

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

In the Matter of the Application of Aquila, Inc., )  
d/b/a GMO Greater Missouri Operations )  
Company, for Approval to Make Certain )  
Changes in its Charges for Electric Service. )

Case No. ER-2009-0090

**LIST OF ISSUES, ORDER OF WITNESSES AND ORDER OF CROSS-EXAMINATION**

COMES NOW the KCP&L Greater Missouri Operations Company (“GMO”) and states:

1. On September 5, 2008, Aquila d/b/a KCP&L Greater Missouri Operations Company (“GMO”) filed with the Missouri Public Service Commission (“Commission”) tariff sheets designed to implement a general electric rate increase for service it provides to its Missouri customers. The Commission opened Case No. ER-2009-0090 to address that filing.

2. On November 20, 2008, the Commission issued an *Order Setting Procedural Schedules* in which it stated the parties shall file a joint list of issues and that “[a]ny issue, or sub-issue, not included in the issues list will be presumed to not require determination by the Commission.” In its order the Commission also stated that each party is to file a list of witnesses to appear on each day of the hearing, the order in which they are called, and that the parties are to file a joint pleading proposing the order in which witnesses are to be cross-examined. In the ordered schedule, as proposed by the parties, the Commission set April 10, 2009, as the filing date for the list of issues, order of witnesses [and] order of cross-examination.

3. The Parties to this proceeding are: GMO, the Missouri Public Service Commission Staff (“Staff”), the Office of the Public Counsel (“OPC”), Missouri Department of Natural Resources (“MDNR”), Federal Executive Agencies (“FEA”), Ag Processing, Inc. (“Ag Processing”), Sedalia Industrial Energy Users (“SIEU”), Wal-Mart Stores, Inc. (“Wal-Mart”)(collectively “Industrials”), Dogwood Energy, LLC (“Dogwood”), City of Kansas City

(“KCMO”), Bothwell Regional Health Center, Community Hospital Association, Lee’s Summit Medical Center, Research Belton Hospital, Liberty Hospital, Royal Oaks Hospital, Saint Luke’s East—Lee’s Summit, Saint Luke’s Northland Hospital, St. Francis Hospital and Health Services, and St. Mary’s Medical Center (collectively “Hospitals”), IBEW Local Unions 412, 1464, and 1613 (“Unions”), and Union Electric Company d/b/a AmerenUE (“AmerenUE”).

4. In its November 20, 2008, *Order Setting Procedural Schedules* the Commission, at the parties’ request, waived the requirements of Commission Rule 4 CSR 240-2.080(21) regarding the format of the list of issues.

5. GMO had understood that the Staff was going to request an extension for the filing of Joint List of Issues, Order of Witnesses And Order of Cross-Examination until Tuesday, April 14. However, apparently no extension has been granted in this case. In addition, on April 13, 2009, the Commission issued its Notice And Order Regarding Issues And Witness List in Case No. ER-2009-0089 which ordered Kansas City Power & Light Company and Staff to file separate proposed lists of issues and witness lists for the evidentiary hearings set to begin on April 20, 2009, no later than 5:00 p.m. on April 13, 2009. Although the April 13, 2009 Order did not address the filing of the List of Issues, Order of Witnesses and Order of Cross-Examination in the companion cases (Case No. ER-2009-0090 and HR-2009-0092), GMO believes it would be prudent to file its proposed list of issues, order of witnesses and order of cross-examination in the companion cases at this time.

## **LIST OF ISSUES**

### **REVENUE REQUIREMENT**

#### **RATE BASE**

1. Iatan 1 Selective Catalytic Reduction (“SCR”) facility, Flue Gas Desulphurization (“FGD”) unit and Baghouse (collectively “Iatan 1 Rate Base Additions”) (L&P only):

- a. Should the Iatan 1 Rate Base Additions be included in rate base in this proceeding?
- b. Should the Commission presume that the costs of the Iatan 1 Rate Base Additions were prudently incurred until a serious doubt has been raised as to the prudence of the investment by a party to this proceeding?
- c. Has a serious doubt regarding the prudence of the Iatan 1 Rate Base Additions been raised by any party in this proceeding?
- d. Should the Company's conduct be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the Company had to solve its problem prospectively rather than in reliance on hindsight? ("prudence standard")
- e. Has GMO demonstrated that it properly managed this complex project and properly managed matters within its control?
- f. Should the costs of the Iatan 1 Rate Base Additions that exceed GMO's "definitive estimate" be included in rate base on an interim subject to refund basis?
- g. Does the Commission have the authority to designate a portion of the rates "interim rates, subject to refund" if the Company has not voluntarily agreed to do so?

