

**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-2017-0204</u></b>
And the Company's Approved Fuel and Purchased	)	Tracking No. JE-2017-0153
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 January 30, 2017, Kansas City Power & Light Company (“KCPL”) filed with the Commission a proposed tariff sheet,<sup>1</sup> 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>2</sup> used to determine customer charges related to its fuel adjustment clause (“FAC”).

2. On January 31, 2017, the Commission directed Staff to file a recommendation regarding its examination and analysis of KCPL’s application no later than March 1, 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

---

<sup>1</sup> KCPL submitted a *Substitute Tariff* on February 27, 2016, that represents the final approved version.

<sup>2</sup> See items 17 and 21 on Revised Sheet No. 50.10

not later than thirty (30) days after the electric utility files its tariff schedules to adjust its 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 the 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 January 30, 2017, and substituted on February 27, 2017.

5. KCPL’s filing in this case requests Commission approval of one revised tariff sheet bearing an effective date of April 1, 2017, to revise the current annual FARs of its FAC. The filing includes testimony and workpapers for KCPL witness Lisa A. Starkebaum supporting KCPL’s calculation of the Fuel and Purchased Power Adjustment (“FPA”) amount of \$37,003,070 for its Missouri jurisdictional electric operations for Accumulation Period 3 (“AP3”).

6. In calculating the FPA amount for AP3, KCPL included two corrections<sup>3</sup> pertaining to months in the FAC’s first two accumulation periods (AP1 and AP2) prior to AP3. KCPL elected to make these corrections now rather than wait for its first true-up filing on August 1, 2017. The two corrections result in a true-up amount of (\$235,964). Staff does not object to the total amount returned to the customers to correct these errors by KCPL. However, Staff may pursue this issue in other cases before the Commission. KCPL witness Lisa A. Starkebaum’s direct testimony

---

<sup>3</sup> KCPL Rider FAC Original Sheet No. 50.9 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.”

provides a discussion of the errors, corrections, and preventive measures that KCPL has taken to prevent these errors from occurring in the future.<sup>4</sup>

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 and secondary service:

Current Annual Fuel Adjustment Rate per kWh			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	\$0.00639	\$0.00292	\$0.00347 Increase
Secondary	\$0.00655	\$0.00299	\$0.00356 Increase

8. Based on an average use of 1,000 kWh per month, a typical KCPL residential customer’s monthly bill will increase approximately \$3.56. As further explained in Staff’s *Memorandum*, several factors contributed to the increase in FAC costs included in KCPL’s filings.

9. Staff reviewed the proposed tariff sheet, the direct testimony of Lisa A. Starkebaum and the workpapers 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 AP3, and has determined that 3<sup>rd</sup> Revised Tariff Sheet No. 50.10, as substituted February 27, 2017, complies with the Commission’s *Report and Order* and the *Order Regarding Compliance Tariff Sheets* in Case No. ER-2014-0370, Commission Rule

<sup>4</sup> KCPL witness Lisa A. Starkebaum’s direct testimony, page 4, line 21 through page 7 line 3

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

10. Staff has verified that KCPL is not delinquent on any assessment and has filed its 2015 Annual Report. KCPL is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-3.161(5). 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 January 30, 2017, and substituted on February 27, 2017, to become effective on April 1, 2017, as requested by KCPL:

P.S.C. Mo. No. 7  
3<sup>rd</sup> Revised Sheet No. 50.10 Canceling 2<sup>nd</sup> Revised Sheet No. 50.10

Respectfully Submitted,

**/s/ Mark Johnson**

Mark Johnson  
Senior Counsel  
Missouri Bar No. 64940  
Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-7431 (Telephone)  
(573) 751-9285 (Fax)  
[mark.johnson@psc.mo.gov](mailto:mark.johnson@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 1<sup>st</sup> day of March, 2017, to all parties of record.

**/s/ Mark Johnson**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. ER-2017-0204, Tariff Tracking No. JE-2017-0153  
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 03/01/2017                      /s/ Bob Berlin 03/01/2017  
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-2014-0370.

