

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

In the Matter of Kansas City Power & Light	)	
Company for Authority to Implement Rate	)	
Adjustments Required by 4 CSR 240-2.090(4)	)	<b><u>File No. ER-2018-0036</u></b>
And the Company's Approved Fuel and Purchased	)	Tracking No. JE-2018-0016
Power Cost Recovery Mechanism	)	

**STAFF RECOMMENDATION TO APPROVE REVISED TARIFF SHEET**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), by and through its undersigned counsel, and files this *Staff Report and Recommendation to Approve Revised Tariff Sheets* (“Report”) with the Missouri Public Service Commission (“Commission”), and respectfully states:

1. On July 31, 2017, Kansas City Power & Light Company (“KCPL”) filed with the Commission a proposed tariff sheet, a filing letter, along with the Direct Testimony of Lisa A. Starkebaum and other supporting information pursuant to Commission Rules 4 CSR 240-3.161(7) and 4 CSR 240-20.090(4) to adjust its Fuel Adjustment Rates (“FARs”)<sup>1</sup> used to determine customer charges related to its fuel adjustment clause (“FAC”).

2. On August 2, 2017, the Commission directed Staff to file a recommendation regarding its examination and analysis of KCPL’s application no later than August 30, 2017.

3. Commission Rule 4 CSR 240-20.090(4) provides that the Staff “shall submit a recommendation regarding its examination and analysis to the Commission not later than thirty (30) days after the electric utility files its tariff schedules to adjust its

---

<sup>1</sup> See items 17, 21, and 25 on 2<sup>nd</sup> Revised Sheet No. 50.20

FAC rates.” Staff is charged with determining if KCPL’s proposed fuel adjustment rates per kwh are in accordance with 4 CSR 240-20.090, § 386.266 RSMo, and the FAC mechanism established in KCPL’s most recent general rate proceeding.

4. Staff’s *Memorandum*, attached hereto as Appendix A and incorporated by reference, recommends the Commission issue an order approving the proposed revised tariff sheet, as filed by KCPL on July 31, 2017, bearing an effective date of October 1, 2017.

5. KCPL’s filing in this case requests Commission approval of one revised tariff sheet bearing an effective date of October 1, 2017, to revise the current annual FARs of its FAC. The filing includes testimony and workpapers (revised August 16, 2017),<sup>2</sup> from KCPL witness Lisa A. Starkebaum supporting KCPL’s calculation of the Fuel and Purchased Power Adjustment (“FPA”) amount of \$20,761,237 for its Missouri jurisdictional electric operations for Accumulation Period 4 (“AP4”) which runs from January 1, 2017, through June 30, 2017.

6. The FPA amount of \$20,761,237 is the sum of: 95% of the difference between a) the jurisdictional Actual Net Energy Costs (fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenues less renewable energy credit revenues) and b) the jurisdictional Net Base Energy Cost for AP4 of \$19,947,159; and the Recovery Period 1 true-up amount of \$195,397; and the interest amount of \$618,681.

---

<sup>2</sup> KCPL provided Staff with revised workpapers which provide revisions to the base component of fuel and purchased power costs and revenues from off-system sales. These revisions do not change the FAR calculations.

7. Listed below are KCPL’s proposed current annual FARs and the now-effective current annual FARs, together with the changes between them for primary, secondary, and transmission/substation service:<sup>3</sup>

Current Annual Fuel Adjustment Rate per kWh			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	\$0.00665	\$0.00639	\$0.00026 Increase
Secondary	\$0.00682	\$0.00655	\$0.00027 Increase
Transmission/Substation	\$0.00659	\$0.00639 <sup>4</sup>	\$0.00020 Increase

8. Based on an average use of 1,000 kWh per month, a typical KCPL residential customer’s monthly bill will increase approximately \$0.27.

9. Staff reviewed the proposed tariff sheet, the direct testimony of Lisa A. Starkebaum and the workpapers as revised and filed by KCPL in this matter, as well as KCPL’s monthly FAC information reports filed in compliance with 4 CSR 240-3.161(5) for AP4, and has determined that KCPL’s proposed 2<sup>nd</sup> Revised Tariff Sheet No. 50.20 complies with the Commission’s *Report and Order* and its *Order Regarding Compliance Tariff Sheets* in Case No. ER-2016-0285, Commission Rule

<sup>3</sup> The Voltage Adjustment Factors increased from only two factors, primary and secondary, to three with the addition of transmission/substation. These changes affected the last 23 days of AP4.

<sup>4</sup> Now-Effective Current Annual Rate for Primary Service

4 CSR 240-3.161, and recommends that the Commission approve the proposed revised tariff sheet, to become effective on October 1, 2017.

