

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office in  
Jefferson City on the 3<sup>rd</sup> day of  
December, 2019.

In the Matter of Propriety of the Rate            )  
Schedules for Steam Service of KCP&L        ) **File No. HR-2018-0231**  
Greater Missouri Operations Company        )

**ORDER APPROVING STIPULATION AND AGREEMENT AND  
DIRECTING FILING OF COMPLIANCE TARIFFS**

Issue Date: December 3, 2019

Effective Date: January 2, 2020

This case was originally initiated by the Staff of the Commission (Staff) to investigate the appropriate steam service rates for KCP&L Greater Missouri Operations Company<sup>1</sup> (GMO) following the passage of the Tax Cuts and Jobs Act of 2017 (TCJA). After many months of negotiations with its five steam customers, GMO filed a stipulation and agreement on October 3, 2019, between it and its steam customers purporting to resolve the issues in this case. GMO attached exemplar tariffs to the agreement. GMO also filed supporting testimony and attached letters from its customers that expressed their agreement with the terms of the stipulation and the exemplar tariffs. However, GMO's customers are not parties to this case, and GMO is the only signatory to the agreement.

Staff filed an objection to the agreement on October 10, 2019. Staff stated it was objecting in order to preserve its rights and to allow more time for its review of the agreement and tariffs. After discussions between Staff and GMO, on November 12, 2019, GMO submitted amended exemplar tariffs with minor changes to the tariff language and

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<sup>1</sup> KCP&L Greater Missouri Operations Company is now known as Evergy Missouri West, Inc. d/b/a Evergy Missouri West.

added a January 1, 2020 effective date. The exemplar tariffs have not yet been filed with the Commission as a tariff. On November 15, 2019, Staff withdrew its objection and recommended that the Commission approve the agreement and order GMO to file compliance tariffs similar to the amended exemplar tariffs. No other party objected to the stipulation and agreement.

The basic terms of the stipulation and agreement provide that GMO will receive a 9% rate increase for its steam service operations. That increase incorporates recovery of past expenses and the corporate income tax rate reductions resulting from the TCJA. GMO's last rate increase was effective in 2009.

The exemplar tariffs and the agreement also include the continuation of the Quarterly Cost Adjustment (QCA) with the base fuel cost being adjusted to reflect current costs for providing steam service. The agreement also eliminates the minimum coal standard and the 85% sharing mechanism that exist in the current QCA. The agreement further provides that prior to GMO's next electric rate case, GMO will seek the input of its customers in the development of a new methodology for the allocation of joint and common costs between steam and electric service consistent with its commitment approved by the Commission in File Nos. ER-2018-0145 and ER-2018-0146. The agreement also provides that GMO will not defer or record to a regulatory liability account any effects of the corporate income tax rate reductions resulting from the TCJA in connection with GMO's steam operations. Finally, the agreement provides that the Excess Accumulated Deferred Income Tax (EDIT) associated with the TCJA will be amortized consistent with the electric service rate case, File No. ER-2018-0146.

The filings demonstrate that there is an agreement between GMO and its steam customers as to the just and reasonable rates for GMO's steam service. Additionally,

Staff has recommended that these terms and the proposed tariffs be approved by the Commission. Therefore, having considered the stipulation and agreement, the exemplar tariffs, and the supporting testimony, along with Staff's recommendation, the Commission determines that the terms of the stipulation and agreement and exemplar tariffs as amended provide just and reasonable rates. The Commission will approve the stipulation and agreement and direct GMO to file compliance tariffs consistent with the revised exemplar tariffs.

**THE COMMISSION ORDERS THAT:**

1. The terms of the Stipulation and Agreement filed on October 3, 2019, are approved. KCP&L Greater Missouri Operations Company is ordered to comply with the terms of the Stipulation and Agreement. A copy of the Stipulation and Agreement is attached to this order.
2. KCP&L Greater Missouri Operations Company shall file compliance tariffs similar to the exemplar tariffs as amended on November 12, 2019.
3. This order is effective on January 2, 2020.