**2. Iatan Common Costs (L&P only):**

- a. Should a portion of the Iatan Project Common Costs be included in rate base in this proceeding?
- b. If so, what is the appropriate amount of Iatan Project Common Costs to be included in rate base in this proceeding?
- c. Should a regulatory asset be established to defer carrying cost and depreciation expense associated with the Iatan 1 AQCS and identified Iatan common facilities costs appropriately recorded to Electric Plant in Service that are not included in rate base in the current rate case?

**3. Sibley 3 and Jeffrey Energy Center (collectively "Sibley and Jeffrey Rate Base Additions") (MPS only):**

- a. Should the Sibley and Jeffrey Rate Base Additions be included in rate base in this proceeding?
- b. Should the Commission presume that the costs of the Sibley and Jeffrey Rate Base Additions were prudently incurred until a serious doubt has been raised as to the prudence of the investment by a party to this proceeding?

- c. Has a serious doubt regarding the prudence of the Sibley and Jeffrey Rate Base Additions been raised by any party in this proceeding?
- d. Should the Company's conduct be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the Company had to solve its problem prospectively rather than in reliance on hindsight? ("prudence standard")
- e. Has GMO demonstrated that it properly managed these complex projects and properly managed matters within its control?
- f. Should the costs of the Sibley and Jeffrey Rate Base Additions that exceed GMO's "definitive estimate" be included in rate base, on an interim subject to refund basis?
- g. Does the Commission have the authority to designate a portion of the rates "interim rates, subject to refund" if the Company has not voluntarily agreed to do so?

**4. Crossroads (MPS only):**

- a. Should Crossroads be included in rate base at depreciated net book value in this proceeding?
- b. What is the appropriate valuation of Crossroads?
- c. If Crossroads is included in rate base, should the accumulated deferred taxes associated with Crossroads be used as an offset to rate base?
- d. Was a variance from the Commission's Affiliated Transaction Rule required to move Crossroads into GMO's rate base?
- e. Should the Commission reflect any transmission cost savings to the Company resulting in its future participation in SPP as a network service customer related to the Crossroads plant?

**5. South Harper/Phantom Turbines/Other Alternatives To Crossroads (MPS only):**

- a. Should the GMO cost of service include the 2007 test year costs of the existing 3 combustion turbines at South Harper, the hypothetical costs for 2 additional non-existing combustion turbines at South Harper, and the capacity costs of a generic 100 MW Purchase Power Agreement to simulate capacity planning decisions that Staff believes should have been made by Aquila in 2005?
- b. Should the existing 3 combustion turbines at South Harper be included in GMO's cost of service, as advocated by GMO?
- c. Should the Commission utilize the power and asset sales offers by Dogwood

in response to KCPL GMO's RFPs instead of adopting Staff's phantom turbine proposal?

6. Southwest Power Pool Transmission (MPS and L&P): Should the Commission reflect any transmission cost savings to the Company resulting in its future participation in SPP as a network service customer?
7. Cash Working Capital—Imputed AR Program in Lead Lag Study (MPS and L&P): Should the Commission impute a hypothetical accounts receivable program in the Cash Working Capital calculation?
8. Accumulated Depreciation (MPS and L&P):
  - a. Should the imputation of a depreciation accrual of approximately \$4.2 million be added back to accumulated depreciation for ECORP common asset accounts that had become fully depreciated?
  - b. Was the accounting for common plant retirements on the ECORP business appropriate?
9. Demand Site Management
  - a. Should the Commission require KCP&L-GMO to use a net incremental reduction in annual energy usage of at least 1% resulting from the on going implementation of demand side programs over a twenty year planning horizon as a target for KCP&L's programs to meet? Should the net incremental reduction incorporate free-ridership and spill over factors?
  - b. Should KCP&L-GMO add its proposed Supplemental Weatherization and Minor Home Repair Program to the Affordability, Energy Efficiency and Demand Response programs established by KCP&L's Regulatory Plan?
  - c. Should KCP&L-GMO add its Economic Relief Pilot Program to its demand side management programs?
  - d. Should the weatherization program be modified so that GMO's Call Center will refer to the program?
  - e. Should LIHEAP recipients be directed to the weatherization program and required to participate in it?

