BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges For Electric Service	)))))	**ER-2010-0356**

NON-PREJUDICIAL RESPONSE TO ORDER SUSPENDING TARIFF SHEETS AND DIRECTING FILING

COMES NOW AG PROCESSING INC A COOPERATIVE ("AGP") and for its Response to the Commission's Order Suspending Tariff Sheets and Directing Filing respectfully states as follows:

1. On June 2, 2011, the Commission issued its Order Suspending Tariff Sheets and Directing Filing ("Order"). In that Order, the Commission noted the possibility that it needed to clarify the meaning of "carrying costs" as applied to the phase-in of the L&P tariffs. Therefore, the Commission directed the parties to make filings regarding GPE's "short-term cost of debt and any arguments why the "carrying costs" for the phased-in rates should not be equal to GMO or GPE's short-term cost of debt."

2. AGP has sought rehearing of the original May 27 Report and Order and has also objected to the original GMO L&P compliance tariffs on the grounds that the Commission's action in approving a phase-in an amount that exceeds that requested by the

utility is unlawful. Inasmuch as AGP believes that the original May 27 Report and Order is unlawful without regard to the amount or methodology of calculating "carrying charges" on an unlawful phase-in, AGP respectfully believes that the question posed by the Order is moot. Desirous of being respectful to the Commission, AGP provides the following comments without prejudice to its position.

3. The Order reflects a presumption that the carrying cost for the phased-in portion of the L&P tariffs should be the short-term cost of debt. Use of the short-term cost of debt is consistent with: (1) other cost items for which the Commission allows carrying costs; (2) the short-term nature of the phased-in costs; and (3) the magnitude of the phased-in costs.

4. Senate Bill 179 (now Section 386.266) provides for the implementation of fuel adjustment clauses and required that the Commission conduct an annual true-up and remedy any over- or under-collections resulting from that true-up. Section 386.266.4(2) appears to require that any over- or under-collections include carrying costs at the utility’s short-term borrowing rate. By analogy, carrying cost treatment here should be similar.

5. GMO may direct the Commission’s attention to the phase-in of the Wolf Creek Generating Station for KCPL, but such an analogy would be inapposite. Although portions of that case were litigated, the record from a earlier filing was allowed to be rolled into a later case, several of the issues were dealt

with in different phases of the case and, the final phase-in of rates over a series of years was the ultimate subject of a joint recommendation that was submitted to the Commission.[1] Moreover, the last several years of the intended "phase-in" never fully occurred and, in any event, was well less in total than the amount requested by the utility.[2] The case is, simply, not comparable.

6. The use of short-term debt rate is also consistent with the calculation of Allowance for Funds Used During Construction ("AFUDC"). That carrying cost calculation[3] assumes that a utility will fund construction using lower cost capital items. In this regard, AFUDC assumes the use of short-term cost of debt and, only after exhaustion of that entire source of capital will the carrying costs reflect any of the long-term cost of debt. Similarly, the AFUDC carrying cost does not assume the use of any equity costs until the entirety of short-term debt and long-term debt has been exhausted. There is no reason to believe that GPE will need to access the equity markets in order to cover the unlawful phase-in of this level of revenue requirement. For

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1/ See, *Kansas City Power & Light Company* Case No. EO-85-185, 1987 Mo. PSC LEXIS 8; 29 Mo. P.S.C. (N.S.) 295, November 23, 1987.

2/ Kansas City Power & Light had originally requested an increase of roughly 52%. The ultimate decision permitted an increase of roughly 30% spread over several years.

3/ 18 CFR Part 101 Electric Plant Instruction 23.A(17) - definition and calculation of allowance for funds used during construction ("AFUDC").

similar reasons, the use of GPE’s overall rate of return, should not be used.

WHEREFORE AGP respectfully submits its response and these non-prejudicial comments.

Respectfully submitted,

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ATTORNEYS FOR AG PROCESSING INC A COOPERATIVE

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by U.S. mail, postage prepaid addressed, or by electronic mail, to all parties upon their attorneys of record as disclosed by the pleadings and orders herein.

Stuart W. Conrad

Dated: June 8, 2011