**BY THE COMMISSION**



A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff  
Secretary

Silvey, Chm., Kenney, Rupp, and Coleman, CC., concur.

Dippell, Senior Regulatory Law Judge

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

In the Matter of the Propriety of the Rate )  
Schedules for Steam Service of KCP&L ) File No. HR-2018-0231  
Greater Missouri Operations Company )

**STIPULATION AND AGREEMENT**

COMES NOW KCP&L Greater Missouri Operations Company (“GMO”), by and through, and for this Stipulation and Agreement (“Stipulation”)<sup>1</sup>, respectfully states as follows to the Missouri Public Service Commission (“Commission”):

**BACKGROUND**

1. This docket was established by the Commission to review the propriety of the rate schedules for GMO’s Steam Service in light of the corporate income tax rate reductions resulting from the Tax Cuts and Jobs Act of 2017 (“TCJA”). The Proponents met and discussed the impact of TCJA and the level of GMO’s current earnings, revenue requirement and rates for steam operations.

2. As a result of those discussions the Proponents have negotiated and authorized the filing of this Stipulation and GMO requests that the Commission approve it to resolve all issues in this proceeding and avoid both the near-term filing of a rate case and deferral of TCJA impacts in connection with GMO’s steam operations. GMO’s last steam rate increase became effective in 2009.

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<sup>1</sup> This Stipulation sets forth the agreement reached among GMO and all of its steam customers – AG Processing, Inc. (“AGP”), Triumph Foods, LLC (“Triumph”), Albaugh LLC (“Albaugh”), Nestle Purina PetCare (“Nestle”) and Omnium (Land O’Lakes Inc.) (“Omnium”). As stated in paragraph 8 herein, GMO has been authorized by each of its steam customers to file this Stipulation and to represent that each customer supports its approval by the Commission. Collectively, GMO and all of its steam customers constitute Proponents of this Stipulation and are referred to as such herein. Although GMO has apprised Commission Staff (“Staff”) of this Stipulation, Staff has not participated in the negotiations leading up to its filing.

## AGREEMENTS

3. The Proponents support GMO's request for Commission approval of a 9% rate increase for GMO's steam service operations effective January 1, 2020, or as soon thereafter as reasonably practicable. Sample tariff sheets designed to recover this increase are attached hereto as Exhibit A. This rate increase captures recovery of past expenses and the corporate income tax rate reductions resulting from TCJA.

4. The tariffs reflect the continuation of the Quarterly Cost Adjustment ("QCA"). The base fuel cost in the QCA is adjusted to reflect more current costs for providing steam service. Additionally, the Proponents agree to eliminate the minimum coal standard and the 85% sharing mechanism that currently exists in the current QCA.

5. The Proponents support GMO's request that the Commission order the filing of compliance tariff sheets substantially similar to those attached as Exhibit A for Commission approval to be effective January 1, 2020, or as soon thereafter as reasonably practicable.

6. GMO agrees to seek the input with the other Proponents in the development a new methodology for the allocation of joint and common costs GMO between electric and steam service consistent with the commitment made by GMO and approved by the Commission in Case Nos. ER-2018-0145 and ER-2018-0146 to work with Commission Staff, the Office of the Public Counsel and the Midwest Energy Consumers Group to develop new steam allocation procedures prior to GMO's next electric general rate case.

7. The Proponents agree that GMO should not defer or record to a regulatory liability account any impacts of the corporate income tax rate reductions resulting from TCJA in connection with GMO's steam operations. This is because the Proponents have concluded that current and expected future level of GMO's earnings, revenue requirement and rates are insufficient even

when the earnings-beneficial impacts of TCJA are considered. The Excess Accumulated Deferred Income Tax (“EDIT”) associated with the TCJA will be amortized consistent with the recently approved electric rate case (Case No. ER-2018-0146).

