

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

In the Matter of KCP&L Greater Missouri)	
Operations Company's Demand Side)	<u>File No. ER-2017-0166</u>
Investment Mechanism Rider Rate)	Tracking No. JE-2017-0110
Adjustment and True-Up Required by)	
4 CSR 240.3.163(8))	

STAFF RECOMMENDATION TO APPROVE TARIFF SHEET

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 approving P.S.C. MO. No. 1, 2nd Revised Sheet No. 138.7¹ as filed by KCP&L Greater Missouri Operations Company ("GMO" or "Company") on December 1, 2016, and substituted² on January 10, 2017, bearing an effective date of February 1, 2017 ("Tariff Sheet"). Staff explains its reasons supporting approval of the Tariff Sheet in Staff's Memorandum attached hereto as Appendix A and incorporated herein, further stating as follows:

1. GMO filed its Tariff Sheet for the purpose of modifying the Company's DSIM ("Demand Side Investment Mechanism") under the Missouri Energy Efficiency Investment Act ("MEEIA").

2. The DSIM Rider rate change increases overall revenue collected through rates by \$1.6 million. This proposed change will reduce residential customers' DSIM Rider rate from \$0.00162 to \$0.00139 per kWh (kilowatt hour) and increase non-residential customers' rate from \$0.00589 to \$0.00751 per kWh. For a residential

¹ Canceling 1st Revised Sheet No. 138.7.

² GMO filed a substitute tariff sheet incorporating language which clarifies the transition of Missouri Energy Efficiency Investment Act ("MEEIA") cost recovery from base rates to recovery through the rider.

customer using 1,000 kWhs, this change decreases a bill by \$0.23/month. For a non-residential customer, this change increases a bill by \$1.62 for every 1,000 kWhs used.

3. As further explained in its Memorandum, Staff notes that this DSIM filing, unlike the previous filing, includes the recognition of the earned performance incentive award that is the result of evaluation, measurement, and verification (“EM&V”) for GMO’s MEEIA program performance in Cycle 1.

WHEREFORE, for the reasons discussed above and further explained in Staff’s Memorandum, Staff recommends the Commission issue an order approving the following tariff sheet as filed and substituted on January 10, 2017:

P.S.C. MO. No. 1

2nd Revised Sheet No. 138.7, Canceling 1st Revised Sheet No. 138.7

Respectfully submitted,

/s/ Robert S. Berlin

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served electronically on this 12th day of January, 2017 to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2017-0166 and Tariff Tracking No. JE-2017-0110
KCP&L Greater Missouri Operations

FROM: Michael Stahlman, Regulatory Economist III
Brad Fortson, Regulatory Economist III

/s/ Robin Kliethermes 1/12/17 /s/ Robert S. Berlin 1/12/17
Manager, Tariff/Rate Design Unit / Date Staff Counsel Division / Date

SUBJECT: Staff Recommendation to Approve KCP&L Greater Missouri Operations' ("GMO")
Proposed Tariff Sheet to Adjust Demand Side Investment Mechanism ("DSIM") Rider
Rate of KCP&L Greater Missouri Operations effective February 1, 2017.

DATE: January 12, 2017

GMO Filing

On December 1, 2016, GMO filed with the Commission one (1) tariff sheet bearing an issue date of December 1, 2016, and an effective date of February 1, 2017, proposing to adjust charges related to GMO's DSIM Rider. On December 8, 2016, the Commission issued its Order Directing Notice and Establishing Intervention Date which directed Staff to file its recommendation no later than January 12, 2016. On January 10, 2017, GMO filed a substitute tariff sheet incorporating language clarifying the transition of Missouri Energy Efficiency Investment Act ("MEEIA") cost recovery from base rates to recovery through a rider. GMO's initial filing also included the Direct Testimony of Tim M. Rush and work papers consisting of electronic worksheets showing its calculation of the proposed rates. Consistent with the approved Stipulation and Agreements in File No. EO-2015-0241¹, the proposed rates are based upon a six-month period with actual performance through December 2016, and projected performance through June 2017 for Program Costs ("PC") and GMO's Throughput Disincentive ("TD"). This DSIM Rider also includes amounts for GMO's MEEIA Cycle Performance Incentive Award ("PIA"). GMO's DSIM Rider also includes provisions for collecting any Ordered Adjustments ("OA"), of which there are currently none.

The DSIM Rider rate change increases overall revenue collected through rates by approximately \$1.6 million. Specifically, the proposed change will reduce residential customers' DSIM Rider rate from \$0.00162 to \$0.00139 per kWh and increase non-residential customers' rate from \$0.00589 to \$0.00751 per kWh. For a residential customer using 1,000 kilowatt-hours (kWh), this would mean a decrease of \$0.23 per month. For a non-residential customer, this would mean an increase of \$1.62 for every 1,000 kWh's used.

¹ Report and Order issued on March 2, 2016 in File No. EO-2015-0241 and Order Approving Second Stipulation and Agreement issued on April 6, 2016 in File No. EO-2015-0241. This rider also includes amounts associated with MEEIA Cycle 1, approved in File No. EO-2012-0009.

