

**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))	<u>File No. ER-2019-0031</u>
And the Company's Approved Fuel and Purchased)	Tracking No. JE-2019-0016
Power Cost Recovery Mechanism)	

**STAFF REPORT AND RECOMMENDATION TO APPROVE
REVISED TARIFF SHEET**

COMES NOW the Staff of the Missouri Public Service Commission, by and through its undersigned counsel, and files this *Staff Report and Recommendation to Approve Revised Tariff Sheet* (“Report”) with the Missouri Public Service Commission (“Commission”), and respectfully states:

1. On July 31, 2018, Kansas City Power & Light Company (“KCPL”) filed with the Commission a proposed tariff sheet, 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 (“FAR”)¹ used to determine customer charges related to its fuel adjustment clause (“FAC”).

2. On August 6, 2018, the Commission directed Staff to file a recommendation regarding its examination and analysis of KCPL’s application no later than August 30, 2018.

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 not later than thirty (30) days after the electric utility files its tariff schedules

¹ See items 17, 21, and 25 on 4th Revised Sheet No. 50.20

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 KCPL’s 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 July 31, 2018.

5. KCPL’s filing in this case requests Commission approval of one revised tariff sheet bearing an effective date of October 1, 2018, to revise the current annual FARs of its FAC. The filing includes testimony and workpapers from KCPL witness Lisa A. Starkebaum supporting KCPL’s calculation of the Fuel and Purchased Power Adjustment (“FPA”) amount of \$25,727,065 for its Missouri jurisdictional electric operations for Accumulation Period 6 (“AP6”) which runs from January 1, 2018, through June 30, 2018.

6. The FPA amount of \$25,727,065 is the sum of: 1) 95% of the difference between (a) the jurisdictional Actual Net Energy Costs (fuel costs 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 AP6 which is an amount of \$23,057,512; 2) the Recovery Period 3 true-up amount of \$1,965,134; and 3) the interest amount of \$704,419.

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, secondary, and transmission/substation service:

Current Annual Fuel Adjustment Rate per kWh			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	\$0.00543	\$0.00484	\$0.00059 Increase
Secondary (Residential Service)	\$0.00555	\$0.00495	\$0.00060 Increase
Transmission/Substation	\$0.00530	\$0.00472	\$0.00058 Increase

8. Based on an average use of 1,000 kWh per month, a typical KCPL residential customer's monthly bill will increase by \$0.60, from \$4.95 to \$5.55.

9. Staff reviewed the proposed tariff sheet, the direct testimony of Lisa A. Starkebaum and the workpapers as 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 AP6, and has determined that KCPL's proposed 4th Revised Tariff Sheet No. 50.20 complies with the Commission's *Report and Order* and its *Order Regarding Compliance Tariff Sheets* in Case No. ER-2016-0285, Commission Rule 4 CSR 240-3.161, and recommends that the Commission approve the proposed revised tariff sheet to become effective on October 1, 2018.

10. Staff has verified that KCPL is not delinquent on any assessment and has filed its 2017 Annual Report. KCPL is current on its submission of its

Surveillance Monitoring reports as required in 4 CSR 240-3.161(5). Except for KCPL's Recovery Period 3 True-up filing in File No. ER-2019-0032, 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 July 31, 2018 to become effective on October 1, 2018, as requested by KCPL:

P.S.C. Mo. No. 7

4th Revised Sheet No. 50.20 Canceling 3rd Revised Sheet No. 50.20

Respectfully Submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Deputy Staff Counsel
Missouri Bar No. 51709
Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526-7779 (Telephone)
(573) 751-9285 (Fax)
bob.berlin@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 30th day of August, 2018, to all parties of record.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2019-0031, Tariff Tracking No. JE-2019-0016
Kansas City Power & Light Company

FROM: Brooke Mastrogiannis, Utility Regulatory Auditor IV
Lisa Wildhaber, Utility Regulatory Auditor III
Curtis Gateley, Utility Policy Analyst II

/s/ John Rogers 08/30/2018
Energy Resources Department / Date

/s/ Bob Berlin 08/30/2018
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* in Case No. ER-2016-0285.

