

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

In the Matter of the First Prudence Review of)
Kansas City Power & Light Company)
Implementation of Energy Efficiency Programs)
in Furtherance of the Missouri Energy)
Efficiency Investment Act (MEEIA).)

File No. EO-2016-0183

STAFF’S REPORT OF FIRST MEEIA PRUDENCE AUDIT

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Report of First MEEIA Prudence Audit* (“Report”), respectfully states to the Missouri Public Service Commission (“Commission”):

Background

1. Kansas City Power & Light Company’s (“KCP&L”) tariff provides that “Commission staff shall perform prudence reviews no less frequently than at twenty-four (24) month intervals in accordance with 4 CSR 240-20.093(10)...”¹ This tracks the language of Commission Rule 4 CSR 240-20.093(10) as authorized under § 393.1075.3 and § 393.1075.11 RSMo Supp. 2013.

2. The Staff’s prudence audit also complies with KCP&L’s Demand Side Investment Mechanism Rider (“DSIM Rider”) P.S.C. MO. No. 7, Original Sheet No. 49D Prudence Reviews paragraph which states in part “A prudence review shall be conducted no less frequently than at twenty-four (24) month intervals in accordance with 4 CSR 240-20.093(10)...”

3. Rule 4 CSR 240-20.093(10), in part, set a timeline for certain activities related to the prudence review in that: “The Staff shall file notice within ten (10) days of

¹ Kansas City Power & Light Company, MO.P.S.C. , Original Sheet No. 49D, “Prudency Reviews”, Demand Side Investment Mechanism Rider, Schedule DSIM.

starting its prudence audit.” It also established the following schedule by which certain events are to take place based on the date the Staff started its prudence audit. The Staff filed its *Notice of Start of First MEEIA Prudence Audit* on January 15, 2016.

Monday, June 13, 2016	Submission of Staff Recommendation
Monday, June 23, 2016	Request for hearing
Tuesday, August 12, 2016	Commission Order, if no hearing requested

4. Staff initiated its first prudence audit of the costs associated with KCP&L’s Demand-Side Programs Investment Mechanisms (“DSIM”) on January 15, 2016.

Results of Prudence Audit and Recommendation

5. In accordance with 4 CSR 240-20.093(10)(B), Staff files its Report, including its recommendation, with the Commission regarding the results of its examination and analyses in this case.² The Staff’s Energy Resources Department is responsible for conducting the prudence audit. Staff’s Report is attached as Appendix A, in both Highly Confidential “HC” and public formats.

6. Staff reviewed and examined a variety of items including the prudence of KCP&L’s DSIM program costs, the Company TD-NSB Share³ and interest for the review period of June 6, 2014 through December 31, 2015. In summary, Staff’s prudence audit and review identified the following:

² 4 CSR 240-20.093(10)(B) “The staff shall submit a recommendation regarding its examination and analysis to the commission....”

³ “TD-NSB Share” is KCP&L’s sum of the net shared benefits over the MEEIA Plan period multiplied by 26.36%. See page 4 of *Non-Unanimous Stipulation And Agreement Resolving Kansas City Power & Light Company’s MEEIA Filing* in Case No. EO-2014-0095 filed May 27, 2014 (EFIS Item No. 90) referred to as the “2014 Stipulation” approved by order of the Commission June 5, 2014 (EFIS Item No. 92).

- a. The improper inclusion of \$6,000 of non-MEEIA solar-based training seminar costs in KCP&L's MEEIA Cycle 1 program costs. This \$6,000 non-MEEIA cost should be disallowed by the Commission because it is not an allowable program cost under the MEEIA statute.⁴ Therefore the Staff recommends the Commission order an adjustment of \$6,000 plus interest to be returned to customers as provided for in KCP&L's P.S.C. MO. No. 7, Original Sheet No. 49D and Commission rule 4 CSR 240-093(10)(A).
- b. An error in how KCP&L calculated its TD-NSB ("throughput disincentive-net shared benefits") which resulted in the Company under-billing its customers by an amount estimated by Staff to be \$624,023 for the review period as further explained on pages 18-20 of the Staff Report⁵. As a result KCP&L may seek to recover the under-billed amount in a subsequent DSIM Rider filing. However, in the context of this prudence audit there is no ratepayer harm from the Company's under-billing error. Though Staff reserves its right to dispute any KCP&L effort to recover interest from ratepayers that would be attributed to the Company's error.
- c. Staff maintains its concern about the large carry-over program cost amounts which result mostly from customers taking advantage of higher

⁴ As further explained on page 10 of the Staff Report, Staff identified a \$6,000 charge for a solar-based training seminar. Because solar measures do not reduce the demand for or the amount of electricity consumed on the customer's side of the meter to achieve a given end use as required under MEEIA {see Sect. 393.1075.2(3) and (4)} the Staff recommends the Commission order an adjustment of \$6,000 plus interest to be returned to customers.

⁵ Staff determined that KCP&L failed to discount actual program costs back to 2014 dollars as provided for in the 2014 Stipulation, p. 7, which states "The monthly TD-NSB is the 2014 net present value of all programs' costs in that month." The Company failed to discount 2015 actual programs' cost at the discount rate of 6.961%.

rebate incentive levels in KCP&L's Commercial and Industrial Custom program. (See Staff Report pages 15 -16). Staff did not review these costs for prudence because to do so now would be premature.

7. In conclusion Staff has verified the reported 126,126,686 kWh of energy savings, 42,657 kW of demand savings and \$10,558,858 of actual throughput disincentive for the MEEIA Cycle 1 Programs during the review period.

WHEREFORE, in accordance with the Commission's Rules, the Staff recommends that the Commission approve an adjustment of \$6,000 plus interest to be returned to KCP&L's customers in the Company's next DSIM Rider filing and prays the Commission accept its Report of First MEEIA Prudence Audit.

Respectfully submitted,

/s/ Robert S. Berlin

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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 13th day of June, 2016.

/s/ Robert S. Berlin