

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

In the Matter of the Application of Kaiser Farms Inc.)
for Approval of a Change of Electrical Supplier) **File No. EO-2012-0366**

STAFF RECOMMENDATION TO APPROVE APPLICATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through the undersigned counsel, and for its recommendation to approve Kaiser Farm Inc.’s *Application* states to the Missouri Public Service Commission (“Commission”) as follows:

1. On May 8, 2012, Kaiser Farms Inc. (“Kaiser”) filed an *Application* with the Commission. The *Application* requested a change in electric supplier from KCP&L Greater Missouri Operations Company (“GMO”) to Farmers Electric Cooperative (“Farmers”).

2. On May 9, 2012, the Commission issued its *Order Directing Notice, Adding Parties, and Directing Responses To Application* (“Order”). By that Order, the Commission added GMO and Farmers as necessary parties and directed Staff to file a recommendation to the *Application* no later than June 22, 2012.

3. In its *Memorandum*, attached hereto as Appendix A, Staff recommends the Commission approve the Application as being in the public interest. Kansas City Power & Light Company¹ (“KCPL”) does not object to this transfer. While not having specifically endorsed the *Application*, Farmers has stated “...that it has no position regarding the merits of the Application or the disposition of same by the Commission.”

¹ The *Application* describes the current supplier as GMO, however, KCPL responded to the Commission’s *Order* adding GMO as a party and directing a response. The grain bins are located near the service territories of both KCPL and GMO, and Staff understands that KCPL is the current service provider.

4. Sections 393.106.2 and 394.315.2 RSMo 2000, state that once an electrical corporation, such as KCPL, or a rural electric cooperative, such as Farmers, begins supplying electric service to a structure through permanent service facilities, the corporation or cooperative has the right to continue serving that structure. However, both sections state “[t]he public service commission, upon application made by an affected party, may order a change of suppliers on the basis that it is in the public interest for a reason other than a rate differential....”

5. As Staff relates in its *Memorandum*, Kaiser currently operates four grain bins and its business plans now call for the erection of four additional grain bins with related equipment. After discussing the need of additional capacity with KCPL², KCPL informed Kaiser that the existing supply did not have the capacity necessary for the anticipated increased demand in power supply. The only alternative to bring additional capacity to this location would be for KCPL to run a three-phase line from a neighboring city back to the grain bin site, with an estimated cost between \$450,000 to \$500,000. Both KCPL and Kaiser Farms agreed this was not feasible and KCPL agreed to release the structures if Kaiser could obtain the necessary supply from Farmers. After studying Kaiser’s needs, Farmers agreed to extend three-phase service to Kaiser at an estimate cost of \$63,796.29.

6. The Commission’s approval of the *Application* will relieve Kaiser and KCPL from uneconomically extending three-phase supply to this location. For this

² The *Application* states Kaiser spoke with GMO regarding the need of additional capacity. The grain bins are located near the service territories of both KCPL and GMO, and Staff understands that KCPL is the current service provider.

reason, approval of the *Application* is in the public interest for a reason other than a rate differential.

WHEREFORE, Staff recommends the Commission approve the *Application* to allow a change of supplier for Kaiser Farms Inc., from Kansas City Power & Light Company to Farmers Electric Cooperative as in the public interest for a reason other than a rate differential.

Respectfully submitted,

/s/Jennifer Hernandez

Jennifer Hernandez
Senior Staff Counsel
Missouri Bar No. 59814

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751- 8706 (Telephone)
(573) 751-9285 (Fax)
jennifer.hernandez@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail to all counsel of record this 22nd day of June, 2012.

/s/Jennifer Hernandez

MEMORANDUM

TO: Missouri Public Service Commission Official Case File No. EO-2012-0366,
Change in Electric Supplier filed by Kaiser Farms, Inc.