DATE: August 30, 2018

STAFF RECOMMENDATION

Staff recommends the Commission issue an order approving the proposed 4th Revised Sheet No. 50.20 of the Fuel Adjustment Clause ("FAC") of Kansas City Power & Light Company ("KCPL") to become effective on October 1, 2018, as requested by KCPL.

DISCUSSION

On July 31, 2018, KCPL filed one (1) tariff sheet¹ bearing a proposed effective date of October 1, 2018, to change its Fuel Adjustment Rates ("FAR") (lines 17, 21 and 25 on 4th Revised Sheet No. 50.20) of its FAC. Included in the filing of July 31, 2018 is the testimony of KCPL witness Lisa A. Starkebaum and KCPL's workpapers.

ACCUMULATION PERIOD 6 FARs

The testimony and workpapers include information supporting KCPL's calculation of the Fuel and Purchased Power Adjustment ("FPA") amount of \$25,727,065 (line 11 of 4th Revised Sheet No. 50.20) for its Missouri jurisdictional electric operations for Accumulation Period 6 ("AP6") (January 1, 2018, through June 30, 2018). The FPA amount of \$25,727,065 is the sum of:

¹ The Commission assigned the tariff sheet to Tariff Tracking No. JE-2019-0016.

1. 95% of the difference between a) the jurisdictional Actual Net Energy Costs (fuel costs 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 AP6, which is reflected on line 7 of 4th Revised Sheet No. 50.20 and is equal to \$23,057,512; and
2. The true-up amount for Recovery Period 3 (“RP3”) of \$1,965,134² reflected on line 8 of 4th Revised Sheet No. 50.20; and
3. The interest amount of \$704,419 reflected on line 9 of 4th Revised Sheet No. 50.20, including all interest for RP3 and AP6.³

The current period FAR of \$0.00286 per kWh (line 13 of 4th Revised Sheet No. 50.20) is equal to the FPA amount of \$25,727,065 divided by the estimated recovery period retail net system input (“NSI”) of 8,986,742,303 kWh (line 12 of 4th Revised Sheet No. 50.20).

Because of differences in line losses for KCPL of transmission/substation, primary and secondary voltage service levels,⁴ the tariff sheet reflects different current period FARs for service taken at transmission/substation, primary and secondary voltage service levels on lines 15, 19 and 23, respectively, of 4th Revised Sheet No. 50.20. The transmission/substation voltage level was added to the FAC as a result of KCPL’s last general rate case, Case No. ER-2016-0285.

The current annual FARs for transmission/substation, primary, and secondary service voltage levels are reflected on lines 17, 21 and 25, respectively, of 4th Revised Sheet No. 50.20, 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 First Revised Sheet Nos. 50.11 through 50.19.

² See Staff Recommendation in File No. ER-2019-0032.

³ Interest is defined on KCPL, P.S.C.MO. No. 7, First Revised Sheet No. 50.18 as: Interest applicable to (i) the difference between Missouri Retail ANEC and B for all kWh of energy supplied during an AP until those costs have been recovered; (ii) refunds due to prudence reviews (“P”), if any; and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the true-up filings (“T”) provided for herein. Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company’s short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

⁴ The voltage adjustment factors (VAFs) for transmission/substation, primary and secondary voltage service levels are included on lines 27, 28 and 29, respectively, of 4th Revised Sheet No. 50.20.

Listed below are KCPL's current period FAR, prior period FAR, and current annual FAR for the proposed current annual FARs and the now-effective current annual FARs together with the changes between them for transmission/substation, primary and secondary voltage service.

Current Annual Fuel Adjustment Rate per kWh			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Transmission/Substation	\$0.00530	\$0.00472	\$0.00058 Increase
Primary	\$0.00543	\$0.00484	\$0.00059 Increase
Secondary (Residential Service)	\$0.00555	\$0.00495	\$0.00060 Increase

The proposed changes to the FARs will result in an increase to a typical KCPL residential customer's bill⁵ of approximately \$0.60 per month, based on an average use of 1,000 kWh per month, from \$4.95 to \$5.55.

