

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-2024-____

Date Testimony Prepared: January 31, 2024

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

SCOTT STORDAHL

VICINITY ENERGY KANSAS CITY, INC.

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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-2024-_____**

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 four years’ PACC filings, File Nos. HT-2020-
14 0223, HT-2021-0245, HT-2022-0212, and HT-2023-0247.

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. It includes an obligation for Vicinity 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 2023
9 through December 2023. Paragraph 7 of the Non-Unanimous Agreement
10 Regarding Disposition of Small Utility Company Revenue Increase Request
11 approved by the Commission in Vicinity's most recent rate case, Case No. HR-
12 2023-0198, continued the PACC Tariff 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 2023 Accumulation Period and the comparable costs included in base rates. The
17 base PACC production cost rate was set in Case No. HR-2018-0341 at seven dollars
18 and eighteen cents per thousand pounds of steam (\$7.18/mlb). Base rates were not
19 changed in Case No. HR-2023-0198 and the PACC base line remained unchanged
20 at \$7.18/mlb. The history of surcharges/refunds under the PACC tariff are
21 summarized below:

¹ The modifications to the PACC Tariff in Case No. HR-2018-0341 (Tracking No. YH-0219-0076) 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 16, 2016, the Commission approved a PACC filing decreasing
2 (refunding) rates \$0.17905 per Mlb, effective April 1, 2016.
- 3 • On March 29, 2017, the Commission approved a PACC filing decreasing
4 (refunding) rates \$0.44636 per Mlb, effective April 1, 2017.
- 5 • On March 21, 2018, the Commission approved a PACC filing decreasing
6 (refunding) rates \$0.16412 per MLB, effective April 1, 2018.
- 7 • On March 20, 2019, the Commission approved a PACC filing decreasing
8 (refunding) rates \$0.40858 per MLB, effective April 1, 2019.
- 9 • On March 18, 2020, the Commission approved a PACC filing decreasing
10 (refunding) rates \$0.2901 per Mlb, effective April 1, 2020.
- 11 • On March 30, 2021, the Commission approved a PACC filing setting the rate
12 at \$0.0 (no refund or surcharge), effective April 1, 2021.
- 13 • On June 9, 2022, the Commission approved a PACC filing increasing rates
14 (surcharging) by \$0.38, effective April 1, 2022.
- 15 • On March 16, 2023, the Commission approved a PACC filing increasing rates
16 (surcharging) by \$7.53, effective April 1, 2023.

17 The PACC production costs included in this filing (including regulatory accounts)
18 are:

- 19 (a) fuel costs:
20 (i) 5011 Fuel expense – natural gas;
21 (ii) 5012 Fuel expense – natural gas transport;
22 (iii) 5017 Fuel expense – purchased electricity;
- 23 (b) consumable costs:
24 (i) 5021 Consumable expense – water;
25 (ii) 5022 Consumable expense – sewer; and
26 (iii) 5027 Consumable expense – chemicals.

1 In compliance with the terms of the PACC tariff, no capital costs or internal
2 company labor have been included in actual production costs reported during the
3 Accumulation Period. In accordance with the November 14, 2020, Stipulation and
4 Agreement Resolving Issues Arising from the City of Kansas City Change in Sewer
5 Billing in Case No. HT-2020-0223, a Reconciling Adjustment is made to the
6 calculation of 2023 sewer expense.²

7
8 The Recovery Period applicable to this filing will consist of the billing months April
9 2024 – March 2025. Pursuant to the reporting requirements contained in the
10 settlement agreements in the Company’s two most recent rate cases (HR-2018-
11 0341 and HR-2023-0198), the testimony will address: (1) Mlb sales by rate class
12 and by individual customer, separately showing steam sales to Vicinity Missouri
13 and the process steam customers; (2) Fuel, purchased electricity and consumable
14 costs included in base rates, the amount of such costs includable in the PACC and
15 the variance of eligible costs during the Accumulation Period; and (3) calculation
16 of the proposed net change in the annual PACC collection rate, along with
17 supporting work papers.

18
19 In addition, in Section VI of this testimony, I will briefly discuss the impact of 2021
20 Winter Storm Uri.

21
22 Q. What adjustment is being made in this filing?

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

1 A. This PACC filing will increase customer base rates by \$1.16 per Mlb driven
2 primarily by increases in the cost of fuel and consumable expenses relative to a
3 PACC base of \$7.18/mlb initially effective December 1, 2018. The main driver
4 of the increase in costs in 2023 was the cost of natural gas in 2023 versus the cost
5 of natural gas in the base PACC cost.

6
7 The rate increase of \$1.16 per Mlb under the PACC tariff represents ninety-five
8 percent (95%) of the total company PACC variance from the PACC base cost. The
9 PACC will appear as a separate line item on the customer's bills starting with April
10 2024, when the Recovery Period applicable to the subject Accumulation Period
11 begins. The proposed PACC increase of \$1.16 represents a decrease of \$6.37 from
12 the PACC increase of \$7.53 implemented in April 2023.

