

**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)	File No. ER-2010-0356
Provided to Customers in the Missouri)	
Service Area of the Company)	

**KCP&L GREATER MISSOURI OPERATIONS COMPANY’S REPLY
TO STAFF’S AND PUBLIC COUNSEL’S REPLY FILED
ON AUGUST 24, 2010 REGARDING CUSTOMER NOTICE**

COMES NOW KCP&L Greater Missouri Operations Company (“GMO” or “Company”) and for its reply to Staff’s and Public Counsel’s Reply To KCP&L Greater Missouri Operations Company’s Response To Staff’s And Public Counsel’s Suggestions For Customer Notice filed on August 24, 2010 (hereafter “August 24th Reply”), states as follows:

1. In their August 24th Reply, the Staff and Public Counsel state that they are not arguing that GMO must rebase its Fuel Adjustment Clause (“FAC”) every time it files a rate case. (August 24th Reply, p. 1). This is somewhat reassuring since GMO has not requested to re-base its FAC (*i.e.*, include in base rates the expected fuel and purchased power costs net of off-system sales that would be recovered in the FAC) in this case.

2. The Company believes that the Customer Notice in this case should briefly describe the Company’s rate increase request (which does not include re-basing of fuel and purchase power costs net of off-system sales), identify the time and location of the local hearings, and provide additional contact information to allow the customers to comment on the proposed rate increase. The Customer Notice should not attempt to address extraneous matters that may be considered by the Commission in future proceedings months after the rates from this case go into effect, including FAC proceedings. The earliest that any of these expected fuel and purchased power costs net of off-system sales could begin to be collected through the FAC would be September 2011.

3. Even if the Commission attempted to address a future FAC filing in the Customer Notice in this case, it should not utilize inaccurate information. In paragraph 2, the Staff/OPC's August 24th Reply states that part of the GMO impact is the expectation to recover through the FAC "not only the difference between the level of net fuel and purchased power costs based on the test year and its actual level of net fuel and purchased power costs, but also its additional \$46 million per year of net fuel and purchased power costs from its test year." (August 24th Reply, p. 1) This statement is does not make sense, from the Company's perspective.

4. In paragraph 4 of the August 24th Reply, Staff and Public Counsel include misleading information about the expected impact of FAC changes on customers. Based upon the Company's projections and assumptions about possible fuel and purchase power costs, the Company estimates that the annual revenue collected through the FAC for an MPS customer is expected to actually decrease by approximately \$2.08 per month from the FAC factor currently in effect. For the L& P area, the Company anticipates (based upon preliminary information) that the annual revenue from the FAC will increase approximately \$5.74 per month for the typical L&P customer during the upcoming year above the current FAC tariffs. These are only estimates and projections, and may substantially change in the future. Changes, if any, to the FAC will be considered by the Commission in a separate FAC proceeding in the future.

5. In paragraph 5 of the August 24th Reply, Staff and Public Counsel suggest that the Company's statement that the Company's rates were not re-based in the last GMO rate case "is erroneous." (August 24th Reply, p. 3). The Company must respectfully disagree. While the Company sought to re-base its rates in the last GMO rate case, Staff and other parties opposed this request. (*See e.g.*, Staff's Position Statement, p. 12; Public Counsel's Position Statement, p. 8; and Industrial Intervenors' Statement of Position, p. 9 in Case No. ER-2009-0090). As a result of the settlement of the case, the Company abandoned its request to re-base its fuel and purchase power costs. In fact, as a result of the settlement, the Company continues to absorb 5% of the fuel and purchase power costs which would have otherwise been included in base rates if the parties

had agreed to re-base the fuel and purchase power costs in Case No. ER-2009-0090.

6. The Signatory Parties to the Non-Unanimous Stipulation And Agreement in Case No. ER-2009-0090 did agree to make modest modifications to the FAC tariff process. *See Non-Unanimous Stipulation And Agreement*, pp. 10-12 in Case No. ER-2009-0090 (filed on May 22, 2009). As a result of the agreed-upon changes to the FAC tariffs, there were modest changes in the MPS and L&P FAC factors, as noted by Staff/Public Counsel in the August 24th Reply, but it is inappropriate for these parties to suggest that there was a re-basing of GMO's fuel and purchase power costs into base rates.

7. In this proceeding, the Company is not recommending to re-base its fuel and purchase power costs, net of off-system sales. As previously explained in an earlier pleading, the current GMO rate case filing is already complicated in that GMO serves two rate divisions (MPS and L&P). GMO is a partner in the Iatan 2 power plant and owns 18%. With the addition of Iatan 2 in this rate case, the Company is proposing to allocate a portion of Iatan 2 to each rate division. In addition, the expiration of major GMO purchase power contract which only serves L&P, projected fuel and purchased power costs, and the uncertain level of off-system sales, all have a significant bearing on how future fuel costs at GMO will be addressed and will impact the overall future FAC for GMO. With these substantial uncertainties related to allocations, fuel and purchased power costs, the Company did not believe it would be appropriate to attempt to re-base its fuel and purchase power costs in this proceeding. The Customer Notice should not leave the inference or the impression with customers that the Company is requesting to rebase its fuel and purchased power costs in this proceeding.

WHEREFORE, GMO respectfully renews its requests that the Commission reject Staff and Public Counsel's argument that GMO must discuss in the Customer Notice possible impacts of the fuel and purchase power cost changes that may occur in the future, or the possible re-basing of fuel and purchase power costs in this proceeding.

Respectfully submitted,

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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 3rd day of September, 2010, to the counsel of record in this proceeding.

/s/ James M. Fischer
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