DATE: March 1, 2017

### Staff Recommendation

Staff recommends the Commission issue an order approving the proposed 3<sup>rd</sup> Revised Sheet No. 50.10 of the Fuel Adjustment Clause ("FAC") of Kansas City Power & Light Company ("KCPL") to become effective on April 1, 2017, as requested by KCPL.

### Discussion

On January 30, 2017, as substituted February 27, 2017, KCPL filed one (1) tariff sheet<sup>1</sup> bearing a proposed effective date of April 1, 2017, to change its Fuel Adjustment Rates ("FARs") (Line Items 17 and 21 on 3<sup>rd</sup> Revised Sheet No. 50.10) of its Fuel Adjustment Clause ("FAC"). Included in the filing of January 30, 2017, is the testimony of KCPL witness Lisa A. Starkebaum and KCPL's workpapers. The testimony and workpapers include information supporting KCPL's calculation of the Fuel and Purchased Power Adjustment ("FPA") amount of \$37,003,070 (line 11 of 3<sup>rd</sup> Revised Sheet No. 50.10) for its Missouri jurisdictional electric operations for Accumulation Period 3 ("AP3") (July 1, 2016, through December 31, 2016). The FPA amount of \$37,003,070 is the sum of:

1. 95% of the difference between a) the jurisdictional Actual Net Energy Costs (fuel costs

---

<sup>1</sup> Tracking No. JE-2017-0153

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 AP3, reflected on line 7 of 3<sup>rd</sup> Revised Sheet No. 50.10, of \$36,915,735; and

2. The true-up amounts reflected on line 8 of 3<sup>rd</sup> Revised Sheet No. 50.10, of (\$235,964); and
3. The interest amount, reflected on line 9 of 3<sup>rd</sup> Revised Sheet No. 50.10, of \$323,299.

The true-up amount of (\$235,964) reflected on line 8 of 3<sup>rd</sup> Revised Sheet No. 50.10, is the result of two corrections that pertain to months in the FAC's first two accumulation periods (AP1 and AP2) prior to AP3.<sup>2</sup> KCPL elected to make these corrections now rather than wait for the first true-up filing on August 1, 2017.<sup>3</sup> KCPL's Rider FAC does allow line 8 on 3<sup>rd</sup> Revised Sheet No. 50.10 to include corrections.<sup>4</sup>

The interest, reflected on line 9 of 3<sup>rd</sup> Revised Sheet No. 50.10, includes the interest from Correction #1 of (\$1,152) and the interest from Correction #2 of \$73.<sup>5</sup>

The first correction is related to an error contained in a formula that incorrectly excluded Missouri SO2 credit amortization gross up and Missouri hedging cost gross up from the Missouri jurisdictional amount and caused the FPA for AP2 to be overstated by \$248,698.<sup>6</sup> The correction, with interest decreases the FPA for AP3 by \$249,850.<sup>7</sup>

The second correction is related to the incorrect inclusion of a long-term capacity contract in the FAC calculation for the months of September 2015 through June 2016.<sup>8</sup> Only capacity sales

---

<sup>2</sup> KCPL witness Lisa A. Starkebaum's direct testimony, page 4, line 21 through page 6 line 9.

<sup>3</sup> KCPL witness Lisa A. Starkebaum's direct testimony, page 6, line 11 through 19.

<sup>4</sup> KCPL Rider FAC Original Sheet No. 50.9 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>5</sup> Rider FAC Original Sheet No. 50.8 includes: "(iii) all under- or over-recovery balances created through operation of this FAC,"

<sup>6</sup> KCPL witness Lisa A. Starkebaum's direct testimony, page 5, line 11 through 23.

<sup>7</sup> KCPL witness Lisa A. Starkebaum's direct testimony, page 5, line 20 through 21.

