

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2017-0001, Tariff Tracking No. JE-2017-0002
KCP&L Greater Missouri Operations Company

FROM: David Roos, Regulatory Economist III
Curtis Gateley, Utility Policy Analyst II

DATE: /s/ John Rogers 08/01/2016 /s/ Bob Berlin 08/01/2016
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation For **Approval** of Tariff Sheet Filed to Change Rates Related to KCP&L Greater Missouri Operations Company's Fuel Adjustment Clause Pursuant to the Commission's Report and Order from Case No ER-2012-0175.

DATE: August 01, 2016

Staff Recommendation

The Staff recommends the Commission issue an order approving the proposed 12th Revised Sheet No. 127 of the Fuel Adjustment Clause ("FAC") of KCP&L Greater Missouri Operations Company ("GMO") as filed on July 1, 2016, to become effective on September 1, 2016, as requested by GMO.

Discussion

On July 1, 2016, GMO filed one (1) tariff sheet¹ bearing a proposed effective date of September 1, 2016, to revise its current annual Fuel Adjustment Rates ("FARs") (Lines 16 and 19 on 12th Revised Sheet No. 127) of its FAC. Included in the filing of July 1, 2016, are the testimony of GMO witness Linda J. Nunn and GMO's workpapers. The testimony and workpapers include information supporting GMO's calculation of the current annual Fuel and Purchased Power Adjustment ("FPA") amount of (\$12,682,856)² for its MPS rate district ("MPS") and (\$4,303,557) for its L&P rate district ("L&P") for Accumulation Period 18 (December 1, 2015, through May 31, 2016) reflecting the sum of:

¹ Tracking No. JE-2017-0002.

² Amounts in parentheses are over-collected amounts.

1. 95% of the difference between the jurisdictional Actual Net Energy Costs (fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenue less renewable energy credit revenue) and the jurisdictional Net Base Energy Cost for Accumulation Period 18 reflected on line 7 of 12th Revised Sheet No. 127 of (\$9,447,980) for MPS and (\$3,468,338) for L&P;
2. The true up Recovery Period 15 (March 1, 2015 through February 29, 2016) was filed by GMO on July 1, 2016, in File No. ER-2017-0002. The true-up amounts of the under/over recovery for prior period amounts are a result of the FARs for Recovery Period 15 (March 1, 2015 through February 29, 2016) and the correction for MISO transmission charges previously recovered through the FAC. The correction for MISO transmission charges is further discussed below. The true-up amounts reflected on line 8 of 12th Revised Sheet No. 127 are (\$3,202,215) for MPS and (\$815,474) for L&P; and
3. The interest amounts reflected on line 9 of 12th Revised Sheet No. 127 are (\$32,661) for MPS and (\$19,745) for L&P.

The MPS FAR of (\$0.00195) per kWh (line 13 of 12th Revised Sheet No. 127) is equal to the MPS FPA amount of (\$12,682,856) (line 11 of 12th Revised Sheet No. 127) divided by the estimated recovery period retail net system input (“NSI”) of 6,509,095,346 kWh (line 12 of 12th Revised Sheet No. 127).

Similarly, the L&P FAR of (\$0.00190) per kWh (line 13 of 12th Revised Sheet No. 127) is equal to the L&P FPA amount of (\$4,303,557) (line 11 of 12th Revised Sheet No. 127) divided by the estimated recovery period retail NSI of 2,264,027,953 kWh (line 12 of 12th Revised Sheet No. 127).

Because of differences in line losses for MPS and L&P of both primary and secondary voltage service levels³, the tariff sheet reflects different current period FARs for service taken at primary and secondary voltages in MPS and in L&P.

³ The voltage adjustment factors (VAFs) for MPS and L&P for both primary and secondary voltage service levels are included at the bottom of 12th Revised Sheet No. 127.

The current annual FARs are the sum of the current period FARs and the previous period FARs for MPS and L&P, as reflected on lines 16 and 19 of 12th Revised Sheet No. 127, respectively, for primary voltage service and secondary voltage service, respectively.

The Accumulation Periods, Recovery Periods, and other specifications of GMO’s FAC Accumulation Period 18 (December 1, 2015, through May 31, 2016) are set out in its tariff sheets designated 2nd Revised Sheet Nos. 124 through 126 and Original Sheet Nos. 126.1 and 126.2.

Listed below are GMO’s proposed current annual FARs and the now-effective current annual FARs together with the changes between them for primary and secondary voltage service in both the MPS and L&P rate districts.

Current Annual Fuel Adjustment Rate per kWh - MPS			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	(\$0.00210)	(\$0.00024)	\$0.00186 Decrease
Secondary	(\$0.00216)	(\$0.00024)	\$0.00192 Decrease
Current Annual Fuel Adjustment Rate per kWh – L&P			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	(\$0.00249)	(\$0.00064)	\$0.00185 Decrease
Secondary	(\$0.00255)	(\$0.00065)	\$0.00190 Decrease

The proposed changes to the FARs will result in a decrease to a typical MPS residential customer’s bill of approximately \$1.67 per month and a decrease to a typical L&P residential customer’s bill of approximately \$1.65 per month, based on an average use of 868 kWh per month. The decrease in the FAR for MPS is caused as a result of a decrease in purchased power costs. The decrease in the FAR for L&P is caused as a result of a decrease in fuel costs and purchased power costs.

