**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of Kansas City Power & Light Company Seeking Commission Approval to Implement Changes in their Transmission Delivery Charges Rate Schedules.	))))	Docket No. 17-KCPE-440-TAR

**NOTICE OF FILING OF STAFF'S
REPORT AND RECOMMENDATION**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), and files its Report and Recommendation (R&R) dated July 19, 2017, attached hereto and made a part hereof by reference. Staff recommends the Commission approve the amended transmission delivery charge tariff of Kansas City Power & Light Company of $41,123,455, or a revised increase of $6,954,579, which will increase average residential customer bills by $1.40 monthly.

WHEREFORE, Staff submits it's Report and Recommendation for Commission review and consideration, and for such other relief as the Commission deems just and proper.

Respectfully submitted,

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REPORT AND RECOMMENDATION
UTILITIES DIVISION

TO: Chairman Pat Apple
Commissioner Shari Feist Albrecht
Commissioner Jay Scott Emler

FROM: Andria Jackson, Managing Auditor
Justin Grady, Chief of Accounting and Finance
Jeff McClanahan, Director

DATE: July 19, 2017

SUBJECT: Docket No. 17-KCPE-440-TAR: In the Matter of Kansas City Power & Light Company Seeking Commission Approval to Implement Changes in their Transmission Delivery Charges Rate Schedules.

EXECUTIVE SUMMARY:

Kansas City Power & Light Company (KCP&L) initially made a request for $41,411,808 in Transmission Delivery Charge (TDC) revenues under the Application, which represents a $7,242,932 increase since its last TDC filing. On April 10, 2017, KCP&L filed an amendment to its proposed TDC to reflect additional revenue that the TDC true-up calculation erroneously excluded. The correction resulted in a revised TDC request of $41,123,455, or a revised increase of $6,954,579. On May 1, 2017, KCP&L began billing the amended TDC rates to its retail customers on a subject-to-refund basis pursuant to K.S.A. 66-1237(c), pending the conclusion of Staff's investigation and the Commission's final determination. Staff has performed an audit of KCP&L's TDC tariff filing and recommends the Commission approve the amended tariff as filed. If approved, KCP&L's revised TDC would increase an average residential monthly customer bill by $1.40.

BACKGROUND:

On March 20, 2017, KCP&L submitted an Application seeking Commission approval to implement changes in its TDC rate schedules. KCP&L's filing represents an update to the prior TDC approved in Docket No. 17-KCPE-116-TAR (17-116 Docket). Supplemental to its filed request, KCP&L included clean and red-line versions of its proposed TDC tariffs, as well as workpapers supporting the calculations. In accordance with K.S.A. 66-1237(c), KCP&L sought implementation of the new TDC tariffs within 30 business days, requesting May 1, 2017, as the desired effective date.[1]

KCP&L is a transmission-owning member (TO) of Southwest Power Pool (SPP), a non-profit Regional Transmission Organization (RTO) that serves the function of a Transmission Provider (TP) to its member-entities. In its role as a TP, SPP acts as an agent for and on behalf of its TOs. One of SPP's functions as a TP is administering the billing for the wholesale transmission service provided over member-owned transmission facilities under its Open Access Transmission Tariff (OATT). Accordingly, SPP will collect for the transmission service from the wholesale transmission customers requesting such service over KCP&L's transmission facilities. SPP will then remit these charges back to the Company.

KCP&L's retail customers also utilize KCP&L's transmission system to receive required energy. In order to gain approval from the Missouri Public Service Commission to transfer functional control of its transmission facilities to SPP, KCP&L signed an Agreement for the Provision of Transmission Service to Missouri Bundled Retail Load (Missouri Service Agreement). Under the terms of the Missouri Service Agreement, KCP&L as a Network Integrated Transmission Service (NITS) customer is not charged Schedule 9 charges for the use of its legacy transmission facilities.[2] KCP&L does, however, pay Schedule 9 NITS charges for the use of other transmission owner's facilities where applicable and thus incurs these charges from SPP.