8. Each of GMO’s steam customers – AG Processing, Inc. (“AGP”), Triumph Foods, LLC (“Triumph), Albaugh LLC (“Albaugh”), Nestle Purina PetCare (“Nestle”) and Omnium (Land O’Lakes Inc.)(“Omnium”) – has authorized GMO to represent that each steam customer supports Commission approval of this Stipulation.

### **GENERAL PROVISIONS**

9. Contingent upon Commission approval of this Stipulation without modification, the Proponents hereby stipulate to the admission into the evidentiary record of the testimony of their witnesses, and the witnesses of the parties who do not oppose this Stipulation, on the issues that are resolved by this Stipulation.

10. This Stipulation is being entered into solely for the purpose of settling the issues in this case explicitly set forth above. Unless otherwise explicitly provided herein, none of the Proponents of this Stipulation shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any cost of service methodology or determination, method of cost determination or cost allocation or revenue-related methodology.

11. This Stipulation is a negotiated settlement. Except as specified herein, the Proponents of this Stipulation shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Stipulation, or in any way condition its approval of same. No Proponent shall assert the terms of this agreement as a precedent in any future proceeding.

12. This Stipulation has resulted from extensive negotiations among the Proponents, and the terms hereof are interdependent. If the Commission does not approve this Stipulation unconditionally and without modification, then this Stipulation shall be void and no Proponent shall be bound by any of the agreements or provisions hereof.

13. This Stipulation embodies the entirety of the agreements between the Proponents in this case on the issues addressed herein, and may be modified by the Proponents only by a written amendment executed or authorized in writing by all of the Proponents.

14. If approved and adopted by the Commission, this Stipulation shall constitute a binding agreement among the Proponents. The Proponents shall cooperate in defending the validity and enforceability of this Stipulation and the operation of this Stipulation according to its terms.

15. If the Commission does not approve this Stipulation without condition or modification, and notwithstanding the provision herein that it shall become void, (1) neither this Stipulation nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Proponent has for a decision in accordance with RSMo. §536.080 or Article V, Section 18 of the Missouri Constitution, and (2) the Proponents shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

16. If the Commission accepts the specific terms of this Stipulation without condition or modification, only as to the issues in these cases explicitly set forth above, the Proponents each waive their respective rights to present oral argument and written briefs pursuant to RSMo. §536.080.1, their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, their respective rights to seek rehearing pursuant to §536.500, and their respective rights to judicial review pursuant to §386.510. This waiver applies only to a Commission order approving this Stipulation without condition or modification issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Stipulation.

WHEREFORE, GMO respectfully requests the Commission to issue an order in this case approving the Stipulation subject to the specific terms and conditions contained therein.



Respectfully submitted,

*/s/ Roger W. Steiner*

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**ATTORNEYS FOR KCP&L GREATER  
MISSOURI OPERATIONS COMPANY**

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted

by facsimile or electronically mailed this 3<sup>rd</sup> day of October 2019 to:

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St. Joseph, MO 64504

Stuart Feldstein  
Executive VP  
Albaugh LLC  
1525 NE 36<sup>th</sup> Street  
Ankeny, IA 50021

Nestle Purina PetCare  
1 Checkerboard Square  
St. Louis, MO 63164-0001

Omnium (Land O'Lakes Inc.)  
4001 Lexington Ave N  
Arden Hills, MN 55126-2998

***Roger W. Steiner***

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Roger W. Steiner

P.S.C. MO. No. 1 4th Revised Sheet No. 1  
 Canceling P.S.C. MO. No. 1 3rd Revised Sheet No. 1

For St. Joseph, MO & Environs

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**DESCRIPTION OF AUTHORIZED SERVICE TERRITORY**

Company provides steam service for heating and processing in the vicinity of Lake Road generating station in the City of St. Joseph, Missouri.