Staff reviewed the 12th Revised Sheet No. 127, the direct testimony of Linda J. Nunn and the workpapers in this filing, as well as GMO's monthly information reports filed in compliance with 4 CSR 240-3.161(5) for Accumulation Period 18, and verified that the actual fuel and purchased power costs less off-system sales revenues match the fuel and purchased power costs less off-system sales revenues in GMO's proposed 12th Revised Tariff Sheet No. 127 and the supporting workpapers of Linda J. Nunn's direct testimony. Staff also reviewed GMO's monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under/over recovery of base fuel and purchased power costs for Accumulation Period 18 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 GMO's FARs based on the actual fuel, purchased power and emission allowance costs net of off-system sales revenue plus renewable energy credit revenue GMO provided for Accumulation Period 18.

Landfill Gas Facility

On December 21, 2012, GMO filed in File No. ER-2012-0175 an *Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility and Motion for Expedited Treatment*. The St. Joseph Landfill Gas Facility was built to comply with the Renewable Energy Standard ("RES"). Rule 4 CSR 240-20.100(6)(A)16 provides that RES compliance costs may only be recovered through a Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM") or as part of a general rate proceeding, but not through a fuel adjustment clause. The St. Joseph Landfill Gas Facility was deemed in-service March 30, 2012, and fuel costs for it began to flow through GMO's fuel adjustment clause. Landfill gas costs for Accumulation Period 18 were ** _____ **.

On December 28, 2012, Staff filed *Staff's Response to KCP&L Greater Missouri Operations Company's Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility*. In its response, Staff expressed that while it did not oppose GMO's application for waiver, its non-opposition is because of GMO's commitment to work with the parties to resolve these issues before GMO files its next general electric rate case.

On January 3, 2013, the Commission issued an *Order Granting Waiver* with an effective date of January 4, 2013 granting GMO relief from Commission Rule 4 CSR 240-20.100(6)(A)16 for purposes of Case Nos. ER-2012-0175 and ER-2013-0341, i.e. the Commission's order allows GMO to flow its St. Joseph landfill gas facility RES compliance costs through its FAC rather than through a RESRAM or as part of a general rate proceeding.

Based on the Commission's approval of GMO's request for a waiver from Commission Rule 4 CSR 240-20.100(6)(A)16, Staff has worked with the Company to reach a resolution concerning the treatment of the costs of landfill gas purchased for the Company's St. Joseph Landfill Gas Facility. On February 23, 2016, GMO filed its general rate case in Case No. ER-2016-0156, GMO witness, Tim M. Rush on page 5 line 23 to page 6 line 3: "In this case, the Company proposes to shift the fuel costs associated with the St. Joseph land fill from the FAC to be included in the 182513 deferred account and recovered through the RESRAM rate that is currently being charges to customers."

Correction for MISO Transmission Charges in True-Up

On July 1, 2016, in File No. ER-2017-0002, GMO filed with the Commission, along with direct testimony and supporting schedules of GMO witness Linda J. Nunn, its fifteenth fuel adjustment clause true up. The true up amounts contain corrections for MISO transmission charges related to the Crossroads Generating Station. These corrections represents the MISO transmission expenses for the Crossroads Generating Station that were in the FAC from January 2014 through November 2015, and captures the time period from the start of MISO transmission expenses in the FAC through the end of Accumulation Period 17 ("AP17"). In the Report and Orders for Rate Case Nos. ER-2010-0356, effective May 14, 2011, and ER-2012-0175 effective January 9, 2013, the Commission ordered Crossroads related transmission charges to be excluded from both base rates and the FAC. For the purposes of this true up, Staff does not object to the amounts returned to the customers to correct this error by GMO. However, Staff may pursue this issue in other cases before the Commission. A more detailed discussion of this issue can be found in the Staff Recommendation Memo for GMO's fifteenth fuel adjustment clause true-up filed in File No. ER-2017-0002.

For Accumulation Period 18 (“AP18”), December 2015 through May 2016, the AP18 work papers for the fuel adjustment rate filing in File No. ER-2017-0001 filed on July 1, 2016 show the removal of all Crossroads-related transmission expenses from the FAC. Going forward, GMO has changed its accounting procedures so that any charge from MISO is now considered Crossroads related and will not be in the FAC.⁴

Staff Recommendation

The Staff is of the opinion that GMO timely filed 12th Revised Tariff Sheet No. 127 and that it complies with the Commission’s *Report and Order* in Case No. ER-2012-0175, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and GMO’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.

GMO requested that 12th Revised Tariff Sheet No. 127, filed July 1, 2016, become effective on September 1, 2016. The Company filed the tariff sheet with 61 days’ notice. Staff, therefore, recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on July 1, 2016, to become effective on September 1, 2016, as requested by GMO:

P.S.C. Mo. No. 1
12th Revised Sheet No. 127 Canceling 11th Revised Sheet No. 127

Staff has verified that GMO is not delinquent on any assessment and has filed its 2015 Annual Report. GMO is current on its submission of its Surveillance Monitoring reports as

⁴ See page 7, lines 5-9, Direct Testimony of GMO witness Linda J. Nunn, Case No. ER-2017-0002.

required by 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). At the time of this memorandum, GMO has an ongoing rate case in Case No. ER-2016-0156. Other than the true-up amounts that are the subject of Case No. ER-2017-0002, 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 KCP&L Greater Missouri Operations)
Company for Authority to Implement Rate Adjustments) **File No. ER-2017-0001**
Required by 4 CSR 240-20.090(4) and the Company's) **Tariff No. JE-2017-0002**
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 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.



Curt B. Gateley

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

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377



Notary Public

