

Exhibit No.

Issue: Adjustment to PACC Rate

Witness: Scott Stordahl

Type of Exhibit: Direct Testimony

Sponsoring Party: Vicinity Energy
Kansas City Inc.

Case No. HT-2023-____

Date Testimony Prepared: February 1, 2023

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

SCOTT STORDAHL

VICINITY ENERGY KANSAS CITY, INC.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

_____)
In the Matter of Vicinity Energy)
Kansas City Inc's Adjustment to) **Case No. HT-2023-____**
its PACC Tariff Rate)
_____)

STATE OF Missouri)
)
COUNTY OF JACKSON) **SS**

Affidavit of Scott Stordahl

Scott Stordahl, being first duly sworn, on his oath states:

- 1. My name is Scott Stordahl. I am the General Manager of Vicinity Energy Kansas City, Inc. My business address is 115 Grand Blvd., Kansas City MO 64106.
- 2. Attached hereto and made a part hereof for all purposes is my direct testimony, which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. HT-2023-____ (In the Matter of Vicinity Energy Kansas City Inc.'s Adjustment to its PACC Tariff Rate).
- 3. I hereby swear and affirm that the testimony is true and correct.

Scott Stordahl
Scott Stordahl

subscribed and sworn before me this 1st day of February, 2023.

TINA MARIE MATESKI
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County
My Commission Expires: Feb. 27, 2025
Commission # 13450815

Tina Marie Mateski
Notary Public

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DIRECT TESTIMONY OF
SCOTT STORDAHL**

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

**DIRECT TESTIMONY OF SCOTT STORDAHL
ON BEHALF OF VICINITY ENERGY KANSAS CITY, INC.
CASE NO. HT-2023-_____**

SECTION I. OVERVIEW

1 Q. Please state your name and business address.

2 A. My name is Scott Stordahl and my business address is Vicinity Energy Kansas City,
3 Inc., 115 Grand Blvd., Kansas City MO 64106.

4

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by Vicinity Energy, LLC as the General Manager of Vicinity
7 Energy Kansas City, Inc. My duties and responsibilities include the management
8 and oversight of Vicinity Energy Kansas City, Inc. (referred to herein as
9 “Vicinity”).

10

11 Q. Have you ever testified before this Commission or any other regulatory
12 commission?

13 A. Yes, I provided testimony in the last three years’ PACC filings, File Nos. HT-2020-
14 0223, HT-2021-0245, and HT-2022-0212.

15

16 Q. Please summarize the purpose and content of your testimony.

1 A. Vicinity's Production Adjustment Cost Clause (PACC) became effective on
2 January 1, 2015, which includes Vicinity's obligation to file annual rate
3 adjustments, with an option allowing for semi-annual filings, to reflect 95% of the
4 changes to production costs. The purpose of my testimony is to support Vicinity's
5 annual PACC filing (including, but not limited to, revised Tariff Sheet Nos. 36 and
6 37) as required by the Non-unanimous Stipulation and Agreement in Case No. HR-
7 2014-0066 and the PACC tariff, to adjust customer rates for changes in Vicinity's
8 PACC production costs experienced during the accumulation period January 2022
9 through December 2022. Paragraph 8 of the Non-Unanimous Disposition
10 Agreement approved by the Commission in Vicinity's most recent rate case, Case
11 No. HR-2018-0341 (Tracking No. YH-2019-0076), continued the PACC Tariff
12 with approved modifications.¹

13
14 The costs passed through this PACC filing reflect ninety-five percent (95%) of the
15 difference between actual fuel, purchased power, and consumable costs during the
16 2022 Accumulation Period and the comparable costs included in base rates. The
17 base rates were reset in Case No. HR-2018-0341 at seven dollars and eighteen cents
18 per thousand pounds of steam (\$7.18/mlb). The history of surcharges/refunds under
19 the PACC tariff are summarized below:

- 20 • On March 16, 2016, the Commission approved a PACC filing decreasing
21 (refunding) rates \$0.17905 per Mlb, effective April 1, 2016.

