

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L Greater )  
Missouri Operations Company Containing Its Semi- ) Case No. ER-2019-0199  
Annual Fuel Adjustment Clause True-Up )

**PUBLIC COUNSEL’S REPLY TO THE STAFF’S RECOMMENDATION**

**COMES NOW** the Office of the Public Counsel (“OPC”) and replies to the Commission Staff’s recommendation as follows:

1. In the attached memorandum the OPC makes and explains its recommendation to the Commission that the Commission find that for true-up of recovery period 20 of KCP&L Greater Missouri Operations Company’s (“GMO”) Fuel Adjustment Clause (“FAC”) GMO has overcollected \$55,005 because it was correct of GMO to allocate the costs of electric power GMO generated and used at GMO’s Lake Road station (“auxiliary power”) between its electric and steam operations for purposes of its FAC, as GMO did for five months of its Accumulation Period 22 as reflected in its filing for RP22 in Case No. ER-2018-0400.

**WHEREFORE**, the Office of the Public Counsel recommends that the Commission find that KCP&L Greater Missouri Operations Company has overcollected and must return to its customers \$55,005 to true-up its fuel adjustment clause charges for Recovery Period 20, not the \$164,490 that KCP&L Greater Missouri Operations Company asserts it has undercollected.

Respectfully,

/s/ Nathan Williams  
Nathan Williams  
Chief Deputy Public Counsel

Missouri Bar No. 35512

Office of the Public Counsel  
Post Office Box 2230  
Jefferson City, MO 65102  
(573) 526-4975 (Voice)  
(573) 751-5562 (FAX)  
[Nathan.Williams@ded.mo.gov](mailto:Nathan.Williams@ded.mo.gov)

**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 8<sup>th</sup> day of February 2019.

/s/ Nathan Williams

## MEMORANDUM

To: Missouri Public Service Commission Official Case File  
Case No. ER-2019-0199  
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 the Commission find that for True-up of Recovery Period 20 under KCP&L Greater Missouri Operations Company's Fuel Adjustment Clause, GMO has over-collected \$55,005

### **Recommendation**

The Office of the Public Counsel ("OPC") recommends that the Commission find that KCP&L Greater Missouri Operations Company ("GMO") has over-collected and must return to its customers \$55,005 to true-up its fuel adjustment clause ("FAC") charges for Recovery Period 20 ("RP20"), not the \$164,490 that GMO is requesting. When it calculated its true-up amount, GMO inappropriately included a "correction" of \$217,687, plus interest on that "correction" of \$1,809<sup>1</sup> based on GMO's claim that it erroneously excluded that cost from Accumulation Period 22 ("AP22"). The OPC disagrees that GMO erroneously allocated costs to its steam customers at its Lake Road station for five of the six months in AP22.

### **Discussion**

GMO initiated Case No. ER-2018-0400 by filing its semi-annual FAC rate change. For that filing, GMO allocated to its steam operations, for five of the six months of AP22, a portion of its total fuel expense amounting to approximately \$230,000. GMO's Lake Road station is the source of steam with which GMO serves its steam customers and it is also a source of the electricity GMO

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<sup>1</sup> The recovery period for AP22, which includes the reduction of \$217,687, would only be half way through when GMO's requested true-up amount would be included in the FAC rate change. However, GMO calculated interest as if the correction had all been made in the first month of RP22.

uses to serve its electric customers. Because GMO's Lake Road station uses electricity to run the station to generate 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.

In this true-up filing for RP20, GMO's first FAC true-up filing since GMO allocated auxiliary power to its steam operations for purposes of its FAC, GMO is including a reversal of its allocation of auxiliary power costs at its Lake Road Station for RP22 for purposes of truing up what it is recovering in RP22, stating 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."<sup>2</sup>

### **OPC's Review**

I have reviewed the filing of the testimony and workpapers GMO provided in this case 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, Attachment A to this memorandum, 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

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<sup>2</sup> Direct testimony of Lisa A. Starkebaum, page 6, lines 10 – 12, Case No. ER-2019-0199.

stipulation and agreement filed in Case No. EO-94-36, Attachment B to this memorandum, which includes the following:

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.<sup>3</sup>

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.<sup>4</sup>

### **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

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<sup>3</sup> Case Nos. EO-93-351 and EO-94-36, *Stipulation and Agreement and Motion to Suspend Procedural Schedules*, page 6.

<sup>4</sup> 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.

customers do not pay through GMO's FAC the energy costs GMO incurs to provide service to GMO's steam customers.

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 true-up 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. It is OPC's request that, in this true-up case, the Commission not approve a "correction" that would undo the correct allocation of the steam auxiliary power costs in GMO's last FAC rate change case.

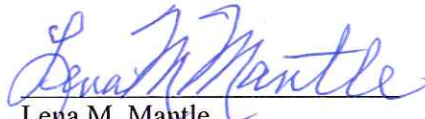
**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

**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 REPLY TO STAFF'S RECOMMENDATION* 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 8<sup>th</sup> 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.