name is Lena M. Mantle.**

3 **Q. Are you the same Lena M. Mantle that filed direct and rebuttal testimony in**  
4 **this case?**

5 **A. Yes, I am.**

6

7 **PURPOSE OF TESTIMONY**

8 **Q. What is the purpose of your surrebuttal testimony?**

9 **A. The purpose of this surrebuttal testimony is to respond to the rebuttal testimony of**  
10 **KCP&L – Greater Missouri Operations Company (“GMO”) witnesses Tim M. Rush**  
11 **and Burton L. Crawford regarding GMO’s proposed fuel adjustment clause**  
12 **(“FAC”). I also provide a response to Mr. Crawford’s rebuttal testimony regarding**  
13 **the prudence of the inclusion of the Crossroads Generation Facility (“Crossroads”)**  
14 **as a resource for GMO.**

15 **Q. Did the rebuttal testimony filed by GMO or other parties cause OPC to**  
16 **change its recommendation regarding GMO’s proposed FAC?**

17 **A. No, it did not.**

18 **Q. What is OPC’s recommendation regarding GMO’s proposed FAC?**

1 A. OPC recommends the Commission not approve the FAC proposed by GMO.  
2 Instead, OPC recommends the Commission approve an FAC as proposed by OPC in  
3 my direct testimony and as revised in my rebuttal testimony.

4 **Q. What is OPC's recommendation to the Commission regarding GMO's FAC?**

5 A. OPC is recommending the Commission approve an FAC for GMO with the  
6 following features:

7 1. Only the following prudently incurred costs shall be included in GMO's  
8 FAC:

9 a. Delivered fuel commodity costs including:

10 i. Inventory adjustments to the commodities;

11 ii. Adjustments to cost due to quality of the commodity; and

12 iii. Taxes on fuel commodities;

13 b. The cost of transporting the commodity to the generation plants;

14 c. The cost of power purchased to meet its native load; and

15 d. Transmission cost directly incurred by GMO for purchased power  
16 and off-system sales.

17 2. These costs would be offset by:

18 a. Off-system sales revenues; and

19 b. Net insurance recoveries, subrogation recoveries, and settlement  
20 proceeds related to costs and revenues included in the FAC.

21 3. An incentive mechanism that requires changes in GMO's fuel adjustment  
22 rates to account for 90% of the difference between the actual prudently incurred  
23 costs net of off-system sales and the net FAC costs included in its base rates. The  
24 other 10% would be absorbed or retained by GMO ("90/10 incentive mechanism").

25 **Q. Did the rebuttal testimony filed cause OPC to change its recommendation**  
26 **regarding Crossroads?**

1 A. No, it did not.

2 Q. What is OPC's recommendation to the Commission regarding Crossroads?

3 A. OPC recommends the Commission find GMO's Crossroads Generating Facility an  
4 imprudent resource for GMO and not include any Crossroads capital cost or expense  
5 in GMO's revenue requirement.

6 **SURREBUTTAL OF GMO WITNESS TIM M. RUSH - FAC**

7 Q. Mr. Rush begins his rebuttal testimony regarding the FAC with the  
8 statement that "GMO does not agree increased transmission costs resulting  
9 from Entergy Arkansas integration into MISO should be."<sup>1</sup> Should the  
10 Commission allow transmission costs from Entergy Arkansas in GMO's  
11 FAC?

12 A. No, it should not.

13 Q. Why?

14 A. Most importantly, as OPC recommended in my direct testimony, the Commission  
15 should not allow any capital costs and expenses, including transmission expenses,  
16 related to Crossroads to be included in GMO's revenue requirement or its FAC  
17 due to imprudent actions by GMO's predecessor Aquila, Inc. ("Aquila"), GMO's  
18 parent holding company Great Plains Energy ("GPE"), and GMO. I will discuss  
19 Crossroads later in my surrebuttal testimony of Mr. Crawford.

20 Secondly, transmission costs that could be included an FAC, according to  
21 the Appeals Court<sup>2</sup> and Commission decisions, are transmission costs directly tied  
22 purchased power to meet native load and off-system sales. The minimal energy  
23 produced by Crossroads<sup>3</sup> is neither purchased power nor off-system sales.

<sup>1</sup> Rebuttal testimony of Tim M. Rush, page 7, lines 22 and 23

<sup>2</sup> Union Electric Company v. PSC, 422 S. W. 3d 358, 367 (Mo. App. 2013)

<sup>3</sup> See Direct testimony of GMO witness Burton L. Crawford, Schedule BLC-5 HC

1 Q. Mr. Rush states that “it is GMO’s belief that [the Empire District Electric  
2 Company (“Empire”)] has been allowed all transmission costs attributed to  
3 the Plum Point plant”.<sup>4</sup> Is GMO’s *belief* correct?

4 A. It is true that Empire has been allowed recovery of its transmission costs. However,  
5 a simple reading of Empire’s FAC tariff sheet 17f shows that only 50% of non-SPP  
6 transmission service costs are included in Empire’s FAC.

7 Q. Why only 50%?

8 A. Empire owns 50 megawatts (“MW”) of the Plum Point generating facility and has a  
9 long-term purchased power agreement for 50 MW from Plum Point. Therefore,  
10 50% of the energy Empire receives from Plum Point is purchased power and 50% of  
11 the transmission cost is allowed to flow through Empire’s FAC. Empire is only  
12 allowed to include a portion of its transmission costs to deliver power from Plum  
13 Point in its FAC because only a portion of the energy from Plum Point is obtained  
14 through a purchased power agreement.

15 Q. Mr. Rush rationalizes that transmission costs for Crossroads should be  
16 included in the FAC because the cost of natural gas transportation is less for  
17 Crossroads than if it had been built in GMO’s service territory.<sup>5</sup> Should the  
18 Commission allow Crossroads transmission in the FAC because natural gas  
19 transportation for the Crossroads plant in Mississippi is less than it may  
20 have been if similar generation had been built in GMO’s service territory?

21 A. No. All Crossroads capital costs and expenses should be excluded from GMO’s  
22 revenue requirement because GPE’s decision to move the merchant plant that no  
23 other entity would purchase to GMO was an imprudent decision as described in my  
24 direct testimony. The fact that one of the Crossroad expenses may be less than if

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<sup>4</sup> Rebuttal testimony of Tim M. Rush, page 9 lines 5 through 6

<sup>5</sup> Id., page 8, lines 8 through 11

1           Aquila had built in its service territory does not negate the impact on GMO's  
2           customers of the imprudent decision in 2003 to rely on short-term purchased power.

3           **Q. Mr. Rush opines<sup>6</sup> that the costs and revenues "historically" included in**  
4           **GMO's FAC should not be changed. Is this a creditable reason to continue**  
5           **to allow costs and revenues in an FAC?**

6           **A.** No it is not. The costs and revenues included in FACs have been changing since  
7           GMO was first allowed an FAC in May 2007. Therefore it is impossible to say  
8           what "historical" costs have been allowed in FACs. In addition, as described in  
9           my direct testimony, given GMO's limited definitions of what it is requesting in  
10          its FAC it is impossible to determine what costs are currently - let alone  
11          "historically" - included in GMO's FAC.

12                   In addition, this rationale is disingenuous because GMO has requested the  
13                   inclusion of more costs in its FAC in every rate case since the Commission  
14                   allowed it to first have an FAC in May 2007. Due to the additional non-fuel and  
15                   non-purchased power costs GMO is requesting be included in its FAC in this case,  
16                   GMO requested its FAC base rate increase 9% for L&P and 8% for MPS despite  
17                   the lower fuel and spot purchased power costs since GMO's FAC base was set in  
18                   the last GMO rate case. Mr. Rush believes it is acceptable for the Commission to  
19                   add costs to GMOs FAC but it is not acceptable to remove costs that are non-fuel  
20                   and non-purchased power costs.

21                   The Commission has not allowed this rationale to influence its decisions  
22                   regarding the FAC in the past and should not accept this rationale here for several  
23                   reasons. The FAC recommended by OPC is consistent with Section 386.266.1  
24                   RSMo resulting in numerous benefits to the customers while meeting the Section  
25                   386.266.4(1) RSMo requirement of providing GMO with sufficient opportunity to  
26                   earn a fair return on equity.

1 Q. Mr. Rush provides the reasons, according to your testimony, for OPC's  
2 recommended changes to GMO's FAC.<sup>7</sup> Is Mr. Rush accurate in his  
3 description of the reasons for OPC's FAC recommendation?

4 A. No. I did not specifically state a reason for OPC's FAC recommendation in my  
5 direct testimony. Mr. Rush's list is confusing but it seems to characterize some of  
6 the benefits of the FAC proposed by OPC cited in my direct testimony as the reason  
7 for OPC's FAC recommendation.

8 Q. What is the reason for OPC's FAC recommendation?

9 A. OPC has two reasons. First and most importantly, OPC's recommendation is  
10 consistent with state statute that only fuel and purchased power costs, including  
11 transportation be included in an FAC. GMO has requested numerous costs that  
12 do not fall under this statutory definition. Mr. Rush justifies inclusion of these  
13 costs by calling them "fuel related costs." However, Section 386.266.1 RSMo  
14 does not include "fuel related costs" as recoverable between rate cases in FACs.

15 Secondly, the FAC recommended by OPC is less complicated leading to  
16 greater transparency for all parties involved while providing GMO with the  
17 opportunity to reduce the risk of recovering changes in its largest cost – the cost of  
18 fuel and purchased power.

19 Q. Mr. Rush also opines<sup>8</sup> the Commission should not accept OPC's FAC  
20 proposal because the FAC tariff sheets of Kansas City Power & Light  
21 Company ("KCPL"), Union Electric Company d/b/a/ Ameren Missouri  
22 ("Ameren Missouri") and Empire are generally identical to what GMO has  
23 proposed. Is this a reason for the Commission to not accept OPC's FAC  
24 proposal?

