

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

<b>Ag Processing, Inc.,</b>	)	
	)	
	)	
<b>Complainant,</b>	)	
	)	
<b>v.</b>	)	<b>File No. HC-2012-0259</b>
	)	
<b>KCP&amp;L Greater Missouri Operations</b>	)	
<b>Company,</b>	)	
	)	
<b>Respondent.</b>	)	

**AG PROCESSING INC A COOPERATIVE  
RESPONSE TO COMMISSION ORDER  
REGARDING MEDIATION**

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COMES NOW AG PROCESSING INC A COOPERATIVE ("AGP") and for its response to the Commission's Order of August 23, 2012 states:

1. This complaint against KCP&L Greater Missouri Operations Company ("GMO") was initiated by an AGP filing on January 29, 2012. A procedural conference to establish a schedule was held on March 22, 2012 and a procedural schedule was proposed on April 4, 2012. Staff's Recommendation was filed on August 21, 2012. On August 23, 2012 the Commission issued an Order noting that a response to the Staff recommendation would be due (and still is unless otherwise ordered) on September 18, 2012. However, the Commission requested an earlier response to the Staff's recommendation regarding mediation of the dispute.

2. The law generally prefers settlements, and this principle is welcomed at the Commission. AGP has been a party to

many settlements in Missouri. But there is, first, a need for two willing parties and, second, a requirement of good faith. The history of this litigation leaves us reluctant to expend additional resources to begin a path of mediation with GMO.

3. We recognize that Staff has recommended mediation. Staff's witness, Mr. Featherstone's deep understanding of the history of the steam and electric businesses in St. Joseph is appreciated by AGP. Mr. Featherstone correctly notes that the Quarterly Cost Adjustment ("QCA") was largely the product of bilateral negotiations between AGP and Aquila, an approach that Staff, while careful to perform its role, has been willing to accommodate and even encourage. We appreciate Mr. Featherstone's (and Staff's) past efforts.

4. But the history of this and the prior litigated QCA prudence review reveals that AGP, as well as Staff, invested considerable resources in meetings with Aquila, many of which activities are recounted in Mr. Featherstone's testimony. There were limited further discussions after Great Plains acquired Aquila as described by Mr. Featherstone and, again, AGP devoted considerable resources to attempt resolution including preparation of a comprehensive settlement proposal. Indeed, in the last steam case, AGP was willing to make adjustments in the QCA mechanism to accommodate GMO's requests.

5. But, in all that history AGP has received neither a settlement proposal or counter proposal from Aquila or GMO. GMO's response has been threefold:

a. No.

b. GMO's witness Rush attempted to construe AGP's efforts as something sinister. Moreover, despite having opened discussions with the explicit agreement that they were to be privileged settlement discussions, GMO unilaterally set aside the simple agreement of confidentiality -- confidentiality, while a simple concept, is essential to any good faith negotiation.

c. GMO then sought to characterize AGP's efforts to resolve the matter informally with allegations of delay and untimeliness.

6. We have grown tired of having our efforts at informal resolution misconstrued or turned against us. If GMO has any constructive motive to resolve this matter by anything other than litigation, it has not communicated that motive to AGP. Indeed, as recently as late March, in advance of the scheduled prehearing conference, we inquired of GMO counsel whether GMO would appear with anyone authorized to discuss resolution, noting that, if that was the intent, we would have personnel present to have such discussions. GMO declined.

7. AGP operates in a competitive global market and must make wise use of resources. Given the apparent unwillingness of GMO to work constructively and in good faith toward a compromise, we can only conclude that litigation is the apparent path to resolution that GMO prefers.

8. In AGP's view, GMO has already collected and retains over a million dollars of AGP's and other steam users'

funds by reason of imprudent charges passed through the QCA. Mediation would potentially derail the progress of this matter and inject still further delay of Commission consideration of the matter on its merits. The interest-free loan from AGP and other steam users should not be further extended.

9. The QCA was created by the joint efforts of AGP and Aquila personnel, many of whom on the Aquila side are long departed from this process. The intent was to address a fuel cost problem in a balanced way with reasonable customer protections against contingencies unrelated to fuel prices (the coal performance standard), and also to reduce the frequency of rate cases. No one has disagreed that the QCA has achieved those goals. We note that GMO has not filed a steam rate case along with either of its two most recent electric general rate proceedings. At the same time, the coal performance standard worked as intended when performance was substandard. One must conclude that with all of this GMO has been making sufficient profits in the steam business and rate cases have been avoided. But for the unnecessary additional volatility created by the hedge program, which the evidence in this and the prior case showed was unilaterally designed and administered, the QCA has been successful on many other fronts. Sadly, even with a well-intentioned and well-designed fuel rider, incentives and a generous 10% allowance for imprudence, it yet remains possible to experience costly imprudence.

10. We appreciate the time and effort of the Staff and the Commission, and the suggestions of mediation, but in these circumstances we respectfully request and recommend a continuation on the current litigation track.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.

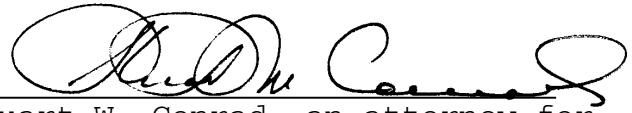
A handwritten signature in black ink, appearing to read "Stuart W. Conrad", is written over a horizontal line.

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ATTORNEYS FOR AG PROCESSING INC

**CERTIFICATE OF SERVICE**

I certify that I have served a copy of the foregoing complaint upon identified representatives of KCP&L Greater Missouri Operations Company and upon representatives of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel by United States Mail, postage prepaid, and by electronic means as an attachment to e-mail, all on the date shown below.

A handwritten signature in black ink, appearing to read "Stuart W. Conrad", written over a horizontal line.

Stuart W. Conrad, an attorney for  
Ag Processing Inc a Cooperative

Dated: September 4, 2012