

June 19, 2024

Secretary of the Commission
Missouri Public Service Commission
P.O. Box 360

Jefferson City, MO 65102

RE: Vicinity Energy Kansas City, Inc.
Request for Staff Review of Operating Revenues
MO PSC Staff Assisted Rate Case Procedure

Dear Secretary:

Pursuant to 20 CSR 4240-10.075, the Missouri Public Service Commission's ("Commission") currently effective rule concerning Staff assistance to qualifying small utilities, Vicinity Energy Kansas City, Inc. ("Vicinity" or "Company") hereby requests Staff review of its district steam operating revenues and results of operations.

On December 15, 2022, Vicinity filed a similar request because Section II.C of its Production Adjustment Cost Clause Rider ("PACC"), Tariff Sheet 35, requires the Company to file a general rate case no less than every four years. In an effort to constrain utility costs ultimately borne by customers, the Company sought a Staff Assisted Rate Case to fulfill that requirement. Case No. HR-2023-0198 was successfully processed with no change in base rates and the file was closed on August 17, 2023.

A February 2021 major snow and winter storm (unofficially, Winter Storm Uri) caused widespread impacts across the United States, Northern Mexico, and parts of Canada. As a result of this winter storm, Vicinity received extraordinarily high gas bills from its pipeline supplier, leading to litigation that was resolved on March 8th, 2023. In order to provide for Winter Storm Uri cost recovery, Vicinity seeks Commission consideration and approval of a new Severe Storm Recovery Mechanism ("SSRM")¹ as a key element of the rate review requested herein. Under this new tariff, Winter Storm Uri costs would be recovered outside of base rates, appearing as a separate line item on customer bills through the SSRM in a manner similar to PACC.

Please be advised that the Company is current on the payment of its Commission annual assessments and the submission of its annual reports and other monitoring requirements. Although we are not seeking an increase in base rates at this time, because the Staff Assisted Rate Case rule requires the Company to state the overall revenue increase sought, Vicinity requests a base rate increase of no more than \$1.00 for non-fuel related expenses. This potential limited increase specifically excludes any adjustments related to prior or future PACC adjustments.

Sincerely,



Scott Stordahl

¹ The proposed SSRM tariff is attached hereto as Appendix A.

APPENDIX A

VICINITY ENERGY KANSAS CITY, INC. RATES FOR STEAM SERVICE SEVERE STORM RECOVERY MECHANISM (“SSRM”)

All sales, during a designated storm period, to Customers qualifying under the General Rates for Steam Service (PSC Mo. No. 1) offered by Vicinity Energy Kansas City, Inc. (the "Company"), shall be subject to adjustment according to this Severe Storm Recovery Mechanism (“SSRM”). The SSRM shall be first applicable to Winter Storm Uri (February 2021) and provide temporary rates allowing for recovery of Commission approved storm event costs.

I. AVAILABILITY.

Prudent severe storm costs passed through this SSRM tariff may include extraordinary fuel, transportation, purchased power, consumable costs, litigation and direct interest or financing costs, or other costs approved by the Commission.

When severe storm costs are incurred, the Company may seek Commission approval to defer such costs as a regulatory asset within its accounting records and will only seek recovery of such charges under this SSRM tariff in a rate case once all such costs are final and any related litigation is resolved.

Charges billable pursuant to this SSRM tariff will only apply to customers receiving service during the period designated as a severe storm event.

Many Customers purchase reduced or no steam during summer months. To mitigate potential cost shifting between Customers and/or Customer classes due to seasonally unique steam usage patterns, each SSRM filing (and any reconciling adjustments) will be billed to each individual Customer in equal installments, over a specified term, based on each Customer’s actual steam usage during the severe storm event. The Company may request Commission approval to recover such costs over a term ranging from twelve (12) months to a multi-year period. SSRM adjustment charges are in addition to all other charges otherwise billable to each Customer under applicable tariff provisions and will appear as a separate line item on each affected Customer’s bill.

II. CALCULATIONS.

A. SSRM Rate:

The SSRM rate factor is designed to reflect each Customer’s share of the recoverable severe storm costs incurred during the identified storm event. The severe storm costs recoverable from tariff customers are divided by the total tariff customer metered steam sales during the storm event to quantify the SSRM adjustment factor. To determine the amount of an individual Customer’s responsibility, the SSRM adjustment factor (on a \$/mlb basis) is multiplied by the actual steam sales (mlb) to that individual Customer during the storm event, with the resulting dollar amount charged (or credited) to the Customer in equal monthly installments over the defined recovery term.

SSCF_t = Severe Storm Cost (“SSC”) adjustment factor developed to reflect the recoverable storm costs for all tariff steam sales during the storm event period.

$$\text{SSCF}_t = \text{SSC} / \text{BDSE}_t$$

SSC_i = Share of the recoverable storm costs for an individual tariff Customer during the storm event period, billable in equal monthly installments to each individual Customer during the allowed recovery period term.

$$\text{SSC}_i = \text{SSCF}_t \times \text{BDSE}_i$$

MSCB_i = Monthly Storm Cost Billing (“MSCB”) to an individual tariff customer over the defined recovery term.

$$\text{MSCB}_i = \text{SSC}_i / \text{RT}$$

Where:

SSC = Severe storm costs allowed for recovery from tariff customers, expressed as a dollar amount incurred during the defined storm event period. Allowable costs may include fuel, transportation, purchased power, consumable costs, litigation and direct interest or financing costs or other Commission approved costs. Such costs shall exclude any amounts recoverable from non-tariff customers.