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<sup>6</sup> Id, page 10 lines 20 through 21

<sup>7</sup> Id, page 11, line 2

<sup>8</sup> Id, page 11, lines 22 through 23

1 A. No, it is not. GMO is asking for many costs that are not included in the FACs of  
2 KCPL, Ameren Missouri, and Empire or even recorded on GMO's current FAC  
3 tariff sheet. If GMO truly believed that the Commission should follow the FAC  
4 tariff sheets of the other utilities for GMO, it would not be asking for recovery of  
5 all of its SPP costs through its FAC and it would not be asking for FERC costs to  
6 pass through its FAC.

7 Each of the Missouri investor-owned electric utilities is different. Their  
8 operating characteristics are different. GMO purchases more spot market power  
9 than the other utilities. Although the majority of Empire's customers live in  
10 Missouri, Empire has customers in four states. Ameren Missouri is a member of a  
11 different RTO than the other three utilities. Industrial customers use a greater  
12 percentage of the energy produced for KCPL's Missouri jurisdiction than the  
13 industrial customers of the other electric utilities. While OPC supports FAC tariff  
14 sheets that use similar terminology, each electric utility's FAC should be different  
15 just as our Missouri electric utilities are different.

16 In addition, the FAC tariff sheets have evolved and continue to evolve since  
17 GMO was first granted an FAC. Attached to this testimony as Schedule LM-S-1 is  
18 GMO's original FAC tariff sheets approved by the Commission and Schedule LM-  
19 S-2 is the exemplar tariff sheets GMO is proposing the Commission approve in this  
20 case. The original FAC was described on just four tariff sheets. GMO's proposed  
21 FAC takes 12 tariff sheets to describe. While tariff sheets should be a guideline, the  
22 Commission should not use other utility's tariff sheets as the guiding principle of for  
23 determining GMO's FAC.

24 **Q. Mr. Rush states that freeze and dust treatments have been included in prior**  
25 **FACs without question<sup>9</sup> and it is not appropriate to now exclude these costs**

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<sup>9</sup> Id, page 12, lines 13 through 17

1           because they are “associated with fuel.”<sup>10</sup> Is that a good reason to continue  
2           to include these costs?

3   A.    No, it is not. These are costs that GMO incurs to generate energy. However,  
4           Section 386.266.1 RSMo limits the costs that can be included in the FAC to fuel  
5           and purchased power costs including transportation. Section 386.266.1 RSMo does  
6           not include “costs associated with fuel.” In addition, including these costs  
7           unnecessarily complicates the FAC and therefore offers less transparency. For these  
8           reasons freeze and dust treatment costs should not be included in GMO’s FAC.

9   Q.    Mr. Rush believes the Commission should allow fuel adders/additives in  
10           GMO’s FAC because the costs are “necessary.”<sup>11</sup> Does the fact that these  
11           costs are necessary make them fuel commodity, purchased power or  
12           transportation of fuel or purchased power costs?

13   A.    No. There are numerous costs that are necessary for GMO to provide service.  
14           However Section 386.266.1 RSMo limits the costs that are allowed to be included  
15           an FAC to fuel and purchased power costs, including transportation. These costs are  
16           not fuel and purchased power costs (including transportation) and therefore should  
17           not be included in GMO’s FAC.

18   Q.    Mr. Rush seems to believe that OPC’s recommended FAC would exclude  
19           start-up fuel cost.<sup>12</sup> Is this accurate?

20   A.    No. OPC recommends fuel commodity and the transportation of that fuel be  
21           included in GMO’s FAC. Therefore, the FAC proposed by OPC includes the  
22           commodity cost of start-up fuel and the cost to get that fuel to the generating plant.

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<sup>10</sup> Id, page 18, lines 12 through 15

<sup>11</sup> Id, page 12, lines 15 through 17

<sup>12</sup> Id, page 12, lines 17 through 18

1 Q. Mr. Rush states he believes FAC tariff sheets have become more complex  
2 because OPC has insisted that all costs be explicitly listed on the FAC tariff  
3 sheets.<sup>13</sup> Is he accurate in his belief?

4 A. No. He is correct that the initial GMO FAC was described on fewer sheets than the  
5 current FAC tariff sheets as can be seen in Schedules LM-S-1 and LM-S-2 attached  
6 to this testimony. However, his belief regarding why the tariff sheets have become  
7 much more complex is incorrect.

8 Q. Would you please explain why the FAC tariff sheets have become more  
9 complex?

10 A. Yes. As I explained in my direct testimony on page 16 and Mr. Rush also  
11 referenced in his rebuttal testimony on page 15, there was confusion regarding  
12 how off-system sales were to be treated in GMO first FAC true-up case, EO-2009-  
13 0431. After this case, Staff realized that the best way to avoid such  
14 misunderstandings in the future was to provide greater detail in the FAC tariff  
15 sheets.

16 The importance of clearly understanding what is included in an FAC was  
17 again demonstrated in the Ameren Missouri prudence audit case (EO-2010-0255)  
18 with respect to what revenues should be included and in Ameren Missouri rate  
19 case (ER-2012-0166) with respect to what transmission costs were to be included  
20 in its FAC. There was also a difference of interpretation of tariff language  
21 between Staff and GMO in EO-2011-0390 regarding what hedging costs could be  
22 included.

23 Because of all of these cases, Staff began requiring more detail in tariff  
24 sheets to reduce confusion and then Staff moved towards using similar terminology  
25 and acronyms across the FACs of the Missouri electric utilities.<sup>14</sup>

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<sup>13</sup> Id, page 12, line 20 through page 13 line 4

1 **Q. Is Mr. Rush correct when he states OPC insisted that all costs be explicitly**  
2 **listed on the tariff sheets?**<sup>15</sup>

3 **A.** No, he is incorrect. For the reasons outlined above, Staff began working with all the  
4 electric utilities to explicitly list costs and revenues included in each utility's FAC in  
5 its FAC tariff sheets to reduce confusion for FAC rate changes, true-ups, and  
6 prudence audits. However, since becoming employed at OPC, I have had the  
7 opportunity to dig even deeper into the costs and revenues that the electric utilities  
8 are including in their FACs. This has led to discrepancies such as I pointed out in  
9 my direct testimony in this case, which in turn has resulted in more details being  
10 included in the FAC tariff sheets.

11 **Q. Has the Commission issued an order regarding the explicit identification on**  
12 **FAC tariff sheets of the costs included in an FAC?**

13 **A.** Yes. In the KCPL rate case, ER-2014-0370, the Commission stated that "the FAC  
14 tariff sheets should identify costs and revenues by FERC account and subaccount".<sup>16</sup>  
15 Later in that *Report and Order*, the Commission goes on to say "[i]ncluding an  
16 appropriate description of these terms would enable KCPL to operate and Staff to  
17 audit the FAC correctly."<sup>17</sup>

18 **Q. Mr. Rush argues an FAC should include costs not incurred and not expected**  
19 **to be incurred and revenue types not received and not expected to be**  
20 **received.**<sup>18</sup> **Has this issue been presented to the Commission in any other**  
21 **case?**

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<sup>14</sup> At this time I was Manager of the Energy Department of the Missouri Public Service Commission Staff. One of my responsibilities was to oversee the activities of Staff with regard to FACs.

<sup>15</sup> Rebuttal testimony of Tim M. Rush, page 13, lines 2 and 3

<sup>16</sup> *Report and Order*, page 31

<sup>17</sup> Page 38

<sup>18</sup> Rebuttal testimony of Tim M. Rush, page 20, lines 2 through 6

1 A. Yes. OPC presented similar evidence of KCPL asking to include costs that it does  
2 not incur and does not expect to incur and revenue types not received and not  
3 expected to be received in the recent KCPL case mentioned above.

4 Q. What was the Commission's determination regarding the inclusion in an  
5 FAC of costs not incurred and revenues not received?

6 A. In its *Report and Order* in ER-2014-0374 the Commission stated:<sup>19</sup>

7 KCPL argues that the FAC should include all costs and revenues  
8 relating to net fuel and purchased power costs, whether or not they  
9 are currently being incurred. However, allowing a new cost or  
10 revenue to flow through an FAC is a modification to that FAC,  
11 which under Section 386.266, RSMo, only the Commission has the  
12 authority to modify. It is the Commission that should make the  
13 determination as to what costs or revenues should flow through the  
14 FAC, not the electric utility. An exception to this would be  
15 insurance recoveries, subrogation recoveries and settlement  
16 proceeds related to costs and revenues included in the FAC  
17 because such revenue increases are likely the result of  
18 circumstances that already caused additional costs or reduced  
19 revenues in the FAC. **The Commission concludes that the FAC**  
20 **should not include costs and revenues that KCPL is not**  
21 **currently incurring or receiving, other than insurance**  
22 **recoveries, subrogation recoveries and settlement proceeds**  
23 **related to costs and revenues included in the FAC. (emphasis**  
24 **added)**  
25

26 Q. Should Mr. Rush have been aware of the Commission's order in this rate  
27 case?

28 A. Yes. He was the KCPL witness sponsoring the establishment of an FAC for KCPL  
29 in ER-2014-0370. The Commission Order in ER-2014-0370 was issued on  
30 September 2, 2015 - less than six months prior to Mr. Rush filing direct testimony in  
31 this case, ER-2016-0156.

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<sup>19</sup> Page 40

1 **Q. Mr. Rush includes in his testimony the words “accounts naturally included in**  
2 **the FAC.”<sup>20</sup> Are you aware of any accounts naturally included in an FAC?**

3 A. This is the first time that I have seen the words “naturally included” with respect to  
4 any FAC. Because I have not seen these words used with respect to an FAC, I sent  
5 data request 8035 asking for a definition of “naturally included” as it is used in Mr.  
6 Rush’s rebuttal testimony. I also asked GMO to provide a list of each and every  
7 account “naturally included” in an FAC. This data request and response is provided  
8 as Schedule LM-S-3 to this testimony.

