

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2014-0151, KCP&L Greater Missouri Operations Company’s
Application for Authority to Establish a Renewable Energy Standard Rate
Adjustment Mechanism

FROM: Auditing, Economic Analysis, & Engineering Analysis

/s/ Mark Oligschlaeger August 8, 2014
Auditing / Date

/s/ Jennifer Hernandez August 8, 2014
Staff Counsel’s Office / Date

SUBJECT: Staff Report and Conclusion on KCP&L Greater Missouri Operations Company’s
Application for Authority to Establish a Renewable Energy Standard Rate
Adjustment Mechanism

DATE: August 8, 2014

CONCLUSION

The Staff has reviewed the KCP&L Greater Missouri Operations (“GMO” or “Company”) Application for Authority to Establish a Renewable Energy Standard Rate Adjustment Mechanism (RESRAM). Based on its review, Staff recommends the following for this initial RESRAM:

- RESRAM compliance costs be limited to the Solar rebate payments, contractor costs associated with the administration of the solar rebate program, NAR fees and system costs, S-REC purchases, and carrying costs;
- Continuance of the waiver regarding St. Joseph Landfill gas recovery in the Fuel Adjustment Clause (FAC);
- Reserve for the next general rate case the review of the appropriateness of the current recovery mechanisms for renewable resources and determination of any renewable benefits;
- Exclusion of all U.S. Solar related solar rebate amounts from RESRAM recovery at this time;

** **Denotes Highly Confidential Information** **

NP

Attachment 1

- Offsetting the amount of RES compliance costs to be recovered through the RESRAM with the portion of any renewable energy credit (REC) sale revenues not otherwise flowed to customers through a separate rate mechanism;
- GMO seek a limited variance of Commission Rule 4 CSR 240-20.100(6)10 that would allow the RESRAM to be calculated as a percentage of the customer's total bill for the applicable billing period;
- The Commission order GMO to provide its customers information in the exact form provided in Appendix A to this Memorandum;
- GMO's RES Revenue Requirement be billed to customers as a percentage of taxable retail revenue for services rendered; and
- For the Commission to order GMO to file compliance RESRAM tariff sheets consistent with the attached Appendix B.

OVERVIEW

On April 10, 2014, the Company filed its Application for Authority to Establish a Renewable Energy Standard Rate Adjustment Mechanism. The Application was filed in accordance with 4 CSR 240-20.100(6), Electric Utility Renewable Energy Standard Requirements, Cost Recovery and Pass-through of Benefits. Subsection 4 CSR 240-20.100(6)(C) provides the minimum requirements for the application. Subsection 4 CSR 240-20.100(6)(A) requires that Staff examine the Application and file a report of its review within one hundred twenty (120) days of the application.

DISCUSSION

The Company has identified a total amount of RES compliance costs of approximately \$27.8 million it incurred between September 2012 and December 2013. However, Section 5 of

the RES Rule requires that a retail rate impact cap (“RRI cap”) be calculated for the purpose of establishing an upper limit on the amount of RES compliance costs that can be recovered in rates, either in a general rate proceeding or through a RESRAM mechanism. This RRI cap amount is based generally upon a comparison of ten-year projections of the utility’s non-RES revenue requirements and RES compliance expenditures. However, in the Stipulation and Agreement reached in Case No. ET-2014-0059, the Company agreed to limit its future annual amount of rate recovery of solar rebate costs to 1% of its revenue requirement in its most recent general rate proceeding (“stipulated cap”).¹ Because solar rebate payments make up the vast majority of RES compliance costs incurred by the Company between September 2012 and December 2013, the Company has chosen in this Application to apply the stipulated cap to the entirety of its RES compliance costs for purposes of determining the allowable RESRAM recovery amount. Calculated in this manner, the resulting stipulated annual cap amount is approximately \$7.6 million. Though Staff is recommending that several adjustments be made to the Company’s total balance of RES compliance costs for purposes of rate recovery, the proposed use of the “stipulated cap” method within this RESRAM is acceptable to Staff.

