

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-2025-____

Date Testimony Prepared: February 27, 2025

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

SCOTT STORDAHL

VICINITY ENERGY KANSAS CITY, INC.

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DIRECT TESTIMONY OF
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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-2025-_____**

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, HT-2023-0247 and HT-2024-0222.
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, which includes Vicinity's obligation 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 2024
9 through December 2024. 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 cases, Case Nos. HR-
12 2023-0198 and HR-2024-0370, continued the PACC Tariff with approved
13 modifications.¹

14
15 The costs passed through this PACC filing reflect ninety-five percent (95%) of the
16 difference between actual fuel, purchased power, and consumable costs during the
17 2024 Accumulation Period and the comparable costs included in base rates. The
18 base PACC production cost rate was set in Case No. HR-2018-0341 at seven dollars
19 and eighteen cents per thousand pounds of steam (\$7.18/mlb). Base rates were not
20 changed in the recent rate cases (Case Nos. HR-2023-0198 and HR-2024-0370) and

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 the PACC base line remained unchanged at \$7.18/mlb. The history of
2 surcharges/refunds under the PACC tariff are summarized below:

- 3 • On March 16, 2016, the Commission approved a PACC filing decreasing
4 (refunding) rates \$0.17905 per Mlb, effective April 1, 2016.
5
- 6 • On March 29, 2017, the Commission approved a PACC filing decreasing
7 (refunding) rates \$0.44636 per Mlb, effective April 1, 2017.
8
- 9 • On March 21, 2018, the Commission approved a PACC filing decreasing
10 (refunding) rates \$0.16412 per MLB, effective April 1, 2018.
11
- 12 • On March 20, 2019, the Commission approved a PACC filing decreasing
13 (refunding) rates \$0.40858 per MLB, effective April 1, 2019.
14
- 15 • On March 18, 2020, the Commission approved a PACC filing decreasing
16 (refunding) rates \$0.2901 per Mlb, effective April 1, 2020.
17
- 18 • On March 30, 2021, the Commission approved a PACC filing setting the rate
19 at \$0.0 (no refund or surcharge), effective April 1, 2021.
20
- 21 • On June 9, 2022, the Commission approved a PACC filing increasing rates
22 (surcharging) by \$0.38, effective April 1, 2022.
23
- 24 • On March 16, 2023, the Commission approved a PACC filing increasing rates
25 (surcharging) by \$7.53, effective April 1, 2023.
26
- 27 • On March 21, 2024, the Commission approved a PACC filing increasing rates
28 (surcharging) by \$1.16 (representing a decrease of \$6.37 from the 2023 PACC
29 surcharge of \$7.53), effective April 1, 2024.
30

31 The PACC production costs included in this filing (including regulatory accounts)
32 are:

- 33 (a) fuel costs:
 - 34 (i) 5011 Fuel expense – natural gas;
 - 35 (ii) 5012 Fuel expense – natural gas transport;
 - 36 (iii) 5017 Fuel expense – purchased electricity;
- 37 (b) consumable costs:
 - 38 (i) 5021 Consumable expense – water;

- 1 (ii) 5022 Consumable expense – sewer; and
- 2 (iii) 5027 Consumable expense – chemicals.

3 In compliance with the terms of the PACC tariff, no capital costs or internal
4 company labor have been included in actual production costs reported during the
5 Accumulation Period.

6
7 The Recovery Period proposed for this filing will consist of the billing months June
8 2025 – March 2026. Consistent with the general reporting requirements contained
9 in the settlement agreements in the Company’s three most recent rate cases (HR-
10 2018-0341, HR-2023-0198 and HR-2024-0370), the testimony will address: (1)
11 Mlb sales by rate class and by individual customer, separately showing steam sales
12 to Vicinity Missouri and the process steam customers; (2) Fuel, purchased
13 electricity and consumable costs included in base rates, the amount of such costs
14 includable in the PACC and the variance of eligible costs during the Accumulation
15 Period; and (3) calculation of the proposed net change in the annual PACC
16 collection rate, along with supporting work papers.

17
18 Q. You previously stated that the Recovery Period for this filing consists of the
19 billing months June 2025 – March 2026. Why are you proposing a recovery period
20 of ten (10) months commencing in June 2025 rather than the normal twelve (12)
21 month period that would begin in April 2025?