9 **Q. What was GMO’s response to your data request?**

10 A. The response provided by Kristy Erck of the KCPL Regulatory Affairs group for  
11 GMO was “[n]aturally include as used here means what it means in normal  
12 conversation.” In addition to not providing a definition of this term, GMO did not  
13 provide a list of accounts but instead referenced GMO’s current FAC tariff sheets  
14 and its proposed FAC tariff sheets.

15 **Q. What would be your definition of costs that should be naturally included in**  
16 **an FAC?**

17 A. The basic definition of costs to be included in the FAC is found in Section 386.266  
18 RSMo as “fuel and purchased power costs, including transportation.” If I had to  
19 give a definition of costs naturally included it would be the costs that OPC has  
20 recommended be included in GMO’s FAC and none beyond that. OPC expanded  
21 its recommendation to include off-system sales revenue since it is difficult to  
22 determine the fuel costs to make off-system sales separate from the fuel costs to  
23 meet native load.

24 **Q. Are there “accounts” that would fit your definition?**

25 A. No there are not.

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<sup>20</sup> Rebuttal testimony of Tim M. Rush, page 14, line 32

1 Q. Does Section 386.266.1 RSMo provide accounts that are allowed in the FAC?

2 A. No, it does not. It refers to costs not accounts.

3 Q. Mr. Rush states that reducing the number and types of costs and revenues in  
4 an FAC defeats the purpose of an FAC.<sup>21</sup> Would you respond to this  
5 statement?

6 A. The purpose of an FAC is to allow electric utilities to reflect increases and decreases  
7 in its prudently incurred fuel and purchased power costs, including transportation in  
8 rates outside general rate proceedings. OPC's recommendation which would limit  
9 GMO's FAC to costs listed in Section 386.266 RSMo fulfills the purpose of the  
10 statute. Consumer protections included in Section 386.266 RSMo require the  
11 Commission to first determine if GMO should be allowed an FAC and then to  
12 determine the costs and revenues to be included in GMO's FAC. In this case, OPC  
13 is recommending the Commission protect consumers by restricting the costs and  
14 revenues included in GMO's FAC to be consistent with Section 386.266 RSMo.

15 Q. How do you respond to Mr. Rush's statement that reducing the number of  
16 costs and revenues in the FAC causes GMO to lose the opportunity to use the  
17 mechanism effectively?<sup>22</sup>

18 A. Reducing the number of costs and revenues in the FAC results in an FAC that is true  
19 to the statute, is transparent to all parties, and reduces the opportunity for the utility  
20 to manipulate the FAC mechanism to include non-fuel and non-purchased power  
21 costs. Nothing in OPC's recommendation would result in GMO losing the  
22 opportunity to use the adjustment mechanism allowed by statute effectively. It  
23 would, however, reduce the opportunity for costs to be included that are not fuel and  
24 purchased power, including transportation.

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<sup>21</sup> Id, page 14 line 4

<sup>22</sup> Id, page 14 lines 10 through 13

1 **Q. Does Mr. Rush provide any testimony that leads you to believe that GMO**  
2 **may try to manipulate the FAC to include costs not ordered by this**  
3 **Commission?**

4 **A.** Yes. Beginning on page 15 line 21 through page 16 line 4, Mr. Rush states that the  
5 goal should not be to reduce cost types included in the FAC. He goes on to say that,  
6 if GMO was required to reduce the cost types in its FAC, it would lose the detail  
7 necessary to manage its company. I am not sure exactly what he means but I read it  
8 as GMO would reduce the number of subaccounts it records costs in if the  
9 Commission ordered fewer costs to be included in the FAC. As a result of doing  
10 away with subaccounts, GMO would not know what was in the Federal Energy  
11 Regulatory Commission ("FERC") accounts of its books.

12 **Q. Does the Uniform System of Accounts ("USOA") required by Commission**  
13 **rule 4 CSR 240-20.030 provide any guidance as to the detail electric utility**  
14 **costs must be recorded?**

15 **A.** Yes. Instruction 2.A. of the General Instructions of the USOA states:

16 Each utility shall keep its books of account, and all other books,  
17 records, and memoranda which support the entries in such books of  
18 account so as to be able to furnish readily full information as to any  
19 item included in any account. Each entry shall be supported by such  
20 detailed information as will permit ready identification, analysis, and  
21 verification of all facts relevant thereto.

22  
23 A reduction in accounting detail alluded to by Mr. Rush would be inconsistent with  
24 USOA Instruction 2 noted above.

25 **Q. Are you aware of any other actions by GMO that leads you to believe that**  
26 **GMO may try to manipulate the FAC to include costs not ordered by this**  
27 **Commission?**

28 **A.** Yes. In a recent meeting with GMO regarding the costs it was requesting be  
29 included in its FAC, GMO revealed that it was "reclassifying" costs from FERC

1 account 502 to FERC account 501 so that if the Commission approved the FAC it is  
2 proposing, GMO would recover changes in those costs through its FAC.<sup>23</sup>

3 **Q. Mr. Rush states you used the GMO prudence audit case EO-2011-0390 as an**  
4 **indicator that fewer costs should allowed through the FAC.<sup>24</sup> Is this a**  
5 **correct representation of your testimony?**

6 **A.** No. I used the case as a documented example of confusion regarding what was  
7 actually included in GMO's FAC.

8 **Q. Does the fact that the Commission did not agree with Staff's allegations in**  
9 **EO-2011-0390 demonstrate including fewer costs in GMO's FAC is not**  
10 **needed as implied by Mr. Rush?<sup>25</sup>**

11 **A.** No. The GMO's prudence case was not about the number of costs included in  
12 GMO's FAC. However, it does demonstrate the confusion regarding what was  
13 included in GMO's FAC was great enough to require a hearing and a Commission  
14 determination. If the FAC tariff sheets were clear and all parties understood what  
15 was included in GMO's FAC, a hearing would not have been necessary.

16 **Q. Mr. Rush states that to his knowledge Staff has never indicated a lack of**  
17 **transparency in the design or the operation of GMO's FAC.<sup>26</sup> Are you aware**  
18 **of any indications of lack of transparency in GMO's FAC?**

19 **A.** Yes. As described in my direct testimony, the first true-up of GMO's FAC in case  
20 EO-2009-0431 revealed confusion regarding the costs and revenues included in  
21 GMO's FAC. The GMO FAC prudence case, EO-2011-0390, revealed confusion  
22 regarding the inclusion of hedging costs in GMO's FAC. As I described in my  
23 direct testimony, GMO even seems confused regarding what is included in its FAC

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<sup>23</sup> Mantle Direct, page 15

<sup>24</sup> Rebuttal testimony of Tim M. Rush, page 15, lines 16 through 18

<sup>25</sup> Id, page 15, lines 16 through 18

<sup>26</sup> Id, page 16, lines 13 through 14

1 now. All of these are indications that there is a lack of transparency in GMO's  
2 FAC.

3 **Q. Mr. Rush implies that OPC recommending the Commission pick and choose**  
4 **which fuel and purchased power costs should be excluded from GMO's**  
5 **FAC.<sup>27</sup> Is this an accurate description of OPC's recommendation?**

6 **A.** No. OPC is recommending the Commission explicitly determine what costs and  
7 revenues are included in GMO's FAC as Section 386.266 RSMo requires the  
8 Commission to do.

9 **Q. Should costs that are similar to other costs included in the FAC be included**  
10 **in the FAC as proposed by Mr. Rush?<sup>28</sup>**

11 **A.** No. Only fuel and purchased power costs, including transportation costs as  
12 provided in Section 386.266.1 RSMo should be included in the FAC. If the  
13 Commission goes down the path of including costs similar to other costs in the  
14 FAC, eventually all of GMO's costs to serve its customers could flow through the  
15 FAC.

16 **Q. Mr. Rush states that the level of detail OPC expresses an interest in**  
17 **regarding the definition of the costs and revenues GMO is requesting be**  
18 **included in its FAC imposes a burdensome requirement on GMO that is in**  
19 **fact not required by the Code of State Regulation.<sup>29</sup> Is this accurate?**

20 **A.** No. The Commission FAC minimum filing rule, found in the Code of State  
21 Regulation, requires the electric utility requesting a modification of an FAC to  
22 provide a complete explanation of all costs it is requesting be included in its  
23 FAC.<sup>30</sup> In the FAC minimum filing rulemaking docket (EX-2006-0472), Ameren

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<sup>27</sup> Id, page 16, lines 16 through 18

<sup>28</sup> Id, page 18, line 18

<sup>29</sup> Id, page 19 line 19

<sup>30</sup> 4 CSR 240-3.161(3)(H)

1 Missouri (then known as AmerenUE) stated a concern similar to the assertion that  
2 Mr. Rush is making. The Commission, in its *Final Order of Rulemaking* provided  
3 guidance on what it intended the electric utilities to file:

4 COMMENT: AmerenUE opposes the use of the word "complete"  
5 in subsections (1), (2) and (3), which contain the filing  
6 requirements of the rule, for example, a requirement to provide a  
7 "complete explanation" or a "complete description." AmerenUE  
8 seeks to change "complete" as it appears throughout the rule to  
9 "reasonable ." AmerenUE asserts that "complete" means "perfect,"  
10 and that perfection is neither an appropriate standard to include in a  
11 rule nor the intent of the drafters . PSC Staff disagrees, and asserts  
12 that the rule should require a "complete" explanation of the data  
13 provided.  
14

15 RESPONSE: The Commission agrees that perfection is neither an  
16 appropriate standard to include in a rule nor the intent of the  
17 drafters. However, the Commission disagrees that "complete"  
18 means "perfect." **By using "complete" the Commission means**  
19 **that which includes every explanation and detail to allow a**  
20 **decision-maker to evaluate the response fully and on its face,**  
21 **without forcing it to resort to asking for additional**  
22 **explanations, clarification or documentation to reach a**  
23 **decision.** "Complete" means "not lacking in any material respect,"  
24 which is a reasonable standard for filings. Moreover, the purpose  
25 of the rule is to alert requesting parties of the documentation and  
26 information necessary for the Staff to review and for the  
27 Commission to approve a rate adjustment mechanism (RAM)  
28 within the allotted time for a general rate case. If incomplete  
29 information is provided, the entities reviewing the documentation  
30 would be required to request further detail in order to evaluate the  
31 proposed RAM. The Commission finds that "complete" is the most  
32 appropriate word to convey the amount of information or  
33 documentation that is required for review. Therefore, no change  
34 will be made. (emphasis added)  
35

36 A quick review of the definitions of the costs GMO is requesting be included in  
37 its FAC provided by Mr. Rush in Schedule TMR-1 of his direct testimony in this  
38 case (ER-2016-0156) shows that the definitions provided are not explanations that

1 provide a clear understanding of the costs that GMO is requesting be included in  
2 its FAC. My direct testimony provides examples of incomplete definitions.

