

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2014-0204, Tariff Tracking No. JE-2014-0281
KCP&L Greater Missouri Operations Company

FROM: Matthew Barnes, Utility Regulatory Auditor IV

DATE: /s/ John Rogers 01/30/2014 /s/ Robert S. Berlin 01/30/2014
Energy Resource Analysis Unit / Date Staff Counsel Division / 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: January 30, 2014

Staff Recommendation

The Staff recommends the Commission issue an order approving the proposed revised tariff Sheet No. 127 of the Fuel Adjustment Clause ("FAC") of KCP&L Greater Missouri Operations Company ("GMO") as filed on December 31, 2013, to become effective on March 1, 2014, as requested by GMO.

Discussion

On December 31, 2013, GMO filed one (1) tariff sheet¹ bearing a proposed effective date of March 1, 2014, to revise its current annual Fuel Adjustment Rates ("FARs") (Line Items 16 and 19 on 7th Revised Sheet No. 127) of its FAC. Included in the filing on December 31, 2013, 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 \$3,254,100 for its MPS rate district and \$902,371 for its L&P rate district for Accumulation Period 13 (June 1, 2013 through November 30, 2013) resulting from the sum of:

1. 95% of the difference between the jurisdictional Actual Net Energy Costs (fuel costs plus emissions allowance plus purchased power costs plus transmission costs less off-system sales revenue less renewable energy credits) and the jurisdictional Net Base Energy Costs for Accumulation Period 13 reflected on line 7 of 7th Revised Sheet No. 127 of \$4,686,198 and \$734,609 for MPS and L&P, respectively;
2. The true up of the under/over recovery for prior period amounts as a result of the FARs for Recovery Period 10 (September 1, 2012 through August 31, 2013) filed by GMO on December 31, 2013, in File No. ER-2014-0203 is \$(52,753) and \$110,415 including

¹ Tracking No. JE-2014-0281

interest for MPS and L&P, respectively. However, MPS is correcting for past hedge settlements² that were inadvertently charged to electric customers in MPS instead of steam customers in L&P. The correction results in an over-charge of \$1,480,416 including interest from MPS customers. The correcting entry for past hedge settlements is included in the total amount³ \$(1,533,169) for MPS on line 8 of 7th Revised Sheet No. 127, and;

3. Interest amounts for Accumulation Period 10 (June 1, 2013 through November 30, 2013) are reflected on line 9 of 7th Revised Sheet No. 127 as \$101,071 and \$57,347 for MPS and L&P, respectively.

The MPS FAR of \$0.00051 per kWh (line 13 of 7th Revised Sheet No. 127) is equal to the MPS FPA amount of \$3,254,100 divided by the forecasted retail net system input (“NSI”) of 6,419,033,464 kWh (line 12 of 7th Revised Sheet No. 127).

Similarly, the L&P FAR of \$0.00040 per kWh (line 13 of 7th Revised Sheet No. 127) is equal to the L&P FPA amount of \$902,371 divided by the forecasted NSI of 2,234,678,659 kWh (line 12 of 7th Revised Sheet No. 127)

Because of differences in line losses for MPS and L&P for both primary and secondary voltage service levels⁴, there are different current period FARs for service taken at primary and secondary voltages in MPS and in L&P.

The current annual FARs are the sum of the current period FARs and the previous period FARs for MPS and L&P, respectively, as reflected on lines 14 through 19 of 7th Revised Sheet No. 127.

The Accumulation Periods, Recovery Periods, and other specifications of GMO’s FAC Accumulation Period 13 (June 1, 2013 through November 30, 2013) 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 service in both the MPS and L&P rate districts.

² GMO brought to Staff’s attention the correction of past hedge settlements. The correction to L&P steam customers was addressed by Staff and approved by the Commission in Case No. HT-2013-0456. Staff and GMO met June 12, 2013 where Staff and GMO verbally agreed that the correction would be made in this FAC filing. GMO witness Linda J. Nunn discusses the correction in her direct testimony beginning on page 4, lines 13 through 23 filed in this case.

³ The true-up amount on line 8 of Revised Sheet No. 127 is: $\$(1,480,416) + \$(52,753) = \$(1,533,169)$.

⁴ The voltage adjustment factors (VARs) for MPS and L&P for both primary and secondary voltage service levels are included at the bottom of 7th Revised Sheet No. 127.

Current Fuel Adjustment Rate - MPS			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	\$0.00111	\$0.00208	\$0.00097 Decrease
Secondary	\$0.00115	\$0.00210	\$0.00095 Decrease
Current Fuel Adjustment Rate – L&P			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	\$0.00197	\$0.00325	\$0.00128 Decrease
Secondary	\$0.00202	\$0.00329	\$0.00127 Decrease

The proposed changes to the FARs will result in a decrease to a typical MPS residential customer's bill of approximately \$0.82 per month and a decrease to a typical L&P residential customer's bill of approximately \$1.10 per month, based on an average use of 867 kWh per month, respectively.

Staff reviewed 7th Revised Sheet No. 127, the direct testimony of Linda J. Nunn and workpapers in this filing, as well as GMO's monthly information filed in compliance with 4 CSR 240-3.161(5) for Accumulation Period 13, 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 7th Revised Tariff Sheet No. 127 and the supporting schedules 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 13 and verified that the monthly interest rates and calculations of monthly interest amounts are correct for Accumulation Period 13. Staff also verified that the monthly interest rates and calculations of monthly interest amounts applied to the steam hedge settlements that were inadvertently charged to electric customers in MPS instead of steam customers in L&P are correct.

The information filed with the revised tariff sheet and workpapers include sufficient data to calculate GMO's FARs based on the actual fuel, purchased power and emission allowance costs net of off-system sales revenue and base fuel, purchased power and emission allowance costs net of off-system sales revenue GMO provided for Accumulation Period 13.

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 13 (June 1, 2013 through November 30, 2013) 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 is allowing 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 will continue to work 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.

Staff Recommendation

The Staff is of the opinion that GMO timely filed 7th 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 7th Revised Tariff Sheet No. 127, filed December 31, 2013, become effective on March 1, 2014. Thus, the tariff sheet was filed with 60 days’ notice. Staff, therefore, recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on December 31, 2013, to become effective on March 1, 2014, as requested by GMO:

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P.S.C. Mo. No. 1
7th Revised Sheet No. 127 Canceling 6th Revised Sheet No. 127

Staff has verified that GMO is not delinquent on any assessment and has filed its 2012 Annual Report. GMO is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Other than the true-up amounts that are the subject of Case No. ER-2014-0203 and the correction for past steam hedge settlements approved by the Commission in Case No. HT-2013-0457, 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 Required by)
4 CSR 240-2.090(4) and the Company's)
Approved Fuel Adjustment Clause) File No. ER-2014-0204

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

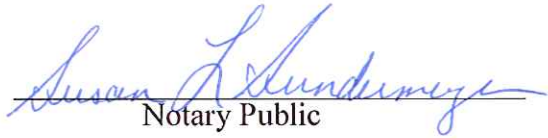
Matthew J. Barnes, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Matthew J. Barnes

Subscribed and sworn to before me this 30th day of January, 2014.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086



Notary Public