

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

PUBLIC COUNSEL’S INITIAL RESPONSE TO GMO’S FAC RATE ADJUSTMENT

COMES NOW the Office of the Public Counsel (“OPC”) and initially responds to KCP&L Greater Missouri Operations Company’s (“GMO”) FAC rate adjustment as follows:

1. In the attached memorandum, the OPC makes and explains its recommendation to the Commission that the Commission order GMO to reduce its Fuel and Purchased Power Costs to be recovered during Recovery Period 23 (“RP23”) of its Fuel Adjustment Clause (“FAC”) charges for the auxiliary electric power GMO used for its steam operations during Accumulation Period 23 (“AP23”). Alternatively, the OPC recommends that the Commission itself reduce GMO’s Fuel and Purchased Power Costs in this filing by OPC’s estimate of \$275,648 for the auxiliary power GMO used for its steam operations during AP23, and then, later, adjust that amount to GMO’s actual usage in truing-up GMO’s FAC cost recovery for AP23.

2. OPC may make an additional recommendation regarding GMO and the Commission’s Staff’s plan to defer for recovery through a subsequent filing the amount in excess of the 2% cap on the LP customer class. OPC was not aware of Staff and GMO’s plan regarding the impact of Section 393.1655.6 RSMo until GMO filed its substitute tariff sheet the morning of February 7, 2019.

WHEREFORE, the Office of the Public Counsel recommends that the Commission adjust KCP&L Greater Missouri Operations Company’s Fuel and Purchased Power Costs for the

23nd accumulation period of its Fuel Adjustment Clause to remove the costs for the electrical energy GMO used for its steam operations during that period for purposes of adjusting KCP&L Greater Missouri Operations Company's Fuel Adjustment Clause rates in this case.

Respectfully,

/s/ Nathan Williams

Nathan Williams
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of February 2019.

/s/ Nathan Williams

MEMORANDUM

To: Missouri Public Service Commission Official Case File
Case No. ER-2019-0198
KCP&L Greater Missouri Operations Company

From: Lena M. Mantle, P.E.
Senior Analyst, Office of the Public Council

Date: February 7, 2019

Subject: Recommendation to the Commission to adjust Fuel and Purchased Power Costs of KCP&L Greater Missouri Operations Company for the 23nd Accumulation Period of its Fuel Adjustment Clause to account for energy used by its steam operations

Recommendation

The Office of the Public Counsel (“OPC”) recommends that the Commission order KCP&L Greater Missouri Operations Company (“GMO”) to reduce its Fuel and Purchased Power Costs to be recovered during Recovery Period 23 (“RP23”) of its Fuel Adjustment Clause (“FAC”) charges for the auxiliary power GMO used for its steam operations during Accumulation Period 23 (“AP23”), calculated as required the Commission, by its Report and Order in Case No. EO-94-36, requires. As an alternative, the OPC recommends that the Commission itself reduce GMO’s Fuel and Purchased Power Costs in this filing by OPC’s estimate of \$275,648 for the auxiliary power GMO used for its steam operations during AP23, and then adjust that amount to GMO’s steam operations actual auxiliary power costs when truing-up GMO’s FAC cost recovery for AP23.

Discussion

GMO’s Lake Road station is the source of steam with which GMO serves its steam customers and with which it generates electricity to serve its electric customers. Because GMO’s Lake Road station uses electricity to run the station to generate both steam and electricity (“auxiliary power”), it is appropriate to allocate the costs GMO incurs to generate that auxiliary power between and among GMO’s steam and electric customers. According to GMO witness Lisa A.

Starkebaum's testimony in Case No. ER-2018-0400, GMO allocated the auxiliary power of GMO's Lake Road station between its steam and electric operations for five of the six months of AP22. GMO then determined the cost of the energy allocated to its steam operations by multiplying the megawatt-hours ("MWh") allocated to steam by its average system energy cost (\$/MWh), which varies by month. It included the results in its calculation of what it said then it should recover for AP22 during RP22. The adjustment for these five months was \$229,812. This filing is when OPC first became aware of this auxiliary power cost allocation issue in GMO's FAC.

For AP23, GMO chose to reverse its opinion regarding allocating of auxiliary power costs at its Lake Road Station to its steam operations stating in its true-up case filing filed concurrently with this FAC rate change case that it "believes that the allocation of steam auxiliary power is appropriately handled through the use of these general allocators used in setting base rates."¹

OPC's Review

I have reviewed the filing of the testimony and workpapers GMO provided in this case, in Case No. ER-2019-0199, and in Case No. ER-2018-0400. I reviewed the Lake Road Station Allocations Procedures manual the Commission approved in Case No. EO-94-36, and the Lake Road station steam-electric allocation procedures GMO proposed in its last general electric rate case, Case No. ER-2018-0146. In addition, I have submitted numerous data request to GMO and Staff in GMO's eighth FAC prudence review case, Case No. EO-2019-0067 to better understand this allocation issue.