3 So the “burden” placed on GMO to provide complete definitions is not  
4 from OPC but rather it is from the Commission itself. It is a “burden” that the  
5 Commission felt was appropriate for an electric utility that is asking the  
6 Commission to move the risk of cost recovery of fuel and purchased power from  
7 the electric utility to the utility’s customers.

8 **Q. Would you summarize Mr. Rush’s position regarding OPC’s proposed 90/10**  
9 **sharing mechanism?<sup>31</sup>**

10 **A.** Mr. Rush disagrees with a change from the current 95/5 incentive mechanism for  
11 two reasons: 1) other electric utilities that GMO competes with for capital get to  
12 recover 100% of fuel costs and 2) customers should receive 100% of any fuel  
13 savings and GMO should recover 100% of its fuel cost increases.

14 **Q. With respect to other electric utilities recovering 100% of their fuel costs, are**  
15 **the fuel cost recovery mechanisms of all electric utilities the same?**

16 **A.** No. This is evident in the brief descriptions of the fuel recovery mechanisms of  
17 different utilities provided in Schedule TMR-1 attached to Mr. Rush’s direct  
18 testimony in the recent KCPL case.<sup>32</sup> Some utilities get to recover changes in costs  
19 immediately. Some utilities only get to change rates due to fuel costs annually.  
20 This schedule reports that one utility only gets to recover 90% of the increases in  
21 fuel costs. Therefore, while it is true that other utilities GMO competes with for  
22 capital have mechanisms to recover fuel costs between rate cases, these mechanisms  
23 are not the same for all the utilities.

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<sup>31</sup> Rebuttal testimony of Tim M. Rush, page 16 line 20 through page 17 line 14

<sup>32</sup> Case No. ER-2014-0370, Exhibit 134(HC)

1 Q. Would you respond to Mr. Rush's assertion that customers should receive  
2 100% of any cost savings and GMO should get recovery of 100% of all fuel  
3 costs increases?

4 A. Yes. Mr. Rush is ignoring removal of an incentive for the electric utility to affect  
5 its fuel and purchased power costs. If GMO knows that it will be able to recover  
6 100% of the increases in costs that the Commission allows in the FAC, the only  
7 incentive for efficiency is a prudence audit. The Commission has found a  
8 prudence audit is not enough incentive for the utility to efficiently manage its fuel  
9 and purchased power costs. The Commission, in its *Report and Order* in ER-  
10 2007-0004, the rate case in which it first allowed GMO (then Aquila) an FAC,  
11 found:

12 While the Commission believes Aquila should be given the  
13 opportunity to recover its prudently incurred fuel costs, it also  
14 agrees with Mr. Johnstone and Ms. Brockway that: 1) after-the-fact  
15 prudence reviews alone are insufficient to assure Aquila will  
16 continue to take reasonable steps to keep its fuel and purchased  
17 power costs down; and 2) the easiest way to ensure a utility retains  
18 the incentive to keep fuel and purchased power costs down is to  
19 allow less than 100% pass through of those costs. (footnote  
20 omitted)  
21

22 The Commission, in every electric utility rate case since that case in which it  
23 approved an FAC, has included an incentive mechanism the FAC.

24 Q. With OPC's proposal would there be an opportunity for GMO to recover  
25 more than 100% of its actual FAC costs and revenues?

26 A. Yes. As I explained in my direct testimony,<sup>33</sup> declining costs, whether effectuated  
27 by management decision or market prices, would result in GMO recovering more  
28 than 100% of its actual fuel and purchased power costs if the Commission adopts a  
29 sharing mechanism. The sharing mechanism recommended by OPC would provide

1 a greater incentive for GMO to reduce fuel and purchased power costs than the  
2 current 95/5 sharing mechanism.

3 **Q. As a representative of the customers, why is OPC agreeable with the**  
4 **customers receiving less than 100% of the fuel savings?**

5 **A.** Absent an FAC, the customers would see none of the fuel savings. With and FAC  
6 with no sharing mechanism, all of the risk of fluctuating prices falls on the  
7 customers who have even less influence on fuel and purchased power costs than  
8 GMO does. No sharing mechanism also allows costs due to inefficient practices by  
9 GMO to be passed on to customers and only if parties can prove imprudence would  
10 these increased costs be returned to the customers. The 90/10 sharing mechanism  
11 recommended by OPC provides a balance between cost recovery risk and efficient  
12 management.

13  
14 **SURREBUTTAL OF GMO WITNESS BURTON L. CRAWFORD - FAC**

15 **Q. Would you summarize the rebuttal testimony of Mr. Crawford with respect**  
16 **to OPC's recommended FAC?**

17 **A.** Mr. Crawford describes Southwest Power Pool ("SPP") related charges and credits  
18 for ancillary services and then give the rationale these should be included in GMO's  
19 FAC because they are "an element of purchased power cost."<sup>34</sup>

20 **Q. What is your response to Mr. Crawford's testimony regarding ancillary**  
21 **services?**

22 **A.** Section 386.266.1 RSMo allows the Commission to grant an FAC for purchased  
23 power costs. Previously I have discussed how the electric utilities, as noted in the  
24 Commission Report and Order in the Ameren Missouri rate case ER-2014-0258,

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<sup>33</sup> Direct testimony of Lena M. Mantle, page 24

<sup>34</sup> Rebuttal testimony of Burton L. Crawford, page 3, line 6 and 7

1 have attempted to redefine purchased power as the payment the electric utility  
2 makes to its regional transmission organization (“RTO”) for each megawatt-hour of  
3 energy used by its customers. The Commission has not accepted this point of  
4 view.<sup>35</sup> Mr. Crawford attempts to redefine “ancillary services” as “purchased  
5 power” so costs may be passed through GMO’s FAC even though this too is  
6 improper.

7 **Q. What is OPC’s recommendation regarding recovery of SPP related charges  
8 and credits for ancillary services?**

9 A. OPC recommends that these costs and credits be included in GMO’s cost-of-service  
10 but not as a part of GMO’s FAC.

11 **Q. Why should these costs not be included in GMO’s FAC?**

12 A. These are cost and credits necessary for GMO to provide service to its customers.  
13 Absent being a member of a RTO, GMO would be required to meet similar  
14 requirements to maintain reliability of its system. The fact that these services are  
15 now provided through SPP, and SPP charges GMO for these services, does not  
16 make the services “purchased power.” Just as the Commission did not fall prey to  
17 the deception that transactions with RTO’s for the electric utilities’ loads were  
18 purchased power, it should not fall prey to this additional attempt to change the  
19 definition of purchased power and allow ancillary costs and credits in GMO’s FAC.

20 **Q. If GMO was not part of the SPP, would OPC recommend inclusion of these  
21 costs in GMO’s FAC?**

22 A. Only the the fuel costs of any generation plant that was running but not at its  
23 maximum output, or “spinning reserve” as defined by Mr. Crawford.<sup>36</sup> Likewise,  
24 only fuel costs associated with load balancing efforts (regulating reserves) would be

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<sup>35</sup> ER-2014-0258, Report and Order, page 115

<sup>36</sup> Id, page 2, lines 1 through 3

1 included in an FAC. Costs of keeping a generator ready to be started quickly for  
2 events, such as the unexpected loss of an on-line generator as non-spinning reserve,  
3 would not be included in an FAC because no fuel costs are incurred for this.

4 **Q. Would OPC's recommended FAC exclude costs of fuel for spinning reserve  
5 and load balancing services GMO provides to SPP?**

6 **A.** No, it would not. These are fuel costs and should be included in GMO's FAC.

7  
8 **SURREBUTTAL OF GMO WITNESS CRAWFORD - CROSSROADS**

9 **Q. What is Mr. Crawford's basis for his rebuttal of OPC's recommendation  
10 that inclusion of Crossroads costs be found imprudent?**

11 **A.** Mr. Crawford basis is resource planning analysis conducted in 2007.<sup>37</sup>

12 **Q. Is it OPC's position that the analysis Mr. Crawford describes conducted by  
13 GMO in 2007 was inaccurate or unreasonable?**

14 **A.** OPC has no position on the adequacy of GMO's 2007 analysis. It is irrelevant to  
15 the issue of the prudence of including Crossroads in GMO's rate base.

16 **Q. Why?**

17 **A.** As I explained in my direct testimony, there has been a series of imprudent  
18 decisions regarding capacity for GMO since 2003. It is Aquila's decision in 2003  
19 to rely on purchased power that is critical. Resource decisions impact the cost of  
20 providing electricity to customers for decades. GMO's customers should not have  
21 to pay for Aquila imprudent decision for the life span of that decision.

