

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

In the matter of KCP&L Greater Missouri Operations)	
Company, for authority to file tariffs changing the)	
steam Quarterly Cost Adjustment for service provided)	<u>Case No. HR-2007-0028</u>
to customers in the KCP&L Greater Missouri)	
Operations Company service territory. ¹)	

In the matter of KCP&L Greater Missouri Operations)	
Company, for authority to file tariffs changing the)	
steam Quarterly Cost Adjustment for service provided)	<u>Case No. HR-2007-0399</u>
to customers in the KCP&L Greater Missouri)	
Operations Company service territory.)	

In the Matter of KCP&L Greater Missouri Operations)	
Company, for Authority to File Tariffs Changing the)	
Steam QCA for Service Provided to Customers in the)	<u>Case No. HR-2008-0340</u>
KCP&L Greater Missouri Operations Company)	
Service Territory)	

STAFF'S MAY 2009 REPORT

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and respectfully states:

1. KCP&L Greater Missouri Operations Company's ("GMO," formerly Aquila, Inc.) steam rates are adjusted quarterly on terms set out in a non-unanimous stipulation and agreement the Commission approved in Case No. HR-2005-0450. The non-unanimous stipulation and agreement includes the following provision:

8.4. As detailed below, there will be prudence reviews and true-up of revenues collected and costs. A reconciliation account shall be created to track, adjust and return true-up amounts not otherwise refunded. The

¹ When these cases started the company was called Aquila, Inc. and was authorized by the Commission and Missouri Secretary of State to do business as Aquila Networks-L&P and Aquila Networks-MPS. In Case EM-2007-0374, the Commission authorized the parent of Kansas City Power & Light Company—Great Plains Energy, Inc—to acquire Aquila, Inc., after Aquila divested most of its assets other than its Missouri regulated electric and steam operations. In Case Nos. EN-2009-0164 and HN-2009-0165, the Commission approved Aquila's name change from Aquila, Inc. to KCP&L Greater Missouri Operations Company.

difference between the costs intended for recovery and revenues collected will be tracked in a reconciliation account. Fuel costs collected in rates will be refundable based on true-up results and findings in regard to prudence. .

. . .

2. The non-unanimous stipulation and agreement is otherwise silent as to the scope and parameters of the true-ups; however, it includes the following regarding prudence reviews: In consideration of the sharing provisions of the fuel rate mechanism, and the intent to rely on an alignment of customer and Company interest in efficient operations, a two-step approach to prudence review will be followed. In step one, the Staff will review to ascertain:

- a. that the concept of aligning of company and customer interests is working as intended; and,
- b. that no significant level of imprudent costs is apparent.

3. This review may be entirely a part of surveillance activity. Aquila steam customers in the L&P service area will be given timely notice of the results of the step one review. In consideration of step one results, the Staff may proceed with a full prudence review, if deemed necessary. Such full prudence review shall be conducted no more often than once every 12 months and shall concern the prior 12 month period or calendar year only, provided, however, that the full prudence review addressing the first partial year, if pursued, will be included with a full prudence review of the first full calendar year of operation of this rate mechanism.

4. Any Aquila steam customer or group of steam customers in the L&P service area may make application to initiate a complaint for the purpose of pursuing a prudence review by use of the existing complaint process. The application for the complaint and the complaint proceeding will not be prejudiced by the absence of a step two prudence review by Staff.

5. Pursuant to any prudence review of fuel costs, whether by the Staff or Aquila steam customer(s), there will be no rate adjustment unless the resulting prudence adjustment amount exceeds 10 percent of the total of the fuel costs incurred in an annual review period.

6. In past status reports in these cases, the Staff has stated, “Until the scope and parameters for true-up audits for Aquila’s steam “fuel rider” are determined, the Staff is unable to indicate the date on which it expects to file its true-up audits of the fuel rider.”

7. In Case No. HR-2005-0450, the Staff provided suggestions in support of the Non-unanimous Stipulation and Agreement that included the following description:

For assurance the fuel adjustment rider is properly executed, there is a two-step review process. In the first step, the Staff will review for determination that the rider is working as intended and that no significant level of imprudent costs is apparent. Based on step one results, the Staff may perform a detailed prudence review not more than once every twelve months.

8. In the Staff’s last reports in these cases, the Staff related that Ag Processing and Aquila had continued discussions and made progress, but were hampered by the attention devoted to planning and executing the integration of Aquila’s operations with those of Kansas City Power & Light Company as proposed in Case No. EM-2007-374, and that they had not yet resolved all of their differences. Since then, GMO filed a new steam rate case (Case No. HR-2009-0092), along with a new electric rate case (Case No. ER-2009-0090), and Ag Processing and GMO continued their discussions within the context of the steam case.

9. The parties to the GMO steam rate case have entered into a Unanimous Stipulation and Agreement they filed with the Commission on May 22, 2009 resolving Case No. HR-2009-0092. Now that the steam rate case is resolved, the Staff believes an additional period of time is needed to allow the parties to these above-captioned cases to meet and discuss the true-up of the quarterly adjustment clause. The Staff believes that the parties will be able to complete

the true-up of the 2006 and 2007 calendar years quarterly adjustment clauses (Case Nos. HR-2007-0028 and HR-2007-0399) within the next three-month reporting period and start the review of the 2008 calendar year quarterly adjustment clause (Case No. HR-2008-0340) as well.

WHEREFORE, the Staff of the Missouri Public Service Commission submits this status report to the Commission.

Respectfully submitted,

/s/ Nathan Williams

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 1st day of June 2009.

/s/ Nathan Williams