

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 20<sup>th</sup> day of  
July, 2016.

In the Matter of Kansas City Power & Light Company's     )  
Demand Side Investment Rider Rate Adjustment             ) **File No. ER-2016-0325**  
And True-Up Required by 4 CSR 240-3.163(8)                 ) **Tariff No. JE-2016-0343**

**ORDER REGARDING DEMAND SIDE INVESTMENT MECHANISM  
RIDER RATE ADJUSTMENT**

Issue Date: July 20, 2016

Effective Date: August 1, 2016

On June 1, 2016, Kansas City Power & Light Company ("KCP&L") filed an application under the Missouri Energy Efficiency Investment Act ("MEEIA") to adjust its Demand Side Investment Mechanism ("DSIM") rider and submitted tariff sheets with an effective date of August 1, 2016, to implement the proposed adjustments. The Missouri Department of Economic Development – Division of Energy was the only party that filed a notice of its intention to participate in this matter under Commission Rule 4 CSR 240-3.163(9)(A).

Commission rules require KCP&L to make semi-annual adjustments of its DSIM rates to reflect the amount of revenue that have been over or under-collected.<sup>1</sup> The proposed adjustments to the DSIM rates are based upon actual and estimated performance in the six-month period ending June 2016 and forecasted performance through December 2016 for program costs and throughput disincentive. This six-month

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<sup>1</sup> Commission Rules 4 CSR 240-20.093(4) and 4 CSR 240-3.163(8).

period is the first filing for cycle 2 under the KCP&L DSIM rider that was approved by the Commission in File No. EO-2015-0240 and effective on April 1, 2016. KCP&L's requested adjustment would result in a decrease in the DSIM Rider rate of a typical residential customer of \$.003 per month, and a decrease in the DSIM Rider rate for non-residential customers of \$1.18 per month.

The Commission's Staff filed a recommendation regarding KCP&L's DSIM rider tariff on July 1, 2016, advising the Commission to reject the tariff sheets submitted by KCP&L. Staff states that in a recent audit of Kansas City Power & Light Company's ("KCPL") MEEIA programs, it discovered that both KCPL and GMO had incorrectly calculated the throughput disincentive-net shared benefit ("TD-NSB") for cycle 1 MEEIA programs, resulting in an under-recovery by the companies. To correct for this under-recovery from its customers, KCP&L proposes in this DSIM adjustment filing to include amounts for the TD-NSB share that it did not collect due to its improper calculation, but also to collect additional carrying costs, or interest, from its customers attributed to the amount of the under-collection that resulted from KCP&L's calculation error.

Staff supports appropriate recovery of its DSIM programs costs and its throughput disincentive for its residential and commercial and industrial ("C&I") customer classes. Staff also supports KCP&L's recovery of under-collection of costs due to KCP&L's inadvertent error in calculating to discount 2015 program costs to 2014 dollars when calculating the Throughput Disincentive Net Shared Benefits.

However, Staff recommends the Commission reject the Company's efforts to collect carrying costs from its customers because KCP&L's calculation error, though inadvertent, failed to follow the agreed upon calculation method approved by the Commission as set out

in the stipulation and agreement in Case No. EO-2014-0095. Staff further recommends the Commission reject KCP&L's requested tariff change to extend the collection period from six months to eighteen months for the C&I customer class. KC&PL's request not only distorts price signals by extending the cost collection period by a full year, it also includes charging C&I customers additional carrying costs during the extended one-year recovery period on the uncollected cost balance.

This correction results in an increase in the unrecovered balance at the end of December 2015 of \$369,831, plus carrying costs of \$2,280, for a total of \$372,111. Staff requests that the Commission reject the tariff sheets and order KCP&L to file a new tariff that excludes the interest amount.

KCP&L filed a response to Staff's recommendation on July 7, 2016.<sup>2</sup> KCP&L disagrees with Staff's request to disallow recovery of interest on amounts of the TD-NSB share that were under-recovered. KCP&L argues that its existing DSIM rider specifically provides that charges passed through the DSIM rider include reconciliations, with interest, to true-up for differences between the revenues billed under the DSIM rider and total actual monthly amounts for cycle 1 program costs and throughput disincentive. KCP&L also states that the DSIM rider tariff in effect prior to the existing tariff also provided for a true-up of the TD-NSB to be tracked with interest and trued-up for amortization in a future rate case.

