

**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) Docket No. 18-KCPE-206-TAR
Delivery Charges Rate Schedules.)

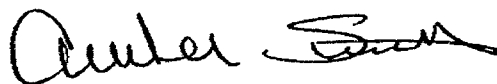
NOTICE OF FILING OF STAFF REPORT AND RECOMMENDATION

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively), and for its Notice of Filing of Staff Report and Recommendation states as follows:

1. Staff hereby files the attached Report and Recommendation dated March 27, 2018, recommending that the Commission continue to allow Kansas City Power & Light Company's TDC rate schedules reflecting the removal of the correction for the previous transposition error to be collected.

WHEREFORE, Staff requests the Commission consider its Report and Recommendation, and for such other and further relief as the Commission deems just and proper.

Respectfully submitted,



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REPORT AND RECOMMENDATION UTILITIES DIVISION

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

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

DATE: March 27, 2018

SUBJECT: Docket No. 18-KCPE-206-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) filed an updated Transmission Delivery Charge (TDC) tariff to reflect its proposal to remove the correction for a previous rate transposition error. The correction is included as a separate component of the TDC rate calculation filed in Docket No. 17-KCPE-440-TAR (17-440 Docket). On January 1, 2018, KCP&L began billing the amended TDC rates.

BACKGROUND:

On November 15, 2017, KCP&L submitted an Application seeking Commission approval to implement a change in its TDC rate schedules. KCP&L's filing represents a revision to the prior TDC approved in the 17-440 Docket. Supplemental to its filed request, KCP&L included clean and red-line versions of its proposed TDC tariff Schedule 83, Sheet 7, as well as the 2017 TDC rate calculation worksheet reflecting the removal of the rates transposition component for Large General and Medium General Service customers. In accordance with K.S.A. 66-1237(c),

KCP&L sought implementation of the new TDC tariff within 30 business days, requesting January 1, 2018, as the desired effective date.¹

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 Southwest Power Pool (SPP) charges associated with transmission service. In its current filing, KCP&L's TDC rates are still calculated to collect the transmission expense amount approved in the 17-440 Docket for providing transmission service to its retail load.

During the preparation of its filing made September 30, 2016, in Docket No. 17-KCPE-116-TAR (17-116 Docket), KCP&L discovered that the rates for Large General and Medium General Service customers were erroneously transposed on the compliance tariff filed in Docket No. 15-KCPE-116-RTS and subsequently billed incorrectly to those customer classes during the 2015 TDC true-up period. These rates were effective from October 2015 through November 13, 2016, or approximately 13½ months. Since that filing, KCP&L has charged/refunded those customer classes, as a separate component of the TDC, to appropriately correct the error. As recommended by Staff in its Report and Recommendation in the 17-440 Docket, KCP&L has filed a compliance tariff in its current filing for January through April 2018 to reflect the new charges for these customer classes without the adjustment component for the rate transposition.²

On December 19, 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:

As previously stated, during KCP&L's preparation of its 17-116 Docket 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 1, 2015. After several discussions with Staff, KCP&L revised its TDC filing to correct the billing error. In doing so, KCP&L included, as a separate component of the TDC, a correction adjustment for the rate transposition.

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 *Notice of Filing of Staff's Report and Recommendation*, 17-440 Docket, p. 6 (July 24, 2017).

In order to correct the error in the 17-116 Docket filing, 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 doing so, the actual monthly usage for the two customer classes were multiplied by the correct rate and then compared to the revenue collected. The total impact of the transposed rates from October 2015 through December 2015 was \$256,302.³

In its next TDC filing, the 17-440 Docket, 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 adjusted the rates for the Large General and Medium General Service customers through December 31, 2017.⁴

The impact of the adjusted rates reflecting the removal of the transposition component changes the typical monthly TDC charge for a Medium General Service and Large General Service customer by approximately 38.6% and -18.5%, respectively.⁵ Staff has reviewed KCP&L's tariff and updated version of the 2017 TDC rate calculation worksheet reflecting the removal of the rate transposed component. Staff has verified that all other values remain the same as filed in the 17-440 Docket.

RECOMMENDATION:

Staff recommends the Commission continue to allow KCP&L's TDC rate schedules reflecting the removal of the correction for the previous transposition error to be collected.

³ The total billing differences for the two classes resulted in an under collection of \$441,217 for Large General Service customers and an over collection of \$184,915 from Medium General Service Customers.

⁴ KCP&L incorrectly billed the transposed rates over a 13½-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 calculated its adjustment to correct the rate transposition error over a 13½-month period. To correct the remaining balance of the rate transposition error within the remainder of the 13½ months from the effective date of the rates in the 17-440 Docket filing, KCP&L used 8 months of estimated kWh/kW based on actual 2016 billing determinants to calculate the adjusted rates.

⁵ It should be noted that the TDC is currently approximately 4% of the Medium General Service customer monthly bill; therefore, even though the increase is 38.6% for these customers, the total bill impact is only a 1.6% increase.

CERTIFICATE OF SERVICE

18-KCPE-206-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 service this 3rd day of April, 2018, to the following

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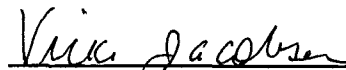
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