

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

In the Matter of KCP&L Greater Missouri Operations)
Company’s Demand Side Investment Mechanism) **File No. ER-2016-0327**
Rider Rate Adjustment and True-Up Required by) **Tariff No. JE-2016-0345**
4 CSR 240-3.163(8))

STAFF RECOMMENDATION TO REJECT TARIFF SHEETS

COMES NOW Staff of the Missouri Public Service Commission, by and through counsel, and submits its Recommendation to the Missouri Public Service Commission (“Commission”) recommending that the Commission issue an order rejecting two (2) Tariff Sheet Nos. 138.6 and 138.7 as filed by KCPL Greater Missouri Operations Company (“GMO”) on June 1, 2016 bearing an effective date of August 1, 2016. Staff explains its reasons in Staff’s Memorandum attached hereto as Appendix A and incorporated herein, further stating as follows:

1. On June 1, 2016, GMO filed an application to adjust charges related to its DSIM (“Demand Side Investment Mechanism”) Rider, and submitted Tariff Sheet Nos. 138.6 and 138.7 for the purpose of modifying the Company’s DSIM under the Missouri Energy Efficiency Investment Act (“MEEIA”).

2. GMO seeks to do three things in its tariff filing: (1) collect in its DSIM rate its programs costs and its throughput disincentive for its residential and commercial and industrial (“C&I”) customer classes¹; (2) collect the amount the Company under-billed its customers plus carrying costs due to its failure to discount its programs costs as

¹ Direct Testimony of Tim Rush, p. 4, Ins 14-20 “...the DSIM rate components consist of projected Program Costs and projected TD associated with Cycle 2 for July 2016 through December 2016 and the reconciliation of expected Program Costs and expected TD/TD-NSB for both Cycles 1 and 2 through June 2016.”

required under terms of the stipulation and agreement in Case No. EO-2012-0009;² and (3) more clearly identify the DSIM rate which will be billed to customers.³

3. As explained in detail in its Memorandum, Staff does not dispute that GMO is entitled to recover its prudently incurred programs costs and its throughput disincentive, including the amount the Company under-collected from its customers. However, Staff recommends the Commission reject the tariff sheets allowing the Company to collect carrying costs from its customers because GMO's calculation error, though inadvertent, represents a failure to follow the agreed upon method of discounting MEEIA program costs approved by the Commission as set out in the stipulation and agreement in Case No. EO-2012-0009.⁴ The tariff sheets should be rejected because they include carrying costs attributed to GMO's calculation error that are harmful to customers. Staff takes no position on the Company's proposed reformatting of its tariff sheets to clarify the final DSIM charge seen on customer bills.

WHEREFORE, for the reasons discussed above and further explained in Staff's Memorandum, Staff recommends the Commission issue an order:

- (1) 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,

² Direct Testimony of Tim Rush p. 3 In 9 –11.

³ Direct Testimony of Tim Rush p. 5 In 10-11.

⁴ See page 5, para. 5(b)(i) of the *Non-Unanimous Stipulation And Agreement Resolving KCP&L Greater Missouri Operations Company's MEEIA Filing* in Case No. EO-2012-0009 (EFIS Item No. 135) and approved by Commission order (EFIS Item No. 136): "NSB are the present value of the lifetime avoided costs (i.e., avoided energy, capacity and transmission and distribution, and probable environmental compliance costs) for the approved MEEIA Programs using the deemed costs." Staff's First MEEIA Prudence Report for KCPL in Case No. EO-2016-0183 identified that KCPL had incorrectly calculated its TD-NSB for Cycle 1 when it failed to discount 2015 programs costs to 2014 dollars when calculating the TD-NSB amounts. While this audit did not address GMO's TD-NSB, Staff determined that identical calculation errors occurred for both KCPL and GMO. In this filing GMO included under collected amounts to correct its calculation error and also proposed to collect additional interest/carrying costs resulting from its error.

(2) 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.

Respectfully submitted,

/s/ Mark Johnson

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 1st day of July, 2016.

/s/ Mark Johnson

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2016-0327 and Tariff Tracking No. JE-2016-0345
KCP&L Greater Missouri Operations

FROM: Michael Stahlman, Regulatory Economist III

/s/ Natelle Dietrich 7/01/16
Commission Staff Director / Date

/s/ Robert S. Berlin 7/01/16
Staff Counsel Division / Date

SUBJECT: Staff Recommendation to Reject KCP&L Greater Missouri Operations' ("GMO") Proposed Tariff Sheets to Modify its Demand Side Investment Mechanism ("DSIM") Rider Tariff Sheets and to Adjust its DSIM Rider Rates effective August 1, 2016.

