

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

In the Matter of the Application of KCP&L Greater Missouri Operations Company Containing Its Semi-Annual Fuel Adjustment Clause True-Up)
) **File No. ER-2017-0002**
)

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Commission”), by and through counsel, and for its recommendation respectfully states:

1. On July 1, 2016, KCP&L Greater Missouri Operations Company (“GMO”) filed an application containing its fifteenth Fuel Adjustment Clause (“FAC”) true-up filing to identify the amounts of over or under-recovery of the FAC for its most recently completed 12-month recovery period, Recovery Period 15,¹ as required by Commission Rules 4 CSR 240-3.161(8) and 4 CSR 240-20.090(5).

2. Rule 4 CSR 240-20.090(5)(D) requires the Commission’s Staff to examine and analyze the information GMO has submitted and to submit a recommendation to the Commission not later than 30 days after GMO made its filing which in this case is not later than August 1, 2016.

3. As explained in Staff’s *Memorandum*, attached hereto as Appendix A and incorporated herein by reference, Staff recommends the Commission approve GMO’s fifteenth true-up filing for Recovery Period 15, during which GMO over-recovered

¹ March 1, 2015 through February 29, 2016.

\$3,202,215² from customers in its MPS rate district, and over-recovered \$815,474³ from customers in its L&P rate district.

4. Staff reviewed and analyzed the direct testimony, supporting schedules and workpapers of GMO witness Linda J. Nunn, which included information GMO filed for removal of MISO transmission charges for the Crossroads Generating Station in the FAC.⁴ Staff has determined that GMO's calculations for the true-up amounts and interest amounts for Recovery Period 15 are correct. The over-recovered amounts for the MPS and the L&P rate districts, and accumulated interest due to the over-recovered amounts, are to be included in GMO's calculation of its proposed current period Fuel Adjustment Rates in its semi-annual FAC adjustment filing in File No. ER-2017-0001.⁵

5. Staff has verified that GMO has filed its 2015 annual report and is not delinquent on any assessment. GMO is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10), and its monthly reports as required by 4 CSR 240-3.161(5). With the exception of GMO's proposed changes to its current annual Fuel Adjustment Rates in its semi-annual FAC filing in File No. ER-2017-0001, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

² This amount includes a correction, with interest, for over-recovery of MISO transmission charges for the Crossroads Generating Station of \$3,641,196 which offsets an under-recovery of \$438,981.

³ This amount includes a correction, with interest, for over-recovery of MISO transmission charges for the Crossroads Generating Station of \$950,137 which offsets an under-recovery of \$134,663.

⁴ The matter of Crossroads related transmission expenses is a potential rate case and FAC prudence issue.

⁵ *In the Matter of KCP&L Greater Missouri Operations Company for Authority to Implement Rate Adjustments Required by 4 CSR 240-20.090(4) and the Company's Approved Fuel and Purchased Power Cost Recovery Mechanism* filed on July 1, 2016. In this case, GMO requested Commission approval of a revised tariff sheet to adjust rates for the FAC includable costs experienced during the six-month accumulation period (Accumulation Period 18) December 1, 2015 through May 31, 2016.

WHEREFORE, Staff prays the Commission accept the results of its analysis and recommends that the Commission approve GMO's fifteenth true-up amounts of \$3,202,215 flowing back to customers in its MPS rate district and \$815,474 flowing back to customers in its L&P rate district, for Recovery Period 15 under the provisions of 4 CSR 240-3.161(8) and 4 CSR 240-20.090(5).

Respectfully Submitted,

/s/ Robert S. Berlin

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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 1st day of August, 2016, to all counsel of record.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2017-0002
KCP&L Greater Missouri Operations Company

FROM: David Roos, Regulatory Economist III

DATE: /s/ John Rogers 08/01/2016 /s/ Bob Berlin 08/01/2016
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff's Analysis of and Recommendation Concerning KCP&L Greater Missouri Operations Company's Fifteenth Fuel Adjustment Clause True-up Filing Under the Provisions in 4 CSR 240-3.161(8) and 4 CSR 240-20.090(5).

