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

**In the Matter of the Application of Kansas City )**

**Power & Light Company for Approval to Make ) Case No. ER-2012-0174 Changes in its Charges for Electric Service )**

**to Continue the Implementation of its )**

**Regulatory Plan )**

**STATEMENT OF POSITION OF**

**THE UNITED STATES DEPARTMENT OF ENERGY, THE NATIONAL NUCLEAR SECURITY ADMINISTRATION, AND THE FEDERAL EXECUTIVE AGENCIES**

COME NOW, the United States Department of Energy (“DOE”) and the United States National Nuclear Security Administration (“NNSA”), on behalf of themselves and other affected Federal Executive Agencies (“FEA”), by and through undersigned counsel, respectfully submit this statement of position on the issues set forth below, pursuant to the procedural schedule herein. This statement follows the order which is used in the list of issues filed herein by Staff on October 11, 2012. DOE/ NNSA/ FEA take no position on any issue other than those set out below, but reserve the rights to cross-examine witnesses, present oral argument, and submit one or more briefs on whatever other issues they may at a later time deem it necessary to address.

**I. KCPL-ONLY POSITIONS**

**1. Deferral of 2011 Missouri River Flood Costs and Losses**

**1.b. - ISSUE** - Should the off-system sales (“OSS”) margins shortfall associated with the 2011

flood be deferred and amortized over five years?

i. If so, what amount of OSS margins should be deferred and amortized?

**DOE/NNSA/FEA Position -** The Company should receive no compensation for the OSS shortfall associated with the 2011 flood. (Etheridge direct and surrebuttal testimonies)

**2. Off-System Sales**

**2. b. - ISSUE** - What amount should be included in KCPL’s revenue requirement for OSS?

**DOE/NNSA/FEA Position -** The extant OSS-related arrangement for sharing OSS margins between shareholders and ratepayers should be retained. The Company’s proposal to restructure this arrangement to allow it to retain 25% of any OSS margin beyond the 60th percentile and require ratepayers to absorb 25% of any OSS margin shortfall below the 40th percentile should be rejected. The Commission should not change the extant arrangement until natural gas prices and wholesale electricity prices return to more normal levels. (Etheridge direct and rebuttal testimonies)

**2.c. - ISSUE -** Should the Commission continue the OSS tracker? **DOE/NNSA/FEA Position -** DOE/NNSA/FEA take no position as to whetherthe Commission should continue the OSS tracker. DOE/NNSA/FEA’s position in this regard is that, *if* the Commission eliminates the OSS tracker, a reasonable level of OSS margins must be included as an offset to revenue requirement, and that level should represent the 50th percentile of the Company’s forward-looking probabilistic analysis, or some other normalized level. (Etheridge rebuttal testimony)

**6. Rate Design/Class Cost of Service Study**

**a. i. ISSUE** - What methodology should be used to allocate demand-related (fixed) production costs in KCPL’s class cost-of-service study?

**DOE/NNSA/FEA Position -** The 4CP methodology should be used to allocatedemand-related (fixed) production costs in KCPL’s class cost-of-service study. (Goins direct, rebuttal and surrebuttal testimonies)

**a. ii. ISSUE** - What methodology should be used in the CCOS to allocate OSS margins?

**DOE/NNSA/FEA Position –** OSS margins should continue to be allocated on the basis of loss-adjusted kWh (energy) usage. (Goins direct and rebuttal testimony)

**b. ISSUE** - How should any rate increase be allocated among the various customer classes?

**DOE/NNSA/FEA Position -** Any rate increase should be allocated on the basis of the coincident peak (“4CP”) methodology recommended by DOE witness Dr. Dennis Goins or, in the alternative, on the basis of either the Average & Excess (“A&E”) methodology recommended by Industrials’ witness Dr. Morris Brubaker, or on an equal percentage basis. The Company’s proposal to allocate any rate increase on the basis of a Base/Intermediate/Peak (“BIP”) methodology should be rejected.

(Goins direct, rebuttal, and surrebuttal testimonies)

**II. KCPL - GMO COMMON ISSUES**

**3. Cost of Capital**

**a. ISSUE -** What return on common equity should be used for determining rate of return?

A return on common equity no higher than 9.5% should be used to determine rate of return. (Kahal direct and surrebuttal testimonies)

**b. ISSUE** - What capital structure should be used for determining rate of return?

**DOE/NNSA/FEA Positions** - The Company’s proposal to increase its common equity ratio from 45.51% to 52.475% should be rejected. (Kahal direct testimony) The Company’s proposal to remove Other Comprehensive Income (“OCI”) from GPE actual equity balance should be rejected. (Kahal surrebuttal testimony)

Respectfully submitted,

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October 12, 2012

**CERTIFICATE OF SERVICE**

I hereby certify that I sent a true and correct copy of the foregoing document via email on this 12th day of October, 2012 .

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(s) Arthur Perry Bruder