22 **Q. Mr. Crawford states that OPC has not explained any other option GPE  
23 should have taken in 2008 so there is no basis to conclude GPE and GMO  
24 was imprudent.<sup>38</sup> How do you respond to this statement?**

1 A. It is not OPC's responsibility to provide options. Doing so would lead to  
2 micromanagement; a position OPC avoids. Aquila made its decision in 2003  
3 regarding how to meet its customers' needs. Staff and OPC had very limited input  
4 and oversight of Aquila's resource planning process at that time. I was with Staff  
5 when Aquila was warned that relying on purchased power agreements was not in  
6 the best interest of its customers. I have filed testimony in numerous cases  
7 regarding Aquila and GMO's 2003 resource plan. Even so, these types of  
8 decisions were and still are the electric utility's decisions. According the Court of  
9 Appeals, OPC's role is to "create a serious doubt as to the prudence of the  
10 expenditure."<sup>39</sup> According to that same ruling, GMO "has the burden of  
11 dispelling these doubts and proving the question expenditure to have been  
12 prudent." Providing a resource analysis from a time other than when the decision  
13 was made is a red herring and does not dispel doubts or prove the decision was  
14 prudent when it was made in 2003.

15 Q. Does this conclude your surrebuttal testimony?

16 A. Yes, it does.

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<sup>37</sup> Id, page 3 line 18

<sup>38</sup> Id, pg 7 lines 8 and 9

<sup>39</sup> *State ex rel. Associated Natural Gas Co. v. Public Service Com'n of State of Mo* 954  
S.W.2d 520, 528-29 (Mo. App. W.D., 1997)

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1  
Canceling P.S.C. MO. No. \_\_\_\_\_

Original Sheet No. 124  
Sheet No. \_\_\_\_\_

Aquila, Inc., dba

AQUILA NETWORKS For All Territory Served by Aquila Networks – L&P and Aquila Networks – MPS  
KANSAS CITY, MO 64138

FUEL ADJUSTMENT CLAUSE  
ELECTRIC

DEFINITIONS

ACCUMULATION PERIOD:

The two six-month accumulation periods each year through May 31, 2011, the two corresponding twelve-month recovery periods and filing dates will be as follows:

<u>Accumulation Period</u>	<u>Filing Date</u>	<u>Recovery Period</u>
June – November	By January 1	March – February
December – May	By July 1	September – August

RECOVERY PERIOD:

The billing months during which the Cost Adjustment Factor (CAF) for each of the respective accumulation periods are applied to retail customer billings on a per kilowatt-hour (kWh) basis.

COSTS:

Costs eligible for Fuel Adjustment Clause (FAC) will be the Company's allocated variable Missouri Jurisdictional costs for the fuel component of the Company's generating units, purchased power energy charges, and emission allowance costs. Eligible costs do not include the purchased power demand costs associated with purchased power contracts.

APPLICATION

The price per kWh of electricity sold will be adjusted subject to application of the FAC mechanism and approval by the Missouri Public Service Commission. The price will reflect accumulation period Missouri Jurisdictional costs above or below base costs for:

1. variable fuel components related to the Company's electric generating plants;
2. purchased power energy charges;
3. emission allowance costs;
4. an adjustment for recovery period sales variation. This is based on the difference between the values of the FAC as adjusted minus actual FAC revenue during the recovery period. This amount will be collected or refunded during a succeeding recovery period;
5. interest on deferred electric energy costs, which shall be determined monthly. Interest shall be calculated at a rate equal to the weighted average interest rate paid on short-term debt, applied to the month-end balance of deferred electric energy costs. The accumulated interest shall be included in the determination of the CAF.

The FAC will be the aggregation of (1), (2), (3), minus the base cost of fuel, all times 95%, plus or minus (4), plus (5), above.

The Cost Adjustment Factor is the result of dividing the FAC by estimated kWh sales during the recovery period, rounded to the nearest \$.0001, and aggregating over two accumulation periods. The formula and components are displayed below.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1  
 Canceling P.S.C. MO. No. \_\_\_\_\_

Original Sheet No. 125  
 Sheet No. \_\_\_\_\_

Aquila, Inc., dba

AQUILA NETWORKS For All Territory Served by Aquila Networks – L&P and Aquila Networks – MPS  
 KANSAS CITY, MO 64138

FUEL ADJUSTMENT CLAUSE (CONTINUED)  
 ELECTRIC

$$FAC_{Sec} = \{[95\% * (F + P + E - B)] * \{(S_{ASec} * L_{Sec}) / [(S_{ASec} * L_{Sec}) + (S_{APrim} * L_{Prim})]\}\} + C_{Sec}$$

$$FAC_{Prim} = \{[95\% * (F + P + E - B)] * \{(S_{APrim} * L_{Prim}) / [(S_{ASec} * L_{Sec}) + (S_{APrim} * L_{Prim})]\}\} + C_{Prim}$$

The Cost Adjustment Factor (CAF) is as follows:

$$\text{Single Accumulation Period Secondary Voltage CAF} = FAC_{Sec} / S_{RSec}$$

$$\text{Single Accumulation Period Primary Voltage CAF} = FAC_{Prim} / S_{RPrim}$$

Annual Secondary Voltage CAF =

Aggregation of the Single Accumulation Period Secondary Voltage CAFs still to be recovered

Annual Primary Voltage CAF =

Aggregation of the Single Accumulation Period Primary Voltage CAFs still to be recovered

Where:

$FAC_{Sec}$  = Secondary Voltage FAC

$FAC_{Prim}$  = Primary Voltage FAC

95% = Customer responsibility for fuel variance from base level

F = Actual variable cost of fuel in FERC Accounts 501 & 547

P = Actual cost of purchased energy in FERC Account 555

E = Actual emission allowance cost in FERC Account 509

B = Base variable fuel costs, purchased energy, and emission allowances are calculated as shown below:

Aquila Networks – L&P  $S_A \times \$0.01799$

Aquila Networks – MPS  $S_A \times \$0.02538$

C = Under / Over recovery determined in the true-up of prior recovery period cost, including accumulated interest, and modifications due to prudence reviews

$C_{Sec}$  = Lower than Primary Voltage Customers

$C_{Prim}$  = Primary and Higher Voltage Customers

$S_A$  = Actual sales (kWh) for the accumulation period

$S_{ASec}$  = Lower than Primary Voltage Customers

$S_{APrim}$  = Primary and Higher Voltage Customers

$S_R$  = Estimated sales (kWh) for the recovery period

$S_{RSec}$  = Lower than Primary Voltage Customers

$S_{RPrim}$  = Primary and Higher Voltage Customers

L = Loss factor by voltage level

$L_{Sec}$  = Lower than Primary Customers

$L_{Prim}$  = Primary and Higher Customers

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1  
Canceling P.S.C. MO. No. \_\_\_\_\_

Original Sheet No. 126  
Sheet No. \_\_\_\_\_

Aquila, Inc., dba

AQUILA NETWORKS For All Territory Served by Aquila Networks – L&P and Aquila Networks – MPS  
KANSAS CITY, MO 64138

FUEL ADJUSTMENT CLAUSE (CONTINUED)  
ELECTRIC

The FAC will be calculated separately for Aquila Networks – L&P and Aquila Networks – MPS and by voltage level, and the resultant CAF's will be applied to customers in the respective divisions and voltage levels.

APPLICABLE BASE ENERGY COST

Company base energy cost per kWh sold, \$0.01799 for Aquila Networks – L&P, and \$0.02538 for Aquila Networks – MPS.

TRUE-UPS AND PRUDENCE REVIEWS

There shall be prudence reviews of costs and the true-up of revenues collected with costs intended for collection. FAC costs collected in rates will be refundable based on true-up results and findings in regard to prudence. Adjustments, if any, necessary by Commission order pursuant to any prudence review shall also be placed in the FAC for collection unless a separate refund is ordered by the Commission. True-ups occur at the end of each recovery period. Prudence reviews shall occur no less frequently than at 18 month intervals.

## STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1Original Sheet No. 127

Cancelling P.S.C. MO. No. \_\_\_\_\_

Sheet No. \_\_\_\_\_

Aquila, Inc., dba

AQUILA NETWORKS For All Territory Served by Aquila Networks – L&P and Aquila Networks – MPS  
 KANSAS CITY, MO 64138

FUEL ADJUSTMENT CLAUSE (CONTINUED)  
 ELECTRIC

COST ADJUSTMENT FACTOR

Aquila Networks – L&P		Total	Secondary	Primary
Accumulation Period Ending		mm/dd/yy		
1	Total energy cost (F, P, and E)	\$0		
2	Base energy cost (B)	\$0		
3	First Interim Total	\$0		
4	Base energy (S <sub>A</sub> ) by voltage level		0	0
4.1	Loss factors (L)	*	108.443%	* 106.231%
4.2	S <sub>A</sub> adjusted for losses		0	0
4.3	Loss factor weights	*	00.000%	* 00.000%
5	Customer Responsibility	* 95%		
6	Second Interim Total by voltage level	\$0	\$0	\$0
7	Adjustment for Under / Over recovery for prior periods (C)		\$0 ±	\$0 ±
8	Fuel Adjustment Clause		\$0	\$0
9	Estimated recovery period sales kWh (S <sub>R</sub> )		0 ÷	0 ÷
10	Current period cost adjustment factor		\$0.0000	\$0.0000
11	Previous period cost adjustment factor		\$0.0000 +	\$0.0000 +
12	Current annual cost adjustment factor		\$0.0000	\$0.0000