## **COST OF CAPITAL**

1. Return on Common Equity (MPS and L&P): What return on common equity should be used for determining GMO's rate of return?
2. Capital Structure (MPS and L&P): What capital structure should be used for determining GMO's rate of return?

3. Cost of Debt (MPS and L&P): What cost of debt should be used for determining GMO's rate of return?

## **EXPENSES**

1. Short-term Incentive Compensation (MPS and L&P): Should the costs of short-term incentive compensation plans be included in cost of service for setting GMO's rates?
2. Supplemental Executive Retirement Pension (SERP) Costs (L&P only): Should the costs of the SERP be included in cost of service for purposes of setting rates?
3. Payroll Overtime (MPS and L&P): What level of payroll overtime should be included in cost of service for purposes of setting rates?
4. Fuel & Purchased Power Expense (MPS and L&P): What level of fuel and purchased power expense should be included in cost of service for purpose of setting rates?
5. Off-System Sales Margins (MPS and L&P): Should non-asset-based off-system sales (also referred to as "Q Sales") be treated as a below-the-line item, or should these Q Sales be included in the revenue requirement in this case?
6. Property Tax Expense (L&P only): Should property taxes in the amount of \$126,425 assessed on the new Air Quality Control System ("AQCS") at the Iatan 1 generating station be excluded from the annualized property taxes expenses in this proceeding?
7. Cost of Removal (MPS and L&P): How should previously flowed through tax benefits related to cost of removal deductions be recovered?
8. Prepaid Pensions (MPS only):
  - a. Should Public Counsel's proposal to include MPS' prepaid pension balance at the effective date of the tariffs in rate base be adopted?
  - b. Should the amount included in rate base in a. above be amortized over the period between the current case effective date of tariffs and the expected effective date of tariffs for the Company's next general rate case?
9. Rate Case Expense (MPS and L&P): What level of rate case expense should be included in the rate case proceeding?
10. Merger Transition Costs (MPS and L&P): What is the appropriate amount of merger transition costs to include in rates in this case?
11. Bad Debt Expense (MPS and L&P): What is the appropriate level of bad debt expense to be included in cost of service for purpose of setting rates?

## **DEPRECIATION/GENERAL PLANT:**

1. Depreciation Rates (MPS and L&P): Should the Staff's proposed reduction in depreciation rates be adopted?

**RATE DESIGN/TIMING OF NEXT CLASS COST OF SERVICE STUDY**

1. Allocations Among Customer Classes (MPS and L&P): How should the rate increase be allocated among the various customer classes?
  - a. Should the Company’s proposal to allocate the rate increase on an equal percentage for the non-fuel portion of the increase, and rebase the fuel costs to equal the expected costs for the test period, be adopted?
  - b. Should Staff’s proposal to increase the rates on an equal percentage basis be adopted?
  - c. Should the Industrials’ proposal that the fuel costs be re-based to reflect the overall fuel costs, purchased power and off-system sales, with the non-fuel increase being applied to the non-fuel portion of the existing rates, be adopted?
2. Timing of Future Class Cost of Service Study (MPS and L&P): Should the Commission order GMO to perform a Class Cost of Service Study as a part of the next rate case or after the next rate case?

**FUEL ADJUSTMENT CLAUSE**

1. Expense and Revenue Components (MPS and L&P): What expense and revenue components should be included in the Fuel Adjustment Clause?
2. Q Sales (MPS and L&P): Should revenues and expenses associated with Q sales be included in the Fuel Adjustment Clause?

**ORDER OF WITNESSES AND ORDER OF CROSS-EXAMINATION**

1. In its *Order Setting Procedural Schedule*, as requested by the parties, the Commission scheduled the evidentiary hearings in this case for May 11-15, 2009. Following is the hearing schedule that GMO proposes:

**ORDER OF ISSUES AND WITNESSES**

Following are known witness conflict dates:

**Monday, May 11, 2009 8:30 a.m.**

**Make Entries of Appearance Take Up Outstanding Matters  
Opening Statements**

GMO  
Staff  
Public Counsel  
Industrials  
FEA

Hospitals  
MDNR  
Kansas City  
Dogwood  
Unions  
AmerenUE

**Overview and Policy**

**Giles (GMO)**  
**Featherstone (Staff)**

**Iatan 1 Rate Base Additions**

**Giles (GMO)**  
**Davis (GMO)**  
**Featherstone (Staff)**

**Sibley/Jeffrey Rate Base Additions**

**Giles (GMO)**  
**Hedrick (GMO)**  
**Crawford, Dana (GMO)**  
**Featherstone (Staff)**

**Tuesday, May 12, 2009 8:30 a.m.**

**Crossroads**

**Rooney (GMO) (adopted by Crawford, Burton)**  
**Crawford, Burton (GMO)**  
**Hedrick (GMO)**  
**Hardesty (GMO)**  
**Hyneman (Staff)**  
**Mantle (Staff)**  
**Meyer (Industrials)**  
**Janssen (Dogwood)**  
**Rose (Dogwood)**

**South Harper/Phantom Turbines/Alternatives To Crossroads**

**Crawford, Burton (GMO)**  
**Hyneman (Staff)**  
**Mantle (Staff)**  
**Janssen (Dogwood)**  
**Rose (Dogwood)**

**Cost of Capital**

**Return on Common Equity**  
**Capital Structure**

**Hadaway (GMO)**  
**Cline (GMO)**



**Murray (Staff)**  
**Gorman (OPC)**

**Cash Working Capital—Imputed AR Program in Lead Lag Study**

**Cline (GMO)**  
**Klote (GMO)**  
**Herrington (Staff)**

**Wednesday, May 13, 2009 8:30 a.m.**

**Short-Term Incentive Compensation**

**Curry (GMO)**  
**Klote (GMO)**  
**Majors (Staff)**

**Supplemental Executive Retirement Pension (SERP) Costs**

**Curry (GMO)**  
**Hyneman (Staff)**

**Overtime Costs**

**Klote (GMO)**  
**Majors (Staff)**

**Prepaid Pensions**

**Klote (GMO)**  
**Robertson (OPC)**

**Rate Case Expense**

**Klote (GMO)**  
**Prenger (Staff)**  
**Trippensee (OPC)**

**Fuel & Purchased Power**

**Blunk (GMO)**  
**Crawford, Burton (GMO)**  
**Harris (Staff)**

**Southwest Power Pool Transmission Expense Savings**

**Crawford, Burton (GMO)**  
**Meyer (Industrials)**

**Property Taxes**

**Hardesty (GMO)**  
**Herrington (Staff)**

**Cost of Removal**

**Hardesty (GMO)**

**Harrison (Staff)**

**Thursday, May 14, 2009 8:30 a.m.**

**Depreciation**

**White (GMO)**

**Klote (GMO)**

**Schad (Staff)**

**Merger Synergy Tracking and Transition Cost Recovery**

**Giles (GMO)**

**Ives (GMO)**

**Hyneman (Staff)**

**Friday, May 15, 2009 8:30 a.m.**

**Rate Design/Timing of Next CCOS Study**

**Rush (GMO)**

**Normand (GMO)**

**Scheperle (Staff)**

**Ross (Staff)**

**Cecil (Staff)**

**Kind (OPC)**

**Brubaker (MIEC/Praxair)**

**Demand-Side Management**

**Dennis (GMO)**

**Wolfe (MDNR)**

**Kind (OPC)**

**ORDER OF CROSS-EXAMINATION**

While for specific issues a different order of cross-examination may be more appropriate, generally, the order of cross-examination, based on adversity, is the following:

**GMO witnesses**

AmerenUE, Kansas City, Unions, Dogwood, MDNR, FEA, Industrials, Hospitals, Public Counsel, Staff

**Staff witnesses**

AmerenUE, Kansas City, Unions, Dogwood, MDNR, FEA, Industrials, Hospitals, Public Counsel, GMO

**Public Counsel witnesses**

AmerenUE, Kansas City, Unions, Dogwood, MDNR, FEA, Industrials, Hospitals, Staff, GMO

**Industrial witnesses**

AmerenUE, Kansas City, Unions, Dogwood, MDNR, FEA, Hospitals, Staff, Public Counsel, GMO

**Dogwood witness**

AmerenUE, Kansas City, Unions, MDNR, FEA, Hospitals, Staff, Public Counsel, GMO

**WHEREFORE**, GMO submits the foregoing list of issues, order of witnesses and order of cross-examination in response to the Commission's November 20, 2008 *Order Setting Procedural Schedule*.

Respectfully submitted,

/s/ James M. Fischer

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Attorneys for KCP&L Greater Missouri  
Operations Company

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 13th day of April, 2009, to all counsel of record.

/s/ James M. Fischer  
James M. Fischer