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Issued:  
Issued by: Darrin R. Ives, Vice President

Effective:  
1200 Main, Kansas City, MO 64105

P.S.C. MO. No. 1 3rd Revised Sheet No. 2  
Canceling P.S.C. MO. No. 1 2nd Revised Sheet No. 2

For St. Joseph, MO & Environs

STEAM SERVICE  
STEAM

**AVAILABILITY:**

Available for firm service from the Company's facilities to customers located in the vicinity of Lake Road Generating Station who shall contract to use this service for continuous periods of not less than two (2) years.

**BASE RATE: (MO981)**

Net two parts

1. Reserved Capacity Charge:  
For all BTU of Reserved Capacity, per month, per million BTU ..... \$466.56

Plus

2. Energy Charge per million BTU:  
For the first 300 million BTU's per million BTU's of reserved capacity ..... \$6.0165  
For all over 300 million BTU's per million BTU's of reserved capacity ..... \$4.7159

**QUARTERLY COST ADJUSTMENT:**

The Energy Charge is subject to the Quarterly Cost Adjustment Rider.

**LICENSE, OCCUPATION, FRANCHISE OR OTHER SIMILAR CHARGES OR TAXES:**

See Company Rules and Regulations

**LATE PAYMENT CHARGE:**

See Company Rules and Regulations

**DETERMINATION OF RESERVED CAPACITY:**

The Reserved Capacity shall be the actual demand for the billing period but not less than eighty-percent (80%) of the highest actual demand established in the previous eleven (11) months, and in no case less than three (3) million BTU's per hour.

**SPECIAL RULES:**

The pressure, temperature and heat content of all service under this schedule shall be only as specified by the Company.

Service will be furnished under, and this schedule shall be subject to Company Rules and Regulations.

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**P.S.C. MO. No.** 1 3rd Revised Sheet No. 3  
Canceling **P.S.C. MO. No.** 1 2nd Revised Sheet No. 3

For St. Joseph, MO & Environs

**RESERVED FOR FUTURE USE**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**P.S.C. MO. No.** 1 2nd Revised Sheet No. 4  
Canceling **P.S.C. MO. No.** 1 1st Revised Sheet No. 4

For St. Joseph, MO & Environs

**RESERVED FOR FUTURE USE**

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**P.S.C. MO. No.** 1 2nd Revised Sheet No. 6  
Canceling **P.S.C. MO. No.** 1 1st Revised Sheet No. 6

For St. Joseph, MO & Environs

**RESERVED FOR FUTURE USE**

P.S.C. MO. No. 1 2nd Revised Sheet No. 6.6  
 Canceling P.S.C. MO. No. 1 1st Revised Sheet No. 6.6

For St. Joseph, MO & Environs

QUARTERLY COST ADJUSTMENT RIDER  
STEAM

**AVAILABILITY:**

This Quarterly Cost Adjustment (QCA) Rider applies to all sales of steam service provided under all steam rate schedules and contracts that occur on or after the effective date of this tariff sheet.

The Company will file rate adjustments quarterly to reflect the actual fuel costs above or below a base amount of \$2.4854 per million BTU. The sum of the Current Quarterly Cost Adjustment (CQCA), plus the three (3) preceding CQCAs, plus reconciling adjustments, if any, plus the Reconciliation Rate will be billed in addition to all other charges under applicable tariff provisions.

**CALCULATIONS:**

1. Current Quarterly Cost Adjustment: The CQCA is the rate adjustment component designed to reflect the customer share of the variation in fuel cost for the most recent quarter. In the computation of the CQCA the numerator is the portion of fuel costs to be collected or refunded based on costs incurred for the previous quarter. The denominator is the number of annual billing units used to compute the rate component.

CQCA = Customer Share of Fuel Cost Variation for the Preceding Quarter divided by Annual Billing Determinants, or

$$\frac{(FCPM_{pq} - FCPM_b) \times FI_{pq}}{BD_{p12} + BDA_{f12}}$$

or,  
 IF (OR (BD<sub>pq</sub> > BD<sub>pq-4</sub> \* 1.05, BD<sub>pq</sub> < BD<sub>pq-4</sub> \* .95), BD<sub>p12</sub> + BDA<sub>f12</sub>, BD<sub>p12</sub>)

when using spreadsheet software math conventions, except substituting variables for cell references.