Aquila Networks – MPS		Total	Secondary	Primary
Accumulation Period Ending		mm/dd/yy		
1	Total energy cost (F, P, and E)	\$0		
2	Base energy cost (B)	\$0		
3	First Interim Total	\$0		
4	Base energy (S <sub>A</sub> ) by voltage level		0	0
4.1	Loss factors (L)	*	107.433%	* 104.187%
4.2	S <sub>A</sub> adjusted for losses		0	0
4.3	Loss factor weights	*	00.000%	* 00.000%
5	Customer Responsibility	* 95%		
6	Second Interim Total by voltage level	\$0	\$0	\$0
7	Adjustment for Under / Over recovery for prior periods (C)		\$0 ±	\$0 ±
8	Fuel Adjustment Clause		\$0	\$0
9	Estimated recovery period sales kWh (S <sub>R</sub> )		0 ÷	0 ÷
10	Current period cost adjustment factor		\$0.0000	\$0.0000
11	Previous period cost adjustment factor		\$0.0000 +	\$0.0000 +
12	Current annual cost adjustment factor		\$0.0000	\$0.0000

Issued: June 18, 2007

Effective: July 18, 2007

Issued by: Gary Clemens, Regulatory Services

Schedule LM-S1

4/4

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 2<sup>nd</sup>  
Canceling P.S.C. MO. No. 1 1<sup>st</sup>  
KCP&L Greater Missouri Operations Company  
KANSAS CITY, MO

Revised Sheet No. 127.1  
Revised Sheet No. 127.1  
For Missouri Retail Service Area

**FUEL ADJUSTMENT CLAUSE – Rider FAC**  
**FUEL AND PURCHASED POWER ADJUSTMENT ELECTRIC**  
(Applicable to Service Provided Effective Date of Rate Tariffs for ER-2016-0156 and Thereafter)

DEFINITIONS

**ACCUMULATION PERIODS, FILING DATES AND RECOVERY PERIODS:**

An accumulation period is the six calendar months during which the actual costs and revenues subject to this rider will be accumulated for the purposes of determining the Fuel Adjustment Rate ("FAR"). The two six-month accumulation periods each year through January 21, 2021, the two corresponding twelve-month recovery periods and the filing dates will be as shown below. Each filing shall include detailed work papers in electronic format to support the filing.

<u>Accumulation Periods</u>	<u>Filing Dates</u>	<u>Recovery Periods</u>
June – November	By January 1	March – February
December – May	By July 1	September – August

A recovery period consists of the months during which the FAR is applied to customer billings on a per kilowatt-hour (kWh) basis.

**COSTS AND REVENUES:**

Costs eligible for the Fuel and Purchased Power Adjustment ("FPA") will be the Company's allocated Jurisdictional costs for the fuel component of the Company's generating units, purchased power energy charges including applicable Southwest Power Pool ("SPP") charges, emission allowance costs and amortizations, cost of transmission of electricity by others associated with purchased power and off-system sales, and the costs described below associated with the Company's hedging programs - all as incurred during the accumulation period. These costs will be offset by jurisdictional off-system sales revenues, applicable SPP revenues, and revenue from the sale of Renewable Energy Certificates or Credits ("REC"). Eligible costs do not include the purchased power demand costs associated with purchased power contracts in excess of one year. Likewise revenues do not include demand or capacity receipts associated with power contracts in excess of one year.

APPLICABILITY

The price per kWh of electricity sold to retail customers will be adjusted (up or down) periodically subject to application of the Rider FAC and approval by the Missouri Public Service Commission ("MPSC" or "Commission").

The FAR is the result of dividing the FPA by forecasted Missouri retail net system input ("SRP") for the recovery period, expanded for Voltage Adjustment Factors ("VAF"), rounded to the nearest \$.00001, and aggregating over two accumulation periods. The amount charged on a separate line on retail customers' bills is equal to the current annual FAR multiplied by kWh billed.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 2<sup>nd</sup>  
Canceling P.S.C. MO. No. 1 1<sup>st</sup>

KCP&L Greater Missouri Operations Company  
KANSAS CITY, MO

Revised Sheet No. 127.2  
Revised Sheet No. 127.2  
For Missouri Retail Service Area

FUEL ADJUSTMENT CLAUSE – Rider FAC  
FUEL AND PURCHASED POWER ADJUSTMENT ELECTRIC  
(Applicable to Service Provided Effective Date of Rate Tariffs for ER-2016-0156 and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS

$$FPA = 95\% * ((ANEC - B) * J) + T + I + P$$

$$ANEC = \text{Actual Net Energy Costs} = (FC + E + PP + TC - OSSR - R)$$

FC = Fuel Costs Incurred to Support Sales:

The following costs reflected in Federal Energy Regulatory Commission ("FERC") Account Number 501:

Subaccount 501000: coal commodity and transportation, side release and freeze conditioning agents, dust mitigation agents, accessorial charges as delineated in railroad accessorial tariffs [additional crew, closing hopper railcar doors, completion of loading of a unit train and its release for movement, completion of unloading of a unit train and its release for movement, delay for removal of frozen coal, destination detention, diversion of empty unit train (including administration fee, holding charges, and out-of-route charges which may include fuel surcharge), diversion of loaded coal trains, diversion of loaded unit train fees (including administration fee, additional mileage fee or out-of-route charges which may include fuel surcharge), fuel surcharge, held in transit, hold charge, locomotive release, miscellaneous handling of coal cars, origin detention, origin re-designation, out-of-route charges (including fuel surcharge), out-of-route movement, pick-up of locomotive power, placement and pick-up of loaded or empty private coal cars on railroad supplied tracks, placement and pick-up of loaded or empty private coal cars on shipper supplied tracks, railcar storage, release of locomotive power, removal, rotation and/or addition of cars, storage charges, switching, trainset positioning, trainset storage, and weighing], applicable taxes, natural gas costs, alternative fuels (i.e. tires, bio-fuel), fuel quality adjustments, fuel hedging costs, fuel adjustments included in commodity and transportation costs, broker commissions and fees (fees charged by an agent, or agent's company to facilitate transactions between buyers and sellers) and margins (cash or collateral used to secure or maintain the Company's hedge position with a brokerage or exchange), oil costs for commodity, propane costs, storage, taxes, fees, and fuel losses, coal and oil inventory adjustments, and insurance recoveries, subrogation recoveries and settlement proceeds for increased fuel expenses in the 501 Accounts.

Subaccount 501020: the allocation of the allowed costs in the 501000, 501300, and 501400 accounts attributed to native load;

Subaccount 501030: the allocation of the allowed costs in the 501000, 501300, and 501400 accounts attributed to off system sales;

Issued: February 23, 2016  
Issued by: Darrin R. Ives, Vice President

Effective: March 24, 2016  
1200 Main, Kansas City, MO 64105

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 2<sup>nd</sup>  
Canceling P.S.C. MO. No. 1 1<sup>st</sup>  
KCP&L Greater Missouri Operations Company  
KANSAS CITY, MO

Revised Sheet No. 127.3  
Revised Sheet No. 127.3  
For Missouri Retail Service Area

**FUEL ADJUSTMENT CLAUSE – Rider FAC**  
**FUEL AND PURCHASED POWER ADJUSTMENT ELECTRIC**  
(Applicable to Service Provided Effective Date of Rate Tariffs for ER-2016-0156 and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

Subaccount 501300: fuel additives and consumable costs for Air Quality Control Systems ("AQCS") operations, such as ammonia, hydrated lime, lime, limestone, powder activated carbon, urea, sodium bicarbonate, trona, sulfur, and RESpond, or other consumables which perform similar functions;

Subaccount 501400: residual costs and revenues associated with combustion product, slag and ash disposal costs and revenues including contractors, materials and other miscellaneous expenses.

The following costs reflected in FERC Account Number 547:

Subaccount 547000: natural gas, and oil costs for commodity, transportation, storage, taxes, fees and fuel losses, hedging costs for natural gas, oil, and natural gas used to cross-hedge purchased power or sales, and settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses, and broker commissions and fees (fees charged by an agent, or agent's company to facilitate transactions between buyers and sellers), and margins (cash or collateral used to secure or maintain the Company's hedge position with a brokerage or exchange).

Subaccount 547020: the allocation of the allowed costs in the 547000 and 547300 accounts attributed to native load;

Subaccount 547030: the allocation of the allowed costs in the 547000 and 547300 accounts attributed to off system sales;

Subaccount 547300: fuel additives.

E = Net Emission Costs:

The following costs and revenues reflected in FERC Account Number 509:

Subaccount 509000: NO<sub>x</sub> and SO<sub>2</sub> emission allowance costs and revenue amortizations offset by revenues from the sale of NO<sub>x</sub> and SO<sub>2</sub> emission allowances including any associated hedging costs, and broker commissions and fees (fees charged by an agent, or agent's company to facilitate transactions between buyers and sellers) and margins (cash or collateral used to secure or maintain the Company's hedge position with a brokerage or exchange).

PP = Purchased Power Costs:

The following costs or revenues reflected in FERC Account Number 555:

Subaccount 555005: capacity charges for capacity purchases one year or less in duration;

Subaccount 555000: purchased power costs, energy charges from capacity purchases of any duration, insurance recoveries, and subrogation recoveries for purchased power expenses, hedging costs including broker commissions and fees

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Revised Sheet No. 127.4  
Revised Sheet No. 127.4  
For Missouri Retail Service Area

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FUEL AND PURCHASED POWER ADJUSTMENT ELECTRIC  
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FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

(fees charged by an agent, or agent's company to facilitate transactions between buyers and sellers) and margins (cash or collateral used to secure or maintain the Company's hedge position with a brokerage or exchange), charges and credits related to the SPP Integrated Marketplace ("IM") including, energy, revenue neutrality, make whole and out of merit payments and distributions, over collected losses payments and distributions, Transmission Congestion Rights ("TCR") and Auction Revenue Rights ("ARR") settlements, virtual energy costs, revenues and related fees where the virtual energy transaction is a hedge in support of physical operations related to a generating resource or load, load/export charges, ancillary services including non-performance and distribution payments and charges and other miscellaneous SPP Integrated Market charges including uplift charges or credits;  
Subaccount 555021: the allocation of the allowed costs in the 555000 account attributed to intercompany purchases for native load;  
Subaccount 555030: the allocation of the allowed costs in the 555000 account attributed to purchases for off system sales;  
Subaccount 555031: the allocation of the allowed costs in the 555000 account attributed to intercompany purchases for off system sales.

