

In The Matter Of A Repository File )  
Concerning Staff's Review Of The ) **File No. EW-2011-0139**  
Commission's Fuel Adjustment Clause Rules. )

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”) in response to the Commission’s November 23, 2010, *Order Opening a Repository File Concerning Staff’s Review of the Commission’s Fuel Adjustment Clause Rules* where the Commission requested comments on how the effectiveness of the Commission’s fuel adjustment clause rules could be improved be submitted by March 1, 2011, and provides comments in the attached appendix.

**/s/ Nathan Williams**  
Nathan Williams  
Deputy Counsel  
Missouri Bar No. 35512

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-8702 (Telephone)  
(573) 751-9285 (Fax)  
[nathan.williams@psc.mo.gov](mailto:nathan.williams@psc.mo.gov)

I hereby certify that copies of the foregoing have been mailed, emailed, sent by facsimile or hand-delivered to all counsel of record this 1<sup>st</sup> day of March 2011.

/s/ Nathan Williams

**Staff Comments Concerning  
Commission Rules 4 CSR 240-3.161 and 4 CSR 240-20.090  
File No. EW-2011-0139**

Both 4 CSR 240-3.161 **Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements** and 4 CSR 240-20.090 **Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms** were originally effective January 30, 2007. Both rules contain the following provision for a review of the rule's effectiveness: "The commission shall review the effectiveness of this rule by no later than December 31, 2010, and may, if it deems necessary, initiate rulemaking proceedings to revise this rule." Following is a summary of approved fuel and purchased power adjustment clause ("FAC") tariffs of Missouri's electric utilities:

	<b>Ameren Missouri</b>	<b>KCP&amp;L Greater Missouri Operations</b>	<b>Empire District Electric</b>
<b>Case Approving Original Tariff</b>	ER-2008-0318	ER-2007-0004	ER-2008-0093
<b>Effective Date of Original Tariff</b>	March 1, 2009	July 5, 2007	September 1, 2008
<b>Current Tariff Sheet Numbers</b>	98.1 - 98.14	124 - 127.5	17 - 17g
<b>Accumulation Periods (AP)</b>	February - May, June - September and October - January	June - November and December - May	September - February and June - November
<b>Recovery Periods (RP) - Number Annually, Duration and Time Period</b>	3 annually each 12-months long; October - September, February - January and June - May	2 annually each 12-months long; March - February and September - August	2 annually each 6-months long; March - August and December - May
<b>Cost Adjustment Filing Dates</b>	August 1, December 1 and April 1	January 1 and July 1	April 1 and October 1
<b>Basis of Current Cost Adjustment Factor for Customer Bills</b>	Current AP and two previous AP Adjustments	Current AP and previous AP adjustments	Current AP only
<b>Period for Which Base Energy Cost per kWh Rates Are Established</b>	June - September "Summer Rate" and October - May "Winter Rate"	Same rate each month	June - September "Summer Rate" and October - May "Winter Rate"
<b>Sharing Mechanism</b>	95%/5%	95%/5%	95%/5%

Staff has completed its review of the effectiveness of 4 CSR 240-20.090 and has identified the following concerns with the current 4 CSR 240-20.090 rule. Staff also provides a recommendation for each identified concern.

1. Two of the three electric utilities with approved fuel and purchased power adjustment clauses (“FAC”) have filed general rate cases which include a request to continue or modify their FACs but have not filed to “rebase” the fuel and purchased power costs in those same general rate cases. Staff believes that each general rate case should include a comprehensive review of all costs and that new base rates be established consistent with all approved costs in the general rate case including fuel and purchased power costs. Staff recommends that the rule be changed to: 1) define “rebase fuel and purchased power costs” in section (1) of the rule, and 2) include a requirement in section (2) of the rule to rebase fuel and purchased power costs in any general rate case which includes an application to continue or modify a rate adjustment mechanism (“RAM”) and that the base energy cost for the FAC be set equal to the base energy cost in the test year total revenue requirement in the rate case to assure that the electric utility does not collect more or less than what was intended as a result of the two base energy costs being different in the rate case. Attachment A includes examples to illustrate the importance of resetting the base energy cost in the FAC equal to the base energy cost in the test year total revenue requirement in each rate case.
2. The definition of true-up year in 4 CSR 240-20.090(1)(I) does not allow for timely true-up of any over-collection or under-collection of costs following completion of each recovery period defined in the three currently approved FACs. All three electric utilities with approved FACs have tariff sheets which specify that a true-up adjustment will occur following each recovery period. Current FACs specify completion of two recovery periods per year for Empire District Electric and KCP&L Greater Missouri Operations; while the current FAC of Ameren Missouri specifies completion of three recovery periods per year. Staff recommends that the rule be changed to delete all references to true-up year and to incorporate a true-up following completion of each recovery period.

