

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

In the Matter of KCP&L Greater Missouri Operations Company for Authority to File Tariff Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company)))))) File No. ER-2010-0356

**KCP&L GREATER MISSOURI OPERATIONS COMPANY’S RESPONSE TO STAFF’S
AND PUBLIC COUNSEL’S OBJECTION
TO PROPOSED CUSTOMER NOTICE**

COMES NOW KCP&L Greater Missouri Operations Company (“GMO” or “Company”), and pursuant to 4 CSR 240-2.080, files this Response with the Missouri Public Service Commission (“Commission”) to Staff’s and Public Counsel’s Objection To Proposed Customer Notice which was filed on July 27, 2010. As its response, GMO states the following:

1. On July 20, 2010, GMO filed its proposed Customer Notice, as directed by the Commission’s Order and Notice issued on June 11, 2010.

2. On July 27, 2010, Staff and Public Counsel filed an Objection To Proposed Customer Notice which pointed out, *inter alia*, that Commission Rule 4 CSR 240-20.090(2)(D) provides: “The electric utility shall include in its initial notice to customers regarding the general rate case, a commission approved description of how the costs passed through the proposed RAM requested shall be applied to monthly bills.” GMO’s proposed customer notice filed on June 11, 2010 failed to address this requirement. As a result, GMO has revised its proposed Customer Notice to comply with this requirement. Appendix A includes GMO’s revised Customer Notice for approval by the Commission.

3. Staff and Public Counsel also objected to GMO’s proposed customer notice on a second ground as follows:

The Staff of the Missouri Public Service Commission and Public Counsel also both object to how KCP&L Greater Missouri Operations Company is proposing to convey to its customers the amounts and percentages of the increases in annual gross revenues it is requesting the Commission approve in this case. KCP&L Greater Missouri Operations Company has characterized its request as being an increase to its Missouri jurisdictional annual gross revenues in its MPS service area (Kansas City, Missouri area) by approximately \$76 million (14.4%) and in its L&P service area (St. Joseph, Missouri area) by approximately \$22 million (13.9%). In its filing KCP&L Greater Missouri Operations Company proposes to continue its Fuel Adjustment Clause (FAC). However, the customer notice KCP&L Greater Missouri Operations Company proposes does not reveal that approximately \$27 million annually in fuel-related costs for its customers in its MPS service area and approximately \$19 million annually for its customers in its L&P service area will be recovered through its FAC in the future. These annual fuel-related costs should be recovered through the annual gross revenue increase KCP&L Greater Missouri Operations Company is seeking in this case, not through its FAC. Therefore, the customer notice should reveal to customers the amount of KCP&L Greater Missouri Operations Company's requested increase in Missouri jurisdictional annual gross revenues when these annual fuel-related costs are included in the annual gross revenue increase. When included, that increase is approximately \$103 million (19.5%) from its customers in its MPS service area and approximately \$41 million (26%) from its customers in its L&P service area. (Emphasis added)

4. Contrary to the suggestions of the Staff and Public Counsel, GMO has not requested in its rate case filing that the fuel-related costs recovered through GMO's current Fuel Adjustment Clause (FAC) should be rolled into GMO's base rates (i.e. "re-basing of fuel costs"). Instead, GMO's proposal is to maintain the current FAC with only minor changes in its operation.

5. Since GMO is not proposing to rebase the fuel costs in its rate case filing, it would be inappropriate and highly misleading to the public to suggest, as Staff and Public Counsel do in their proposed Customer Notice, that: "Including these costs in base rates would result in the Company seeking an approximate \$103 million total increase, or 19.5% for MPS and an approximate \$41 million total increase, or 26%, for L&P". (Mark-up of Customer Notice attached to Staff and Public Counsel's Objection.).

6. It is the Company's position that the customer notice should use the Company's filing as the basis of the customer notice and not use what may or may not be the Staff and OPC position in the case prior to the filing of either's direct testimony. The Company has not requested to rebase its fuel costs in this proceeding. By not rebasing, the Company will continue to only recover 95% of the incremental costs above the current base fuel costs included in the Company's base rates. Had the Company elected to rebase its fuel costs, the Company would have modified its filing and notification to customers.