¹ The modifications to the PACC Tariff include the addition of chemical costs (Account 5027), the removal of coal costs (Account 5013) and resetting the PACC base factor from \$7.69/mlb to \$7.18/mlb effective December 1, 2018.

- 1 • On March 29, 2017, the Commission approved a PACC filing decreasing
2 (refunding) rates \$0.44636 per Mlb, effective April 1, 2017.
- 3 • On March 21, 2018, the Commission approved a PACC filing decreasing
4 (refunding) rates \$0.16412 per MLB, effective April 1, 2018.
- 5 • On March 20, 2019, the Commission approved a PACC filing decreasing
6 (refunding) rates \$0.40858 per MLB, effective April 1, 2019.
- 7 • On March 18, 2020, the Commission approved a PACC filing decreasing
8 (refunding) rates \$0.2901 per Mlb, effective April 1, 2020.
- 9 • On March 30, 2021, the Commission approved a PACC filing setting the rate
10 at \$0.0 (no refund or surcharge), effective April 1, 2021.
- 11 • On June 9, 2022, the Commission approved a PACC filing increasing rates
12 (surcharging) by \$0.38, effective April 1, 2022.

13 The PACC production costs included in this filing (including regulatory accounts)
14 are: (a) fuel costs: (i) 5011 Fuel expense – natural gas; (ii) 5012 Fuel expense –
15 natural gas transport; (iii) 5017 Fuel expense – purchased electricity; (b)
16 consumable costs: (i) 5021 Consumable expense – water; (ii) 5022 Consumable
17 expense – sewer; and (iii) 5027 Consumable expense – chemicals. In accordance
18 with the terms of the PACC tariff, no capital costs or internal company labor have
19 been included in actual production costs reported during the Accumulation Period.
20 In accordance with the November 14, 2020 Stipulation and Agreement Resolving
21 Issues Arising from the City of Kansas City Change in Sewer Billing in Case No.

1 HT-2020-0223, a Reconciling Adjustment is made to the calculation of 2022 sewer
2 expense.²

3
4 The Recovery Period applicable to this filing will consist of the billing months April
5 2023 – March 2024. Pursuant to the reporting requirements contained in the Non-
6 unanimous Stipulation and Agreement, the testimony will address: (1) Mlb sales by
7 rate class and by individual customer, separately showing steam sales to Vicinity
8 Missouri and the process steam customers; (2) Fuel, purchased electricity and
9 consumable costs included in base rates, the amount of such costs includable in the
10 PACC and the variance of eligible costs during the Accumulation Period; and (3)
11 calculation of the proposed net change in the annual PACC collection rate, along
12 with supporting work papers.

13
14 In addition, in Section V. of this testimony, I will briefly discuss the impact of 2021
15 Winter Storm Uri.

16
17 Q. What adjustment is being made in this filing?

18 A. Customer rates will increase \$7.53 per Mlb driven primarily by increases in the
19 cost of fuel and consumable costs relative to a PACC base of \$7.18/mlb effective
20 December 1, 2018. The main driver of the increase in costs in 2022 was the cost
21 of natural gas in 2022 versus the cost of natural gas in the base PACC cost.

22

² The quantification of this Reconciling Adjustment is set forth on Schedule 1A.01.

1 The rate increase of \$7.53 per Mlb under the PACC tariff represents ninety-five
2 percent (95%) of the total company PACC variance from the PACC base cost. The
3 PACC will appear as a separate line item on the customer's bills starting with April
4 2023, when the Recovery Period applicable to the subject Accumulation Period
5 begins.

6
7 Q. How did Vicinity calculate the PACC adjustment requirements contained in the
8 Non-Unanimous Disposition Agreement in Case No. HR-2018-0341, the
9 November 14, 2020 Stipulation and Agreement Resolving Issues Arising from the
10 City of Kansas City Change in Sewer Billing in Case No. HT-2020-0223, and
11 Vicinity's PACC Tariff?

