

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

Before Commissioners: Pat Apple, Chairman
Shari Feist Albrecht
Jay Scott Emler

In the Matter of the Application of Kansas)
City Power & Light Company for Approval of) Docket No. 17-KCPE-400-ACA
its 2016 Actual Cost Adjustment.)

ORDER APPROVING ANNUAL COST ADJUSTMENT

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

1. On March 1, 2017, Kansas City Power and Light Company (KCP&L) filed an Application for approval of its Actual Cost Adjustment (ACA) for the Energy Cost Adjustment (ECA) year ending December 31, 2016.¹

2. On October 19, 2017, Commission Staff (Staff) submitted a Report and Recommendation (R&R) analyzing and recommending approval of KCP&L's requested 2016 ACA factor.² Staff's R&R, both a public and a confidential version, were filed in this docket on October 20, 2017, and are incorporated herein.

3. Staff conducted KCP&L's audit by soliciting formal discovery requests and emails, documentation supporting its Application and Schedules EAH-2 and EAH-3 and

¹ Application of KCP&L (March 1, 2017).

² Staff Report and Recommendation, p. 1 (Staff R&R) (October 19, 2017).

also met with KCP&L at its corporate offices.³ For the months of May, June, October, and November 2016, Staff audited KCP&L's Application by:

- 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;
- 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;
- Verifying that sample costs reviewed are just and reasonable; and
- Verifying that the ECA factor used to calculate the customer's bill agrees with the calculation that the Company filed with the Commission.

Staff found no material irregularities in the information provided.⁴

4. For the SPP IM portion of the audit, Staff's objectives as to KCP&L's participation in the IM were as follows:

- a. Review KCP&L's process and control procedures in place to validate the accuracy of SPP invoices and statements.
- b. Examine KCP&L's management of market performance and operational risk within the SPP IM.
- c. For the months being audited in this year's ACA audit, evaluate whether KCP&L has accurately accounted for Kansas' actual share of IM costs/revenues pursuant to the provisions of the current ACA tariff.
- d. Determine whether KCP&L's participation in the IM is providing benefits to KCP&L's Kansas ratepayers.

Staff's R&R provides the details of Staff's process and analysis for this portion of the audit.⁵

5. Processes & Control Procedures. Based on the documentation provided to Staff by KCP&L and the discovery responses, Staff believes KCP&L has robust control procedures in place to verify the accuracy of the settlement statements and invoices it

³ Staff R&R, p.2.

⁴ Staff R&R, p.2&3.

⁵ See Staff's R&R, pgs 3-8.

receives from SPP for its activity in the IM.⁶ Furthermore, KCP&L has a comprehensive process in place to verify meter data with internal and external counterparties and with SPP.⁷ Finally, KCP&L has a process in place to verify all Bilateral Settlement Schedules (BSS) are submitted to SPP, and it has a defined process in place to submit and monitor disputes with SPP.⁸

6. Market Performance and Operational Risk. Staff conducted extensive discovery into the details of KCP&L's procedures for determining the profitability of incremental market sales associated with the SPP IM.⁹ Staff also issued formal discovery requests regarding KCP&L's strategy for offering its generating resources into the IM and bidding for the daily load necessary to serve customers.¹⁰ Finally, Staff issued several formal discovery requests regarding KCP&L's hedging strategies and procedures regarding the Auction Revenue Rights (ARRs) and Transmission Congestion Rights (TCRs) congestion management processes within the SPP IM.¹¹ "While the details of KCP&L's strategies are confidential due to their competitive and market-sensitive nature, Staff finds that KCP&L has developed strategies that allow it to manage risks (including risks of recovery of variable O&M costs and fuel cost changes) and evaluate profitability to be successful in the SPP IM."¹²

7. ACA Audit of Revenues and Costs. KCP&L provided Staff with a reconciliation that documented and verified all KCP&L IM activity for the audited

⁶ Staff R&R, p.4.

⁷ Staff R&R, p.4.

⁸ Staff R&R, p.4.

⁹ Staff R&R, p.4.

¹⁰ Staff R&R, p.4.

¹¹ Staff R&R, p.5.

¹² Staff R&R, p.4&5.

months. This reconciliation relied on the KCC Monthly IM Activity Reports, weekly SPP settlement statements and KCP&L's reconciliation spreadsheet tying net general ledger accounting data for the month back to the corresponding settlement statement and KCC Monthly IM Activity Report.¹³ Staff verified that the financial impact of the SPP statements and KCC Monthly IM Activity Report were accurately reported on KCP&L's general ledger and this data was tied back to KCP&L's ACA Application for the sample months reviewed in the audit.¹⁴

8. SPP IM Benefit to Kansas Ratepayers. Staff issued formal discovery and examined other publicly-available data. Staff concluded that:

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. Staff's analysis focused on short-run marginal costs of generation and transmitting power to serve KCP&L's load. In this limited review, Staff has observed a decline in KCP&L's overall cost to serve its load since the implementation of the SPP IM, but has also seen a decline in KCP&L's off-system sales margins and increased congestion costs due to planned outages in 2016. However, based on the available data from SPP, the modeled results performed by KCP&L, and the decline in the overall cost to serve load, Staff's analysis suggests that the SPP IM is benefitting KCP&L's Kansas customers.¹⁵

9. Staff recommends the Commission approve KCP&L's Application and recommends the Commission authorize the use of KCP&L's 2016 ACA factor of \$0.00245 per kWh, which reflects an under collection of \$15,801,548 during the 2016 calendar year.¹⁶ Staff will continue to monitor KCP&L's performance and participation in the IM and will provide periodic updates to the Commission regarding this issue as often as is desired.

¹³ Staff R&R, p.6.

¹⁴ Staff R&R, p.6-7.

¹⁵ Staff R&R, p.8.

¹⁶ Staff R&R, p.1&8.

10. Upon review of the record as a whole, the Commission finds all of Staff's findings and recommendations to be reasonable and hereby adopts the same.

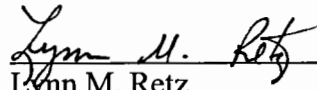
IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

- A. KCP&L is authorized to use its 2016 ACA factor of \$0.00245 per kWh.
- B. The parties have fifteen (15) days, plus three (3) days if served by mail, from the date of electronic service of this Order to petition for reconsideration.¹⁷
- C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further orders, as necessary.

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: NOV 02 2017


Lynn M. Retz
Secretary to the Commission

JF

EMAILED

NOV 02 2017

¹⁷ K.S.A. 66-118; K.S.A. 77-529(a)(1).

CERTIFICATE OF SERVICE

17-KCPE-400-ACA

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of

Electronic Service on NOV 02 2017.

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