3. The requirements in 4 CSR 240-20.090(2)(D) concerning the initial notice to customers regarding the general rate case does not include a requirement to quantify the impact of the proposed changes to the FAC on customers' bills. This concern is also related to concern 1 above. Staff recommends that 4 CSR 240-20.090(2)(D) be modified to require that the initial notice to customers regarding the general rate case include the amount of the proposed change in base energy costs and the impact of the proposed change on customers' bills.
4. Related to concern 2 above, the rule can benefit from clarity on how the adjustment filings and the true-up filings shall be made. Currently, Empire District Electric includes the true-up of a completed recovery period in the same new file number as the adjustment filing for a completed accumulation period. Ameren Missouri and KCP&L Greater Missouri Operations Company are filing the true-up of a completed recovery period in a new file number. At this time, Staff prefers that there be a consistent approach among the electric utilities with approved FACs and that the consistent approach be that of Ameren Missouri and KCP&L Greater Missouri Operations Company described above. Staff recommends that the revised rule include a requirement that utilities file the true-up of a completed recovery period in a new file number.
5. 4 CSR 240-20.090(10)(B) applies to electric utilities with an approved environmental cost recovery mechanism, but does not make reference to electric utilities with any other type of approved cost recovery mechanism requiring submission of Surveillance Monitoring Reports. The recently approved 4 CSR 240-20.093(9)(B) states: "If the electric utility also has an approved environmental cost recovery mechanism or a fuel cost adjustment mechanism, the electric utility shall submit a single Surveillance Monitoring Report for all mechanisms." Staff recommends that 4 CSR 240-20.090(10)(B) be modified to include approved environmental cost recovery mechanism or other type of cost recovery mechanism requiring submission of Surveillance Monitoring Reports.

6. The rule needs a careful review for consistent use of terms and of defined terms, e. g., the term “initial RAM rules” is defined but is not used in the rule. Staff recommends that a careful review of the revised rule be performed to assure consistent use of terms and for inclusion of all appropriate defined terms.
7. The current rule has no specified processes for resolution of disputes. Staff recommends that resolution of disputes be discussed and evaluated by stakeholders in a workshop as part a formal review of the effectiveness of this rule and possible revision to this rule.

There may be additional concerns identified should the Commission decide to schedule a workshop to further address this rule.

Staff has completed its review of the effectiveness of 4 CSR 240-3.161 and has identified the following concerns with the current 4 CSR 240-3.161 rule. Staff also provides a recommendation for each identified concern.

8. In some filings under this rule workpapers in spreadsheet format were submitted or filed in PDF format or in electronic format with values only and with no formulas. Staff recommends that the following language be added to the rule: “Any detailed workpapers in spreadsheet format supporting the filing shall be in electronic format with all formulas intact.”
9. In recent general rate cases of each electric utility with an approved FAC Staff requested that additional filing requirements be added to the filing requirements in this rule to aid Staff in performing fuel adjustment clause tariff, prudence review and true-up reviews. In each of these general rate cases the Commission approved a stipulation and agreement which included the additional filing requirements requested by Staff. Staff recommends that the list of filing requirements in the revised rule include the list approved by the Commission in previous general rate cases and any other filing requirements resulting from one

or more workshops related to a rulemaking process and ordered by the Commission for this rule.

Staff is reviewing its internal processing of FAC filings and expects that there will be additional changes proposed in 4 CSR 240-3.161 and 4 CSR 240-20.090 as a result of its review.

Line	75%/25% Sharing Mechanism Example	<b>Case 1:</b> Base Energy Cost in FAC <b>Equal To</b> Base Energy Cost in Rev. Req.	<b>Case 2:</b> Base Energy Cost in FAC <b>Less Than</b> Base Energy Cost in Rev. Req.	<b>Case 3:</b> Base Energy Cost in FAC <b>Greater Than</b> Base Energy Cost in Rev. Req.
a	Revenue Requirement	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
b	Base Energy Cost in Rev. Req.	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
c	Base Energy Cost in FAC	\$ 4,000,000	\$ 3,900,000	\$ 4,100,000
	<b>Outcome 1:</b> Actual Energy Cost <b>Greater Than</b> Base Energy Cost in Revenue Requirement			
d	Actual Energy Cost	\$ 4,200,000	\$ 4,200,000	\$ 4,200,000
	Billed to Customer:			
= b	in Permanent Rates	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
$e = (d - c) \times 0.75$	through FAC	\$ 150,000	\$ 225,000	\$ 75,000
$f = b + e$	Total Billed to Customers	\$ 4,150,000	\$ 4,225,000	\$ 4,075,000
$g = f - d$	<b>Kept/(Paid) by Company</b>	\$ (50,000)	\$ 25,000	\$ (125,000)
	<b>Outcome 2:</b> Actual Energy Cost <b>Less Than</b> Base Energy Cost in Revenue Requirement			
h	Actual Energy Cost	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000
	Billed to Customer:			
= b	in Permanent Rates	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
$i = (h - c) \times 0.75$	through FAC	\$ (150,000)	\$ (75,000)	\$ (225,000)
$j = b + i$	Total Billed to Customers	\$ 3,850,000	\$ 3,925,000	\$ 3,775,000
$k = j - h$	<b>Kept/(Paid) by Company</b>	\$ 50,000	\$ 125,000	\$ (25,000)
$l = (k + g) / 2$	<b>Expected Kept/(Paid) by Company (Note)</b>	\$ -	\$ 75,000	\$ (75,000)
<b>Note:</b> Expected amounts based on equal probability of <b>Outcome 1</b> and <b>Outcome 2</b> occurring.				