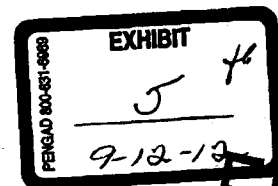


KCP&L - 800-392-4211

united services

St. Jo Light & Power



FILED

OCT 2 2012

Missouri Public Service Commission

THE STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

WHO WE ARE

The Staff of the Missouri Public Service Commission (Commission) is an independent body of professionals that consists primarily of engineers, accountants, financial analysts, economists, consumer services and management services specialists, attorneys, in addition to others, that evaluate utility requests and provide recommendations to the Commission regarding such requests for their approval. Staff members have no connection with any utility regulated by the Commission, and may not own utility stock or bonds, or have any other monetary interest in a regulated utility. The Staff also abide by rules that prevent them from having discussions with the Commissioners about issues during the rate case.

ACTIVITY DURING THE RATE CASE

Typically, the rate case is an eleven month process and by law, it cannot extend beyond this timeframe. The Staff is continuing its review and examination of the Company's request, which began on the date of the Company's filing, February 27, 2012. In determining its position, the Staff reviewed all the filings made by KCP&L Greater Missouri Operations Company (GMO) as well as filings made by all other parties to the case. The Staff conducted an independent investigation of the Company's books and records, interviewed Company personnel and sent numerous formal data requests seeking information and supporting documentation from the Company. When reviewing all of the information that was made available, the Staff examined trends among the Company's historical costs, increases/decreases in the Company's test-year expenses and any unusual levels of specific costs and made adjustments accordingly.

POSITION OF THE STAFF

In its direct testimony filed on August 9, 2012, the Staff recommended that an increase of approximately \$11.9 million for customers in the MPS rate district and approximately \$4.7 million for customers in the St. Joseph Light & Power (L&P) rate district were warranted at its high end Return On Equity recommendation. The Staff's recommendation in this case is approximately \$46.4 million lower for MPS than the Company's \$58.3 million rate increase request and \$20.5 million lower for L&P than the Company's approximate \$25.2 million rate increase request made in its direct testimony filing on February 27, 2012. The Staff's August 23, 2012 Class Cost of Service Report assigned the amount of the Staff's recommended increase among the various classes of customers, in order to equitably match the increase in costs with the "cost-causers." If the Commission were to adopt the Staff's position as of today, the average residential customer would see a 2.2% or \$2.28 average monthly change in their MPS bill and a 2.7% or \$2.76 average monthly change in their L&P bill.

MAJOR ISSUES

Rate of Return -

The Staff is recommending a return on equity range of 8.00% to 9.00%, with single point recommendation of 9.00%. Staff's recommended rate of return is between 7.143% and 7.661%. The Company's case reflects a 10.4% return on equity. Generally speaking, return on equity represents profit for the shareholder's investment in the Company. The return on equity is a component of KCP&L GMO's cost of capital. GMO's recommended rate of return is between 8.173%.

Severance Costs-

The Company is requesting recovery of costs relating to employee down-sizing in early 2011. The difference between the Company and Staff relates to the recovery of severance costs associated with a voluntary separation offered to employees. The Company is seeking a five year recovery for these costs. Staff opposes such recovery believing that KCP&L GMO has already recovered these costs.

Plant Capacity Costs-

GMO is seeking to include higher costs for one of its generating units than those the Commission used in GMO's last rate case when setting GMO's rates in its MPS rate district.

Fuel Adjustment Clause

Staff is proposing the sharing in GMO's fuel adjustment clause be changed from 95/5 to 85/15, which would mean GMO would recover less costs in its fuel charge, if those costs are increasing over time.

The Staff provides this summary as an aid to the reader and does not intend for this summary to replace its positions as stated within its direct testimony, any Staff rebuttal or surrebuttal filings, or any other filings made by it throughout this case.

Witness

Lager Exhibit No. 5

Date 9-12-12 Reporter FEH

File NO. ER-2012-0174

ER-2012-0175