Background

On July 5, 2011, GMO filed its MEEIA Cycle 1 application in File No. EO-2012-0009, under the MEEIA statute and the Commission's MEEIA Rules, requesting Commission approval of demand-side programs and for authority to establish a DSIM. The Commission approved a Non-unanimous Stipulation and Agreement Resolving GMO's MEEIA Filing on November 15, 2012. The Stipulation outlined the terms, conditions, and rates by residential and non-residential service classes for 1) estimated and actual MEEIA Programs' costs; 2) estimated and actual TD Share amounts; and 3) Performance Incentive Award for GMO's portfolio of MEEIA Programs. Cycle 1 ended in December 2015 with an extension for certain programs extended through June 2016. The Evaluation, Measurement and Verification ("EM&V") process was completed for Cycle 1 in late 2016. This DSIM filing includes the recognition of the performance incentive award that is the result of this EM&V for Cycle 1. The performance incentive for Cycle 1, before interest, is \$5,461,153. The performance incentive award is allocated between the residential and non-residential classes and accrues carrying costs at GMO's short-term borrowing rate from the end of the three-year plan period until recovery begins. Therefore, as a result of the allocation and the accrual of carrying costs, the residential class will be allocated \$2,220,695 and the non-residential class will be allocated \$3,343,854, each to be recovered equally over four DSIM recovery periods.

On August 28, 2015, GMO filed its MEEIA Cycle 2 application in File No. EO-2015-0241. The Commission approved a stipulation with its Report and Order issued on March 2, 2016 in File No. EO-2015-0241 and a second stipulation with its Order Approving Second Stipulation and Agreement issued on April 6, 2016 in File No. EO-2015-0241. These Stipulations outlined the terms, conditions, and rates by residential and non-residential service classes for 1) estimated and actual MEEIA Programs' costs; 2) estimated and actual TD Share amounts; and 3) Earnings Opportunity for GMO's portfolio of MEEIA Programs. The Stipulations also allowed GMO cost recovery through a DSIM Rider, which went into effect on April 1, 2016. Since GMO's Cycle 1 was being recovered through base rates, a provision was made in the DSIM Rider to adjust the amounts collected through the rider to account for the amounts being recovered in base rates. It was the intent of GMO to remove base rate MEEIA recovery in the subsequent rate case.

Change in GMO's DSIM Rates

Per 4 CSR 240-20.093(4) and 4 CSR 240-3.163(8), GMO is required to make semi-annual adjustments of DSIM rates to reflect the amount of revenue that has been over/under collected. This is GMO's second filing since the DSIM Rider was originally established in the GMO's MEEIA filing made in File No. EO-2015-0241.

The current MEEIA mechanism rate per class of customer is collected through a line item on current bills and is based on six months of projected costs and incentives with reconciliations from actual prior periods and any ordered adjustments with interest. Listed below are the current MEEIA rates and the new MEEIA rates for the proposed DSIM Rider. The proposed DSIM Rider rate changes are applicable to all non-lighting kWh of energy supplied to customers under GMO's retail rate schedules, excluding kWh of energy supplied to "opt-out" customers.

For a residential customer using 1,000 kWh, this would mean a decrease of \$0.23 per month. Conversely, for a non-residential customer, this would mean an increase of \$1.62 for every 1,000 kWh used.

Rate Class	Current MEEIA Rate/kWh	Proposed MEEIA Rate/kWh
Residential Service	\$0.00162	\$0.00139
Non-Residential Service	\$0.00589	\$0.00751

This filing also accounts for the removal of base rate MEEIA recovery due to the conclusion of GMO's most recent rate case, File No. ER-2016-0156. The tariffs for GMO's rate case are due to become effective on February 22, 2017.

Staff Recommendation

The Commission Staff's Tariff/Rate Design Unit has reviewed the filed tariff sheet and recommends the Commission issue an order approving the following tariff sheet, as filed on January 10, 2017, for service on and after February 1, 2017, the requested effective date.

P.S.C. MO. No. 1

2nd Revised Sheet No. 138.7, Cancelling 1st Revised Sheet No. 138.7

The Staff has verified that GMO is not delinquent on any assessment and has filed its Annual Report. GMO is current on its submission of its Quarterly Surveillance Monitoring reports as required in 4 CSR 240-20.090(10). The 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 DSIM Rider rate change in this case is solely based on the accuracy of GMO's calculations and is not indicative of prudence.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

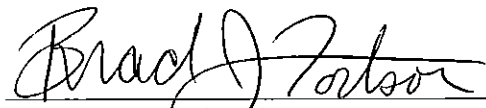
In the Matter of KCP&L Greater Missouri)
Operations Company's Demand Side Investment) **File No. ER-2017-0166**
Mechanism Rider Rate Adjustment and True-Up) **Tariff No. JE-2017-0110**
4 CSR 240.3.163(8))

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Brad J. Fortson 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.

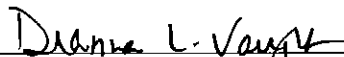
Further the Affiant sayeth not.



Brad J. Fortson

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 12th day of January, 2017.



Notary Public

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

