

**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-2013-0341</u>
Required by 4 CSR 240-2.090(4) and the)	Tariff Tracking No. JE-2013-0276
Company's Approved Fuel Adjustment Clause)	

**STAFF RECOMMENDATION TO APPROVE TARIFF SHEET,
AND REQUEST FOR CLARIFICATION OF COMMISSION ORDER**

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

1. On December 19, 2012, KCP&L Greater Missouri Operations Company ("GMO") filed a proposed tariff sheet, 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 cost adjustment factors 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 submitted and to submit a recommendation to the Commission not later than 30 days after GMO made its filing—in this case, no later than January 18, 2013.

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 19.

4. GMO's filing in this case requests Commission approval of one tariff sheet bearing an effective date of March 1, 2013, that revises its current annual Cost

Adjustment Factors (“CAFs”)¹ 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 Adjustments (“FPA”) amount of \$9,218,076 for its MPS rate district and the FPA amount of \$3,656,263 for its L&P rate district for Accumulation Period 11 (June 1, 2012 through November 30, 2012). 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 Recover Period 8 (September 1, 2011 through August 31, 2012) filed by GMO on December 19, 2012 in File No. ER-2013-0340.²

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

Current Annual Cost Adjustment Factor - MPS			
Service	Proposed Current Annual CAF	Now-Effective Current Annual CAF	Difference
Primary	\$0.0012	\$0.0018	\$0.0006 Decrease
Secondary	\$0.0012	\$0.0018	\$0.0006 Decrease
Current Annual Cost Adjustment Factor – L&P			
Service	Proposed Current Annual CAF	Now-Effective Current Annual CAF	Difference
Primary	\$0.0018	\$0.0046	\$0.0028 Decrease
Secondary	\$0.0018	\$0.0048	\$0.0030 Decrease

¹ See items 15 and 18 on 3rd Revised Sheet No. 127.10.

² 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 CAFs will result in a decrease to a typical MPS residential customer's bill of approximately \$0.52 per month, and a decrease to a typical L&P residential customer's bill of approximately \$2.60 per month.

8. Staff reviewed GMO's proposed tariff sheet, 3rd Revised Sheet No. 127.10. Staff also reviewed 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 11, 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 3rd Revised Tariff Sheet No. 127.10. 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 11, and verified that the monthly interest rates and calculations of interest are correct.

9. This case is affected by the Commission's grant of the request GMO filed on December 21, 2012,³ 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 some—perhaps all—of the cost 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.

³ *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 is 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. It would be helpful to Staff and others if the Commission clarified that order when acting on GMO's tariff sheet in this case.

12. Staff has verified that GMO is not delinquent on any assessment and has filed its 2011 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-2013-0340, 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 19, 2012, to become effective on March 1, 2013, as requested by GMO:

And Staff requests the Commission to clarify whether its *Order Granting Variance* authorizes GMO to treat its St. Joseph Landfill Gas Facility costs through its FAC until its next general rate case

Respectfully Submitted,

**STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION**

/s/ John D. Borgmeyer

John D. Borgmeyer
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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 18th day of January, 2013.

/s/ John D. Borgmeyer

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2013-0341, Tariff Tracking No. JE-2013-0276
KCP&L Greater Missouri Operations Company

FROM: Matthew Barnes, Utility Regulatory Auditor IV
David Roos, Utility Regulatory Economist III
Michelle Bocklage, Rate & Tariff Examiner II

DATE: /s/ John Rogers 01/18/2013 /s/ John Borgmeyer 01/18/2013
Tariff/Rate Design Section / Date Staff Counsel Division / Date

SUBJECT: Staff Recommendation For **Approval** Of Tariff Sheet Filed to Change Rates
Related to KCP&L Greater Missouri Operations Company's Fuel Adjustment
Clause Pursuant to the Commission's Report and Order from Case No.
ER-2010-0356.

DATE: January 18, 2013

Staff Recommendation

The Staff recommends the Commission issue an order approving the proposed revised tariff Sheet No. 127.10 of the Fuel Adjustment Clause ("FAC") of KCP&L Greater Missouri Operations Company ("GMO") as filed on December 19, 2012, to become effective on March 1, 2013, as requested by GMO.

Discussion

On December 19, 2012, GMO filed one (1) tariff sheet¹ bearing a proposed effective date of March 1, 2013, to revise its current annual Cost Adjustment Factors ("CAFs") (Items 15 and 18 on 3rd Revised Sheet No. 127.10) of its FAC. Included in the filing on December 19, 2012, are the testimony of GMO witness Linda J. Nunn and GMO's workpapers. The testimony and workpapers include information supporting GMO's calculation of the current annual Fuel and Purchased Power Adjustment ("FPA") amount of \$9,218,076 for its MPS rate district and \$3,656,263 for its L&P rate district for Accumulation Period 11 (June 1, 2012 through November 30, 2012) resulting from the sum of:

1. 95% of the difference between the actual Total Energy Costs (fuel and purchased power costs plus emissions allowance costs less off-system sales revenue) and the Base Energy Costs for Accumulation Period 11 reflected on line 7 of 3rd Revised Sheet No. 127.10 of \$8,992,118 and \$3,568,420 for MPS and L&P, respectively;
2. The true up of the under/over recovery for prior period amounts as a result of the CAFs for Recovery Period 8 (September 1, 2011 through August 31, 2012) filed by GMO on

¹ Tracking No. JE-2013-0276

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Appendix A

December 19, 2012, in File No. ER-2013-0340 reflected on line 8 of 3rd Revised Sheet No. 127.10 of \$102,750 and \$2,070 for MPS and L&P, respectively; and

3. Interest reflected on line 9 of 3rd Revised Sheet No. 127.10 of \$123,208 and \$85,773 for MPS and L&P, respectively.

The MPS CAF rate of \$0.0014 per kWh to be billed beginning March 1, 2013 (line 12 of 3rd Revised Sheet No. 127.10) is equal to the FPA amount of \$9,218,076 divided by the forecasted retail net system input (“RNSI”) of 6,477,337,000 kWh (line 11 of 3rd Revised Sheet No. 127.10).