TC = Transmission Costs and Revenues:  
The following costs reflected in FERC Account Number 561:  
Subaccount 561400: all RTO scheduling, system control, dispatching services, and NERC fees;  
Subaccount 561800: all RTO reliability, planning and standards development services costs;  
The following costs reflected in FERC Account Number 565:  
Subaccount 565000: all transmission costs used to serve native load and off-system sales;  
Subaccount 565020: the allocation of the allowed costs in the 565000 account attributed to native load;  
Subaccount 565027: the allocation of the allowed costs in the 565000 account attributed to transmission demand charges;  
Subaccount 565030: the allocation of the allowed costs in account 565000 attributed to off system sales.  
The following costs reflected in FERC Account Number 575:  
Subaccount 575700: all RTO market facilitation, monitoring and compliance services costs;

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Revised Sheet No. 127.5

Revised Sheet No. 127.5

For Missouri Retail Service Area

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FUEL AND PURCHASED POWER ADJUSTMENT ELECTRIC  
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FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

The following revenues reflected in FERC Account Number 928000:

Subaccount 928000: all FERC assessment costs;

The following revenues reflected in FERC Account Number 456:

Subaccount 456100: all revenue from transmission of electricity for others

OSSR = Revenues from Off-System Sales:

The following revenues or costs reflected in FERC Account Number 447:

Subaccount 447002: all revenues from off-system sales. This includes charges and credits related to the SPP IM including, energy, ancillary services, revenue sufficiency (such as make whole payments and out of merit payments and distributions), revenue neutrality payments and distributions, over collected losses payments and distributions, TCR and ARR settlements, demand reductions, virtual energy costs and revenues and related fees where the virtual energy transaction is a hedge in support of physical operations related to a generating resource or load, generation/export charges, ancillary services including non-performance and distribution payments and SPP uplift revenues or credits. Off-system sales revenues from full and partial requirements sales to municipalities that are served through bilateral contracts in excess of one year shall be excluded from OSSR component;

Subaccount 447012: capacity charges for capacity sales one year or less in duration;

Subaccount 447030: the allocation of the includable sales in account 447002 not attributed to retail sales.

R = Renewable Energy Credit Revenue:

Revenues reflected in FERC account 509000 from the sale of Renewable Energy Credits that are not needed to meet the Renewable Energy Standard.

Hedging costs are defined as realized losses and costs (including broker commissions, fees, and margins) minus realized gains associated with mitigating volatility in the Company's cost of fuel, fuel additives, fuel transportation, emission allowances, transmission and power purchases or sales, including but not limited to, the Company's use of derivatives whether over-the-counter or exchange traded including, without limitation, futures or forward contracts, puts, calls, caps, floors, collars, swaps, TCRs, virtual energy transactions, or similar instruments.

Costs and revenues not specifically detailed in Factors FC, PP, E, TC, OSSR, or R shall not be included in the Company's FAR filings; provided however, in the case of Factors PP, TC or OSSR, the market settlement charge types under which SPP or another centrally administered market (e.g.,

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Revised Sheet No. 127.6

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**FUEL ADJUSTMENT CLAUSE – Rider FAC**  
**FUEL AND PURCHASE POWER ADJUSTMENT ELECTRIC**  
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FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

PJM or MISO) bills/credits a cost or revenue need not be detailed in Factors PP or OSSR for the costs or revenues to be considered specifically detailed in Factors PP or OSSR; and provided further, should the SPP or another centrally administered market (e.g. PJM or MISO) implement a new market settlement charge type not listed below or a new schedule not listed in TC:

- A. The Company may include the new schedule, charge type cost or revenue in its FAR filings if the Company believes the new schedule, charge type cost or revenue possesses the characteristics of, and is of the nature of, the costs or revenues listed below or in the schedules listed in TC, as the case may be, subject to the requirement that the Company make a filing with the Commission as outlined in B below and also subject to another party's right to challenge the inclusion as outlined in E. below;
- B. The Company will make a filing with the Commission giving the Commission notice of the new schedule or charge type no later than 60 days prior to the Company including the new schedule, charge type cost or revenue in a FAR filing. Such filing shall identify the proposed accounts affected by such change, provide a description of the new charge type demonstrating that it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP, TC or OSSR as the case may be, and identify the preexisting schedule, or market settlement charge type(s) which the new schedule or charge type replaces or supplements;
- C. The Company will also provide notice in its monthly reports required by the Commission's fuel adjustment clause rules that identifies the new schedule, charge type costs or revenues by amount, description and location within the monthly reports;
- D. The Company shall account for the new schedule, charge type costs or revenues in a manner which allows for the transparent determination of current period and cumulative costs or revenues;
- E. If the Company makes the filing provided for in B above and a party challenges the inclusion, such challenge will not delay approval of the FAR filing. To challenge the inclusion of a new schedule or charge type, a party shall make a filing with the Commission based upon that party's contention that the new schedule, charge type costs or revenues at issue should not have been included, because they do not possess the characteristics of the schedules, costs or revenues listed in Factors PP, TC or OSSR, as the case may be. A party wishing to

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FUEL ADJUSTMENT CLAUSE – Rider FAC  
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FORMULAS AND DEFINITIONS OF COMPONENTS (Continued)

challenge the inclusion of a schedule or charge type shall include in its filing the reasons why it believes the Company did not show that the new schedule or charge type possesses the characteristics of the costs or revenues listed in Factors TC, PP or OSSR, as the case may be, and its filing shall be made within 30 days of the Company's filing under B above. In the event of a timely challenge, the Company shall bear the burden of proof to support its decision to include a new schedule or charge type in a FAR filing. Should such challenge be upheld by the Commission, any such costs will be refunded (or revenues retained) through a future FAR filing in a manner consistent with that utilized for Factor P; and

- F. A party other than the Company may seek the inclusion of a new schedule or charge type in a FAR filing by making a filing with the Commission no less than 60 days before the Company's next FAR filing date of August 1 or February 1. Such a filing shall give the Commission notice that such party believes the new schedule or charge type should be included because it possesses the characteristics of, and is of the nature of, the costs or revenues listed in factors PP, TC or OSSR, as the case may be. The party's filing shall identify the proposed accounts affected by such change, provide a description of the new schedule or charge type demonstrating that it possesses the characteristics of, and is of the nature of, the schedules, costs or revenues listed in factors PP, TC or OSSR as the case may be, and identify the preexisting schedule or market settlement charge type(s) which the new schedule or charge type replaces or supplements. If a party makes the filing provided for by this paragraph F and a party (including the Company) challenges the inclusion, such challenge will not delay inclusion of the new schedule or charge type in the FAR filing or delay approval of the FAR filing. To challenge the inclusion of a new schedule or charge type, the challenging party shall make a filing with the Commission based upon that party's contention that the new schedule or charge type costs or revenues at issue should not have been included, because they do not possess the characteristics of the schedules, costs or revenues listed in Factors PP, TC, or OSSR, as the case may be. The challenging party shall make its filing challenging the inclusion and stating the reasons why it believes the new schedule or charge type does not possess the characteristic of the costs or revenues listed in Factors PP, TC or OSSR, as the case may be, within 30 days of the filing that seeks inclusion of the new schedule or charge type. In the event of a timely challenge, the party seeking the inclusion of the new schedule or charge type shall bear the burden of proof to support its contention that the new schedule or charge type should be included in the Company's FAR filings. Should such challenge be upheld by the Commission, any such costs will be refunded (or revenues retained) through a future FAR filing in a manner consistent with that utilized for Factor P.

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Schedule LM-S-2

Schedule TMR-3

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FUEL ADJUSTMENT CLAUSE – Rider FAC  
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FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

SPP IM charge/revenue types that are included in the FAC are listed below:

Day Ahead Regulation Down Service Amount  
Day Ahead Regulation Down Service Distribution Amount  
Day Ahead Regulation Up Service Amount  
Day Ahead Regulation Up Service Distribution Amount  
Day Ahead Spinning Reserve Amount  
Day Ahead Spinning Reserve Distribution Amount  
Day Ahead Supplemental Reserve Amount  
Day Ahead Supplemental Reserve Distribution Amount  
Real Time Contingency Reserve Deployment Failure Amount  
Real Time Contingency Reserve Deployment Failure Distribution Amount  
Real Time Regulation Service Deployment Adjustment Amount  
Real Time Regulation Down Service Amount  
Real Time Regulation Down Service Distribution Amount  
Real Time Regulation Non-Performance  
Real Time Regulation Non-Performance Distribution  
Real Time Regulation Up Service Amount  
Real Time Regulation Up Service Distribution Amount  
Real Time Spinning Reserve Amount  
Real Time Spinning Reserve Distribution Amount  
Real Time Supplemental Reserve Amount  
Real Time Supplemental Reserve Distribution Amount  
Day Ahead Asset Energy  
Day Ahead Non-Asset Energy  
Day Ahead Virtual Energy Amount  
Real Time Asset Energy Amount  
Real Time Non-Asset Energy Amount  
Real Time Virtual Energy Amount  
Transmission Congestion Rights Funding Amount  
Transmission Congestion Rights Daily Uplift Amount  
Transmission Congestion rights Monthly Payback Amount  
Transmission Congestion Rights Annual Payback Amount  
Transmission Congestion Rights Annual Closeout Amount  
Transmission Congestion Rights Auction Transaction Amount  
Auction Revenue Rights Funding Amount  
Auction Revenue Rights Uplift Amount