BDSE_t = Total Billing Determinants (mlb of steam sales) for all tariff Customers during the severe storm event period.

BDSE_i = Billing Determinants (mlb of steam sales) for an individual tariff Customer during the severe storm event period.

RT = Approved recovery term expressed in months.

B. Reconciling Adjustments:

During the recovery term but no later than the end of such period, the sum collected from all tariff Customers will be compared to the revenues intended to be collected from all tariff Customers. Any over-or under-collection of intended revenues will be applied to Customer bills through a final Reconciling Adjustment. The Company shall use an amortization period of twelve (12) months to Refund/Credit or Charge any remaining over-collection or under-collection through the Reconciling Adjustment to Customers. Revisions due to audit adjustments or other cost corrections that arise through the operation of the SSRM may flow through as a Reconciling Adjustment, as approved by the Commission.

The Reconciling Adjustment shall be calculated and applied in a manner consistent with the MSCB_i.

III. SSRM ADMINISTRATION.

A. Recoverable Costs. Commission approval of both the amount of recoverable costs and the recovery term is a prerequisite to the commencement of collection through this SSRM tariff. Since variances in costs typically recorded in the following regulatory accounts are includable and recoverable through the PACC tariff, any

severe storm costs must be removed from the calculation of PACC includable costs to be eligible for recovery through this SSRM tariff:

- 5011 Fuel expense - natural gas: This account includes the cost of natural gas purchased from pipeline suppliers for use in the production of steam for sale to ultimate customers or for the generation of electricity for station use.
- 5012 Fuel expense - natural gas transport: This account includes the cost of transporting natural gas purchased from pipeline suppliers to delivery to the metering point(s) at Company production facilities, including Local Distribution Company (LDC) transportation charges.
- 5017 Fuel expense - purchased electricity: This account includes the cost at point of receipt by the utility of electricity purchased at retail tariff rates for station use in the production of steam for sale to ultimate customers and electricity used in the distribution system.
- 5021 Consumable expense - water: This account includes the cost of boiler feed water and pumping supplies primarily purchased from the City of Kansas City and other charges assessed by the water department of the City of Kansas City, including a fire protection inspection charge.
- 5022 Consumable expense - sewer: This account includes the cost of wastewater and storm water service charges from the City of Kansas City for condensate associated with steam delivered to the ultimate customers located within the City.
- 5027 Consumable expense - chemicals: This account includes the cost of the primary chemicals required to cost-effectively treat Missouri River water and significantly reduce water purchases from the City of Kansas City.

B. Effective Date and Cost Recovery. The SSRM tariff initially applies to the recovery of approved costs related to the designated storm event from those previous or current tariff customers who contributed to the incurrence of such costs. Tariff customer billings under the SSRM tariff are proposed to first commence on the date specified in Section IV below.

Charges under this tariff will appear as a separate line item on Customer bills. Upon fulfillment of an individual Customer's obligation under this tariff, the SSRM charge will be removed from that Customer's monthly billing statement.

All costs recovered through operation of this SSRM tariff will be excluded from the development of base rates in a general rate case and from recovery via the PACC tariff.

- D. **Staff Review.** Reconciling Adjustments may result from periodic rate case reviews and revenue collection true-up calculations. Any adjustments found necessary by the Commission shall be treated as a Reconciling Adjustment unless the Commission orders separate treatment.

Any Customer or group of Customers may file an application with the Commission using the existing complaint process to initiate a review of SSRM collections and administration.

- E. **Interest.** SSRM filings and adjustments may include, actual interest or financing costs charged to the Company as a result of credit or borrowing costs incurred, claim(s) or litigation settlement agreements, but will not include any interest or carrying costs as compensation to the Company during the approved cost recovery period.

The Company may enter into a separate agreement with an individual tariff Customer to either shorten or extend the period of SSRM cost recovery. Any time extension beyond the approved recovery period may include an interest provision at a mutually agreeable rate to be included in the allowed amount billed to that Customer.

- F. **Status Reporting and Customer Payments:** As part of its year-end surveillance report, the Company will report to the Commission the status of customer billings, collections, missed payments, extended payment terms and remaining unrecovered severe storm costs. During the recovery period, an individual tariff Customer may choose to prepay all or part of the remaining balance of its share of recoverable storm costs.

Termination of steam service by an individual Customer prior to full recovery of the extraordinary severe storm costs does not void that Customer's cost responsibility. In the event that an individual tariff Customer elects to terminate, or has terminated, steam service, any unpaid balance of its share of recoverable storm costs will become immediately due and payable.

IV. SSRM RATES.

- A. **Current Rate Adjustment Factor Table.**

Storm Event	Storm Period	Approved Costs	Customer Use (mlb)
Winter Storm Uri	February 11-19, 2021	\$x,xxx,xxx	yyy,yyy
First Effective Date		Last Effective Date	
January 1, 2025		December 31, 2028	
			SSCF_t
			\$ [REDACTED]

B. Reconciliation Adjustment Table.

Storm Event	Basis for Reconciling Adjustment		Reconciling Amount
	First Effective Date	Last Effective Date	Reconciling SSCF_t