Because the total RES compliance costs incurred by GMO for the period of September 2012 through December 2013 far exceeds the stipulated cap limit of approximately \$7.6 million described above, the Company can only recover a portion of the total RES costs in the first year of the RESRAM mechanism. The remaining “carried forward” costs can be recovered in subsequent years through the RESRAM mechanism, with carrying costs applied.

¹ Case No. ET-2014-0059, *Non-Unanimous Stipulation And Agreement*, p. 6, ¶ 7.e.

RES Compliance Costs:

RES compliance costs, as defined in 4 CSR 240-20.100(1)(N), are prudently incurred costs, both capital and expense, directly related to compliance with the Renewable Energy Standard. The Company has included the following RES compliance costs in this initial RESRAM filing:

- Solar Rebate Payments
- Contractor costs associated with:
 - Administration of the solar rebate program
 - Audit/verification of solar facility installations
- Costs associated with Renewable Energy Credits (RECs):
 - North American Renewables Registry (NAR) system costs
 - NAR fees associated with retirement and sale of Gray County RECs
 - NAR fees associated with retirement of Solar Renewable Energy Credits (S-RECs)
 - Cost to purchase now retired S-RECs from third party vendors
- Carrying costs

In addition to the above RES Compliance Costs, the Company incurs costs associated with the following renewable resources:

- St. Joseph Landfill Generating Station
- Ensign Wind Farm PPA
- Gray County Wind Energy PPA

GMO is not proposing that any capital costs related to RES compliance activities be recovered through the RESRAM. The Company currently, pursuant to a waiver granted by the Commission in Case No. ER-2012-0175,² includes the St. Joseph Landfill Generating Station

² Case No. ER-2012-0175, *Order Granting Waiver*.

gas costs for recovery through the FAC. The capital costs and operating, maintenance, and depreciation expenses associated with the St. Joseph Landfill Generating Station are currently recovered in base rates. The Company also recovers the expenses associated with the Gray County and Ensign purchased power agreements through the FAC. The Company has also entered into a purchased power agreement for energy from the Mill Creek Wind facility which is expected to commence operation in December 2015.

Staff supports the Company's request to continue the waiver regarding St. Joseph Landfill gas recovery in the FAC at this time and recommends reviewing the appropriateness of the current recovery mechanisms for renewable resources, and determination of any renewable benefits, during the next general rate case. For this initial RESRAM filing, Staff recommends the RESRAM compliance costs be limited to certain solar rebate payments, contractor costs associated with the administration of the solar rebate program, NAR fees and system costs, S-REC purchases, and carrying costs.

The amount of solar rebate payments that the Company seeks recovery of through the RESRAM includes payments made to U.S. Solar. Staff is aware of alleged irregularities concerning amounts paid to U.S. Solar by the Company for solar rebates, and is further aware that the Company has conducted internal reviews and has hired third party contractors to perform audits and investigations of payments made to this vendor. As a result of its audit and investigatory activities, Staff has learned that the Company has recently sent U.S. Solar a letter requesting that approximately ** _____ ** of solar rebate amounts previously paid by the Company be refunded back to the Company. Staff is not aware that any response to this request has yet been made by U.S. Solar. Staff has calculated that over ** _____ ** of solar

rebate payments were made by the Company to U.S. Solar from September 1, 2012 through December 31, 2013.

Given that the Company has not concluded its activities regarding investigation of the alleged irregularities involving solar rebate payments made to customers who contracted with U.S. Solar, Staff believes that it would be appropriate to exclude all U.S. Solar related solar rebate amounts from RESRAM recovery at this time, until additional information is available as to what portion of those costs may be appropriate for recovery from customers in rates. Because the total amount of RES compliance costs incurred by GMO far exceeds the annual stipulated cap amount utilized by the Company for purposes of this RESRAM application, even after the amount of solar rebate payments made to U.S. Solar is deducted, this exclusion would not affect the dollar amount of the recovery of RES compliance costs in its first year of operation. This exclusion would only potentially affect the total amount of recovery the Company would receive in rates for RES compliance activities over the duration of the RESRAM, or potentially in future general rate proceedings.