Where,

- CQCA = Current Quarterly Cost Adjustment
- FCPM<sub>pq</sub> = Fuel Cost per million BTU for the preceding quarter
- FCPM<sub>b</sub> = Base Fuel Cost per million BTU = \$2.4854
- FI<sub>pq</sub> = Fuel Input (million BTUs of fuel input to the steam system) during the preceding quarter
- BD<sub>pq</sub> = Billing Determinants (million BTU delivered to retail customers) for the preceding quarter
- BD<sub>pq-4</sub> = Billing Determinants for the corresponding quarter one (1) year prior to the preceding quarter
- BD<sub>p12</sub> = Billing Determinants for the preceding four (4) quarters
- BDA<sub>f12</sub> = Billing Determinants Adjustment for the following year; provided, however, that this term shall be zero (0) unless BD<sub>pq</sub> varies by more than five percent (5%) up or down from BD<sub>pq-4</sub> and Company determines that an adjustment is appropriate.

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P.S.C. MO. No. 1 1st Revised Sheet No. 6.7  
 Canceling P.S.C. MO. No. 1                      Original Sheet No. 6.7

For St. Joseph, MO & Environs

QUARTERLY COST ADJUSTMENT RIDER (Continued)  
STEAM

**CALCULATIONS:** (Continued)

2. Reconciling Adjustments and the Reconciliation Rate: At the end of the twelve (12) months of collection of each CQCA, the over- or under-collection of the intended revenues (the numerator of the CQCA) will be applied to customers' bills through a Reconciliation Rate. The Company shall use a collection/refund/credit amortization period of twelve (12) months, provided that an amortization period of twenty-four (24) months may be used, if needed in the Company's discretion, to minimize any extraordinary increases in energy charges. Other fuel cost refunds, or credits related to the operation of this rider may also flow through this reconciliation process, as ordered by the Commission. The Reconciliation Rate shall be calculated similarly to the CQCA. Any remaining over- or under-collection from the Reconciliation Rate shall be applied to the next Reconciliation Rate.

**DETAILS:**

1. The cost of fuel will be the amounts expensed in account 501. The amounts expensed will continue to be based on the cost definitions currently used for the inclusion of costs in these accounts and on the currently used cost allocation methods, as explained in some additional detail: the cost of gas will include the cost of physical gas deliveries and financial instruments associated with gas delivered in the quarterly period. The cost of coal expenses to account 501 will continue to reflect the average cost of coal inventory and the cost allocation method(s) including but not limited to the following:

The fuel allocation is performed on a daily basis as is done in actual operations at the Lake Road Generating Station. Fuel expense is allocated based on the following equations:

$$F_s = [ S / ( E + S ) ] \times F$$

$$F_e = F - F_s$$

Where,

- F = total 900-PSI boiler fuel
- F<sub>s</sub> = 900-PSI boiler fuel allocated to industrial steam sales
- F<sub>e</sub> = 900-PSI boiler fuel allocated to the electric turbines
- S = industrial steam sales steam mmBtu from boilers
- E = 900-PSI electric turbine steam mmBtu from boilers

The remaining fuel not allocated to the industrial steam sales system in the first equation is allocated to the electric system as shown in the second equation. Because the variable "F" shown above includes fuel burned for Lake Road plant auxiliary steam, fuel consumed for that purpose is properly allocated between the electric and industrial steam sales systems.