<sup>8</sup> KCPL witness Lisa A. Starkebaum's direct testimony, page 6, line 6 through 8.

from contracts of one year or less are included in the FAC.<sup>9</sup> The correction, with interest, is an increase to AP3 FPA of \$12,807.<sup>10</sup>

KCPL witness Lisa A. Starkebaum's direct testimony provides a discussion of the errors, corrections, and preventive measures that KCPL has taken to prevent these errors from occurring in the future.<sup>11</sup> Additional worksheets identifying errors and the calculations of corrections and interest amounts are included in the supporting workpapers of Lisa A. Starkebaum's direct testimony. Staff does not object to the total amount returned to the customers to correct these errors by KCPL. However, Staff may pursue this issue in other cases before the Commission.

The FAR of \$0.00407 per kWh (line 13 of 3<sup>rd</sup> Revised Sheet No. 50.10) is equal to the FPA amount of \$37,003,070 divided by the estimated recovery period retail net system input ("NSI") of 9,098,778,904 kWh (line 12 of 3<sup>rd</sup> Revised Sheet No. 50.10).

Because of differences in line losses for KCPL of both primary and secondary voltage service levels,<sup>12</sup> the tariff sheet reflects different current period FARs for service taken at primary and secondary voltages on lines 15 and 19 of 3<sup>rd</sup> Revised Sheet No. 50.10, respectively.

The current annual FARs for primary and secondary service voltage levels are reflected on lines 17 and 21 of 3<sup>rd</sup> Revised Sheet No. 50.10, respectively, 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 2<sup>nd</sup> Revised Sheet No. 50, 1<sup>st</sup> Revised Sheet No. 50.1, and Original Sheet No. 50.2 through 50.9.

Listed below are KCPL's proposed current annual FARs and the now-effective current annual

---

<sup>9</sup> KCPL Rider FAC Original Sheet No. 50.3 for OSSR, "Subaccount 447012: capacity charges for capacity sales one year or less in duration"

<sup>10</sup> KCPL witness Lisa A. Starkebaum's direct testimony, page 6, line 7 through 8

<sup>11</sup> KCPL witness Lisa A. Starkebaum's direct testimony, page 4, line 21 through page 7 line 3

<sup>12</sup> The voltage adjustment factors (VAFs) for both primary and secondary voltage service levels are included at the bottom of 3<sup>rd</sup> Revised Sheet No. 50.10.



FARs together with the changes between them for primary and secondary voltage service.

Current Annual Fuel Adjustment Rate per kWh			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	\$0.00639	\$0.00292	\$0.00347 Increase
Secondary	\$0.00655	\$0.00299	\$0.00356 Increase

The proposed changes to the FARs will result in an increase to a typical KCPL residential customer’s bill of approximately \$3.56 per month, based on an average use of 1,000 kWh per month.

In her filed direct testimony, KCPL witness Lisa A. Starkebaum states:

There are several factors contributing to the increase in FAC costs included in this filing. First, the higher Actual Net Energy Costs (“ANEC”) in the third accumulation period of July through December are driven by seasonal differences compared to the previous, second accumulation period of January through June. Retail load requirements are naturally higher in the summer months. Furthermore, during this third accumulation period, the Wolf Creek nuclear generating station as well as Iatan 2 and Hawthorn were offline due to planned outages. The Wolf Creek refueling cycle occurs approximately every 18 months. These outages resulted in a higher requirement on purchased power to meet native load as well as a decrease in off-system sales revenue as generation was not available to sell to the Southwest Power Pool (“SPP”) Integrated Marketplace.<sup>13</sup>

Staff reviewed the 3<sup>rd</sup> Revised Sheet No. 50.10, as substituted February 27, 2017, the direct testimony of Lisa A. Starkebaum and the workpapers in this filing, as well as KCPL’s monthly information reports filed in compliance with 4 CSR 240-3.161(5) for AP3, and verified that the actual fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenues less renewable energy credit revenues 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 3<sup>rd</sup> Revised Tariff Sheet No. 50.10, as substituted February 27, 2017, 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

<sup>13</sup> KCPL witness Lisa A. Starkebaum’s direct testimony page 4, line 8 through line 18.

jurisdictional monthly cumulative under/over-recovery of base fuel and purchased power costs and 100% of the true-up amount for AP3 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 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 AP3.