The RES Rule requires that any RESRAM be used to flow to customers any benefits associated with its compliance activities, in addition to allowing recovery of compliance costs. When asked whether the Company was receiving any benefits associated with its RES compliance activities in a data request, the only such benefit discussed by the Company was that in the past it had on occasion received revenues associated with the sale of RECs. However, the Company also noted that the proceeds from REC sales are currently flowed to customers through operation of the FAC. At this time it appears that GMO's RES compliance benefits would also include changes in the capital-related costs of items in GMO's RES rate base, particularly the

St. Joseph Landfill Generating Station. GMO includes the St. Joseph Landfill Generating Station gas costs for recovery through the FAC, for this reason, Staff is not recommending that RES benefits associated with the capital investment in the St. Joseph Landfill Generating Station be included in this initial RESRAM. Staff will provide a recommendation for the future treatment of the fuel expense and the capital-related costs concerning St. Joseph Landfill Generating Station in GMO's next general rate case. If Staff determines that RES compliance benefits do exist in this initial RESRAM or in subsequent RESRAMs that occur prior to GMO's next general rate case, Staff will address the quantification of these benefits in its prudence review of GMO's RESRAM to occur in GMO's next general rate case.

Regarding sale of RECs by the Company, Staff is aware that there was at least one such sale during the period of September 2012 to December 2013, with GMO receiving a total of \$8,757 in revenues from that transaction. Staff notes that only 95% of the revenues associated with that transaction were or will be passed on to customers through operation of the FAC, with the Company to retain the benefit of the remaining 5% of the revenues. Though the remaining amount of the REC sale revenues received in this period is de minimis, Staff asserts that the RES Rule requires that any amount of REC sale revenues not flowed to customers through other means be reflected in the RESRAM mechanism as an offset to compliance cost recoveries. Accordingly, Staff recommends that \$438 ($\$8,757 \times .05$) be included as an offset to the total balance of RES compliance costs eligible for recovery through the RESRAM mechanism.

Staff has included language in its proposed RESRAM tariffs regarding the required application of a short-term interest carrying cost rate to certain amounts within the RESRAM mechanism. The intent of these provisions of the tariffs is to accrue carrying costs on amounts

charged to customers through operation of the RESRAM in a highly similar manner to the method used currently to accrue carrying costs in the existing FAC and MEEIA rider mechanisms for electric utilities in this jurisdiction.

Customer Materials

Staff recommends GMO provide to its customers information in the form described in Appendix A to this Memorandum. GMO did provide specimen forms of the notices and customer communication materials identified in the RESRAM rule filing requirements. GMO's language was generally adequate to satisfy these requirements, however it is necessary to modify GMO's language to be consistent with the changes Staff has recommended to the design and operation of GMO's RESRAM. Additionally, Staff recommends a small number of other changes to promote customer understanding and for clarity. Staff's recommended form of these customer materials is attached as Appendix A.

Allocation and Billing of RESRAM Revenue Requirement

Staff recommends that GMO's RES Revenue Requirement be billed to customers as a percentage of taxable retail revenue for services rendered. Staff also recommends that GMO seek a limited variance of Commission Rule 4 CSR 240-20.100(6)(A)10 that would allow the RESRAM to be calculated as a percentage of the customer's total bill for the applicable billing period.

