

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

In the Matter of the First Prudence Review	)	
of Costs Subject to the Commission-Approved	)	<b><u>Case No. EO-2017-0231</u></b>
Fuel Adjustment Clause of Kansas City Power	)	
and Light Company	)	

**OPC COMMENT ON PRUDENCE REVIEW**

**COMES NOW** the Office of Public Counsel (“OPC”), by and through counsel, and for its Comment, and respectfully states:

1. On March 8, 2017, the Staff of the Missouri Public Service Commission (“Staff”) filed its notice initiating a prudence review of Kansas City Power and Light Company’s (“KCPL”) fuel adjustment clause (“FAC”), pursuant to Commission Rule 4 CSR 240-20.090(7) and § 386.266.4(4) RSMo. Supp. 2016. Staff reviewed costs and revenues associated with KCPL’s FAC for the period September 29, 2015, to December 31, 2016.<sup>1</sup>

2. On October 27, 2017, Staff filed its *First Prudence Review of Costs Related to the Fuel Adjustment Clause for the Electric Operations of Kansas City Power & Light Company*, wherein Staff states that it “identified no instances of imprudence on the part of KCPL during the Review Period.”

3. Staff’s report states:<sup>2</sup>

KCPL has a long-term (10-year) Purchased Power Agreement (“PPA”) with The Central Nebraska Public Power and Irrigation District (“CCNPID”) ending December 31, 2023, for energy generated by several hydroelectric facilities (Jeffery Hydro 1, Jeffery Hydro 2, Johnson Hydro 11, Johnson Hydro 12, and Johnson

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<sup>1</sup> The initial report date ordered by the Commission for Staff’s recommendation in this case file was August 27, 2017. *Order Directing Notice, Adding Parties, and Setting Procedural Dates*, EO-2017-02312, EFIS 2 (March 9, 2017). Upon Staff’s motion, the Commission set a revised recommendation date for October 27, 2017. *Order Granting Extension of Time*, EO-2017-02312, EFIS 5 (August 29, 2017).

<sup>2</sup> *First Prudence Review of Costs Related to the Fuel Adjustment Clause for the Electric Operations of Kansas City Power & Light Company*, EO-2017-0231, EFIS 6, p. 35, (October 27, 2017).

Hydro 21) located in Nebraska. The contract is based on a fixed energy price of \*\*  
\*\* and \*\* \*\* of capacity and is a “take-or pay” contract.  
CCNPID is not a The Division of Energy certified renewable energy resource.  
Costs of electricity under the CCNPID PPA are \*\* \*\* for September  
29, 2015 through December 31, 2016.

At the time KCPL entered into this PPA in November 2011, KCPL did not have a need for additional capacity in 2014.<sup>3</sup> KCPL currently has excess capacity. KCPL entered into this contract to meet the state of Kansas renewable energy portfolio standards (“RPS”) capacity requirement for capacity and energy to be delivered in 2014 through 2023.<sup>4</sup> Kansas no longer has an RPS. The generation from these hydro plants does not qualify for Missouri’s RPS since the nameplate rating of the hydro generating units are greater than 10 Megawatts.<sup>5</sup>

4. In general, purchased power agreements may include charges for capacity and energy among other costs. Even though the Kansas RPS was based on capacity, the CCNPID contract does not contain a charge for capacity. Instead the only charge is for energy which KCPL is required to “take-or-pay.” Capacity charges for long-term contracts are excluded from the Missouri KCPL fuel adjustment clause. Energy charges from purchased power agreements are included in the FAC.

5. This purchased power contract for hydro has been included in the estimation of fuel by Staff and KCPL in the last two KCPL general rate cases: Case Numbers ER-2014-0370 and ER-2016-0285.

6. Based on this information, OPC believes there is cause to exclude this contract from recovery in the FAC. However, provided its inclusion in KCPL’s most recent rate case, OPC

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<sup>3</sup> See KCPL resource plan filing in EO-2012-0323

<sup>4</sup> KCPL response to OPC data request no. 8004

<sup>5</sup> Section 393.1025(5)

believes the appropriate time to address the future inclusion of this contract in KCPL's FAC is the next KCPL rate case. This comment is offered to provide notice to the parties of OPC's concern.

7. OPC provides offers additional comments on conclusions in Staff's recommendation, though does note and appreciate the analysis Staff offered on heat-rates and off-system sales.

**WHEREFORE**, OPC provides this comment for the Commission's information and consideration.

Respectfully submitted,

**/s/ Hampton Williams**

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 1st day of November 2017.

**/s/ Hampton Williams**