P.S.C. MO. No. 1 1st Revised Sheet No. 6.8  
Canceling P.S.C. MO. No. 1                      Original Sheet No. 6.8

For St. Joseph, MO & Environs

QUARTERLY COST ADJUSTMENT RIDER (Continued) STEAM
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**DETAILS:** (Continued)

2. The Company will make quarterly rate filings with the Commission to adjust the Quarterly Cost Adjustment Rider. Each quarterly rate adjustment will include the fuel costs from the preceding quarter. The Current Quarterly Cost Adjustment factors will be calculated by dividing the fuel costs by the preceding twelve (12) month billing determinants; provided, however, that in the event that steam BTU billing units in a computation period increase or decrease by more than five percent (5%) compared to the corresponding period one year earlier Company may make an adjustment to the historic billing determinants for use in the denominator of the Current Quarterly Cost Adjustment rate computation. Each Quarterly Cost Adjustment will remain in effect for twelve (12) months.
3. There are provisions for prudence reviews and the true-up of revenues collected with costs intended for collection. The reconciliation account shall track, adjust and return true-up amounts and any prudence amounts not otherwise refunded. Fuel costs collected in rates will be refundable based on true-up results and findings in regard to prudence. Adjustments, if any, necessary by Commission order pursuant to any prudence review shall also be placed in the reconciliation account for collection unless a separate refund is ordered by the Commission. A reconciliation rate shall be established at a level designed to bring the reconciliation account to zero over a period of not less than twelve (12) months, provided that an amortization period of twenty-four (24) months may be used, if needed in the Company's discretion, to minimize any extraordinary increases in energy charges. Other fuel cost refunds, or credits related to the operation of this rider may also flow through this reconciliation process, as ordered by the Commission. The Reconciliation Rate shall be calculated similarly to the CQCA. Any remaining over- or under-collection from the Reconciliation Rate shall be applied to the next Reconciliation Rate.
4. The quarterly rate adjustments will not include carrying costs related to the timing of fuel cost recovery.
5. In consideration of the intent to rely on an alignment of customer and Company interests in efficient operations, a two (2) step approach to the review of prudence review will be followed. In Step One, Commission Staff will review to ascertain:
  - A. that the concept of aligning of Company and customer interests is working as intended; and,
  - B. that no significant level of imprudent costs is apparent.

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P.S.C. MO. No. 1 1st Revised Sheet No. 6.9  
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For St. Joseph, MO & Environs

QUARTERLY COST ADJUSTMENT RIDER (Continued)  
STEAM

**DETAILS:** (Continued)

- 6. This review may be entirely a part of surveillance activity. Customers will be given timely notice of the results of the Step One review no later than 75 days after the end of each year. In consideration of Step One results, the Staff may proceed with Step Two, a full prudence review, if deemed necessary. A full prudence review, if pursued, shall be complete no later than 225 days after the end of each year. Such full prudence review shall be conducted no more often than once every twelve (12) months and shall concern the prior twelve (12) month period or calendar year only, provided however that the full prudence review addressing the first partial year, if pursued, will be included with a full prudence review of the first full calendar year of operation of this rate mechanism.
- 7. Any customer or group of customers may make application to initiate a complaint for the purpose of pursuing a prudence review by use of the existing complaint process. The application for the complaint and the complaint proceeding will not be prejudiced by the absence of a full (Step Two) prudence review by Staff.
- 8. Pursuant to any prudence review of fuel costs, whether by the Staff process or the complaint process, there will be no rate adjustment unless the resulting prudence adjustment amount exceeds 10% of the total of the fuel costs incurred in an annual review period.

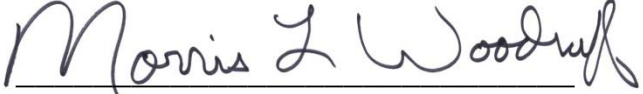
**STATE OF MISSOURI**

**OFFICE OF THE PUBLIC SERVICE COMMISSION**

**I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.**

**WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 3<sup>rd</sup> day of December 2019.**



  
**Morris L. Woodruff**  
**Secretary**

**MISSOURI PUBLIC SERVICE COMMISSION**

**December 3, 2019**

**File/Case No. HR-2018-0231**

**Missouri Public Service  
Commission**

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Commission**

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**Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).**

*Sincerely,*



**Morris L. Woodruff  
Secretary**

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Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.