12 A. In order to address the specific PACC filing requirements contained in the Non-
13 Unanimous Disposition Agreement in Case No. HR-2018-0341, the November 14,
14 2020 Stipulation and Agreement Resolving Issues Arising from the City of Kansas
15 City Change in Sewer Billing in Case No. HT-2020-0223, and Vicinity's PACC
16 Tariff, the following information associated with the filing of this case was prepared
17 by me or under my direction and supervision:

- 18 1. Base PACC Costs & Rate, attached as Schedule 1A, details the allowable
19 regulatory accounts and amounts approved in Case No. HR-2018-0341 and
20 the associated amounts in the applicable Accumulation Period. Total steam
21 sales by customer class for the Accumulation Period are also summarized
22 and compared to comparable sales levels from the last rate case.

1 2. PACC Rider, attached as Schedule 1B, details the calculation of the
2 production adjustment (i.e., \$/Mlb) pursuant to the PACC tariff rider.

3 3. Customer Sales & Refund/Surcharge during the Accumulation Period,
4 attached as Schedule 1C, also details customer accounts, sales (in Mlbs) by
5 customer, the impact of the PACC rate adjustment in the Recovery Period
6 and the monthly PACC adjustment (refund and/or surcharge).³

7
**SECTION II. MLB SALES BY RATE CLASS AND BY INDIVIDUAL CUSTOMER,
SEPARATELY SHOWING STEAM SALES TO VICINITY MISSOURI AND THE
PROCESS STEAM CUSTOMERS**

8 Q. Please detail Mlb sales by rate class and by individual customer, separately showing
9 steam sales to Vicinity Missouri and the process steam customers.

10 A. Please see Schedule 1A for Mlb sales by rate class and Schedule 1C for sales by
11 individual tariff customer (detailed as Tariff Customer account codes). The tariff
12 steam sales to Vicinity Missouri during the Accumulation Period are included in
13 the Large Commercial sales on Schedule 1A and among the tariff customers listed
14 on Schedule 1C. Please also refer to this same Schedule 1C for steam sales to
15 process steam customers during the Accumulation Period.

16
**SECTION III. FUEL, PURCHASED ELECTRICITY AND CONSUMABLE COSTS
INCLUDED IN BASE RATES, THE AMOUNT OF SUCH COSTS INCLUDABLE
IN THE PACC, AND THE VARIANCE OF ELIGIBLE COSTS DURING THE
ACCUMULATION PERIOD**

³Because the Commission may approve Tariff Sheets 36 and 37 before April 1, 2023, Sheet 36 shows both the surcharge continuing through March 31, 2022 and the surcharge commencing April 1, 2023.

1 Q. Please detail fuel, purchased electricity and consumable costs included in base
2 rates, the amount of such costs includable in the PACC, and the variance of eligible
3 costs during the Accumulation Period.

4 A. Please see Schedule 1A, column (B) for fuel, purchased electricity and consumable
5 costs included in base rates and column (D) for the actual 2022 comparable
6 amounts. Schedule 1B summarizes the total amount of such costs includable in the
7 2022 PACC and the calculation of customer responsibility for the variance in
8 eligible costs during the Accumulation Period.

9
10 As noted previously, Schedule 1A supports the actual adjusted consumable costs
11 for the Accumulation Period and Schedule A.01 shows the quantification of the
12 sewer expense Reconciling Adjustment approved by the Commission⁴ pursuant to
13 the November 14, 2020 Stipulation and Agreement Resolving Issues Arising from
14 the City of Kansas City Change in Sewer Billing in Case No. HT-2020-0223. This
15 Reconciling Adjustment imputes additional sewer expense from the City of Kansas
16 City for those months during 2022 in which the City no longer billed sewer charges
17 to the Company related to the Company's sales to Cargill and instead directly billed
18 Cargill for sewer costs. The Reconciling Adjustment applies actual cost rates of
19 \$1.58 and \$1.67 per Mlb to the applicable metered steam sales to Cargill.⁵

20

SECTION IV. CALCULATION OF THE PROPOSED PACC COLLECTION RATES, ALONG WITH SUPPORTING WORK PAPERS

⁴ See Commission order issued December 30, 2020, in File No. HT-2020-0223.