DATE: August 1, 2016

Recommendation

Staff recommends the Commission approve KCP&L Greater Missouri Operations Company's ("GMO") fifteenth true-up filing for Recovery Period 15 during which GMO over-recovered \$3,202,215¹ from customers in its MPS rate district, and over-recovered \$815,474² from customers in its L&P rate district.

Discussion

On July 1, 2016, GMO filed with the Commission, along with direct testimony and supporting schedules of GMO witness Linda J. Nunn, its fifteenth fuel adjustment clause ("FAC") true-up filing under the provisions in 4 CSR 240-3.161(8) and 4 CSR 240-20.090(5). According to GMO's true-up filing, in the aggregate, GMO over-recovered from its customers in its MPS rate district \$3,202,215³ and over-recovered from its customers in its L&P rate district \$815,474 during Recovery Period 15 (March 1, 2015, through February 29, 2016) which followed its Accumulation Period 15 (June 1, 2014 through November 30, 2014).

¹ This amount includes a correction, with interest, for over-recovery of MISO transmission charges for the Crossroads Generating Station of \$3,641,196 which offsets an under-recovery of \$438,981.

² This amount includes a correction, with interest, for over-recovery of MISO transmission charges for the Crossroads Generating Station of \$950,137 which offsets an under-recovery of \$134,663.

³ As defined on KCP&L Greater Missouri Operations Company, P.S.C.MO. No. 1, Original Sheet No. 126.2 the term T = The true-up amount shall be the difference between the revenues billed and the revenues authorized for collection during the RP as well as any corrections identified to be included in the current Fuel Adjustment Rate filing. Any corrections included will be discussed in the testimony accompanying the true-up filing.

The Missouri Public Service Commission Staff (“Staff”) reviewed the direct testimony of GMO witness Linda J. Nunn, the supporting schedules GMO provided with GMO’s application in this case, and the monthly information GMO submitted to the Commission in accordance with 4 CSR 240-3.161(5).

Correction for MISO Transmission Charges

During the GMO rate case, Case No. ER-2016-0156, Staff’s Data Request 155.5 was submitted on April 29, 2016, asking GMO if it had recovered any Crossroads related transmission expense in the FAC. On May 18, 2016, GMO notified Staff by phone and by email confirming that an error had occurred resulting in some Crossroads related Midcontinent Independent System Operator (“MISO”) transmission expenses flowing through the FAC. As a result of this error, the true-up amounts in this case contain a correction, with interest, of \$3,641,196 for over-recovery from customers in the MPS rate district and \$950,137 for over-recovery from customers in the L&P rate district.

These corrections represents the MISO transmission expenses for the Crossroads Generating Station that were in the FAC from January 2014 through November 2015, and captures the time period from the start of MISO transmission expenses in the FAC through the end of Accumulation Period 17 (“AP17”). For Accumulation Period 18 (“AP18”), December 2015 through May 2016, the AP18 work papers for the fuel adjustment rate filing in File No. ER-2017-0001 filed on July 1, 2016 shows the removal of Crossroads related transmission expenses from the FAC.

In the Report and Orders for Rate Case Nos. ER-2010-0356, effective May 14, 2011, and ER-2012-0175 effective January 9, 2013, the Commission ordered Crossroads related transmission charges to be excluded from both base rates and the FAC. The 1st Revised Tariff Sheet No. 127.8, applicable to service provided from July 1, 2011 through January 25, 2013 define transmission costs as:

“TC = Transmission Costs;

Transmission costs for Off System Sales included in FERC Account Number 565 except for costs for the Crossroads facility.”

