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State Corporation Commission
of Kansas

**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-116-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) files its Report and Recommendation on Kansas City Power & Light Company's (KCP&L) request to implement changes in its Transmission Delivery Charges (TDC) rate schedules. KCP&L initially made a request for $34,425,178 in TDC revenues which represented a $918,382 increase since its last approved TDC. On October 28, 2016, KCP&L filed an amendment to its proposed TDC to reflect a correction for a transposition billing error that resulted in incorrectly billing two customer classes during the 2015 TDC true-up period. The correction resulted in a revised TDC request of $34,168,876. This adjustment is a reduction of $256,302 compared to KCP&L's initial Application. 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 $0.14.

WHEREFORE, Staff submits its 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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Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Sam Brownback, Governor

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: March 8, 2017

SUBJECT: Docket No. 17-KCPE-116-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 $34,425,178 in Transmission Delivery Charge (TDC) revenues under the Application, which represents a $918,382 increase since its last approved TDC.[1] On October 28, 2016, KCP&L filed an amendment to its proposed TDC to reflect a correction for a transposition billing error that resulted in incorrect billing to two classes during the 2015 TDC true-up period. The correction resulted in a revised TDC request of $34,168,876. On November 14, 2016, 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 $0.14.

BACKGROUND:

On September 30, 2016, 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. 15-KCPE-116-RTS (15-116 Docket). Supplemental to its filed request, KCP&L included clean and red-line versions of its proposed TDC tariffs, as well as

[1] Per Attachment A of the Commission's Order on KCP&L's Application for Rate Change in Docket No. 15-KCPE-116-RTS, the TDC annual value used to calculate rates effective October 1, 2015, was set at $33,506,796.

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 November 14, 2016, as the desired effective date.[2]

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.[3] 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 $34,425,178 from retail customers.

During the preparation of its filing, KCP&L discovered that the rates effective October 2015 for Large General and Medium General Service customers were erroneously transposed on the compliance tariff and subsequently billed incorrectly to those customer classes during the 2015

[2] 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."

[3] 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.

TDC true-up period. On October 28, 2016, KCP&L filed an amendment to its proposed TDC to correct the error. As such, KCP&L's TDC has been revised to $34,168,876, a reduction of $256,302 compared to its initial Application. On November 1, 2016, 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 of KCP&L's TDC filing, Staff solicited from KCP&L various information requests including recent copies of SPP billing statements, 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 and had several teleconferences 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[4]
- 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 bases 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.[5]

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

[5] 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, during KCP&L's preparation of it 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. After several discussions with Staff, KCP&L revised its TDC filing to correct the billing error. 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 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.[6] In its upcoming filing for 2017, KCP&L will roll the recovered adjustment factor amount from 2016 into its 2016 true-up amount. Staff reviewed the methodology KCP&L used to correct the 2015 rate transposition error and verified the revised TDC calculation.

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 allocate 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.

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 $34,168,876, or an increase of $662,080.

[6] 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.

CERTIFICATE OF SERVICE

17-KCPE-116-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 by electronic service on this 16th day of March, 2017, to the following:

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/S/ Pamela Griffeth

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