

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

In the Matter of Kansas City Power & Light Company's Demand Side Investment Rider Rate Adjustment and True-Up Required by 4 CSR 240-3.163(8)))	<u>File No. ER-2016-0325</u>
))	Tracking No. JE-2016-0343

In the Matter of KCPL Greater Missouri Operations Company's Demand Side Investment Mechanism Rider Rate Adjustment And True-Up Required by 4 CSR 240-3.163(8)))	<u>File No. ER-2016-0327</u>
))	Tracking No. JE-2016-0345

**STAFF REPLY TO COMPANY'S RESPONSE TO
STAFF RECOMMENDATION TO REJECT TARIFF SHEETS**

COMES NOW Staff of the Missouri Public Service Commission, by and through counsel, and submits its Reply to responses filed by Kansas City Power & Light Company ("KCPL") and KCPL Greater Missouri Operations Company ("GMO") (collectively the "Company") regarding requested demand-side rider rate adjustments currently set to go into effect August 1, 2016, in KCPL tariff file tracking no. JE-2016-0343 and GMO tariff file tracking no. JE-2016-0345. In furtherance of Staff's recommendation to reject tariff sheets in both tariff files, Staff states as follows:

1. At issue in both KCPL and GMO tariff files is whether the Company should be permitted to collect interest/carrying costs resulting from the Company's failure to follow stipulations and agreements that set forth express terms for how programs' costs are to be calculated. Had the Company followed its agreements approved by the Commission, which it did not, there would be no interest issue before the Commission. Customers should be held harmless from paying interest that results directly from the Company's failure to follow the express terms of its agreements.

2. At issue in the KCPL file (ER-2016-0325) is whether the KCPL should be permitted to extend the collection of its programs' costs and throughput disincentive from the 6 month period previously agreed to by KCPL to 18 months. Staff renews its recommendation that the Commission reject KCPL's requested tariff change to extend the collection period from 6 months to 18 months for the C&I customer class.¹ KCPL's request distorts price signals by extending the cost collection period by a full year and includes charging C&I customers additional carrying costs during the extended one year recovery period on the uncollected cost balance. The current 6 month recovery period mitigates the "pancaking" of Cycle 1 and Cycle 2 cost recoveries agreed to by the parties in designing the DSIM. Customers should be protected from the unnecessary "pancaking" of Cycle 2 costs on top of "extended" Cycle 1 programs' costs and Cycle 1 TD-NSB, as well as the yet unknown amount of Cycle 1 Performance Incentive – which could be substantial.

WHEREFORE, for the reasons discussed above Staff renews its recommendations in both KCPL and GMO tariff files captioned above and recommends the Commission issue an order:

(1) rejecting KCPL's requested modifications to its Cycle 2 DSIM Rider as reflected in KCP&L's P.S.C. MO. No. 7 First Revised Sheet Nos. 49G, 49H, 49I, and 49O;

(2) directing KCPL to file a corrected First Revised Sheet No. 49O which includes DSIM rates which are calculated pursuant to the existing DSIM Rider

¹ Staff had expressed its concerns to the Company about its proposed extended recovery period in previous discussions.

that includes the Cycle 1 under-billed amount but does not include carrying costs attributed to the under-billed amount resulting from KCPL's calculation error;

(3) rejecting GMO's requested modifications to its Cycle 2 DSIM Rider as reflected in GMO's P.S.C. MO. No. 1 First Revised Sheet Nos. 138.6 and 138.7; and,

(4) directing GMO to file corrected First Revised Sheet Nos. 138.6 and 138.7 which include DSIM rates which are calculated pursuant to the existing DSIM Rider that includes the Cycle 1 under-billed amount but does not include carrying costs attributed to the under-billed amount resulting from GMO's calculation error;

Or in the alternative,

Setting these matters for a consolidated hearing before the Commission prior to the August 1, 2016 effective date of the above-listed KCPL and GMO DSIM tariff sheets.

Respectfully submitted,

/s/ Robert S. Berlin

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served electronically on this 11th day of July, 2016 to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/ Robert S. Berlin