22 A. Since late 2024, Vicinity has committed significant resources to the timely
23 resolution of its most recent rate case (Case No. HR-2024-0370) and the
24 implementation of the new Severe Storm Recovery Mechanism (“SSRM”)

1 effective January 1, 2025.² Such efforts not only involved the rate case procedure,
2 but also numerous follow-up meetings and conversations with customers regarding
3 SSRM implementation, and updates required to Vicinity's billing system to
4 incorporate the SSRM. Because of this resource commitment, Vicinity has been
5 unable to reach out to the appropriate Commission Staff and Office of Public
6 Counsel personnel to discuss the structure and operation of the PACC tariff. The
7 requested variance in the effective date for the current PACC filing is intended to
8 provide additional time for Vicinity to meet and discuss matters of concern prior to
9 implementation of the current PACC decrease.

10

11 Q. Other than the request to commence the Recovery Period on June 1, 2025 and
12 shorten the period to 10 months, does this filing or the attached schedules include
13 any direct changes to the calculation of the PACC amount or the costs eligible for
14 recovery?

15 A. No.

16

17 Q. What adjustment is being made in this filing?

18 A. This PACC filing will decrease customer base rates by \$0.81 per Mlb driven
19 primarily by changes in the cost of fuel and consumable expenses in 2024 relative
20 to a PACC base of \$7.18/mlb initially effective December 1, 2018. The main

² On June 19, 2024, Vicinity filed a letter seeking Staff assistance in processing a rate case required to implement a new Severe Storm Recovery Mechanism ("SSRM") for purposes of enabling recovery of Winter Storm Uri costs outside of base rates. Following the processing of Case No. HR-2024-0370 and entering into a negotiated settlement agreement on November 18, 2024, the Commission issued an order dated December 20, 2024, approving the SSRM with an effective date of January 1, 2025.

1 driver of the change in costs in 2024 was the cost of natural gas in 2024 versus the
2 cost of natural gas in the base PACC cost.

3

4 The rate decrease of \$0.81 per Mlb under the PACC tariff represents ninety-five
5 percent (95%) of the total company PACC variance from the PACC base cost.

6 Subject to discussion of the matters regarding the PACC tariff referenced above,
7 the PACC will appear as a separate line item on the customer's bills starting with

8 June 2025, when the Recovery Period applicable to the subject Accumulation
9 Period begins. The proposed PACC decrease of \$0.81 represents a decrease of

10 \$2.01 from the PACC increase of \$1.16 implemented in April 2024.

11

12

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

13 Q. Please detail Mlb sales by rate class and by individual customer, separately showing
14 steam sales to Vicinity Missouri and the process steam customers.

15 A. Please see HC Schedule 1A, lines 8-13, for Mlb sales by rate class and HC Schedule
16 1C for sales by individual tariff customer (detailed by Tariff Customer account
17 code). The tariff steam sales to Vicinity Missouri during the Accumulation Period
18 are included in the Large Commercial sales on HC Schedule 1A and among the
19 tariff customers listed on HC Schedule 1C. Please also refer to HC Schedule 1C
20 for steam sales to process steam customers during the Accumulation Period.

21

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

- 1 Q. Please detail fuel, purchased electricity and consumable costs included in base
2 rates, the amount of such costs includable in the PACC, and the variance of eligible
3 costs during the Accumulation Period.
- 4 A. Please see HC Schedule 1A (lines 1-7, columns B1 and B2) for fuel, purchased
5 electricity and consumable costs included in base rates³ and column D for the actual
6 2024 comparable amounts. HC Schedule 1B summarizes the total amount of such
7 costs includable in the 2024 PACC and the calculation of customer responsibility
8 for the variance in eligible costs during the Accumulation Period.
- 9
10
11

SECTION IV. CALCULATION OF THE PROPOSED PACC COLLECTION RATES

- 12 Q. Please detail the calculation of the proposed PACC collection rates, along with
13 supporting work papers.
- 14 A. Please see HC Schedules 1A, 1B and 1C for the calculation of the proposed 2024
15 PACC collection rates proposed to be effective June 1, 2025.
- 16

³ Base rates and the PACC base line (\$7.18/mlb) were not changed in Case No. HR-2024-0370 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.

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

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

7

SECTION V. 2021 WINTER STORM URI

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

9 A. A North American winter storm, unofficially referred to as Winter Storm Uri, was
10 a major winter snow and ice storm resulting in widespread impacts across the
11 United States, Northern Mexico, and parts of Canada. This February 2021 winter
12 storm produced snow and damaging ice including record snowfall in Texas. As a
13 result of Winter Storm Uri, Vicinity faced extraordinarily high gas bills from its
14 pipeline supplier.

15

16 Q. Does the current PACC filing include any gas or non-gas costs associated with
17 Winter Storm Uri?

18 A. No. All costs associated with Winter Storm Uri were addressed in Case No. HR-
19 2024-0370 with allowed costs being recovered pursuant to the Severe Storm
20 Recovery Mechanism (“SSRM”) effective January 1, 2025.

21

22 Q. Does this conclude your direct testimony?

1 A. Yes.