Commission Rule 4 CSR 240-20.100(6)(A)10 provides that "The RESRAM will be calculated as a percentage of the customer's energy charge for the applicable billing period." It is Staff's understanding that assessing a charge as a percentage of only the energy charge would

require substantial modification to GMO's current billing software. Additionally, assessing a charge as a percentage of only the energy charge would result in disproportionate intraclass and interclass customer impact of total bill increase. Finally, assessing a percentage charge of the entire billed amount subject to sales tax is preferable from the perspective of customer understandability and transparency.

GMO's RESRAM as proposed would allocate and bill the RES Revenue Requirement on the basis of class and customer kWh. GMO did not request a waiver from 4 CSR 240-20.100(6)(A)10. GMO's proposed allocation and billing method results in substantially different charges on a percent-of-bill basis to customers than the allocation to customers that would result from calculating the RESRAM as a percentage of the customer's energy charge. Staff recommends that the slight variance of assessing the RESRAM charge as a percentage of taxable retail revenue for services rendered is a reasonable compromise between the rule as promulgated, administrative ease, and customer understandability.

Tariff

Staff recommends the Commission order GMO to file compliance RESRAM tariff sheets consistent with the attached Appendix B. These tariff sheets are consistent with 4 CSR 240-20.100³ and Staff's recommendations described above. The specimen tariff sheets contained in Appendix B provide for an initial RESRAM percentage rate of 1% of each customer's bill for taxable services rendered, for the period of the billing months October 2014 through September 2015.

³ Staff's recommendation varies from the rule to the extent Staff recommends that GMO request a limited variance of Commission Rule 4 CSR 240-20.100(6)(A)10 that would allow the RESRAM to be calculated as a percentage of the customer's total bill for the applicable billing period.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company's Application for) File No. EO-2014-0151
Authority to Establish a Renewable Energy)
Standard Rate Adjustment Mechanism)

AFFIDAVIT OF CLAIRE EUBANKS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

CLAIRE EUBANKS, of lawful age, on her oath states: that she has 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 developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.

Claire M Eubanks
CLAIRE EUBANKS

Subscribed and sworn to before me this 8th day of August, 2014.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070

D Suzie Mankin
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company's Application for) File No. EO-2014-0151
Authority to Establish a Renewable Energy)
Standard Rate Adjustment Mechanism)

AFFIDAVIT OF ROBIN KLIETHERMES

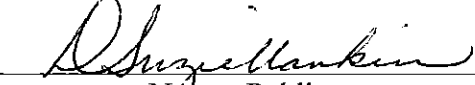
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

ROBIN KLIETHERMES, of lawful age, on her oath states: that she has 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 developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.


ROBIN KLIETHERMES

Subscribed and sworn to before me this 8th day of August, 2014.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company's Application for) File No. EO-2014-0151
Authority to Establish a Renewable Energy)
Standard Rate Adjustment Mechanism)

AFFIDAVIT OF SARAH L. KLIETHERMES

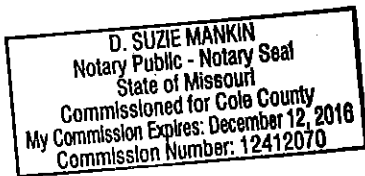
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

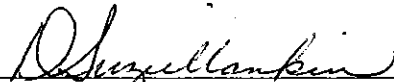
SARAH L. KLIETHERMES, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.



SARAH L. KLIETHERMES

Subscribed and sworn to before me this 8th day of August, 2014.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company's Application for) File No. EO-2014-0151
Authority to Establish a Renewable Energy)
Standard Rate Adjustment Mechanism)

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

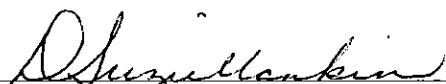
MARK L. OLIGSCHLAEGER, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters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



MARK L. OLIGSCHLAEGER

Subscribed and sworn to before me this 8th day of August, 2014.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070



Notary Public

Staff's Recommended Modifications to GMO's Proposed Customer Materials

Initial notice

Renewable Energy Standard Rate Adjustment Mechanism

KCP&L Greater Missouri Operations (GMO) filed for a Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) with the Missouri Public Service Commission (Commission)*. The RESRAM charge will recover costs associated with the state's Renewable Energy Standard which was approved by voters in 2008 as Proposition C, and requires the increased production of energy from renewable energy sources, such as wind, solar, and biomass. Beginning October 1, 2014, the RESRAM amount will appear as a new line item on the bill and a typical residential customer using 867 kWh of electricity will see about **\$1.08** increase per month. Costs and benefits passed through the RESRAM will be reviewed by the Commission so that customers pay only for prudently incurred Renewable Energy Standard costs.