FROM: Daniel I. Beck, Energy Unit – Engineering Analysis

/s/ Daniel I. Beck 6/22/2012
Energy Unit / Date

/s/ Jennifer Hernandez 6/22/2012
Staff Counsel's Office / Date

Subject: Staff Recommendation

Date: June 22, 2012

OVERVIEW

On May 8, 2012, Kaiser Farms, Inc. (Kaiser) filed an Application with the Missouri Public Service Commission (Commission) requesting that the electric supplier to its grain bin located near the intersection of Highway 10 and County Road 177, six miles west of Carrollton on Highway 10, Carroll County, Missouri be changed from Kansas City Power & Light Company (KCPL)¹ to Farmers Electric Cooperative (Farmers or Cooperative). KCPL filed its response on June 8, 2012 stating that KCPL does not object to the transfer. Farmers filed its response on June 19, 2012 taking no position on the Application. Staff recommends that the Commission approve the Application to allow a change of supplier for Kaiser Farms, Inc. from KCPL to Farmers as in the public interest for a reason other than a rate differential.

¹ The Application describes the current supplier as “Kansas City Power & Light, Greater Missouri Operation (GMO)”. KCPL responded to the Commission’s Order Directing Notice, Adding Parties, and Directing Responses to Application. This grain bin is located near the service territories of both KCPL and GMO, but KCPL is the current service provider.

DISCUSSION

Kaiser's Application describes how it is currently being supplied with single-phase electric power supply and how it expects to increase its demand by approximately 250% but the existing single-phase facilities do not have the capacity to serve the planned increased demand. The Application states that it would cost between \$450,000 to \$500,000 to extend three-phase service to that location using KCPL facilities. In contrast, Farmers requires \$63,796.29 to extend three-phase service to Kaiser. Staff understands that these dollar estimates are based on the amount of facilities that would need to be installed to serve Kaiser and that Farmers requires much less additional facilities and therefore will allow the Cooperative to use its existing facilities more efficiently. In the section of land that Kaiser is located on (a section of land is 1 square mile), GMO's service territory is the western half of the section and KCPL's service territory is the eastern half, with Farmers serving customers throughout the section. Staff generally views that utilizing existing facilities is more logical than building additional facilities.

The Application states the three-phase power is better suited for operation of such facilities when compared to single-phase power. It goes on to explain that Kaiser installed three 50 horsepower phase converters to supply power to the existing grain bins. It is Staff's experience that a three-phase electric motor is more energy efficient than a single-phase motor. Likewise, to convert from single-phase to three-phase using a phase converter also requires more energy than a simple three-phase supply. The new three-phase facility should result in more energy efficient operations for Kaiser.

KCPL's Response states that "(u)nder the unique circumstances of this situation, KCP&L concurs with the request". While Staff does not disagree with this statement, Staff would note that the need to change suppliers to provide three-phase power to a customer has been requested several times in the last 10 years and the Commission has granted those requests with the support of the utilities involved.

Sections 394.315 and 393.106, RSMo are the statutes that address the change of supplier from an electric cooperative and from an electrical corporation to another electric provider, respectively. These statutes are commonly referred to as the "anti-flip-flop" statutes. The statutes include the following language: "The public service commission, upon application made by an affected party, may order a change of suppliers on the basis that it is in the public interest for a reason other than a rate differential...." The Application addressed the topic of public interest and states that line or facility duplication will be avoided if the Application is approved.

To summarize, based on Staff's analysis in this case, Staff recommends that the Commission approve the Application to allow a change of supplier for Kaiser from KCPL to Farmers as in the public interest for a reason other than a rate differential. Granting the change of supplier would avoid unnecessary duplication of facilities, support the expansion of Kaiser's operations, and result in a more energy efficient operations for Kaiser.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the Application to allow a change of supplier for Kaiser Farms, Inc. from Kansas City Power & Light Company to

Farmers Electric Cooperative as in the public interest for a reason other than a rate differential.

The Staff has verified that Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company filed 2011 annual reports and are not delinquent on assessments. Farmers Electric Cooperative is a rural electric cooperative that provides electric service to its members, and no annual reports or assessments are required from the Commission.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Kaiser Farms Inc. for Approval of a)
Change of Electrical Supplier)
Case No. EO-2012-0366

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Daniel I. Beck, 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.



Daniel I. Beck

Subscribed and sworn to before me this 22nd day of June, 2012.



Notary Public