The TDC tariff is established to recover KCP&L's revenue requirement associated with providing transmission service to its retail load. In other words, the approved TDC tariffs are designed to recover KCP&L's retail transmission service cost. The approved TDC rates under the current tariff are based on KCP&L's annual transmission revenue requirement (ATRR), which is derived from KCP&L's annual Transmission Formula Rate (TFR), which has been approved by the Federal Energy Regulatory Commission (FERC). In addition to the retail portion of that amount, the current TDC tariff recovers the retail-allocated portion of other SPP charges associated with transmission service. In its initial Application, KCP&L's TDC rates were calculated to recover $41,411,808 from retail customers, an increase of $7,242,932 over the TDC rates approved in 2016.

After filing its initial Application, KCP&L discovered that the TDC true-up calculation erroneously excluded some TDC revenue for the year 2016. On April 10, 2017, KCP&L filed an amendment to its proposed TDC to correct the error. As such, KCP&L's TDC has been revised

[1] Statute K.S.A. 66-1237(c) states that "[a]ll transmission-related costs incurred by an electric utility and resulting from any order of a regulatory authority having legal jurisdiction over transmission matters, including orders setting rates on a subject-to-refund basis, shall be conclusively presumed prudent for purposes of the transmission delivery charge and an electric utility may change its transmission delivery charge whenever there is a change in transmission-related costs resulting from such an order. The commission may also order such a change if the utility fails to do so. An electric utility shall submit a report to the commission at least 30 business days before changing the utility's transmission delivery charge. If the commission subsequently determines that all or part of such charge did not result from an order described by the subsection, the commission may require changes in the transmission delivery charge and impose appropriate remedies, including refunds."

[2] Likewise, KCP&L as a transmission owner does not receive the corresponding Schedule 9 revenues from the use of its own legacy transmission facilities, and the revenue requirement associated with these facilities is not included in KCP&L's base rates, thus the continued need for a TDC rate to collect the revenue requirement associated with KCP&L's transmission facilities

to $41,123,455, a reduction of $288,353 compared to its initial Application (resulting in a revised requested increase of $6,954,579). On April 27, 2017, the Commission issued an Order pursuant to K.S.A. 66-1237 that permitted KCP&L to implement the requested changes in its TDC rates on a subject-to-refund basis.

ANALYSIS:

To facilitate its review for KCP&L's TDC filing, Staff solicited from KCP&L various information requests including recent copies of SPP billing statement, billing determinants and usage data used to determine the amount of the TDC KCP&L is responsible for, residential bill impact analysis, etc. Staff also met with KCP&L at the KCC office in Topeka to discuss the charges and TDC calculations.

Calculation of the ATRR for use in the TDC calculation

The tariff KCP&L included in the Application contains transmission charges for the following cost elements of the OATT from SPP:

- Schedule 1A – Tariff Administration Service
- Schedule 2 – Point-to-Point (PtP) charges (as assignable to Retail sales)
- Schedule 7 – Firm PtP charges (as assignable to Retail sales)
- Schedule 8 – Non-Firm PtP charges (as assignable to Retail sales)
- Schedule 9 – Network Integration Transmission Service[3]
- Schedule 10 – Wholesale Distribution Service
- Schedule 11 – Base Plan Charge
- Schedule 12 – FERC Assessment Charge
- Other costs associated with Schedule 1 fees for transmission service provided on foreign wires
- SPP Direct Assigned or Sponsored Upgrade Transmission Fees for Customer Upgrades

In addition, other non-SPP, transmission-related charges recorded in FERC Account 565, Transmission of Electricity by Others, fees charged to the Company by the North American Electric Reliability Council (NERC), and other transmission revenue requirements that are not otherwise reflected in and recoverable through base rates or other Commission authorized rider mechanisms are also included.

In addition to verifying the total input costs, Staff also examined a few supplementary processes performed by the Company to arrive at the individual retail transmission delivery charges. Staff reviewed data in the Revenue Requirements and Rates (RRR) file on the SPP website and workpapers detailing the load data provided by KCP&L, which included KCP&L's native system load (Kansas retail, Missouri retail, and full requirement cities), third party load in the KCP&L transmission pricing zone (i.e. KMEA and KEPCo), and load associated with Grandfathered Agreements, to verify the Company's Load Ratio Share (LRS) calculations.[4]

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[3] Schedule 9 costs exclude the revenue requirement for all Company-owned transmission facilities classified by SPP as Base Plan Upgrades.