In her direct testimony Ms. Starkebaum states:

KCPL's actual FAC includable costs exceeding the base energy costs are higher in this accumulation than they were in the previous accumulation period. There are several factors contributing to this increase. First, the higher Actual net Energy Costs ("ANEC") in the sixth accumulation period of January through June are driven by an increase in purchased power expense due to Wolf Creek's planned maintenance and refueling outage that began in April and continued through mid-May. Also, Iatan 2 was on planned maintenance outage beginning in March, which was then extended for unplanned maintenance followed by a forced outage through June. Second, the sixth accumulation period experienced 60% warmer than normal weather in May and June compared to the 9% cooler than normal summer weather in the previous fifth accumulation period of July through December. Retail load requirements are generally higher in the summer months or second half of the year, but have remained relatively consistent between

⁵ All residential customers take service on secondary voltage.

the fifth and sixth accumulation periods. So far this year through June, we have experienced 670 Cooling Degree Days (CDD), which is 60% higher than normal weather of 420 CDD. Lastly, there was a decrease in off-system sales revenue as generation was not available to sell to Southwest Power Pool (“SPP”) Integrated Marketplace.⁶

STAFF REVIEW

Staff reviewed the 4th Revised Sheet No. 50.20, as filed on July 31, 2018, 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 AP6. Staff 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 in the workpapers 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 4th Revised Tariff Sheet No. 50.20 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 jurisdictional monthly cumulative under/over-recovery of base fuel and purchased power costs and 100% of the true-up amount from RP3 for AP6 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 AP6.

Attachment A includes three charts which provide a summary of KCPL’s six FAC rate adjustment filings. Chart 1 illustrates: a) KCPL’s actual net energy cost, net base energy cost and under- (over-) recovery amounts for each accumulation period, and b) that all six accumulation periods have under-recovered amounts. Chart 2 illustrates KCPL’s FAC cumulative under-recovered amount at the end of each accumulation period with the cumulative

⁶ KCPL witness Lisa A. Starkebaum’s Direct Testimony; page 4 line 19 through page 5 line 13.

under-recovered amount through AP6 of approximately \$228 million. Chart 3 illustrates KCPL's FAC cumulative under-recovered percentage through AP6 of approximately 29%.

STAFF RECOMMENDATION

Staff is of the opinion that KCPL timely filed 4th Revised Tariff Sheet No. 50.20 on July 31, 2018, and that it complies with the Commission's *Report and Order* and its *Order Regarding Compliance Tariff Sheets* in Case No. ER-2016-0285, 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 4th Revised Tariff Sheet No. 50.20, filed July 31, 2018, become effective on October 1, 2018. 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 July 31, 2018, to become effective on October 1, 2018, as requested by KCPL:

P.S.C. Mo. No. 7
4th Revised Sheet No. 50.20 Canceling 3rd Revised Sheet No. 50.20

Staff has verified that KCPL is not delinquent on any assessment and has filed its 2017 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). Except for KCPL's RP3 true-up filing in File No. ER-2019-0032, Staff is not aware of any other matter before the Commission that affects or is affected by this filing. Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of KCPL's calculations, and is not indicative of the prudence of the fuel costs during AP6.

This memo refers to an Attachment.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

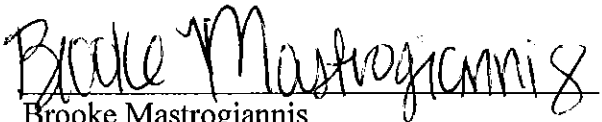
In the Matter of Kansas City Power & Light)
Company for Authority to Implement Rate) **File No. ER-2019-0031**
Adjustments Required by 4 CSR 240-2.090(4))
And the Company's Approved Fuel and)
Purchased Power Cost Recovery Mechanism)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Brooke Mastrogiannis, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation* in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

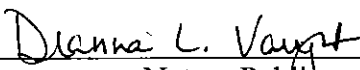
Further the Affiant sayeth not.



Brooke Mastrogiannis

Subscribed and sworn to be this 27th day of August, 2018.