10. Staff has verified that KCPL is not delinquent on any assessment and has filed its 2016 Annual Report. KCPL is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-3.161(5). Except for KCPL's Recovery Period 1 True-up filing in File No. ER-2018-0037, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

**WHEREFORE**, Staff respectfully recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on July 31, 2017 to become effective on October 1, 2017, as requested by KCPL:

P.S.C. Mo. No. 7  
2<sup>nd</sup> Revised Sheet No. 50.20 Canceling First Revised Sheet No. 50.20

Respectfully Submitted,

**/s/ Robert S. Berlin**

Robert S. Berlin  
Deputy Staff Counsel  
Missouri Bar No. 51709  
Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 526-7779 (Telephone)  
(573) 751-9285 (Fax)  
[bob.berlin@psc.mo.gov](mailto:bob.berlin@psc.mo.gov)

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 30<sup>th</sup> day of August, 2017, to all parties of record.

**/s/ Robert S. Berlin**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. ER-2018-0036, Tariff Tracking No. JE-2018-0016  
Kansas City Power & Light Company

FROM: David Roos, Regulatory Economist III  
Ron Irving, Utility Regulatory Auditor I  
Curtis Gateley, Utility Policy Analyst II

DATE: /s/ John Rogers 08/30/2018                      /s/ Bob Berlin 08/30/2017  
Energy Resources Department / Date                      Staff Counsel Department / Date

SUBJECT: Staff Recommendation For **Approval** Of Tariff Sheet Filed to Change Rates  
Related to Kansas City Power & Light Company's Fuel Adjustment Clause  
Pursuant to the Commission's *Report and Order* and *Order Regarding Compliance  
Tariff Sheets* from File No. ER-2016-0285.

DATE: August 30, 2017

### Staff Recommendation

Staff recommends the Commission issue an order approving the proposed 2<sup>nd</sup> Revised Sheet No. 50.20 of the Fuel Adjustment Clause ("FAC") of Kansas City Power & Light Company ("KCPL") to become effective on October 1, 2017, as requested by KCPL.

### Discussion

On July 31, 2017, KCPL filed one (1) tariff sheet<sup>1</sup> bearing a proposed effective date of October 1, 2017, to change its Fuel Adjustment Rates ("FAR") (Line Items 17, 21 and 25 on 2<sup>nd</sup> Revised Sheet No. 50.20) of its Fuel Adjustment Clause ("FAC"). Included in the filing of July 31, 2017, is the testimony of KCPL witness Lisa A. Starkebaum and KCPL's workpapers.

The workpapers include information required by 4 CSR 240-3.161(7) and provide historical costs that are used to adjust the FARs. In its July 31, 2017, workpapers, KCPL provided the following response to 4 CSR 240-3.161(7)(A)1.G for the base component of fuel and purchased power costs and revenues from off-system sales:

---

<sup>1</sup> Tracking No. JE-2018-0016

As the Company now participates in the Southwest Power Pool Energy market where it sells all of its generation into the market and then purchases back all energy it needs to serve native load as well as any excess energy that it can sell off system, the modeling used to set base retail rates no longer distinguishes between the costs associated with on-system and off-system sales. Therefore, the calculation of off-system sales margins is not produced, thus the off-system margin included within the FAC base rate is not identified<sup>2</sup>.

After discussions between KCPL and OPC, KCPL, in an e-mail dated August 16, 2017, provided Staff with revised workpapers which provide revisions to the base component of fuel and purchased power costs and revenues from off-system sales. These revisions do not change the FAR calculations

The testimony and workpapers, as revised August 16, 2017, include information supporting KCPL's calculation of the Fuel and Purchased Power Adjustment ("FPA") amount of \$20,761,237 (line 11 of 2<sup>nd</sup> Revised Sheet No. 50.20) for its Missouri jurisdictional electric operations for Accumulation Period 4 ("AP4") (January 1, 2017, through June 30, 2017). The FPA amount of \$20,761,237 is the sum of:

1. 95% of the difference between a) the jurisdictional Actual Net Energy Costs (fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenues less renewable energy credit revenues) and b) the jurisdictional Net Base Energy Cost for AP4, reflected on line 7 of 2<sup>nd</sup> Revised Sheet No. 50.20 of \$19,947,159; and
2. The true-up amount of \$195,397 reflected on line 8 of 2<sup>nd</sup> Revised Sheet No. 50.20; and
3. The interest amount of \$618,681 reflected on line 9 of 2<sup>nd</sup> Revised Sheet No. 50.20.

The true-up amount of \$195,397 is the result of under-recovery during and one correction for recovery period 1 ("RP1"), April 30, 2016 through March 31, 2017. The interest amount of \$618,681 includes interest on corrections and an interest adjustment for RP1. KCPL made a concurrent true-up filing, in File No. ER-2018-0037, with in depth explanation of the true-up

---

<sup>2</sup> Page 10 of workpapers filed July 31, 2017 in Case No. ER-2018-0036

amount, correction, and interest adjustment for RP1. KCPL's FAC allows line 8 on 2<sup>nd</sup> Revised Sheet No. 50.20 to include corrections.<sup>3</sup>

The current period FAR of \$0.00230 per kWh (line 13 of 2<sup>nd</sup> Revised Sheet No. 50.20) is equal to the FPA amount of \$20,761,237 divided by the estimated recovery period retail net system input ("NSI") of 9,023,912,822 kWh (line 12 of 2<sup>nd</sup> Revised Sheet No. 50.20).