[BILL ITEMIZATION INSET]

*In accordance with Statutory Authority Section 393.1030.2(4) RSMO.

How Does it work?

- The Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) on your bill is calculated by multiplying the RESRAM rate by the month's total bill for service.
- The RESRAM factor is calculated by taking the accrued costs associated with the Renewable Energy Standard since the last rate request.¹ The RESRAM is not to exceed 1% of the utility's retail revenue.
- The Missouri Public Service Commission approved the RESRAM rate of 1% for October 1, 2014 through September 31, 2015.
- There is a filing submitted for Commission review and approval each year to ensure that the correct amount is collected from customers.

Annual notice

Renewable Energy Standard Rate Adjustment Mechanism: The RESRAM recovers costs and returns benefits associated with complying with Renewable Energy Standard incurred by KCP&L. The RESRAM is itemized separately on your bill and adjusted annually. For more information go to kcpl.com/resram.

Website

RESRAM (Renewable Energy Standard Rate Adjustment Mechanism): For customers in the Greater Missouri Operations service area, this is a way to account for costs and benefits experienced to comply with Renewable Energy Standard. The charge for these costs are evaluated and approved by the Missouri Public Service Commission annually.

Call Center

Starting August 1, 2014, this will appear on bills for GMO customers. It was approved by the Missouri Public Service Commission (MPSC) as a way to account for the incremental amount

¹ This initial RESRAM is only for the incremental amount. This language may need to be modified pending the outcome of future general rate cases.

incurred to comply with Renewable Energy Standard,² over what is already included in base rates. A typical residential customer with average usage of 867 kWh monthly will see an increase of **\$0.04** per day. Affected customers received a bill insert (the word bill insert is a hyperlink to the actual bill insert for quick reference) explaining the new charge.

² This initial RESRAM is only for the incremental amount. This language may need to be modified pending the outcome of future general rate cases.

GMO's Proposed Customer Materials with Staff's Recommendations Shown

Initial notice

Renewable Energy Standard Rate Adjustment Mechanism

KCP&L Greater Missouri Operations (GMO) filed for a Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) with the Missouri Public Service Commission (Commission)*. The RESRAM charge will recover ~~approved~~ costs associated with the state's Renewable Energy Standard which ~~is a regulation that was approved by voters in 2008 as Proposition C, and~~ requires the increased production of energy from renewable energy sources, such as wind, solar, and ~~geothermal~~ biomass.

~~The RESRAM is a way to account for the incremental amount accrued to comply with Renewable Energy Standard, over what is already included in base rates.~~ Beginning ~~August~~ October 1, 2014, the RESRAM amount will appear as a new line item on the bill and a typical residential customer using 867 kWh of electricity will see about ~~81 cents~~ \$1.04 increase per month.

~~The Costs and benefits passed through the RESRAM is an accurate way to reflect the charges associated with the Renewable Energy Standard. By using current figures, rather than an estimate, will be reviewed by the Commission so that~~ customers pay only for prudently incurred Renewable Energy Standard costs.

[BILL ITEMIZATION INSET]

*In accordance with Statutory Authority Section 393.1030.2(4) RSMO.

How Does it work?