13
14 Q. How did Vicinity calculate the PACC adjustment requirements contained in the
15 Non-Unanimous Disposition Agreement in Case No. HR-2018-0341, the
16 November 14, 2020, Stipulation and Agreement Resolving Issues Arising from the
17 City of Kansas City Change in Sewer Billing in Case No. HT-2020-0223, and
18 Vicinity's PACC Tariff?

19 A. In order to address the specific PACC filing requirements contained in the Non-
20 Unanimous Disposition Agreement in Case No. HR-2018-0341, the November 14,
21 2020, Stipulation and Agreement Resolving Issues Arising from the City of Kansas
22 City Change in Sewer Billing in Case No. HT-2020-0223, and Vicinity's PACC

1 Tariff, the following schedules containing highly confidential information were
2 prepared by me or under my direction and supervision:

- 3 1. Base PACC Costs & Rate, attached as HC Schedule 1A, details the
4 allowable regulatory accounts and amounts approved in Case No. HR-2018-
5 0341 (*see* column B1) and the associated amounts in the applicable
6 Accumulation Period (column D).³ Total steam sales by customer class for
7 the Accumulation Period are also summarized and compared to comparable
8 sales levels from that rate case.
- 9 2. PACC Rider, attached as HC Schedule 1B, details the calculation of the
10 production adjustment (i.e., \$/Mlb) pursuant to the PACC tariff rider.
- 11 3. Customer Sales & Refund/Surcharge during the Accumulation Period,
12 attached as HC Schedule 1C, also details customer accounts, sales (in Mlbs)
13 by customer, the impact of the PACC rate adjustment in the Recovery
14 Period and the monthly PACC adjustment (refund and/or surcharge).⁴

15
SECTION II. MLB SALES BY RATE CLASS AND BY INDIVIDUAL CUSTOMER

- 16 Q. Please detail Mlb sales by rate class and by individual customer, separately showing
17 steam sales to Vicinity Missouri and the process steam customers.
- 18 A. Please see HC Schedule 1A, lines 8-13, for Mlb sales by rate class and HC Schedule
19 1C for sales by individual tariff customer (detailed by Tariff Customer account

³ For comparative purposes, HC Schedule 1A also shows comparable test year amounts in column B2 derived from data underlying the settlement of Case No. HR-2023-0198.

⁴ Because the Commission may approve Tariff Sheets 36 and 37 before April 1, 2024, Sheet 36 shows both the surcharge continuing through March 31, 2023, and the surcharge commencing April 1, 2024.

1 code). The tariff steam sales to Vicinity Missouri during the Accumulation Period
2 are included in the Large Commercial sales on HC Schedule 1A and among the
3 tariff customers listed on HC Schedule 1C. Please also refer to HC Schedule 1C
4 for steam sales to process steam customers during the Accumulation Period.

5

SECTION III. FUEL, PURCHASED ELECTRICITY, AND CONSUMABLE COSTS INCLUDED IN BASE RATES AND THE ACCUMULATION PERIOD VARIANCE

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

9 A. Please see HC Schedule 1A (lines 1-7, columns B1 and B2) for fuel, purchased
10 electricity, and consumable costs included in base rates⁵ and column D for the
11 actual 2023 comparable amounts. HC Schedule 1B summarizes the total amount
12 of such costs includable in the 2023 PACC and the calculation of customer
13 responsibility for the variance in eligible costs during the Accumulation Period.

14

15 As noted previously, HC Schedule 1A supports the actual adjusted consumable
16 costs for the Accumulation Period. HC Schedule A.01 shows the quantification of
17 the sewer expense Reconciling Adjustment approved by the Commission⁶ pursuant

⁵ Base rates and the PACC base line (\$7.18/mlb) were not changed in Case No. HR-2023-0198 from levels set in Case No. HR-2018-0341. Comparable component expense amounts and steam sales are shown on HC Schedule 1A (*see* columns B1 and B2, lines 1-7) from both dockets for illustrative purposes.

⁶ *See* Commission order issued December 30, 2020, in File No. HT-2020-0223.

1 to the November 14, 2020, Stipulation and Agreement Resolving Issues Arising
2 from the City of Kansas City Change in Sewer Billing in Case No. HT-2020-0223.
3 This Reconciling Adjustment imputes additional sewer expense from the City of
4 Kansas City for those months during 2023 in which the City no longer billed sewer
5 charges to the Company related to the Company's sales to Cargill and instead
6 directly billed Cargill for sewer costs. The Reconciling Adjustment applies actual
7 cost rates of \$1.67 and \$1.77 per Mlb to the applicable metered steam sales to
8 Cargill.⁷ Application of this sewer cost imputation adjustment terminated July 27,
9 2023, on the effective date of the Commission's order approving the settlement of
10 Case No. HR-2023-0198. As a result, future PACC filings will no longer include
11 this adjustment.