[4] KCP&L's transmission settlement group provides the Schedule 11 LRS data for the KCP&L transmission pricing zone to SPP, except for the Independence Power & Light (IPL) load data in the KCP&L transmission pricing, which is provided to SPP by IPL.

Staff has reviewed the data provided by KCP&L through the information requests issued, including the SPP invoices and the load and usage data submitted by KCP&L in support of its revised TDC calculation. Additionally, Staff has verified the information provided by reviewing the published data on the SPP website. Staff finds that KCP&L's TDC filing accurately reflects the nature of the costs it incurs for providing transmission service to its retail customers and that its TDC charges were calculated correctly in its amended filing.

As stated above, it was discovered after initially filing that the TDC true-up calculation erroneously excluded some 2016 TDC revenue. Therefore, after discussion with Staff, KCP&L revised its TDC filing to reflect the additional revenue in the amended TDC 2016 true-up calculation and the 2017 TDC filing. Staff has reviewed the correction and verified the revised TDC calculation.

In the 17-116 Docket, KCP&L's previous TDC filing, it was discovered that the rates for Large General and Medium General Service customers were erroneously transposed on the compliance tariff for the rates effective October 2015. In order to correct the error, KCP&L recalculated what should have been billed from October 2015 through December 2015 for Large General and Medium General Service customers compared to what was actually billed. In its current filing, KCP&L rolled the recovered adjustment factor amount from 2016 into its 2016 true-up amount. The total impact of the transposition error was $1,260,308. Of that amount, $105,301 was collected between November 2016 and April 2017, with a remaining 2017 balance of $1,155,008 to correct. In order to correct the remaining balance of the rate transposition error, KCP&L has adjusted the rates for the Large General and Medium General Service customers through December 2017.[5] The impact of the adjusted rates changes the typical monthly TDC charge for a Medium General Service and Large General Service customer by approximately -8.6% and 41.8%, respectively.[6] Prior to the transposition rate portion of the true-up dropping off, KCP&L shall file a compliance tariff for January through April 2018 to reflect the new charges for these customer classes without the adjustment for the rate transposition.

Calculation of the TDC Rate for each retail rate schedule

The ATRR is collected by applying a TDC rate, developed for each rate schedule permitting such cost recovery, to each applicable customer's bill. The allocation of the ATRR to the respective rate schedules is based on the 12 coincident-peak (12-CP) allocation method, similar to the method used by SPP to assess transmission charges. KCP&L's TDC tariff is currently based on the 12 months of the test year ended June 30, 2014. KCP&L's 12-CP allocation is adjusted for each customer class using the updated 12-CP allocation ratio from its most recent rate case and remains unchanged until the next general rate case or, at a minimum, once every five years, to limit cost shifting among retail classes.

[5] KCP&L incorrectly billed the transposed rates over a 13-month period from October 1, 2015, the date the initial TDC went into effect, through November 14, 2016, the effective date of the amended TDC rates in the 17-116 Docket. In order to be consistent with the time period the rates were incorrectly billed, KCP&L has calculated its adjustment to correct the rate transposition error over a 13-month period. To correct the remaining balance of the rate transposition error within the remainder of the 13 months from the effective date of the rates in its current filing, KCP&L used 8 months of estimated kWh/kW hours based on actual 2016 billing determinants to calculate the adjusted rates.

[6] It should be noted that the TDC is currently approximately 6% of the Large General Service monthly bill; therefore, even though the increase is 41.8% for these customers, the total bill impact is only a 2.6% increase.

Staff reviewed KCP&L's demand allocation of the TDC expense and verified the final TDC rates computed for each rate schedule.

RECOMMENDATION:

Staff recommends the Commission continue to allow KCP&L's amended TDC rate schedules to be collected, resulting in the collection of $41,123,455, or an increase of $6,954,579. Staff also recommends KCP&L file a compliance tariff for January through April 2018 to reflect the new charges without the transposition adjustment for Medium General and Large General Service customers.

CERTIFICATE OF SERVICE

17-KCPE-440-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served via electronic mail this 24th day of July, 2017, to the following.

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