⁵ Schedule 1A.01, note b.

1 Q. Please detail the calculation of the proposed PACC collection rates, along with
2 supporting work papers.

3 A. Please see Schedules 1A, 1A.01, 1B and 1C for the calculation of the proposed
4 2022 PACC collection rates.

5

6 Q. Does Vicinity seek application of the PACC Rider to the Residential High-Rise
7 class at this time?

8 A. No, however that decision shall not be interpreted as a waiver by Vicinity to seek
9 future application of the PACC Rider to the Residential High-Rise customer class
10 in the future. At this time, the Company does not have any customers receiving
11 steam service under the Residential High-Rise tariff.

12

SECTION V. CONTINUED EFFECTS OF 2021 WINTER STORM URI

13 Q. Please explain the reference to Winter Storm Uri.

14 A. A North American winter storm, unofficially referred to as Winter Storm Uri, was
15 a major winter snow and ice storm resulting in widespread impacts across the
16 United States, Northern Mexico, and parts of Canada. This February 2021 winter
17 storm produced snow and damaging ice including record snowfall in Texas. As a
18 result of Winter Storm Uri, Vicinity faced extraordinarily high gas bills from its
19 pipeline supplier. Had Vicinity paid the full amount billed by its supplier in 2021,
20 the gas costs included in the 2021 PACC billed to customers could have also been

1 extraordinarily high. In communication with the Commission and Staff,⁶ the
2 Company committed to not seek recovery of the winter storm costs from its tariff
3 customers until the actual amounts became known and were paid by VEKC.

4
5 In the PACC filing pending at the time of the winter storm (HT-2021-0245), the
6 Company observed that the storm was likely to result in significant gas costs and
7 sought Commission approval to defer as a regulatory liability certain PACC refunds
8 otherwise due customers to offset a portion of the winter storm costs, once known.
9 The parties believed, and the Commission agreed, that it would not be in the public
10 interest to flow the deferred amounts to customers as a refund who might then see
11 a significant surcharge. The parties believed, and the Commission agreed, that it
12 would be better to hold those amounts in a regulatory liability until the actual
13 amount that Vicinity will have paid for gas during Winter Storm Uri is known and
14 paid, and use those deferred amounts as an offset to the paid gas costs.⁷

15
16 Q. Is the gas cost impact of the 2021 winter storm now known?

17 A. No. The full amount is still subject to litigation, and the final total will not be
18 known until such litigation is resolved. Symmetry Energy Solutions, LLC
19 submitted an invoice to Vicinity for February 2021 in the amount of
20 \$18,599,773.90. On or about January 18, 2022, Vicinity filed its Second Amended
21 Petition in Case No. 2116-CV07877, Vicinity Energy Kansas City, Inc., v.

⁶ See PACC filings and orders in Case Nos. HT-2021-0245 and HT-2022-0212.

⁷ In the PACC Case No. HT-2022-0212, the parties agreed to flow the previously deferred regulatory liabilities to the benefit of customers rather than for the Company to continue to hold such funds until resolution of the litigation between VEKC and its pipeline supplier.

1 Symmetry Energy Solutions, LLC, pending in the Circuit Court of Jackson County,
2 Missouri. In the lawsuit, Vicinity brought claims against Symmetry for breach of
3 contract, fraud, unjust enrichment, and declaratory relief related to Symmetry's
4 actions during Winter Storm Uri. The lawsuit is set for trial on June 23, 2023.
5 Vicinity and Symmetry have been engaged in productive settlement discussions
6 and expect to finalize a settlement of the litigation in the coming months. The only
7 costs included in this PACC filing are those actually paid in 2022. Just as they were
8 in June 2022, when the Commission issued the Order Approving Tariff to Adjust
9 PACC Adjustment Rates, Vicinity and its customers are still potentially exposed to
10 extraordinarily high costs for gas used during Winter Storm Uri.

11
12 Q. In March 2021 when the Stipulation and Agreement Resolving Issues Arising from
13 Gas Price Spikes of February 2021 ("Stipulation") was filed in Case No. HT-2021-
14 0245, what was Vicinity's expectation of when the full amount for gas used during
15 Winter Storm Uri would be billed and paid?