12

SECTION IV. CALCULATION OF THE PROPOSED PACC COLLECTION RATES

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

15 A. Please see HC Schedules 1A, 1A.01, 1B, and 1C for the calculation of the proposed
16 2023 PACC collection rates to be effective April 1, 2024.

17

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

⁷ HC Schedule 1A.01, note b.

1 A. No, however that decision shall not be interpreted as a waiver by Vicinity to seek
2 future application of the PACC Rider to the Residential High-Rise customer class
3 in the future. At this time, the Company does not have any customers receiving
4 steam service under the Residential High-Rise tariff.
5

SECTION V. CONTINUED EFFECTS OF 2021 WINTER STORM URI

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

7 A. A North American winter storm, unofficially referred to as Winter Storm Uri, was
8 a major winter snow and ice storm resulting in widespread impacts across the
9 United States, Northern Mexico, and parts of Canada. This February 2021 winter
10 storm produced snow and damaging ice including record snowfall in Texas. As a
11 result of Winter Storm Uri, Vicinity faced extraordinarily high gas bills from its
12 pipeline supplier. Had Vicinity paid the full amount billed by its supplier in 2021,
13 the gas costs included in the 2021 PACC billed to customers could have also been
14 extraordinarily high. In communication with the Commission and Staff,⁸ the
15 Company committed to not seek recovery of the winter storm costs from its tariff
16 customers until the actual amounts became known and were paid by VEKC.
17

18 In the PACC filing pending at the time of the winter storm (HT-2021-0245), the
19 Company observed that the storm was likely to result in significant gas costs and
20 sought Commission approval to defer as a regulatory liability certain PACC refunds
21 otherwise due customers to offset a portion of the winter storm costs, once known.

⁸ See PACC filings and orders in Case Nos. HT-2021-0245 and HT-2022-0212.

1 The parties believed, and the Commission agreed, that it would not be in the public
2 interest at that time to flow the deferred amounts to customers as a refund who
3 might then see a significant surcharge shortly thereafter. The parties believed, and
4 the Commission agreed, that it would be better to hold those amounts in a regulatory
5 liability until the actual amount that Vicinity will have paid for gas during Winter
6 Storm Uri is known and use those deferred amounts as an offset to the paid gas
7 costs.⁹

8
9 Q. Is the gas cost impact of the 2021 winter storm now known?

10 A. Yes. At the time of the last PACC filing, the final impact of the winter storm on
11 Vicinity's gas costs was not yet known. Since that time, a resolution of the related
12 litigation has been reached.¹⁰ This current PACC filing, to be effective April 1,
13 2024, does not include any additional costs associated with Winter Storm Uri.
14 Vicinity intends to file a supplement to the 2021 PACC filing during the 2024
15 calendar year to present those winter storm costs to the Commission and propose
16 cost recovery. The only costs included in this current PACC filing are those
17 associated with 2023 steam production.

18

⁹ Subsequently, in 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 the Company and its pipeline supplier.

¹⁰ Symmetry Energy Solutions, LLC submitted an invoice to Vicinity for February 2021 in the amount of \$18,599,773.90. On or about January 18, 2022, Vicinity filed its Second Amended Petition in Case No. 2116-CV07877, Vicinity Energy Kansas City, Inc., v. Symmetry Energy Solutions, LLC, in the Circuit Court of Jackson County, Missouri. In the lawsuit, Vicinity brought claims against Symmetry related to Winter Storm Uri. Vicinity and Symmetry subsequently negotiated a resolution of that litigation.

1 Q. Did the rate case HR-2023-0198 address the recovery of the costs related to Storm
2 Uri?

3 A. Yes. During Vicinity's most recent rate case, the Commission approved a non-
4 unanimous settlement agreement authorizing the deferral of costs associated with
5 Winter Storm Uri, but not guaranteeing cost recovery or defining cost recovery
6 terms.

7

8 Q. In March 2021 when the Stipulation and Agreement Resolving Issues Arising from
9 Gas Price Spikes of February 2021 ("Stipulation") was filed in Case No. HT-2021-
10 0245, what was Vicinity's expectation of when the full amount for gas used during
11 Winter Storm Uri would be billed and paid?

12 A. Vicinity had expected that the full amount of the winter storm gas costs would be
13 known and paid within months of March 2021, and the Stipulation even described
14 a probable biannual PACC filing to be made in August 2021 or earlier that would
15 reflect those billed amounts. Because the full amount was neither known nor paid,
16 the August 2021 filing was not made.

17

18 Q. Does this conclude your direct testimony?

19 A. Yes.