Similarly, the L&P CAF rate of \$0.0016 per kWh to be billed beginning March 1, 2013 (line 12 of 3rd Revised Sheet No. 127.10) is equal to the FPA amount of \$3,656,263 divided by the forecasted RNSI of 2,250,785,000 kWh (line 11 of 3rd Revised Sheet No. 127.10).

Because of a difference in line losses for MPS and L&P for both primary and secondary voltage service levels, there are different current period CAFs for service taken at primary and secondary voltages in MPS and in L&P.

The current annual CAFs are the sum of the current period CAF and the previous period CAF for MPS and L&P, respectively, as reflected on lines 13 through 18 of 3rd Revised Sheet No. 127.10.

The Accumulation Periods, Recovery Periods, and other specifications of GMO’s FAC are set out in its tariff sheets designated Sheet Nos. 127.1 through 127.10.

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

Current Annual Cost Adjustment Factor - MPS			
Service	Proposed Current Annual CAF	Now-Effective Current Annual CAF	Difference
Primary	\$0.0012	\$0.0018	\$0.0006 Decrease
Secondary	\$0.0012	\$0.0018	\$0.0006 Decrease
Current Annual Cost Adjustment Factor – L&P			
Service	Proposed Current Annual CAF	Now-Effective Current Annual CAF	Difference
Primary	\$0.0018	\$0.0046	\$0.0028 Decrease
Secondary	\$0.0018	\$0.0048	\$0.0030 Decrease

The proposed changes to the CAFs will result in a decrease to a typical MPS residential customer's bill of approximately \$0.52 per month and a decrease to a typical L&P residential customer's bill of approximately \$2.60 per month, based on an average use of 867 kWh per month, respectively.

Staff reviewed 3rd Revised Sheet No. 127.10, the direct testimony of Linda J. Nunn and workpapers in this filing, as well as GMO's monthly information filed in compliance with 4 CSR 240-3.161(5) for Accumulation Period 11, 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 revenues in GMO's proposed 3rd Revised Tariff Sheet No. 127.10 and the supporting schedules of Linda J. Nunn's direct testimony. 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 11 and verified that the monthly interest rates and calculations of interest amounts are correct for Accumulation Period 11.

The information filed with the revised tariff sheet and workpapers include sufficient data to calculate GMO's CAFs based on the actual fuel, purchased power and emission allowance costs net of off-system sales revenue and base cost of fuel, purchased power and emission allowance costs net of off-system sales revenue GMO provided for Accumulation Period 11.

Landfill Gas Facility

On December 21, 2012, GMO filed in both Case Nos. ER-2012-0175 and ER-2013-0341 an *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*. The St. Joseph Landfill Gas Facility was built to comply with the Renewable Energy Standard ("RES"). Rule 4 CSR 240-20.100(6)(A)16 provides that RES compliance costs may only be recovered through a Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM") or as part of a general rate proceeding, but not through a fuel adjustment clause. The St. Joseph Landfill Gas Facility was deemed in-service March 30, 2012, and fuel costs for it began to flow through GMO's fuel adjustment clause. Landfill gas costs for Accumulation Period 11 (June 1, 2012 through November 30, 2012) were ** _____ **.

On December 28, 2012, Staff filed *Staff's Response to KCP&L Greater Missouri Operations Company's Application for Waiver or Variance of 4 CSR 240-20.100(6)(A)16 for St. Joseph Landfill Gas Facility*. In its response, Staff expressed that while it did not oppose GMO's application for waiver, its non-opposition is because of GMO's commitment to work with the parties to resolve these issues before GMO files its next general electric rate case.

On January 3, 2013, the Commission issued an *Order Granting Waiver* with an effective date of January 4, 2013, granting GMO relief from Commission Rule 4 CSR 240-20.100(6)(A)16 for purposes of Case Nos. ER-2012-0175 and ER-2013-0341, i.e., the Commission is allowing GMO to flow its St. Joseph landfill gas facility RES compliance costs through its FAC rather than through a RESRAM or as part of a general rate proceeding.

Based on the Commission's approval of GMO's request for a waiver from Commission Rule 4 CSR 240-20.100(6)(A)16, Staff will continue to work with the Company to reach a resolution concerning the treatment of the costs of landfill gas purchased for the Company's St. Joseph Landfill Gas Facility.

Staff Recommendation

The Staff is of the opinion that GMO timely filed 3rd Revised Tariff Sheet No. 127.10 and that it complies with the Commission's *Report and Order* in Case No. ER-2010-0356, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and GMO's FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(4) provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility's filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

GMO requested that 3rd Revised Tariff Sheet No. 127.10, filed December 19, 2012, become effective on March 1, 2013. Thus, the tariff sheet was filed with 72 days' notice. Staff, therefore, recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on December 19, 2012, to become effective on March 1, 2013, as requested by GMO:

P.S.C. Mo. No. 1

3rd Revised Sheet No. 127.10 Canceling 2nd Revised Sheet No. 127.10

Staff has verified that GMO is not delinquent on any assessment and has filed its 2011 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 the true-up amount that is the subject of Case No. ER-2012-0340, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.