Exhibit No.:	
Issue:	Fuel Adjustment Clause
Witness:	Lisa A. Starkebaum
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Kansas City Power & Light
Case No.:	ER-2017-____
Date Testimony Prepared:	January 30, 2017

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

LISA A. STARKEBAUM

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company for Authority to Implement		
Rate Adjustments Required by 4 CSR 240-20.090(4)	)	
And the Company's Approved Fuel and Purchased	)	Case No. ER-2017-
Power Cost Recovery Mechanism	)	

AFFIDAVIT OF LISA A. STARKEBAUM

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Lisa A. Starkebaum, being first duly sworn on her oath, states:

1. My name is Lisa A. Starkebaum. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Supervisor - Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KCP&L, consisting of nine (9) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Lisa A. Starkebaum

Lisa A. Starkebaum

Subscribed and sworn before me this 30th day of January 2017.

Karen M. Smith

Notary Public

My commission expires: April 16, 2020

KAREN M. SMITH
Notary Public - Notary Seal
State of Missouri, Jackson County
Commission # 12446957
My Commission Expires Apr 16, 2020

DIRECT TESTIMONY

OF

LISA A. STARKEBAUM

Case No. ER-2017-___

Q: Please state your name and business address.

A: My name is Lisa A. Starkebaum. My business address is 1200 Main, Kansas City, Missouri 64105.

Q: By whom and in what capacity are you employed?

A: I am employed by Kansas City Power & Light Company ("KCP&L") as Supervisor - Regulatory Affairs.

Q: What are your responsibilities?

A: My responsibilities include the coordination, preparation and review of financial information and schedules associated with the Company's compliance filings for both KCP&L and KCP&L Greater Missouri Operations Company ("Company" or "GMO").

Q: Please describe your education.

A: In 1994, I received a Bachelor of Science Degree in Finance from Northwest Missouri State University in Maryville, Missouri.

Q: Please provide your work experience.

A: In 1995, I joined Cerner Corporation as an Accountant in the Finance Department assisting with month-end close and reporting responsibilities. In 1997, I joined Aquila, Inc. ("Aquila") where I worked in the Financial and Regulatory Reporting group as an Accountant, until joining Regulatory Accounting Services as a

Regulatory Analyst in 1999. I was employed by Aquila for a total of 11 years prior to beginning my employment with KCP&L in July 2008 as a part of the acquisition of Aquila, Inc., by Great Plains Energy Incorporated. Since that time I have held various positions with increasing responsibilities within Regulatory Accounting Services and Regulatory Affairs, most recently as a Lead Regulatory Analyst. As a Lead Analyst, my main areas of responsibility included the preparation of FERC and jurisdictional reporting, and the preparation of rate cases and rate case support for both KCP&L and GMO. In December 2015, I became a Supervisor, Regulatory Affairs responsible for compliance reporting. In my current position, I am responsible for overseeing the various reporting requirements to ensure KCP&L and GMO are compliant with its jurisdictional rules and regulations, in addition to the implementation of new reporting or commitments resulting from various rate case orders and other regulatory filings.

Q: Have you previously testified in a proceeding before the Missouri Public Service Commission ("MPSC" or "Commission") or before any other utility regulatory agency?

A: Yes, I have testified before the MPSC, the Kansas Corporation Commission ("KCC" or "Commission"), and have provided written testimony before the Public Utilities Commission of Colorado. In addition, I have worked closely with many MPSC Staff on numerous filings as well as on rate case issues.

Q: What is the purpose of your testimony?

A: In Case No. ER-2014-0370, KCP&L was authorized to implement a Fuel Adjustment Clause ("FAC"). A FAC is a way to ensure that customers pay only for the actual cost of fuel they use during a certain time period rather than the estimated fuel costs set in base rates. This FAC tariff filing consists of a Fuel Adjustment Rate ("FAR") for the KCP&L Missouri rate jurisdiction. My testimony supports the rate schedule filed by KCP&L to adjust rates for the FAC includable costs experienced during the third accumulation period which covered July 1, 2016 through December 31, 2016. The accumulation periods approved by the Commission in Case No. ER-2014-0370 are January through June and July through December. The proposed change will result in an increase of approximately $3.56 per month for residential customers using 1,000 kWh per month.

Q: Please explain why KCP&L filed the FAC adjustment rate schedules at this time.