#### Staff Recommendation

Staff is of the opinion that KCPL timely filed 3<sup>rd</sup> Revised Tariff Sheet No. 50.10, as substituted February 27, 2017, and that it complies with the Commission's *Report and Order* and its *Order Regarding Compliance Tariff Sheets* in Case No. ER-2014-0370, 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 3<sup>rd</sup> Revised Tariff Sheet No. 50.10, filed January 30, 2017, as substituted February 27, 2017, become effective on April 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 January 30, 2017, to become effective on April 1, 2017, as requested by KCPL:

P.S.C. Mo. No. 7  
3<sup>rd</sup> Revised Sheet No. 50.10 Canceling 2<sup>nd</sup> Revised Sheet No. 50.10

Staff has verified that KCPL is not delinquent on any assessment and has filed its 2015 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). Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

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

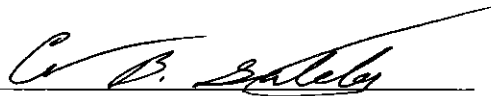
In the Matter of Kansas City Power & Light )  
Company for Authority to Implement Rate ) Case No. ER-2017-0204  
Adjustments Required by 4 CSR-240- )  
2.090(4) and the Company's Approved Fuel )  
and Purchased Power Cost Recovery )  
Mechanism )

**AFFIDAVIT OF CURT B. GATELEY**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

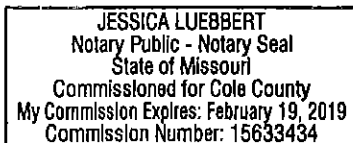
**COMES NOW** Curt B. Gateley and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Memorandum; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.

  
Curt B. Gateley

**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 1<sup>st</sup> day of March, 2017.



  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

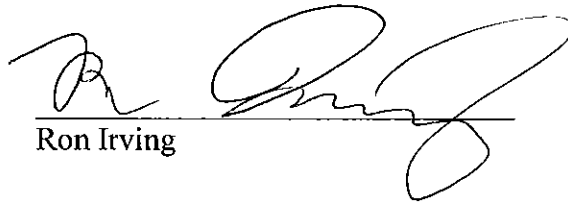
In the Matter of Kansas City Power & Light )  
Company for Authority to Implement Rate ) Case No. ER-2017-0204  
Adjustments Required by 4 CSR-240- )  
2.090(4) and the Company's Approved Fuel )  
and Purchased Power Cost Recovery )  
Mechanism )

**AFFIDAVIT OF RON IRVING**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW** Ron Irving and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Memorandum; and that the same is true and correct according to his best knowledge and belief.

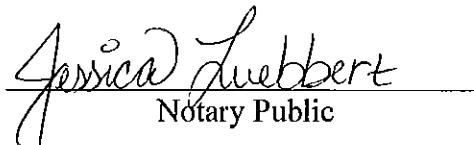
Further the Affiant sayeth not.

  
\_\_\_\_\_  
Ron Irving

**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 1<sup>st</sup> day of March, 2017.

JESSICA LUEBBERT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: February 19, 2019  
Commission Number: 15633434

  
\_\_\_\_\_  
Notary Public

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

In the Matter of Kansas City Power & Light )  
Company for Authority to Implement Rate ) Case No. ER-2017-0204  
Adjustments Required by 4 CSR-240- )  
2.090(4) and the Company's Approved Fuel )  
and Purchased Power Cost Recovery )  
Mechanism )

**AFFIDAVIT OF DAVID C. ROOS**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

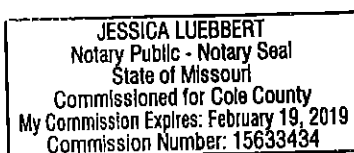
**COMES NOW** David C. Roos and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Memorandum; and that the same is true and correct according to his best knowledge and belief.

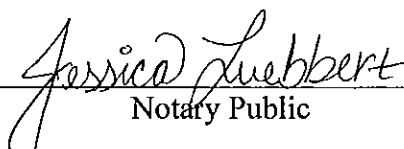
Further the Affiant sayeth not.

  
\_\_\_\_\_  
David C. Roos

**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 1<sup>st</sup> day of March, 2017.



  
\_\_\_\_\_  
Notary Public