

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

In the Matter of the Application of KCP&L)	
Greater Missouri Operations Company for)	
Authority to Implement Rate Adjustments)	<u>File No. ER-2014-0204</u>
Required by 4 CSR 240-2.090(4) and the)	Tariff Tracking No. JE-2014-0281
Company's Approved Fuel Adjustment Clause)	

**STAFF RECOMMENDATION TO APPROVE TARIFF SHEET TO CHANGE RATES
RELATED TO KCP&L GREATER MISSOURI OPERATIONS COMPANY'S FUEL
ADJUSTMENT CLAUSE**

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its recommendation to approve tariff sheet, respectfully states:

1. On December 31, 2013, KCP&L Greater Missouri Operations Company ("GMO") filed a proposed tariff sheet,¹ a filing letter, supporting direct testimony, and other information pursuant to Commission Rules 4 CSR 240-3.161(7) and 4 CSR 240-20.090(4) to adjust its Fuel Adjustment Rates ("FARs")² used to determine customer charges related to its fuel adjustment clause ("FAC").

2. Rule 4 CSR 240-20.090(4) requires the Commission's Staff to examine and analyze the information GMO has filed and submitted and to file a recommendation with the Commission not later than 30 days after GMO made its filing—in this case, no later than January 30, 2014.

3. Staff's *Memorandum*, attached hereto as Appendix A and incorporated by reference, recommends the Commission issue an order approving the proposed revised tariff sheet GMO filed on December 31.

¹ GMO, P.S.C.MO. No. 1, 7th Revised Sheet No. 127 Canceling 6th Revised Sheet No. 127.

² See items 13 through 19 on 7th Revised Sheet No. 127.

4. GMO's filing in this case requests Commission approval of one tariff sheet bearing an effective date of March 1, 2014, to revise its current annual FARs of its FAC. The filing includes testimony and workpapers of GMO witness Linda J. Nunn supporting GMO's calculation of the current annual Fuel and Purchased Power Adjustment ("FPA") amounts of \$3,254,100 for its MPS rate district and the FPA amount of \$902,371 for its L&P rate district for Accumulation Period 13 (June 1, 2013 through November 30, 2013). Staff's *Memorandum* explains the calculation of these FPA amounts.

5. As explained in Staff's *Memorandum*, these FPA amounts include the true-up amounts for Recovery Period 10 (September 1, 2012 through August 31, 2013) filed by GMO on December 31, 2013 in File No. ER-2014-0203.³

6. Listed below are GMO's proposed current annual FARs and the now-effective current annual FARs, together with the changes between them for primary and secondary service in both the MPS and L&P rate districts:

Current Fuel Adjustment Rate - MPS			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	\$0.00111	\$0.00208	\$0.00097 Decrease
Secondary	\$0.00115	\$0.00210	\$0.00095 Decrease
Current Fuel Adjustment Rate – L&P			
Service	Proposed Current Annual FAR	Now-Effective Current Annual FAR	Difference
Primary	\$0.00197	\$0.00325	\$0.00128 Decrease
Secondary	\$0.00202	\$0.00329	\$0.00127 Decrease

³ In that case, Staff is recommending the Commission approve those true-up amounts with interest.

7. Based on an average use of 867 kWh per month, the proposed changes to the FARs will result in an decrease to a typical MPS residential customer's bill of approximately \$0.82 per month, and a decrease to a typical L&P residential customer's bill of approximately \$1.10 per month.

8. Staff reviewed GMO's proposed tariff sheet, 7th Revised Sheet No. 127. Staff also reviewed GMO witness Linda J. Nunn's testimony, supporting schedules and workpapers, as well as GMO's monthly information filed in compliance with 4 CSR 240-3.161(5) for Accumulation Period 13, and verified that the actual fuel and purchased power costs less off-system sales revenues match the fuel and purchased power costs less off-system sales revenue in GMO's proposed 7th Revised Tariff Sheet No. 127. Staff also reviewed GMO's monthly interest rates that are applied to the under/over recovery of base fuel and purchased power costs for Accumulation Period 13, and verified that the monthly interest rates and calculations of interest amounts are correct.

9. This case is affected by the Commission's grant of the request GMO filed on December 21, 2012,⁴ seeking to include in its FAC the cost of landfill gas purchased from the landfill owner of GMO's St. Joseph Landfill Gas Facility. Staff asserts that all of the costs for this landfill gas are Renewable Energy Standard ("RES") costs. Pursuant to 4 CSR 240-20.100(6)(A)16, RES compliance costs shall not be considered for cost recovery through a FAC. GMO requested relief from this rule seeking authorization to treat those St. Joseph Landfill Gas Facility costs through its FAC.

⁴ *Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility and Motion for Expedited Treatment.*

10. Staff did not oppose GMO's request for relief from the rule in this specific instance because the St. Joseph landfill gas costs are small and will have a negligible impact on the net base energy costs and on overall net fuel costs for the L&P rate district in GMO's FAC. Moreover, GMO committed to work with the parties to resolve how they should be treated before GMO files its next general electric rate case. Therefore, Staff's non-opposition to this particular request should not be viewed as a general agreement regarding treatment of RES costs.

11. Because GMO requested, and the Commission granted, the relief not only in this case, but also in GMO's most recent general electric rate case, Case No. ER-2012-0175, it is Staff counsel's opinion that the Commission intended by its *Order Granting Variance* that GMO may treat its St. Joseph Landfill Gas Facility costs through its FAC until its next general rate case.

12. In Case No. HT-2013-0456, GMO explained that it had erroneously treated fuel hedge positions as electric positions and not as steam positions, thereby creating a cost allocation error. In that case, this error was corrected in tariff sheet 18th Revised Sheet No. 6.10 filed by GMO on October 15, 2013 and allowed to go into effect by operation of law on December 1, 2013. In this case, GMO has corrected the past hedge settlements⁵ that were inadvertently charged to electric customers in MPS instead of steam customers in L&P. This correction results in an over-charge of \$1,480,416 including interest from MPS customers. The correcting entry for past hedge

⁵ GMO brought to Staff's attention the correction of past hedge settlements. Staff and GMO met June 12, 2013 where Staff and GMO verbally agreed that the correction would be made in this filing. GMO witness Linda J. Nunn discusses the correction in her direct testimony beginning on page 4, lines 13 through 23 filed in this case.

settlements is included in the total amount⁶ \$(1,533,169) for MPS on line 8 of 7th Revised Sheet No. 127.

13. Staff has verified that GMO is not delinquent on any assessment and has filed its 2012 Annual Report. GMO is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Other than GMO's related filing in ER-2014-0203 and the correction of the hedge position in HT-2013-0456 discussed above, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

WHEREFORE, Staff recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on December 31, 2013, to become effective on March 1, 2014, as requested by GMO:

PSC No. No. 1

7th Revised Sheet No. 127 Canceling 6th Revised Sheet No. 127.

⁶ The true-up amount on line 8 of Revised Sheet No. 127 is: $\$(1,480,416) + \$(52,753) = \$(1,533,169)$.

Respectfully Submitted,

**STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION**

/s/ Tim Opitz

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 30th day of January, 2014.

/s/ Tim Opitz