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

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light)
Company for Authority to Implement Rate) **File No. ER-2019-0031**
Adjustments Required by 4 CSR 240-2.090(4))
And the Company's Approved Fuel and)
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AFFIDAVIT OF LISA WILDHABER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

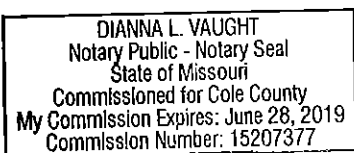
COMES NOW, Lisa Wildhaber, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation* in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

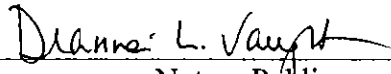
Further the Affiant sayeth not.



Lisa Wildhaber

Subscribed and sworn to be this 27th day of August, 2018.





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) **File No. ER-2019-0031**
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

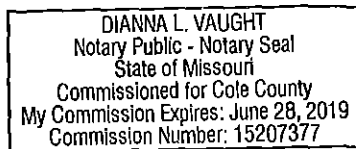
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Curt B. Gateley, and on his oath declares that he is of sound mind and lawful age; that he contributed to the 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 27th day of August, 2018.



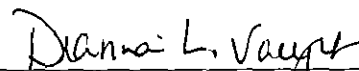

Notary Public

Chart 1: KCPL FAC Costs

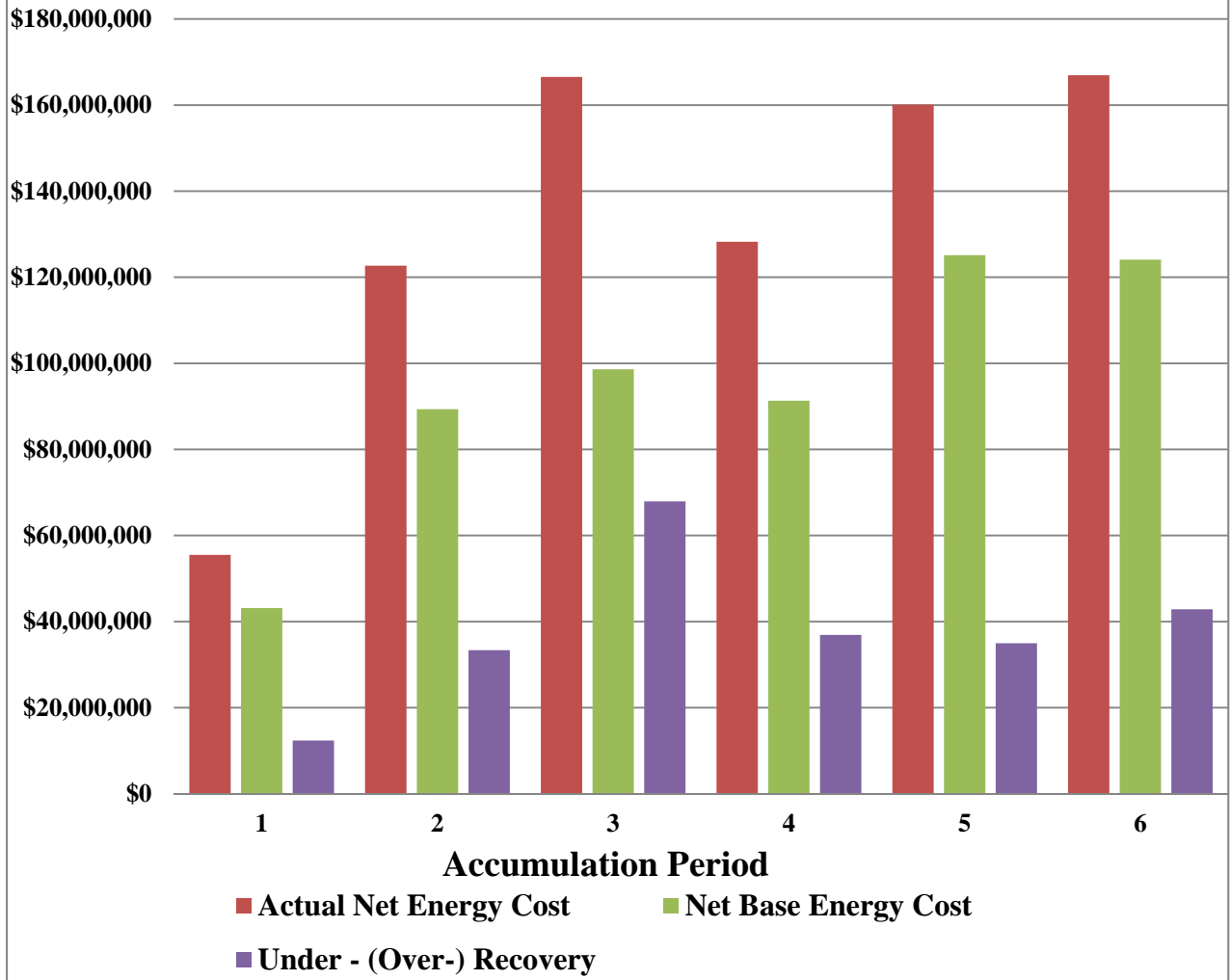


Chart 2: KCPL FAC Cumulative Under-Recovered Amount

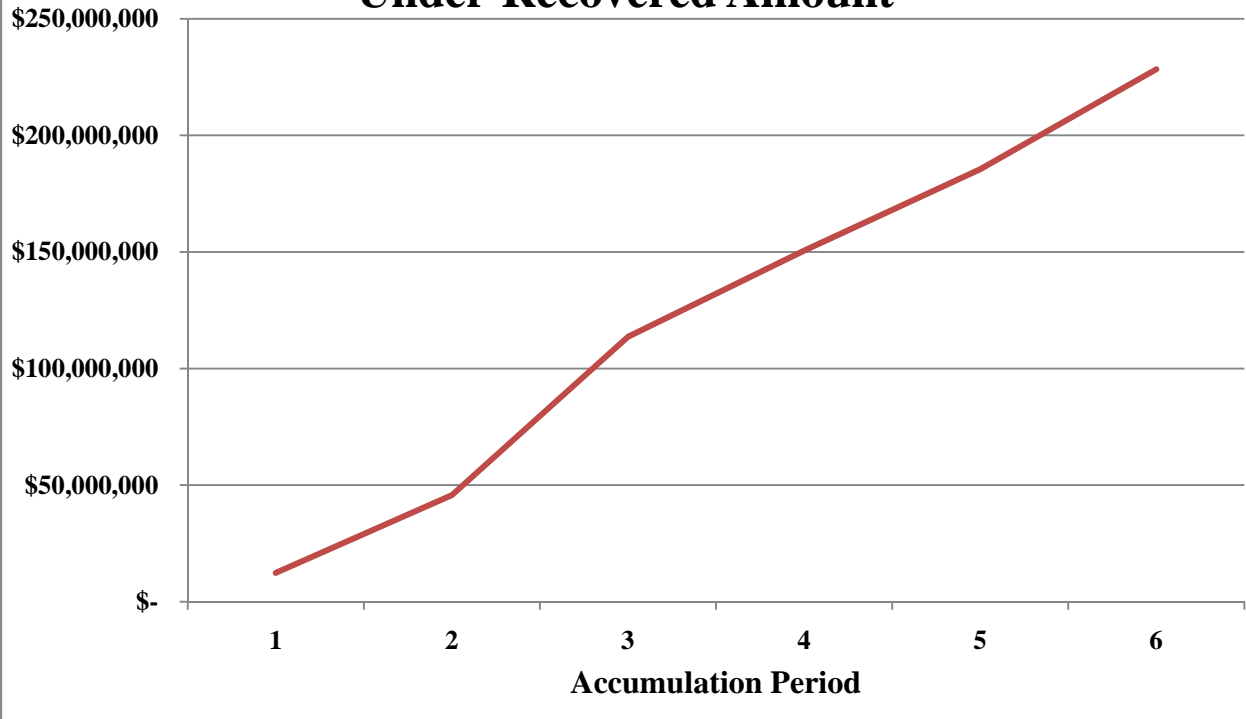


Chart 3: KCPL FAC Cumulative Under-Recovered Percent