The Allocations Procedures manual the Commission approved for GMO in Case No. EO-94-36 provides a methodology established in January 1995 for determining how to allocate the auxiliary power at GMO's Lake Road station between GMO's steam and electric operations and how to cost that power. The Commission approved a stipulation and agreement filed in Case No. EO-94-36 which includes the following:

¹ Direct testimony of Lisa A. Starkebaum, page 6, lines 10 – 12, Case No. ER-2019-0199.

For settlement purposes, the parties agree that [GMO] will allocate costs between its electric, gas and steam jurisdictions according to the Allocations Procedures manual (attached as Schedule A) until the Commission orders [GMO] to use a different allocation method.²

I found no subsequent Commission order that allows or requires GMO to use a different allocation methodology. The methodology GMO proposed in its last general electric rate case included the same methodology as the manual for allocating the Lake Road station auxiliary power, and for determining the cost of that power. GMO's last general electric rate case settled without updating the steam allocation procedures established in the 1995 Allocations Procedures manual.

When the Commission approved GMO's Allocations Procedures manual, no Commission rate-regulated electric utility had a FAC. The methodology in the manual was used to determine how to allocate energy costs when setting rates. Now GMO's rates regarding the energy costs are reset every six months with its FAC. GMO was correct when it adjusted fuel and purchased power cost for steam auxiliary power costs in its last FAC rate change filing, Case No. ER-2018-0400.³

Conclusion

The purpose of GMO's FAC is for GMO to recover its prudently incurred fuel and purchased power costs. It is not intended for GMO to recover, from its electric customers, any costs GMO incurs to generate steam for its steam customers. Just as a jurisdictional allocation factor is used in GMO's FAC to adjust GMO's fuel and purchased power costs so that GMO's retail customers do not have to pay the energy costs of providing service to GMO's wholesale customers through GMO's FAC, GMO's fuel and purchased power costs should be adjusted to so that GMO's electric customers do not pay through GMO's FAC the energy costs GMO incurs to provide service to GMO's steam customers.

² Case Nos. EO-93-351 and EO-94-36, *Stipulation and Agreement and Motion to Suspend Procedural Schedules*, page 6.

³ All six months should have been adjusted. OPC will be asking the Commission to make an adjustment for December 2017 in the FAC prudence case, Case No. EO-2019-0067, that is currently open before it.

In my time at the Commission and at OPC, I have reviewed most of GMO's FAC rate change filings since the Commission first authorized GMO (then Aquila) to use a FAC in 2007. In all of the filings I have reviewed, I am not aware of any other accumulation period in which an adjustment was made for the auxiliary power used to generate steam for GMO's steam operations. The five months where GMO allocated a portion of the cost of auxiliary power for its Lake Road station steam operation in its last FAC rate change case—Case No. ER-2018-0400 is the only exception. This FAC rate change case is not the place to deal with the history of GMO not correctly adjusting fuel and purchased power costs over the span of its FAC.

In this case, OPC is recommending that the Commission order KCP&L Greater Missouri Operations Company ("GMO") to reduce the Fuel and Purchased Power Costs in Accumulation Period 23 ("AP23") for the auxiliary power used by its steam operations as required by its Report and Order in EO-94-36.

OPC is unable to determine the exact amount by which GMO's Fuel and Purchased power cost should be adjusted for auxiliary power GMO used for its steam operations in AP23. Therefore, OPC is providing the Commission with two alternative recommendations: (1) that the Commission order GMO to reduce its Fuel and Purchased Power Costs to be recovered in RP23 for the auxiliary power it used for its steam operations during AP23 using the Commission ordered methodology, or (2) that the Commission itself reduce GMO's Fuel and Purchased Power Costs in this filing by OPC's estimate of \$275,648 for the auxiliary power GMO used for its steam operations during AP23 (June through November of 2018), and then later adjust that amount to GMO's actual usage in truing-up the cost recovery for AP23.

Despite the fact that GMO calculated its fuel and purchased power costs for the auxiliary power it used for its steam operations during five of the six months of AP22, GMO has now informed OPC that it cannot provide that information for any month, including the five months in which it previously calculated an adjustment. Therefore, OPC used the information regarding average system energy costs and the monthly auxiliary power allocated to the steam operations for the five months of AP22 as provided by GMO to estimate the cost of the auxiliary power GMO used

for its steam operations during AP23. That estimate is \$275,648 (approximately the average of the five months multiplied by six).

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

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) SS.

COUNTY OF COLE)

COMES NOW LENA M. MANTLE and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *PUBLIC COUNSEL'S INITIAL RESPONSE TO GMO'S FAC RATE ADJUSTMENT* and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



Lena M. Mantle
Senior Analyst

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 8th day of February, 2019.



TIFFANY HILDEBRAND
My Commission Expires
August 9, 2019
Cole County
Commission #15637121


Tiffany Hildebrand
Notary Public

My Commission expires August 9, 2019.