- The Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) on your bill is calculated by multiplying the RESRAM ~~factor~~ rate by the ~~kilowatt hours (kWh) used during the month's total bill for service.~~
- The RESRAM factor is calculated by taking the accrued costs associated with the Renewable Energy Standard since the last rate request.³ The RESRAM is not to exceed 1% of the utility's retail revenue.
- The Missouri Public Service Commission approved the RESRAM ~~factor~~ of \$0.00094/kWh rate of 1% for ~~August-October~~ September 1, 2014 through ~~September~~ July 31, 2015.
- There is a filing submitted for Commission review and approval each year to ensure that the correct amount is collected from customers.

Annual notice

Renewable Energy Standard Rate Adjustment Mechanism: ~~Your electric rate includes~~ The RESRAM recovers costs and returns benefits associated with complying with Renewable Energy Standard incurred by KCP&L. ~~Costs above what are included in base rates are~~ The RESRAM is itemized separately on your bill and adjusted annually. For more information go to kcpl.com/resram.

Website

RESRAM (Renewable Energy Standard Rate Adjustment Mechanism): For customers in the Greater Missouri Operations service area, this is a way to account for ~~the incremental amount~~

³ This initial RESRAM is only for the incremental amount. This language may need to be modified pending the outcome of future general rate cases.

~~incurred costs and benefits experienced~~ to comply with Renewable Energy Standard, ~~over what is already included in base rates~~. The charge for these costs are evaluated and approved by the Missouri Public Service Commission annually.

Call Center

Starting August 1, 2014, this will appear on bills for GMO customers. It was approved by the Missouri Public Service Commission (MPSC) as a way to account for the incremental amount incurred to comply with Renewable Energy Standard,⁴ over what is already included in base rates. A typical residential customer with average usage of 867 kWh monthly will see an increase of ~~\$0.03~~ \$0.04 per day. Affected customers received a bill insert (the word bill insert is a hyperlink to the actual bill insert for quick reference) explaining the new charge.

⁴ This initial RESRAM is only for the incremental amount. This language may need to be modified pending the outcome of future general rate cases.

RENEWABLE ENERGY STANDARD RATE ADJUSTMENT MECHANISM

APPLICABILITY:

This Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) is applicable to all bills rendered for service to the retail customers served by the Company. Charges passed through this RESRAM reflect the Renewable Energy Standard (“RES”) compliance costs and benefits as defined in 4 CSR 240-20.100(6). In the event that the Commission orders an offset adjustment, that RESRAM Offset Rate shall be netted with the otherwise applicable RESRAM rate for the pendency of the offset adjustment.

Revised RESRAM rate schedules shall be filed to either (1) reset the RESRAM to zero when new base rates and charges become effective following a Commission report and order establishing customer rates in a general rate proceeding that fully incorporates RES compliance costs or benefits previously reflected in a RESRAM in the Company’s base rates or (2) modify the RESRAM rate as necessary to reflect any portion of the RES compliance costs or benefits reflected in a RESRAM that the Commission does not order to be placed into base rates in that proceeding and that will continue to be recovered through the RESRAM. Any over- or under-recovery of RESRAM revenues or over- or under-pass-through of RESRAM benefits that exists after the RESRAM has been modified, shall be tracked in an account and considered in the Company’s next RESRAM filing or general rate case proceeding, whichever occurs first.

DEFINITIONS:

As used in this RESRAM Rider, the following definitions shall apply:

“Effective Period” **[EP]** means the twelve (12) months beginning with the month of October 2014, and each twelve month period there-after.

“RESRAM Revenue Requirement” **[RRR]** means the RES compliance costs net of RES compliance benefits.

“Allowable RESRAM Revenue Requirement” **[ARRR]** means the amount of RESRAM Revenue Requirement, adjusted by any Commission-ordered reconciliations or other adjustments, that does not exceed the retail rate impact limit of 4 CSR 240-20.100(5)(A).