KCP&L argues that its inadvertent error in calculation does not change these tariffs, which prescribe recovery of carrying costs at the utility's short-term borrowing rate on all revenue that was under or over-recovered in the prior DSIM recovery period. Calculation errors are exactly the situation that DSIM adjustments are designed to address so that the

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<sup>2</sup> No other party filed a response by the filing deadline established by the Commission.

utility or the ratepayers are made whole for either under or over-recovery. If KCP&L would be obligated to pay interest to its customers in the case of an over-recovery, then KCP&L is entitled under the tariff to receive interest in the case of an under-recovery. KCP&L also states that any carrying costs associated with the calculation error do not result in harm to its customers. KCP&L requests that the Commission approve the tariff sheets as submitted.

The Commission's rule regarding adjustment of DSIM rates between general rate proceedings states that if the proposed adjustments are in accordance with the rule, Section 393.1075, RSMo, and the previously-approved DSIM, the Commission shall issue an order approving the tariff sheets, and the adjustments shall take effect sixty days after the tariff sheets were filed.<sup>3</sup> The Commission has reviewed KCP&L's tariff filings and Staff's verified recommendation and memorandum, and finds that the proposed tariff sheets implementing the DSIM rate adjustment are not in compliance with KCP&L's existing DSIM tariffs and with all applicable statutes and regulations.

On the carrying costs issue, Staff would disallow these costs because KCP&L failed to use the agreed-upon method of discounting MEEIA program costs. However, accepting Staff's treatment of this inadvertent error would be contrary to the Commission's rules and the Company's tariffs. Those rules and tariffs state that carrying costs at the utility's short term borrowing rate will be recovered/paid on all revenue that was under- or over-recovered in the prior DSIM recovery period. As KCP&L argues, inadvertent calculation errors are exactly the type of situation that an adjustment to a rider mechanism is supposed to address. Allowing such recovery ensures both the utility and the ratepayers are made

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<sup>3</sup> Commission Rule 4 CSR 240-20.093(4).

whole for any inadvertent under- or over-recovery. Considering the totality of the circumstances in this case, it would be contrary to the intent of the tariffs to accept Staff's treatment of the \$2,280 in carrying costs at issue here.

However, the Commission will reject the tariffs due to KCP&L's request to extend the collection period for the Commercial and Industrial customer class from six to eighteen months. The current six-month recovery period mitigates the "pancaking" of Cycle 1 and Cycle 2 cost recoveries agreed to by the parties in designing the DSIM. Customers should be protected from the unnecessary "pancaking" of Cycle 2 costs on top of "extended" Cycle 1 programs' costs and Cycle 1 TD-NSB, as well as the yet unknown amount of Cycle 1 Performance Incentive – which could be substantial.

Therefore, the Commission will reject KCP&L's proposed tariff and authorize KCP&L to file new tariff sheets in compliance with this order.

**THE COMMISSION ORDERS THAT:**

1. Kansas City Power & Light Company's tariff filing, assigned Tariff Tracking No. JE-2016-0343, is rejected. The tariff sheets rejected are:

**P.S.C. MO. No. 1**

**1<sup>st</sup> Revised Sheet No. 49G, Canceling Original Sheet No.49G**

**1<sup>st</sup> Revised Sheet No. 49H, Canceling Original Sheet No. 49H**

**1<sup>st</sup> Revised Sheet No. 49I, Canceling Original Sheet No.49I**

**1<sup>st</sup> Revised Sheet No. 49O, Canceling Original Sheet No. 49O**

2. Kansas City Power & Light Company shall file a corrected First Revised Sheet No. 49O that includes DSIM rates which are calculated pursuant to the existing DSIM Rider that includes the Cycle 1 under-billed amount and that includes carrying costs attributed to the under-billed amount resulting from Kansas City Power & Light Company's calculation error.

3. This order shall become effective on August 1, 2016.



**BY THE COMMISSION**

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive, flowing style.

Morris L. Woodruff  
Secretary

Hall, Chm., Kenney, Rupp,  
and Coleman, CC., concur.  
Stoll, C., dissents.

Pridgin, Deputy Chief Regulatory Law Judge

**STATE OF MISSOURI**

**OFFICE OF THE PUBLIC SERVICE COMMISSION**

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

**WITNESS** my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 20<sup>th</sup> day of July 2016.



  
Morris L. Woodruff  
Secretary

**MISSOURI PUBLIC SERVICE COMMISSION**

**July 20, 2016**

**File/Case No. ER-2016-0325**

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**Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).**

**Sincerely,**

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive style with a large, prominent "M" and "W".

**Morris L. Woodruff  
Secretary**

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