16 A. Vicinity expected that the full amount would be known and paid within months of
17 March 2021, and the Stipulation even described a probable biannual PACC filing
18 to be made in August 2021 or earlier that would reflect those billed amounts.
19 Because the full amount was neither known nor paid, the August filing was not
20 made.

21
22 Q. Does this conclude your direct testimony?

23 A. Yes.

P.S.C.MO. No. 1

9th Revised SHEET No. 37

Cancelling P.S.C.MO. No. 1

(8th Revised) SHEET No. 37

VEOLIA ENERGY KANSAS CITY, INC.
Name of Issuing Corporation

For KANSAS CITY, MISSOURI
Community, Town or City

VEOLIA ENERGY KANSAS CITY, INC.
RATES FOR STEAM SERVICE
PRODUCTION ADJUSTMENT COST CLAUSE ("PACC")

Calculation of Current PACC Adjustment Factor

Accumulation Period Beginning	<u>January 1, 2022</u> (Month, Day, Year)	and Ending	<u>December 31, 2022</u> (Month, Day, Year)
1. Actual Production Costs (FCAP)			\$27,580,195
2. Base PACC Production Costs (FCBR)	= \$7.18/mlb * BDAP _t		\$13,109,792
3. Variance (FCAP – FCBR)	Line 1 - Line 2		<u>\$14,470,403</u>
4. Customer Responsibility (95%)	Line 3 * 0.95		\$13,746,882
5. Reconciliation Amount			\$0
6. Prudence Adjustment Amount			<u>\$0</u>
7. Total Dollar Amount to Determine Adjustment Factor	Line 4 + Line 5 + Line 6		\$13,746,882
8. Accumulation Period Metered Steam Sales	Mlb		1,825,895
9. Production Adjustment Factor (PACC _t)	Line 7 / Line 8		\$7.53/mlb

DATE OF ISSUE 2 1 2023
month day year

DATE EFFECTIVE 4 1 2023
month day year

ISSUED BY Robert Arendell, EVP and General Counsel, Vicinity Energy 100 Franklin St., 2nd Floor, Boston, MA 02110
name of officer title address

VEOLIA ENERGY KANSAS CITY, INC.
Name of Issuing Corporation

For KANSAS CITY, MISSOURI
Community, Town or City

**VEOLIA ENERGY KANSAS CITY, INC.
RATES FOR STEAM SERVICE
PRODUCTION ADJUSTMENT COST CLAUSE ("PACC")**

Any Customer or group of Customers may file an application using the existing complaint process to initiate a prudence review.

Whether initiated by normal Staff review or the complaint process, there will be no prudence review rate adjustment unless the rate adjustment exceeds 5% of the total fuel and consumable costs incurred during the period under review.

E. Interest. The PACC filings and adjustments will not include any interest or carrying costs related to the timing of fuel and consumable cost recovery.

F. Monthly and Surveillance Reporting: The Company shall file monthly and surveillance reports as fully defined in the Stipulation and Agreement to Case No. HR-2014-0066.

IV. RATES.

A. Current PACC Rate Adjustment Factor Table.

<u>Period</u>	<u>First Effective Date</u>	<u>Last Effective Date</u>	<u>PACC_t</u>
Jan 1, 2021- Dec 31, 2021	April 1, 2022	March 31, 2023	\$.38
Jan 1, 2022- Dec 31, 2022	April 1, 2023	March 31, 2024	\$7.53

B. Reconciliation Adjustment Table.

<u>Period</u>	<u>First Effective Date</u>	<u>Last Effective Date</u>	<u>PACC_t</u>
---------------	-----------------------------	----------------------------	-------------------------

DATE OF ISSUE 2 1 2023
month day year

DATE EFFECTIVE 4 1 2023
month day year

ISSUED BY Robert Arendell, EVP and General Counsel, Vicinity Energy 100 Franklin St., 2nd Floor, Boston, MA 02110
name of officer title address