

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

In the Matter of KCP&L Greater Missouri)	
Operations Company Request for Authority)	<u>File No. ER-2019-0198</u>
to Implement Rate Adjustments Required by)	Tracking No. JE-2019-0136
4 CSR 240-20.090(4) and the Company's)	
Approved Fuel and Purchased Power Cost)	
Recovery Mechanism)	

**STAFF RESPONSE TO PUBLIC COUNSEL'S REPLY
TO THE STAFF'S RECOMMENDATION**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Response to Public Counsel's Reply to the Staff's Recommendation* respectfully states:

1. On December 31, 2018, KCP&L Greater Missouri Operations Company ("GMO") filed a proposed tariff sheet to implement rate adjustments to the Company's approved Fuel and Purchased Power Cost Recovery Mechanism ("FAC").

2. On January 2, 2019, the Commission ordered Staff to file a recommendation no later than January 30, 2019, as required by Rule 4 CSR 240-20.090(8)(F).¹

3. On January 30, 2019, Staff filed for a *Motion for Extension of Time*, in order to better review and discuss the substitute tariff sheet filed by GMO on January 23, 2019. The Commission granted the requested extension of time on January 31, 2019, and ordered Staff to file a recommendation no later than February 8, 2019.

¹ Effective January 30, 2019. Staff notes that, prior to January 30, 2019 and at the time of GMO's initial filing, the rule was located at 4 CSR 240-20.090(4), as listed in the caption. Rule 4 CSR 240-20.090(8)(F) is now the proper authority.

4. On February 8, 2019, Staff recommended the Commission issue an order indicating the proposed revised tariff sheet GMO substituted on February 7, 2019, become effective on March 1, 2019, by operation of law. Further, Staff's *Recommendation* came with the acknowledgement that GMO's FAC allows for retrospective adjustments in subsequent Fuel Adjustment Rate filings, at which time there is expected to be a more comprehensive understanding of the methodology and framework of 393.1655, RSMo, and its impact on such adjustments for GMO in the future.

5. Following Staff's filing of its recommendation on February 8, 2019, the Office of Public Counsel ("OPC") filed a response to Staff's *Recommendation* in which OPC requests the Commission order GMO to reduce its Fuel and Purchased Power Costs to be recovered during Recovery Period 23 ("RP23") of its FAC charges for the auxiliary electricity GMO used for its steam operations during Accumulation Period 23 ("AP23").

6. In the alternative, OPC recommended that the Commission reduce GMO's Fuel and Purchased Power Costs by OPC's estimate of \$275, 648 for the auxiliary power GMO used for its steam operations during AP23, followed by an adjustment that amounts to GMO's actual usage in truing-up GMO's FAC cost recovery for AP23.

7. OPC also stated that it may make an additional recommendation regarding GMO and Staff's plan to defer for recovery through a subsequent filing the amount in excess of the 2% cap on Large Power customers, due to the impact of Section 393.1655, RSMo. OPC has yet to file any such recommendation.

8. Also on February 8, 2019, the Commission ordered GMO and Staff to: (1) respond to OPC's concerns; (2) explain whether the currently filed FAC rate adjustment

complies with 383.266 RSMo, and the FAC mechanism established in GMO's most recent rate case; and (3) state whether the March 1, 2019 deadline can be extended under the waiver provision of Commission Rule 4 CSR 240-20.090(15). However, it is Staff's understanding that the waiver provision now falls under Commission Rule 4 CSR 240-20.090(22).²

Public Counsel's Concerns

9. OPC attached a memorandum which cites to an allocation methodology established in January 1995, stating that this methodology was ordered in Case No. EO-94-36³ and that OPC has not uncovered a subsequent Commission order authorizing a different methodology. With respect to OPC's concerns, and despite its cited methodology from 1995, GMO's most recent general rate case included a provision for Steam Allocations.

10. A *Stipulation and Agreement* was filed in Case No. ER-2018-0146 on September 19, 2018 (the September 19 Stipulation), and was approved by the Commission effective November 10, 2018.

11. The September 19 Stipulation provides at paragraph 10:

10. **GMO STEAM ALLOCATIONS**

GMO will use the allocation numbers used in Staff's model filed in Case No. ER-2016-0156. These allocation numbers shall be used by GMO in its FAC, QCA and surveillance reporting. GMO agrees to work with Staff, OPC, and MCEG to develop new steam allocation procedures prior to GMO's next electric general rate case.

² Effective January 30, 2019.

³ Staff notes that this 1995 allocation methodology was put in place years before statutory authority for FACs existed.

12. As a result of rate case settlement negotiations in Case No. ER-2018-0146, GMO utilized agreed-upon allocation numbers. This agreement was approved by the Commission effective November 10, 2018.

13. Based on the foregoing, a more recent Commission order governs the allocation numbers for GMO's steam allocations.

14. Further, Staff notes that OPC's witness states that OPC has "submitted numerous data request[s] to GMO and Staff in GMO's eighth FAC prudence review case, Case No. EO-2019-0067, to better understand this allocation issue."⁴

15. To the extent the Commission determines more immediate action is required, Staff offers a potential approach that all amounts except the OPC amount in controversy may be suitable for recovery; the amount in controversy may be separately examined. However, Staff hastens to add that if this approach is followed, the amount in controversy will accrue interest.

Compliance with 386.266 RSMo, and the FAC mechanism established in GMO's most recent rate case

16. Staff has concluded that GMO's current filing, as substituted on February 7, 2019, complies with Section 386.266 RSMo, and the FAC mechanism established in GMO's most recent general rate case.

17. Further, GMO's filing represents one way – but not the only way – to comply with Section 393.1655, RSMo. Staff's recommendation comes with the understanding that GMO's FAC allows for retrospective adjustments in subsequent Fuel Adjustment Rate filings as more data regarding the growth rate limitations and methodologies under

⁴ OPC Memorandum, page 2.

393.1655 RSMo is collected and more experience with the statute refines the approaches taken.

**Waiver of the March 1, 2019 deadline under
Commission Rule 4 CSR 240-20.090(22)**

18. Commission Rule 4 CSR 240-20.090(22) states that “[p]rovisions of this rule may be waived by the commission for good cause.”

19. None of the parties have yet to show “good cause.” Due to the lack of “good cause” shown, Staff recommends that the Commission allow GMO’s proposed tariff sheet, which was substituted on February 7, 2019, to go into effect by operation of law on March 1, 2019.

WHEREFORE, Staff submits its *Response* for the Commission’s information and consideration.

Respectfully Submitted,

/s/ Travis J. Pringle

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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 14th day of February, 2019, to all counsel of record.

/s/ Travis J. Pringle