Because of differences in line losses for KCPL of transmission/substation, primary and secondary voltage service levels,<sup>4</sup> the tariff sheet reflects different current period FARs for service taken at transmission/substation, primary and secondary voltages on lines 15, 19 and 23, respectively, of 2<sup>nd</sup> Revised Sheet No. 50.20. The transmission/substation voltage level was added to the FAC as a result of KCPL's last general rate case, Case No. ER-2016-0285.

The current annual FARs for transmission/substation, primary, and secondary service voltage levels are reflected on lines 17, 21 and 25, respectively, of 2<sup>nd</sup> Revised Sheet No. 50.20, and are the sum of the current period FARs and the prior period FARs for KCPL.

The Accumulation Periods, Recovery Periods, and other specifications of KCPL's FAC are set out in its tariff sheets designated 1<sup>st</sup> Revised Sheet Nos. 50.11 through 50.19.

Listed below are KCPL's proposed current annual FARs and the now-effective current annual FARs together with the changes between them for transmission/substation, primary and secondary voltage service.

---

<sup>3</sup> KCPL Rider FAC Original Sheet No. 50.19 includes: "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."

<sup>4</sup> The voltage adjustment factors (VAFs) for transmission/substation, primary and secondary voltage service levels are included on lines 27, 28 and 29, respectively, of 2<sup>nd</sup> Revised Sheet No. 50.20.



Current Annual Fuel Adjustment Rate per kWh			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Transmission/Substation	\$0.00659	\$0.00639 <sup>5</sup>	\$0.00020 Increase
Primary	\$0.00665	\$0.00639	\$0.00026 Increase
Secondary	\$0.00682	\$0.00655	\$0.00027 Increase

The proposed changes to the FARs will result in an increase to a typical KCPL residential customer’s bill of approximately \$0.27 per month, based on an average use of 1,000 kWh per month.

In her direct testimony Ms. Starkebaum describes two operational incidents that affected Actual Net Energy Cost.<sup>6</sup> From December 29, 2016, to early May 2017 LaCygne Unit 1 was offline due to a generator fault, and Unit 2 was offline from May 31, 2017 to June 30, 2017 due to storm damage. These operational incidents reduced the amount of power KCPL provided to the Southwest Power Pool Integrated Marketplace, increased KCPL’s purchased power costs and decreased KCPL’s off-system sales revenues.

Ms. Starkebaum also describes how the Base Factor changed from \$0.01186 to \$0.01542 as a result of ER-2016-0285.<sup>7</sup> The Voltage Adjustment Factors also increased from only two factors, primary and secondary, to three with the addition of transmission/substation. These changes affected the last 23 days of AP4.

Staff reviewed the 2<sup>nd</sup> Revised Sheet No. 50.20, as filed on July 31, 2107, the direct testimony of Lisa A. Starkebaum and the workpapers, in this filing, as revised August 16, 2017, as well as KCPL’s monthly information reports filed in compliance with 4 CSR 240-3.161(5) for AP4. Staff verified that the actual fuel costs plus net emission costs plus purchased power costs plus

<sup>5</sup> Now-Effective Current Annual Rate for Primary Service

<sup>6</sup> KCPL witness Lisa A. Starkebaum’s direct testimony, page 4, line 16 through 23

<sup>7</sup> KCPL witness Lisa A. Starkebaum’s direct testimony, page 5, line 16 through 22

transmission costs less off-system sales revenues less renewable energy credit revenues in the workpapers, as revised August 16, 2017, match the fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenues less renewable energy credit revenues in KCPL's proposed 2<sup>nd</sup> Revised Tariff Sheet No. 50.20 and the supporting workpapers of Lisa A. Starkebaum's direct testimony. Staff also reviewed KCPL's monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under/over-recovery of base fuel and purchased power costs and 100% of the true-up amount for AP4 and verified that the monthly interest rates and calculations of monthly interest amounts are correct.

The information filed with the revised tariff sheet and workpapers, as revised August 16, 2017, includes sufficient data to calculate KCPL's FARs based on the actual fuel costs, net emission costs, purchased power costs, and transmission costs net of off-system sales revenues and renewable energy credit revenues KCPL provided for AP4.

#### Staff Recommendation

Staff is of the opinion that KCPL timely filed 2<sup>nd</sup> Revised Tariff Sheet No. 50.20 on July 31, 2017, and that it complies with the Commission's *Report and Order* and its *Order Regarding Compliance Tariff Sheets* in Case No. ER-2016-0285, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and KCPL'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.

KCPL requested that 2<sup>nd</sup> Revised Tariff Sheet No. 50.20, filed July 31, 2017, become effective on October 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 July 31, 2017, to become effective on October 1, 2017, as requested by KCPL:

P.S.C. Mo. No. 7  
2<sup>nd</sup> Revised Sheet No. 50.20 Canceling First Revised Sheet No. 50.20

Staff has verified that KCPL is not delinquent on any assessment and has filed its 2016 Annual Report. KCPL is current on its submission of its Surveillance Monitoring reports as required by 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Except for KCPL's RP1 True-up filing in File No. ER-2018-0037, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.





