

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

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| In the Matter of KCP&L Greater Missouri |) | |
| Operations Company Request for Authority |) | <u>File No. ER-2019-0413</u> |
| To Implement Rate Adjustments Required |) | Tracking No. JE-2019-0232 |
| By 4 CSR 240-20.090(8) and the Company's |) | |
| Approved Fuel and Purchased Power Cost |) | |
| Recovery Mechanism |) | |

**STAFF RESPONSE TO PUBLIC COUNSEL'S REPLY
TO THE STAFF'S RECOMMENDATION**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its *Response to Public Counsel's Reply to the Staff's Recommendation* respectfully states:

1. On June 28, 2019, KCP&L Greater Missouri Operations Company ("GMO") filed a proposed tariff sheet to implement rate adjustments to the Company's approved Fuel and Purchased Power Cost Recovery Mechanism ("FAC").
2. On July 2, 2019, the Commission ordered Staff to file a recommendation no later than July 28, 2019, as required by Rule 4 CSR 240-20.090(8)(F).
3. On July 26, 2019, Staff recommended the Commission issue an order indicating the proposed revised tariff sheet GMO substituted on July 25, 2019, become effective on September 1, 2019, by operation of law. Further, Staff's *Recommendation* came with the acknowledgement that GMO's FAC allows for retrospective adjustments in subsequent Fuel Adjustment Rate ("FAR") filings, at which time there is expected to be a more comprehensive understanding of the methodology and framework of 393.1655, RSMo., and its impact on such adjustments for GMO in the future.

4. Following Staff's filing of its recommendation, the Office of Public Counsel ("OPC") filed a response to Staff's *Recommendation* on August 5, 2019, in which OPC requests the Commission order GMO to file a substitute tariff sheet with an adjustment to GMO's Actual Net Energy Cost ("ANEC") to account for:

- a) The cost of auxiliary power GMO used for its steam operations at Lake Road Station of \$311,381; and
- b) The cost of the removal of coal and propane at the retired Sibley generation facility of \$518,248.

5. On August 6, 2019, the Commission ordered Staff, and any other party that so wished, to respond to OPC's concerns by 9 a.m. on August 12, 2019. Staff responds with the following:

Lake Road Auxiliary Power Adjustment

6. In Case No. ER-2018-0400 GMO made an adjusting entry to remove the costs of auxiliary power for its steam operations. Subsequently, in Case No. ER-2019-0198, GMO reversed its adjusting entry that had previously been made. OPC, in that case, objected to GMO's reversal of the Lake Road auxiliary power adjustment.¹

7. As noted by OPC in its response, GMO submitted a revised tariff sheet based on its understanding of discussions by the Commission during its Agenda meeting on February 20, 2019, when the prior reversal entry from Case No. ER-2019-0400 was removed and OPC's estimated auxiliary power costs in Case No. ER-2019-0198 was also

¹ Case No. ER-2019-0198 was closed, and any outstanding issues are subject to hearing in Case No. EO-2019-0067.

removed. These adjustments are set to be presented to the Commission for a decision in the pending GMO FAC prudence review, Case No. EO-2019-0067.

8. As noted in Staff's Recommendation, Staff continues to agree with GMO's position that "the allocation of charges for the auxiliary electric power used by GMO for its steam operations is not imprudent."² Staff continues to recommend that the \$311,381 estimated amount OPC recommends to exclude, remain included in GMO's ANEC calculations.

9. Further, Staff notes that OPC witness Lena Mantle stated in Case No. ER-2019-0198 that GMO's prudence review was the better venue to dispute the allocation of the auxiliary charges.³ It is also Staff's position that any prudency issues, like the allocation of auxiliary power from Lake Road, are best left for review in GMO's prudency review, not a semi-annual FAR filing.

10. To the extent the Commission determines more immediate action is required, Staff offers a potential approach that all amounts except the OPC amount in controversy may be suitable for recovery; the amount in controversy may be separately examined, similar to the outcome concerning this issue from the previous FAR case, ER-2019-0198. However, Staff hastens to add that if this approach is followed, the amount in controversy will accrue interest.

² Staff Recommendation, Appendix A, pg.10.

³ Case No. ER-2019-0198, OPC Memorandum, page 2.

Removal of Coal and Propane from Sibley

11. OPC indicated in its filing that the cost of GMO's transfer of coal from the retired Sibley generating station to the Iatan generating station was improperly included, and that the Commission should order GMO to adjust the ANEC to remove these costs.

12. In addition to the transfer of coal from Sibley, OPC also objects to the inclusion of costs arising from the emptying of propane from the inventory at the Sibley generating station. Combined, OPC is recommending the removal of \$518,248 due to the removal of coal and propane from the Sibley generating station. Staff would like to note that OPC's proposed adjustment of \$518,248 incorrectly includes all costs from the monthly report informational filings, tab 5(H) 1-5.10, even including costs that do not flow through the FAC for recovery. Therefore, by Staff's calculations, at most the actual amount in dispute should only be \$185,857.

13. Staff has seen nothing from the company to indicate that either cost was improperly included for recovery. Further, Staff would note that, because of the strict timeline set out in Commission Rule 4 CSR 240-20.090(8)(F), Staff does not have the time to request as much information as would be possible in a prudence review. Due to that limitation, Staff believes that any discussion of imprudent costs are best addressed in GMO's prudence review.

14. Therefore, Staff recommends that the Commission not order GMO to adjust the ANEC to remove these costs for recovery.

15. To the extent the Commission determines more immediate action is required, Staff offers a potential approach that all amounts except the Staff's updated amount of the controversial calculation may be suitable for recovery; the amount in

controversy may be separately examined. However, Staff hastens to add that if this approach is followed, the amount in controversy will accrue interest.

WHEREFORE, Staff submits its *Response* for the Commission's information and consideration.

Respectfully Submitted,

/s/ Travis J. Pringle

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 12th day of August, 2019, to all counsel of record.

/s/ Travis J. Pringle