7. It is the Company's position that the customer notice should notify customers of the increase to a typical customer based on what the customer increase would be if the request by the Company were approved compared to what the customer bill would be without any increase. This is exactly how the Company prepared its filing and how the customer notice was prepared. Staff and OPC's suggested customer notice does not reflect what the impact of the proposed rate increase would be to customers, but is instead misleading.

8. When the Company files a FAC, both the Company and often the Missouri Public Service Commission, through its public information department, notifies customers of the increase or decrease to a typical customer bill that will occur as a result of the filing. The Staff and OPC are attempting to include in their proposed notification what the increase could be if the Company were to rebase its fuel costs without any consideration to the current FAC's that are currently being billed customers. Simply reading the proposed modifications as recommended by Staff and OPC is inaccurate, misleading and would be very confusing to customers.

9. The Staff and OPC's proposed notice is inaccurate in that it does not represent the Company's filed position in this case. It is misleading in that it implies that the increase to customers will be greater than the request by the Company. It is confusing in that customers will

read the notification and not understand the Company's proposed increase which could lead to customer frustration and dissatisfaction.

10. While Staff and OPC may recommend to rebase the fuel costs in this case, many other modifications may be recommended by parties to this proceeding as an outcome of both the level of the recommended increase, as well as the rate design that may be proposed by various parties. The Company believes that it is not the intent of the customer notice nor is it possible to communicate in the initial customer notification all of the various proposals by the various parties or the possible outcomes that may result in this case (including rate designs).

Indeed, the dissemination of information regarding such proposals has been facilitated by the Commission's recent modifications to the local public hearing process.

11. Again, GMO is not proposing and has not proposed in its rate case filing that fuel costs collected through the FAC should be included in base rates, and the FAC be rebased accordingly. If the Staff and Public Counsel wish to suggest such a fuel rebasing as a part of their respective cases, then these parties are free to do so. However, this is not the current proposal of GMO. The Customer Notice is intended to explain to the public what the public utility is requesting in the rate case. Since GMO is not requesting the rebasing of fuel in this case, the Customer Notice should not suggest that GMO is requesting the rebasing of fuel costs, or the rate impact of such a proposal if it were requested (which it is not).

WHEREFORE, having responded to Staff and Public Counsel, GMO respectfully requests that the Commission approve the attached revised Customer Notice for distribution to GMO's customers in this case.

Respectfully submitted,

/s/ Roger W. Steiner

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**Counsel for KCP&L Greater Missouri Operations
Company**

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing response has been hand-delivered, emailed or mailed, First Class mail, postage prepaid, this 6th day of August 2010, to the counsel of record in this proceeding.

/s/ Roger W. Steiner

Roger W. Steiner

Important notice

KCP&L Greater Missouri Operations Company has filed revised electric service tariff sheets with the Missouri Public Service Commission (PSC) seeking to increase the Company's Missouri jurisdictional annual gross revenues in its MPS service area by approximately \$76 million and in its L&P service area by approximately \$22 million.

For the typical MPS residential customer, the Company's proposed increase would be approximately \$14.86, or approximately 14% each month. For the typical L&P residential customer, the Company's proposed increase would be approximately \$12.82, or approximately 14% each month.

The Company has asked the PSC to continue its FAC. The Company has also requested its FAC be modified to allow recovery of certain additional transmission costs through its FAC. The FAC allows the Company to adjust customers' bills two times per year based on the varying cost of fuel and purchased power. Any increase or decrease in fuel and purchased power costs will be reflected in the FAC.

The PSC will conduct local public comment hearings to solicit input from the company's customers, as follows:

- Day of week, Date, beginning at Time, in the Building name, Address
- Day of week, Date, beginning at Time, in the Building name, Address
- Day of week, Date, beginning at Time, in the Building name, Address
- Day of week, Date, beginning at Time, in the Building name, Address

A question-and-answer session will be held beginning at time.

The Commission will also conduct an evidentiary hearing at its offices in Jefferson City Date through Date, beginning at Time. If you wish to comment or secure information, you may contact the Office of the Public Counsel, Post Office Box 2230, Jefferson City, MO 65102, telephone (866) 922-2959, e-mail opcservice@ded.mo.gov or the Missouri Public Service Commission, Post Office Box 360, Jefferson City, MO 65102, telephone 800-392-4211, e-mail pscinfo@psc.mo.gov.

The buildings where the hearings will be held meet accessibility standards required by the Americans with Disabilities Act. If a customer needs additional accommodations to participate in these hearings, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.