

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

Before Commissioners: Andrew J. French, Chairperson
 Dwight D. Keen
 Susan K. Duffy

In the Matter of the Application of Kansas City)
Power & Light Company for Approval of 2018) Docket No. 19-KCPE-353-ACA
Actual Cost Adjustment (“ACA”))

ORDER APPROVING ANNUAL COST ADJUSTMENT FACTOR

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

I. Background

1. On March 1, 2019, Evergy Kansas Metro, Inc., f/k/a Kansas City Power and Light Company (KCP&L)¹ filed an Application for approval of an Annual Correction Adjustment (ACA) factor of 0.00108 per kWh, reflecting an under-collection of fuel and purchased power costs from retail customers during the 2018 calendar year of \$6,901,525.²

2. KCP&L’s annual ACA filing sets forth the annual true-up reconciliation for the preceding Energy Cost Adjustment (ECA) year.³ In this docket, the ECA year ended December 31, 2018.⁴ The under-recovery increased KCP&L’s ECA factors for the months of April 2019 through March 2020.⁵

¹ For purposes of consistency with the case caption and with the language used in Staff’s Report and Recommendation, this Order will refer to Evergy Kansas Metro, Inc. by its former designation, KCP&L.

² Application of KCP&L, p. 4 (Application).

³ Application, p. 1.

⁴ *Id.*

⁵ *Id.*, p. 4.

3. With its Application, KCP&L also filed the Direct Testimony of Elizabeth A. Herrington and James M. Fluke to explain and support its calculation of the ACA factor. As explained by Elizabeth A. Herrington, the KCP&L's ECA tariff is designed to capture fuel, purchased power and related expenses for the current calendar year and provide approximate real-time recovery for these expenses subject to an annual true-up; KCP&L additionally includes the asset-based off-system sales margin (OSSM) in the ECA tariff as an offset to expenses.⁶ James Fluke provided further summary of information including KCP&L's quarterly ECA submittals; KCP&L's fuel procurement planning and practices; and a comparison of KCP&L's projected 2018 ECA to its actual 2018 ECA.⁷

4. KCP&L received ECA revenue from its Kansas retail customers of \$134,638,325 applicable to the 2018 ECA year.⁸ Actual ECA costs and the OSSM component are designated as confidential in testimony, but Herrington explains the total revenue minus the Kansas portion of costs and the Kansas portion of OSSM resulted in an under-collection of \$6,895,602.⁹

II. Legal Standards

5. The Commission holds full power, authority and jurisdiction to supervise and control KCP&L as an electric public utility pursuant to K.S.A. 66-101. The Commission holds jurisdiction over KCP&L's rates and terms of service under K.S.A. 66-101b. All of KCP&L's rates pertaining to jurisdictional service must be approved by the Commission pursuant to K.S.A. 66-117. According to K.S.A. 66-101b, any rates charged by KCP&L must be just and reasonable. The rates may not be unreasonably discriminatory or unduly preferential.

⁶ Direct Testimony of Elizabeth A. Herrington on Behalf of Kansas City Power & Light Company, p. 3 (Mar. 1, 2019) (Herrington Direct).

⁷ See generally Direct Testimony of James M. Fluke on Behalf of Kansas City Power & Light Company (Mar. 1, 2019) (Fluke Direct).

⁸ *Id.*, p. 7.

⁹ *Id.*

6. In Docket No. 07-KCPE-905-RTS, the Commission approved the regulatory framework for KCP&L's ACA.¹⁰ The regulatory framework requires KCP&L to file an annual report detailing the actual annual revenue received through the ECA tariff for the prior ECA year and the actual fuel, purchased power and other costs, as well as the OSSM for the prior ECA year. KCP&L's report is subject to Commission approval and analyzed for reasonableness and prudence.

7. On March 1, 2014, Southwest Power Pool (SPP) implemented the Integrated Market (IM).¹¹ Staff expanded the scope of the ACA audit in 2014 to include a review of KCP&L's participation in the SPP IM.¹² Staff monitors and reviews KCP&L's monthly market activity and performs a yearly review of controls, procedures, and performance as part of the annual ACA audit.¹³

III. Analysis

8. On January 13, 2021, Staff filed its Report and Recommendation (Staff's R&R or R&R) in this docket regarding KCP&L's requested ACA factor.¹⁴ In addition to its normal ACA audit and report, Staff performed an evaluation of KCP&L's offer behavior and decisions to self-commit its coal-fired generation into the SPP IM during the 2018 year.¹⁵ Related to the subject, KCP&L witness Fluke provided Supplemental Testimony on benefits derived from the Southwest

¹⁰ Order Granting Joint Motion to Approve Stipulation and Agreement and Adopting Joint Stipulation and Agreement, Docket No. 07-KCPE-905-RTS (Nov. 20, 2007).

¹¹ See FERC, Order On Compliance Filing, January 29, 2014, Docket Nos. ER12-1179 and ER13-1173; http://elibrary.ferc.gov/idmws/file_list.asp?document_id=14181772.

¹² Notice of Filing of Staff's R&R, p.2. Due to the voluminous nature of Staff's R&R, it will not be attached to this Order. A Public Version is available via kcc.ks.gov.

¹³ *Id.*

¹⁴ *Id.*, pp. 2-3.

¹⁵ This Order will note the major points raised by Staff regarding KCP&L's self-commitment practices. For a detailed analysis, refer to Staff's R&R.