And the 2nd Revised Tariff Sheet No. 126, applicable to service provided January 26, 2013 and thereafter, defines transmission costs as:

“TC = Transmission Costs:

The following Costs reflected in FERC Account Number 565 (excluding Base Plan Funding costs and costs associated with the Crossroads generating station): transmission costs that are necessary to receive purchased power to serve native load and transmission costs that are necessary to make off system sales.”

For calculating TC, GMO implemented a process whereby total transmission expenses were tabulated and then costs not allowed in the FAC were removed. Prior to Entergy joining MISO in December 2013, this process was effective in preventing disallowed Crossroads related transmission costs from flowing through the FAC. According to KCP&L GMO witness Linda J. Nunn, beginning on page 6 of her direct testimony in this true-up case:

“Prior to the time that Entergy joined the Regional Transmission Organization Midcontinent Independent System Operator (“MISO”), GMO would have monthly MISO charges for transmission related to purchased power that traveled through the MISO territory (completely unrelated to Crossroads). Those costs were allowable in the FAC according to the tariff as they were transmission for purchased power to serve native load. When Entergy joined MISO late in 2013, the transmission costs related to Crossroads began to be billed by MISO (previously billed by Entergy) and the accounting reports used to prepare the FAC calculation included a line item which identified Crossroads charges. There were other line items on the MISO bill that did not indicate a Crossroads connection. It turns out that the line item labeled Crossroads was for Schedule 7 fees only. The Company removed the amount associated with that schedule (Schedule 7 – Demand) from the FAC calculation. However, the Company did not realize that the other MISO charges identified on the reports not labeled Crossroads were actually associated with the Crossroads facility ... [the] Accounting procedure has now been changed so that any charge from MISO is to be considered related to Crossroads unless the front office takes action to notify Accounting that a non-Crossroads deal has been made.”

Staff Review

Based on its review and analysis of the information GMO filed and submitted for Recovery Period 15, Staff has determined that GMO's calculations for the true-up amounts for Recovery Period 15, including the calculation of monthly interest, are correct. Staff also reviewed and analyzed the information GMO filed for removal of MISO transmission expense for the Crossroads Generating Station in the FAC. The issue of Crossroads related transmission expenses is a potential rate case and FAC prudence issue. For the purposes of this true up, Staff does not object to the amount returned to the customers to correct this error by GMO. However, Staff may pursue this issue in other cases before the Commission.

Staff recommends the Commission approve GMO's fifteenth true-up filing for Recovery Period 15 during which GMO over-recovered \$3,202,215 from its customers in its MPS rate district and over-recovered \$815,474 from its customers in its L&P rate district. The over-recovered amounts for the MPS and L&P rate districts are to be included in GMO's proposed changes to its current period fuel adjustment rates in its semi-annual FAC filing in File No. ER-2017-0001 filed on July 1, 2016, for Accumulation Period 18 (December 1, 2015 through May 31, 2016).

Staff has verified that GMO has filed its 2015 Annual Report and is not delinquent on any assessment. GMO is current on its submission of its Surveillance Monitoring reports as required by 4 CSR 240-20.090(10), and its monthly reports as required by 4 CSR 240-3.161(5). With the exception of GMO's proposed changes to its current period fuel adjustment rates in its semi-annual FAC filing in File No. ER-2017-0001, and Rate Case No. ER-2016-0156, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

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

In the Matter of the Application of KCP&L Greater)
Missouri Operations Company Containing its) **File No. ER-2017-0002**
Semi-Annual Fuel Adjustment Clause True-Up)

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

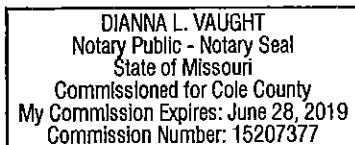
COMES NOW, David C. Roos and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

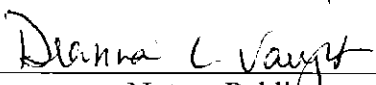
Further the Affiant sayeth not.



David C. Roos

Subscribed and sworn to be this 1st day of August, 2016.





Notary Public