

**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 and Light Company for)
Approval of its 2015 Actual Cost) Docket No. 16-KCPE-388-ACA
Adjustment.)

ORDER APPROVING ANNUAL ENERGY 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, 2016, 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, 2015.¹

2. On January 19, 2017, Commission Staff (Staff) submitted a Report and Recommendation (R&R) analyzing and recommending approval of KCP&L's requested 2015 ACA factor.² Staff's R&R, both a public and a confidential version, were filed in this docket on January 31, 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, 2016).

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

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

- Verifying the accuracy of each 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 files 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 the 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 ECA 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 3-7.

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 reviewed 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 looked at 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 Staff stated that KCP&L offset its day-ahead congestion exposure by successfully hedging 108.6% of its congestion costs in 2015.¹² Thus, Staff believes "KCP&L diligently managed the risks and profitability associated with the IM and is taking the steps necessary to be successful in the IM."¹³

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 months. This reconciliation relied on the KCC Monthly IM Activity Reports, weekly SPP

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.5.

¹³ Staff R&R, p.5.

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.¹⁴ 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.¹⁵

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

At this time, it is not clear the extent to which the SPP IM benefitted KCP&L's Kansas customers during the year 2015. While KCP&L's production costs declined significantly in 2015, so did the off-system sales margins that would otherwise be an offset to those production costs. Staff recommends that KCP&L include in future ACA dockets an estimate of the impact of the SPP IM on its Kansas customers. This has been provided by Westar and Empire, and was prepared by KCP&L in response to Staff Discovery during last year's ACA audit. KCP&L should be prepared to provide this information to aid in Staff's ACA audit in future years.¹⁶

9. Staff recommends the Commission approve KCP&L's Application and recommends the Commission authorize the use of KCP&L's 2015 ACA factor of \$0.00105 per kWh, reflecting an under collection of fuel and purchased power costs from retail customers during the calendar year 2015 of \$6,704,445.¹⁷ 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.

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.

¹⁴ Staff R&R, p.5&6.

¹⁵ Staff R&R, p.6.

¹⁶ Staff R&R, p.7.

¹⁷ Staff R&R, p.1&7.

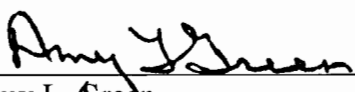
IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

- A. KCP&L is authorized to use its 2015 ACA factor of \$0.00105 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.¹⁸
- 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: MAR 09 2017



Amy L. Green
Secretary to the Commission

JF

EMAILED

MAR 09 2017

¹⁸ K.S.A. 66-118; K.S.A. 77-529(a)(1).

CERTIFICATE OF SERVICE

16-KCPE-388-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 MAR 09 2017.

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MAILED

MAR 09 2017