A: The Commission's rule governing fuel and purchased power cost recovery mechanisms for electric utilities – specifically 4 CSR 240-20.090(4) – requires KCP&L to make periodic filings to allow the Commission to review the actual net FAC includable costs the Company has incurred and to allow rates to be adjusted, either up or down, to reflect those actual costs. The Commission's rule requires at least one such review and adjustment each year. KCP&L's approved FAC calls for two annual filings – one filing covering the six-month accumulation period running from January through June and another filing covering the accumulation period running from July through December. Any increases or decreases in rates as a result of these filings are then included in the customers' bills over a subsequent 12-month recovery period.

For this third accumulation period, KCP&L's actual FAC includable costs exceeded the base costs included in base rates by approximately $38.9 million. In accordance with the Commission's rule and KCP&L's approved FAC, KCP&L is filing the FAC tariff that provides for a change in rates to recover 95% of those cost changes, or approximately $36.9 million.

Q: Why are the FAC includable costs higher in this accumulation period than they were in the previous accumulation period?

A: There are several factors contributing to the increase in FAC costs included in this filing. First, the higher Actual Net Energy Costs ("ANEC") in the third accumulation period of July through December are driven by seasonal differences compared to the previous, second accumulation period of January through June. Retail load requirements are naturally higher in the summer months. Furthermore, during this third accumulation period, the Wolf Creek nuclear generating station as well as Iatan 2 and Hawthorn were offline due to planned outages. The Wolf Creek refueling cycle occurs approximately every 18 months. These outages resulted in a higher requirement on purchased power to meet native load as well as a decrease in off-system sales revenue as generation was not available to sell to the Southwest Power Pool ("SPP") Integrated Marketplace.

Q: Are there any other items impacting this semi-annual FAC filing that need to be addressed?

A: Yes, included in this filing are two corrections. The first is a decrease to the Fuel and Purchased Power Adjustment ("FPA") amount due to a correction to the second accumulation period of $249,850. This correction is the result of a formula error found in the work papers for the second accumulation period for the month of January 2016. This decrease is offset by an increase to the FPA of $12,807 due to a second correction in Off-System Sales Revenue ("OSSR") for prior accumulation periods one and two: September 2015 through December 2015 and January 2016 through June 2016; respectively.

Q: Please explain the first correction of $249,850, mentioned above.

A: In preparing this filing for the third accumulation period, a formula error was discovered in the work papers for the previous filing. In KCP&L's second semi-annual FAC filing made on August 1, 2016, the January 2016 credit amounts included in the second accumulation period for the Missouri SO2 Amortization gross up and the Missouri Hedging Cost gross up were included in the ANEC; however, a formula error found in the work papers excluded these credits from the Missouri jurisdictional amount.

The Missouri jurisdictional amount on Line No. 5 of the 2nd Revised Sheet No. 50.10 labeled (ANEC-B)*J was overstated by $261,787, causing the FPA to be overstated by $248,698, or 95% of the jurisdictional amount. Since the 2nd Revised Sheet No. 50.10 became effective on October 1, 2016 and the third accumulation period in this filing extends through December 31, 2016, KCP&L has calculated three months of additional interest for periods October through December 2016 that has been included in this filing. With interest, this correction is a decrease to the third accumulation FPA of $249,850. The Company has included a separate worksheet within the work papers for the third accumulation period that details this adjustment.

Q: Please explain KCP&L's second correction of $12,807, mentioned above.

A: This issue came to light while doing some additional accounting research related to FAC revenue and expense resulting from rate case discussions. In the FAC tariff approved in Rate Case ER-2014-0370, the Commission expressly ordered that "revenues do not include demand or capacity receipts associated with power contracts in excess of one year." KCP&L inadvertently included a long-term capacity contract in the FAC calculation in OSSR for the months of September 2015 through June 2016. With interest, this correction is an increase to the third accumulation FPA of $12,807.

Q: How will these corrections be included in the FAC?

A: These corrections pertain to months that were included in prior accumulation periods and not within the third accumulation period in this filing consisting of July 2016 through December 2016; therefore, these corrections with interest have been included on the True-Up Line No. 8, on the 3rd Revised Sheet No. 50.10. Although there is no Section 8 FAC True-Up filing accompanying this Section 7 filing, the Company elected to make these known corrections at this time, rather than wait until the first true-up, which will be filed by August 1, 2017. Also included in the Company's supporting work papers is an additional worksheet with the monthly amounts and calculated interest.

Q: What steps have been taken to ensure errors like this will not happen in the future?