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**FORMULAS AND DEFINITIONS OF COMPONENTS (continued)**

SPP IM charge/revenue types that are included in the FAC (continued)

- Auction Revenue Rights Monthly Payback Amount
- Auction Revenue Annual Payback Amount
- Auction Revenue Rights Annual Closeout Amount
- Day Ahead Virtual Energy Transaction Fee Amount
- Day Ahead Demand Reduction Amount
- Day Ahead Grandfathered Agreement Carve Out Daily Amount
- Grandfathered Agreement Carve Out Distribution Daily Amount
- Day Ahead Grandfathered Agreement Carve Out Monthly Amount
- Grandfathered Agreement Carve Out Distribution Monthly Amount
- Day Ahead Grandfathered Agreement Carve Out Yearly Amount
- Grandfathered Agreement Carve Out Distribution Yearly Amount
- Day Ahead Make Whole Payment Amount
- Day Ahead Make Whole Payment Distribution Amount
- Day Ahead Over Collected Losses Distribution Amount
- Miscellaneous Amount
- Reliability Unit Commitment Make Whole Payment Amount
- Real Time Out of Merit Amount
- Reliability Unit Commitment Make Whole Payment Distribution Amount
- Over Collected Losses Distribution Amount
- Real Time Joint Operating Agreement Amount
- Real Time Reserve Sharing Group Amount
- Real Time Reserve Sharing Group Distribution Amount
- Real Time Demand Reduction Amount
- Real Time Demand Reduction Distribution Amount
- Real Time Pseudo Tie Congestion Amount
- Real Time Pseudo Tie Losses Amount
- Unused Regulation Up Mileage Make Whole Payment Amount
- Unused Regulation Down Mileage Make Whole Payment Amount
- Revenue Neutrality Uplift Distribution Amount

Should FERC require any item covered by components FC, E, PP, TC, OSSR or R to be recorded in an account different than the FERC accounts listed in such components, such items shall nevertheless be included in component FC, E, PP, TC, OSSR or R. In the month that the Company begins to record items in a different account, the Company will file with the Commission the previous account number, the new account number and what costs or revenues that flow through the Rider FAC to be recorded in the account.

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FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

B = Net base energy costs ordered by the Commission in the last general rate case consistent with the costs and revenues included in the calculation of the FPA. Net Base Energy costs will be calculated as shown below:

$$S_{AP} \times \text{Base Factor ("BF")}$$

$S_{AP}$  = Net system input ("NSI") in kWh for the accumulation period

BF = Company base factor costs per kWh: \$0.02404

J = Missouri Retail Energy Ratio = Retail kWh sales/total system kWh  
Where: total system kWh equals retail and full and partial requirement sales associated with GMO.

T = True-up amount as defined below.

I = Interest applicable to (i) the difference between Missouri Retail ANEC and B for all kWh of energy supplied during an AP until those costs have been recovered; (ii) refunds due to prudence reviews ("P"), if any; and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the true-up filings ("T") provided for herein. Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company's short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

P = Prudence disallowance amount, if any, as defined in this tariff.

FAR =  $FPA/S_{RP}$

Single Accumulation Period Secondary Voltage  $FAR_{Sec} = FAR * VAF_{Sec}$

Single Accumulation Period Primary Voltage  $FAR_{Prim} = FAR * VAF_{Prim}$

Annual Secondary Voltage  $FAR_{Sec}$  = Aggregation of the two Single Accumulation Period Secondary Voltage FARs still to be recovered

Annual Primary Voltage  $FAR_{Prim}$  = Aggregation of the two Single Accumulation Period Primary Voltage FARs still to be recovered

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Schedule LM-S-2

Schedule TMR-3

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KCP&L Greater Missouri Operations Company  
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Revised Sheet No. 127.11  
Revised Sheet No. \_\_\_\_\_  
For Missouri Retail Service Area

**FUEL ADJUSTMENT CLAUSE – Rider FAC**  
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FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

Where:

- FPA = Fuel and Purchased Power Adjustment
- S<sub>RP</sub> = Forecasted recovery period retail NSI in kWh, at the generator
- VAF = Expansion factor by voltage level  
    VAF<sub>Sec</sub> = Expansion factor for lower than primary voltage customers  
    VAF<sub>Prim</sub> = Expansion factor for primary and higher voltage customers

TRUE-UPS

After completion of each RP, the Company shall make a true-up filing by the filing date of its next FAR filing. Any true-up adjustments shall be reflected in component "T" above. Interest on the true-up adjustment will be included in component "I" above.

The true-up amount shall be the difference between the revenues billed and the revenues authorized for collection during the RP as well as any corrections identified to be included in the current FAR filing. Any corrections included will be discussed in the testimony accompanying the true-up filing.

COMBINED TARIFFS

On a go forward basis, rates will no longer be reflected as separate MPS and L&P territory rates, but rather on a GMO Total Company basis. In order to achieve this, a true-up will be performed that rolls any over or under recovered costs into the next open accumulation period, as reflected in the new combined tariff sheets (see sheet 127.12).

PRUDENCE REVIEWS

Prudence reviews of the costs subject to this Rider FAC shall occur no less frequently than every eighteen months, and any such costs which are determined by the Commission to have been imprudently incurred or incurred in violation of the terms of this Rider FAC shall be returned to customers. Adjustments by Commission order, if any, pursuant to any prudence review shall be included in the FAR calculation in component "P" above unless a separate refund is ordered by the Commission. Interest on the prudence adjustment will be included in component "I" above.

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KCPL GMO  
Case Name: 2016 GMO Rate Case  
Case Number: ER-2016-0156

Response to Mantle Lena Interrogatories - OPC\_20160818  
Date of Response: 8/31/2016

Question:8035

Reference page 14 line 4 of Mr. Rush's rebuttal testimony where he states: "I believe that adding restrictions and requiring the Company to pull out certain costs from the accounts naturally included in the FAC causes confusion, complexity, and increased potential for error."

1. Please list and describe each and every "restriction" Mr. Rush is referring to above.
2. Please list and explain in as great a detail possible each and every reason why removing revenue and expense accounts from inclusion in the FAC will cause "confusion". How does Mr. Rush define "confusion" in this context? Who does Mr. Rush believe (please provide names and positions if employed by KCPL) will be confused by removing accounts from the FAC?
3. Please list and explain in as great a detail possible each and every reason why removing revenue and expense accounts from inclusion in the FAC will cause "complexity". How does Mr. Rush define "complexity" in this context? Who does Mr. Rush believe (please provide names and positions if employed by KCPL) will find the FAC more complex by removing accounts from the FAC?
4. Please list and explain in as great a detail possible each and every reason why removing revenue and expense accounts from inclusion in the FAC will cause "increased potential for error". How does Mr. Rush define this "increased potential" in this context? Who does Mr. Rush believe (please provide names and positions if employed by KCPL) will experience an increase in the potential for error from a FAC that includes less FERC accounts?
5. Has Mr. Rush himself ever experienced confusion, added complexity or an increased potential for error when working with a FAC that has less FERC accounts included than it did in the past? If yes, please describe this situation in great detail. If no, why does he believe these circumstances will occur?
6. Please list and describe each and every "account" that Mr. Rush believes is "naturally included" in a FAC.
7. How does Mr. Rush define "naturally included" when used in this context?
8. Is Mr. Rush aware of any law, regulation or rule related directly or indirectly to GMO's FAC that addresses the concept of accounts that are "naturally included" in a FAC? If yes, please cite and provide a copy of these documents.

9. Is Mr. Rush aware of any Missouri Commission Report and Order, rules, or other Commission documents related directly or indirectly to FACs that addresses the concept of accounts that are “naturally included” in a FAC? If yes, please cite and provide a copy of these documents.

Please list and describe each and every “account” included in GMO’s books and records that Mr. Rush believes is not “naturally included” in a FAC. Please explain why these accounts are not “naturally included” in GMO’s FAC.

Response:

1. The list would be those items Ms. Mantle recommends excluding from the FAC which is addressed in her testimony. A comparison of Ms. Mantle’s recommendation to the items currently included in GMO’s FAC tariff would be one way for Ms. Mantle to create a list.
2. Removing expense and revenue items from the accounts they are charged, which are described as FAC related, will create confusion from what the overall purpose of the FAC is intended and will potentially lead to error. Confusion as used here means what it means in normal conversation. Mr. Rush has no such list of people.
3. Removing expense and revenue items from the accounts they are charged, which are described as FAC related, will create complexity from what the overall purpose of the FAC is intended and will potentially lead to error. Complexity as used here means what it means in normal conversation. Mr. Rush has no such list of people.
4. No such list exists to Mr. Rush’s knowledge. Increased potential for error as used here means what it means in normal conversation. Mr. Rush has no such list of people.
5. Although Mr. Rush does not recall any such specific circumstances, Mr. Rush believes that all fuel and purchased power-related expenses should flow through the FAC and that doing so would reduce the likelihood of confusion, complexity and potential for error.
6. See GMO’s current FAC tariff (and the proposed tariff).
7. Naturally included as used here means what it means in normal conversation.
8. Mr. Rush is of the opinion that the law authorizing the use of FACs in Missouri was intended to recover all fuel- and purchased power-related expenses and transportation through the FAC. Specifically, as set forth in Section 386.266 RSMo, an FAC allows the recovery of prudently incurred fuel and purchased power costs including transportation.
9. See response to sub-part 8. See GMO’s current FAC tariff (and the proposed tariff).

Response by: Kristy Erck, Regulatory Affairs

Attachments: Q8035\_Verification.pdf