DATE: July 1, 2016

GMO Filing

On June 1, 2016, GMO filed with the Commission two (2) tariff sheets bearing an issue date of June 1, 2016, and an effective date of August 1, 2016, proposing to adjust rates related to the Company's DSIM Rider and to reformat and include language that clarifies the DSIM charge paid by customers on one sheet rather than two separate sheets.

The Commission's regulations provide that Staff shall file a recommendation no later than 30 days after the filing of the tariff sheets, which is July 1, 2015.¹

For the reasons described below, Staff recommends the Commission reject GMO's request to modify Sheet Nos. 138.6 and 138.7, and direct GMO to file revised Sheet Nos. 138.6 and 138.7 that exclude interest on the TD-NSB Share amounts that were under-billed from its customers.

Background - GMO TD-NSB Calculation Error

As discussed in Staff's "Prudence Review of Costs Related to the Missouri Energy Efficiency Act for the Electric Operations of Kansas City Power and Light Company ("KCPL)" in File No. EO-2016-0183, KCPL incorrectly calculated its Throughput Disincentive-Net Shared Benefits ("TD-NSB"). Although the GMO TD-NSB was not specifically discussed in Staff's review of KCPL prudence in File No. EO-2016-0183, this TD-NSB calculation error was determined by Staff to have occurred for both KCPL and GMO. As discussed on page three in the Direct Testimony of Tim M. Rush in this filing, GMO included amounts to correct the TD-NSB Share that it did not collect due to its improper calculation, but it also proposes to collect additional interest from its customers attributed to the amount of the under-collection that resulted from GMO's calculation error. Staff does not dispute that GMO is entitled to recover its proper TD-NSB Share amount; however Staff recommends that GMO not be allowed to recover interest from ratepayers due to its

¹ Order Directing Notice, Establishing Intervention Date, and Directing Filing of Staff Recommendation issued on June 2, 2016 in File No. ER-2016-0327.

calculation error. Staff further points out that GMO's calculation error, though inadvertent, represents a failure of the Company to follow the agreed upon method of discounting MEEIA program costs as set out on page 5 of the October 29, 2012 *Non-Unanimous Stipulation and Agreement Resolving KCP&L Greater Missouri Operations Company's MEEIA Filing* in EO-2012-0009 which provides: "NSB are the present value of the lifetime avoided costs (i.e., avoided energy, capacity and transmission and distribution, and probable environmental compliance costs) for the approved MEEIA Programs using the deemed values of demand-side measures for each program less the present value of the MEEIA Programs' costs." In addition, Staff discussed this error on page 2 of its May 24, 2016 *Staff Comments Regarding KCP&L Greater Missouri Operations Company's Demand-Side Program Annual Report For 2015* in Case No. EO-2016-0251.

Discussion

Staff recommends the Commission issue an order rejecting GMO's inclusion of interest on the TD-NSB Share amounts that were under-billed from its customers and require GMO to file a new Sheet No. 138.7 that excludes the interest. As discussed in Staff's "Prudence Review of Costs Related to the Missouri Energy Efficiency Act for the Electric Operations of Kansas City Power and Light Company" in File No. EO-2016-0183, ratepayer harm would result from an increase in rates if the Company is allowed to recover the interest costs attributed to its miscalculation of its TD-NSB – a miscalculation that should not have occurred had GMO correctly followed the terms of the Stipulation in File No. EO-2012-0009.

Staff Recommendation

The Commission Staff's Tariff and Rate Design Department has reviewed the filed tariff sheet and recommends the Commission issue an order rejecting the following tariff sheets, as filed on June 1, 2016, for service on and after August 1, 2016.²

P.S.C. MO. No. 1

1st Revised Sheet No. 138.6, Cancelling Original Sheet No. 138.6

1st Revised Sheet No. 138.7, Cancelling Original Sheet No. 138.7

Staff further recommends the Commission issue an order directing GMO to file a revised Sheet Nos. 138.6 and 138.7 calculated pursuant to the existing DSIM Rider that includes the Cycle 1 TD-NSB Share correction amount, but disallows recovery of the interest incurred pursuant to GMO's error.

² GMO's filing also proposes to reformat Sheet Nos. 138.6 and 138.7 and include language that clarifies the DSIM charge paid by customers on one sheet rather than two separate sheets. Staff does not oppose those changes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

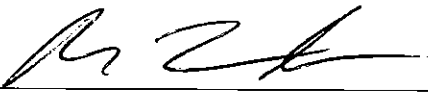
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AFFIDAVIT OF MICHAEL L. STAHLMAN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

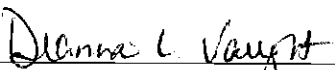
COMES NOW, Michael L. Stahlman and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



Michael L. Stahlman

Subscribed and sworn to be this 1st day of July, 2016.



Notary Public