A: On a monthly basis, KCP&L calculates the over/under for the FAC and makes a corresponding entry on its books. Accounting will review all capacity sales and will make all necessary adjustments to remove long-term contracts. Also, KCP&L has incorporated in its work paper review process an additional cross-reference check.

Q: How did you develop the various values used to derive the proposed FARs that are shown on Schedule LAS-1?

A: The proposed tariff rates are shown in Schedule LAS-1. The filing made in conjunction with this testimony contains all of the information as set in 4 CSR 240-3.161(7)(A) which supports these proposed rates. In addition, I am submitting a copy of the workpapers that support the determination of the current FAR.

Q: Please describe the impact of the change in costs and how it will affect a typical customer.

A: The proposed current period FAR is $0.00425 per kWh for primary voltage customers and $0.00436 per kWh for secondary voltage customers. This is the difference between base FAC includable costs and the actual costs incurred by the Company including interest and adjustments during the third accumulation period over a recovery period running from April 1, 2017 through March 31, 2018.

The proposed FAR was calculated in the manner specified in the Company's FAC. Attached to my testimony, as Schedule LAS-1, is a copy of the tariff sheet with the current FAR, the prior period FAR and the total FAR that will be billed to customers over the recovery period. The FAR for the second accumulation period is added to the FAR for the current accumulation period to provide the annual FAR. Thus, given the proposed current FAR calculations, the annual FAR will be $0.00639 per kWh for primary voltage customers and $0.00655 per kWh for secondary voltage customers. As stated earlier, this will result in an increase of approximately $3.56 per month for residential customers using 1,000 kWh per month.

Q: If the rate schedules filed by KCP&L are approved or allowed to go into effect, what safeguards exist to ensure that the revenues the Company bills to its customers do not exceed the fuel and purchased power costs that KCP&L actually incurred during the Accumulation Period?

A: KCP&L's FAC and the Commission's rules provide two mechanisms to ensure that amounts billed to customers do not exceed KCP&L's actual, prudently-incurred fuel and purchased power costs. First, at the end of each recovery period the Company is required to true up the amounts billed to customers through the FAR with the excess fuel and purchased power costs that were actually incurred during the accumulation period to which the FAR applies. Second, KCP&L's fuel and purchased power costs are subject to periodic prudence reviews to ensure that only prudently-incurred fuel and purchased power costs are billed to customers through KCP&L's FAC. These two mechanisms serve as checks to ensure that the Company's customers pay only the prudently-incurred, actual costs of fuel and purchased power used to provide electric service.

Q: What action is KCP&L requesting from the Commission with respect to the rate schedules that the Company has filed?

A: The Company requests the Commission approve the rate schedules to be effective as of April 1, 2017.

Q: Does this conclude your testimony?

A: Yes, it does.

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASE POWER ADJUSTMENT ELECTRIC
(Applicable to Service Provided Effective Date of Rate Tariffs for ER-2014-0370 and Thereafter)

Accumulation Period Ending:			December 31, 2016
			KCPL-MO
1	Actual Net Energy Cost (ANEC) = (FC+E+PP+TC-OSSR-R)		$166,530,374
2	Net Base Energy Cost (B)	-	$98,617,667
	2.1 Base Factor (BF)		$0.01186
	2.2 Accumulation Period NSI (S_{AP})		8,315,149,000
3	(ANEC-B)		$67,912,707
4	Jurisdictional Factor (J)	x	57.21855%
5	(ANEC-B)*J		$38,858,668
6	Customer Responsibility	x	95%
7	95% *((ANEC-B)*J)		$36,915,735
8	True-Up Amount (T)	+	($237,043)
9	Interest (I)	+	$324,378
10	Prudence Adjustment Amount (P)	+	$0
11	Fuel and Purchased Power Adjustment (FPA)	=	$37,003,070
12	Estimated Recovery Period Retail NSI (S_{RP})	÷	9,098,778,904
13	Current Period Fuel Adjustment Rate (FAR)	=	$0.00407
14			
15	Current Period FAR_{Prim} = FAR x VAF_{Prim}		$0.00425
16	Prior Period FAR_{Prim}	+	$0.00214
17	Current Annual FAR_{Prim}	=	$0.00639
18			
19	Current Period FAR_{Sec} = FAR x VAF_{Sec}		$0.00436
20	Prior Period FAR_{Sec}	+	$0.00219
21	Current Annual FAR_{Sec}	=	$0.00655
	VAF_{Prim} = 1.0452		
	VAF_{Sec} = 1.0707		