“Short-Term Borrowing Rate” means (i) the daily one-month USD LIBOR rate, using the last previous actual rate for weekends and holidays or dates without an available LIBOR rate, plus (ii) the Applicable Margin for Eurodollar Advances as defined in the Pricing Schedule of the current KCP&L Revolving Credit Agreement. A simple mathematical average of all the daily rates for the month is then computed.

INITIAL DETERMINATION OF RESRAM RATE:

The initial RESRAM charge shall be 1% of the taxable retail bill for services rendered, and shall not be subject to a Reconciliation Adjustment, unless the revenues collected exceed the ARRR. If the revenues collected exceed the ARRR, the next EP's applicable ARRR shall be reduced by the revenues collected in excess of the ARRR. Such amounts shall include monthly interest at the Company's monthly short-term borrowing rate.

SUBSEQUENT DETERMINATION OF RESRAM RATE:

The RESRAM charge during each applicable EP shall be applied as a percentage to each customer's taxable retail bill for service rendered. The percentage shall be calculated as follows:

$$\text{ARRR}^* = \text{RRR}^{**} + \text{OA} + \text{RA}$$

* Not to exceed the retail rate impact limit of 4 CSR 240-20.100(5)(A).

** If the RRR is greater than the ARRR, the difference between the ARRR and the RRR shall be carried forward for future recovery. Such amounts shall include monthly interest at the Company's monthly short-term borrowing rate.

$$\text{RESRAM} = \text{ARRR} / \text{PR}$$

Where:

OA = Ordered Adjustment is the amount of any adjustment to the ARRR or RRR ordered by the Commission as a result of prudence reviews and/or corrections under this RESRAM Rider. Such amounts shall include monthly interest at the Company's monthly short-term borrowing rate.

RA = Reconciliation Adjustment is equal to the cumulative difference, if any, between the revenues billed during the previous EP resulting from the application of the RESRAM and the RESRAM revenues intended to be collected through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly short-term borrowing rate.

PR = Projected Revenues, in dollars, forecasted to be billed to customers during the applicable EP.

The RESRAM rate shall be rounded to the nearest 0.0001%.

RESRAM OFFSET RATE [ROA]

The RESRAM offset will be designed to reconcile such disallowed costs or benefits within the six (6)-month period immediately subsequent to any commission order regarding such disallowance of RES compliance costs or benefits.

DEP = Disallowance Effective Period means the six (6) months beginning with the first billing month following the promulgation of tariffs resulting from a general rate case.

DA = Disallowance Amount means the offset amount determined to be disallowed by the Commission in the event the Commission disallows, during a subsequent general rate proceeding, recovery of RES compliance costs previously in an RESRAM, or pass-through of benefits previously in an RESRAM. The offset amount shall include a calculation of interest at the electric utility's short-term borrowing rate.

$$\mathbf{ROA = DA / DEP}$$

FILING:

The Company shall make a RESRAM filing during each calendar year. Each filing shall be effective for the October billing month and such Rider RESRAM filings shall be made at least sixty (60) days prior to their effective dates.

PRUDENCE REVIEWS:

A prudence review shall be conducted no less frequently than at twenty four (24) month intervals. A prudence review shall also be conducted concurrent with any general rate case filed by the Company. Any costs which are determined by the Commission to have been imprudently incurred or incurred in violation of the terms of this Rider RESRAM shall be credited to customers through future adjustments to the RRR. Adjustments by Commission order, if any, pursuant to any prudence review shall be included in the RESRAM determination in OA above. Such amounts shall include monthly interest at the Company's monthly short-term borrowing rate.

RESRAM REVENUE REQUIREMENT AND RATE:

Applicable to determination of RESRAM Rider for the billing months of October 2014 through September 2015:

Total RESRAM Revenue Requirement: \$ 27,772,286

Allowable RESRAM Revenue Requirement: \$ 7,581,679

RESRAM Percentage Rate: 1.0000%

RESRAM OFFSET Rate: 0.0000%

Net RESRAM Percentage Rate: 1.0000%