Power Pool (SPP) Integrated Market.¹⁶ This section will address Staff's analysis of the requested ACA factor and Staff's analysis of KCP&L's self-commitment practices in two parts.

a. ACA Factor

9. Staff analyzed KCP&L's requested ACA factor by performing an audit, both in-house and at KCP&L's offices, of KCP&L's actual fuel costs for May, June, October, and November of 2018.¹⁷ For these months, Staff conducted an audit of the Application that consisted of:

1. Verifying the accuracy of the monthly settlement computations by ensuring the ACA factor calculated by KCP&L reflects the actual over/under-recoveries and the actual kWh sales to Kansas jurisdictional customers;
2. Ensuring that the actual fuel, purchased power, and emissions costs recovered through the ECA are actual costs supported by vendor invoices and general ledger entries; and
3. Verifying that the ECA factor used to calculate the customer's bill agrees with the calculation that the Company files with the Commission.¹⁸

10. During this portion of Staff's audit, Staff found no material irregularities in the information provided by KCP&L.¹⁹ For this reason, Staff recommended approval of KCP&L's Application and authorize the use of its 2018 ACA factor of \$0.00108 per kWh.²⁰

11. Staff's audit included a review of KCP&L's participation in the SPP Integrated Market (IM) during 2018.²¹

12. Concerning Processes and Control Procedures, Staff found that: 1) KCP&L has robust control procedures in place to verify the accuracy of the settlement statements and invoices it receives from SPP for its activity in the IM; 2) KCP&L has a comprehensive process in place to

¹⁶ Supplemental Direct Testimony of James Fluke (Mar. 15, 2019) (Fluke Supplemental).

¹⁷ See R&R, p. 5.

¹⁸ See *id.*, pp. 5-6.

¹⁹ See *id.*, p. 6.

²⁰ See *id.*, p. 28.

²¹ See *id.*, p. 6.

verify meter data with internal and external counterparties; and, 3) KCP&L has a defined process in place to submit and monitor disputes with SPP that govern its participation in the SPP IM.²²

13. After reviewing Market Performance and Operational Risk, Staff found that KCP&L has the processes and procedures in place to evaluate both market risk and performance and concluded KCP&L has diligently managed the risks and profitability associated with the IM.²³

14. With regard to KCP&L's IM Revenues and Costs, Staff determined the SPP settlement statements and the Monthly Activity Reports detailing KCP&L's operations in the SPP IM were accurately reported on KCP&L's general ledger and tied to KCP&L's ACA Application for the sample months audited.²⁴

15. Staff has not performed a comprehensive review of the benefits and costs derived from KCP&L's participation in the various components of the SPP IM.²⁵ But, based on the available data from SPP, the modeled results performed by KCP&L, and the general decline in KCP&L's cost per kWh since the implementation of the IM, Staff's analysis suggests that the SPP IM is benefiting KCP&L's Kansas customers.²⁶

16. Staff stated it will continue to monitor KCP&L's performance and participation in the IM and will provide periodic updates to the Commission regarding this issue at the Commission's direction.²⁷

b. KCP&L's Self-Commitment Practices

17. Staff did not find any evidence that KCP&L's market strategies for managing its coal units harmed Kansas ratepayers.²⁸ In fact, Staff found that in the aggregate, during the hours

²² See R&R, p. 7.

²³ See *id.*, p. 9.

²⁴ See *id.*, pp. 9-10.

²⁵ See *id.*, p. 12.

²⁶ See *id.*, pp. 12-13.

²⁷ See R&R, p. 28.

²⁸ See *id.*

the units have been self-committed, all of the KCP&L coal-fired generators have produced margins in excess of its short-run productions costs over the unit's long-term operation.²⁹ Yet Staff contended the coal-fired generation units must be effectively managed over the long-term operation of the asset to support the safe and reliable operation of the units and maintain long-term profitability of the assets.³⁰

18. Staff recommended KCP&L should continue the active long-term management of its coal resources to the benefit of customers and avoid operating in uneconomic periods when possible.³¹ Further, Staff stated that if KCP&L can accrue benefits for ratepayers by reducing the output of its coal units during uneconomic operating periods or operating its coal units seasonally, then Staff's recommendation is that KCP&L should continue to explore these opportunities even if it results in a reduction to the units' capacity factor.³² Staff recommends a continued evaluation of the long-term economic viability of KCP&L's coal units through normal planning processes, including the Triennial IRP Docket.³³

19. Lastly, Staff stated KCP&L should be free to purchase low cost power from market resources when market prices cannot support a coal unit's production costs because such freedom could reduce the operating, maintenance, and capital maintenance costs at certain units, which would result in savings to ratepayers.³⁴

20. The Commission has reviewed Staff's recommendations as summarized in subsections (a) and (b) above and finds them to be lawful and reasonable, and hereby adopts the same.

²⁹ R&R, p. 28.

³⁰ *See id.*

³¹ *See id.*

³² *See id.*

³³ *See id.*

³⁴ *See R&R*, p. 28.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:


A. KCP&L's ACA factor of 0.00108 cents/kWh for the period of April 2019 through March 2020 is approved.

B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Duffy, Commissioner

Dated: 02/04/2021



Lynn M. Retz
Executive Director

CRM

CERTIFICATE OF SERVICE

19-KCPE-353-ACA

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 02/04/2021.

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