

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

In the Matter of the Tariff Filing of KCP&L Greater )  
Missouri Operations Company to Implement a )  
General Rate Increase for Retail Electric Service )  
Provided to Customers in its Missouri Service )  
Areas it formerly served as Aquila Networks—MPS )  
and Aquila Networks—L&P. )  
)

**Case No. ER-2009-0090**  
Tariff No. JE-2009-0913

**INDUSTRIAL INTERVENORS STATEMENT OF POSITION**

COME NOW Ag Processing, Inc., a cooperative, the Sedalia Industrial Energy Users' Association, and Wal-Mart Stores, Inc. (collectively referred to as the "Industrial Intervenors"), by and through undersigned counsel, and submits this Statement of Position on the issues set forth below pursuant to the procedural schedule established herein. This Statement of Position will use the description of the issues as set forth in the list of Issues filed herein by Staff on April 13, 2009. Although this Statement of Position addresses only a limited number of the issues set forth in Staff's List of Issues, the Industrial Intervenors reserve the right to cross-examine witnesses, present argument and submit post-hearing brief(s) as to any issues it deems necessary if the need arises at a later date.

**RATE BASE**

1. Iatan 1 Selective Catalytic Reduction ("SCR") facility, Flue Gas Desulphurization ("FGD") unit and Baghouse (collectively "Iatan 1 AQCS-Air Quality Control Systems-Rate Base Additions"):
  - a. What criteria should the Commission use to determine when the Iatan 1 AQCS Rate Base Additions are "fully operational and used for service?"

Position: In establishing in-service criteria for any generation asset, the Commission should consider the criteria to be used for commercial acceptance. By aligning acceptance for regulatory and commercial purposes, the Commission can avoid the situation where

ratepayers are forced to pay a return on and of investment for a unit that does not operate as contractually designed.

- b.** Are the Iatan 1 AQCS Rate Base Additions fully operational and used for service?

Position: No.

- c.** Should the costs of the Iatan 1 AQCS Rate Base Additions that exceed KCPL's "definitive estimate" of \$376.8 million before allocation be allocated and included in L&P's rate base on an interim subject to refund basis?

Position: Yes.

- d.** Should a regulatory asset be established to defer carrying cost and depreciation expense associated with the Iatan 1 AQCS Rate Base Additions appropriately recorded to Electric Plant in Service that are not included in L&P's rate base in the current rate case.

Position: No. The Industrial Intervenors oppose any special accounting treatment for capital assets that are not included in rate base in the immediate case.

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

- a.** What portion of the Common Costs of the Iatan 1 and Iatan 2 construction projects should be included in L&P's rate base in this proceeding?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- b.** Should a regulatory asset be established to defer carrying cost and depreciation expense associated with the portion of the Common Costs of the Iatan 1 and Iatan 2 construction projects appropriately recorded to Electric Plant in Service that are not included in L&P's rate base in the current rate case, or should these costs be considered Iatan 2 project costs?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- c.** Should the reduction of reserve overstatement currently assigned to MPS and L&P as UCU Common General Plant be assigned on a weighted average per reserve account to the ECORP accumulated reserve for depreciation?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- d.** Should GMO maintain separate accounting of amounts accrued for

recovery of its initial investment in plant and the amounts accrued for cost of removal of plant?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

3. Sibley 3 and Jeffrey Energy Center (collectively “Sibley and Jeffrey Rate Base Additions”) (MPS only):
  - a. Are the Sibley and Jeffrey Rate Base Additions fully operational and used for service?

Position: No.

- b. Should the costs of the Sibley and Jeffrey Rate Base Additions that exceed GMO’s “definitive estimate” be included in MPS’s rate base, on an interim subject to refund basis?

Position: Yes.

4. Is it lawful for the Commission to designate a portion of the rates in this case “interim rates, subject to refund,” if GMO has not voluntarily agreed to any rates being interim subject to refund?

Position: Yes. The Missouri Courts have found that the Commission’s authority to issue interim relief is ancillary to its authority to establish proper rates. After the receipt of evidence, the Commission should allow GMO to recover these costs on an interim, subject to refund, basis.

5. Prudence of MPS Generating Capacity Additions (MPS only):
  - a. Was the decision of MPS to wait to add the approximately 300 MW of capacity GMO is obtaining from Crossroads prudent?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- b. For purposes of setting rates for MPS, should be the revenue requirement for the approximately 300 MW of capacity GMO is obtaining from Crossroads be based on the depreciated net book value of Crossroads on MPS’s books and included in MPS’s rate base?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- c. For purposes of setting rates for MPS, should be the revenue requirement for the approximately 300 MW of capacity GMO is obtaining from Crossroads be based on the present cost of two additional 105 MW combustion turbines installed in 2005 at a GMO site that would permit the

building of six such combustion turbines (rate base) plus a short-term 100 MW purchased power agreement (expense) because GMO was imprudent by not acquiring the capacity of those two additional combustion turbines in 2005?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- d. For purposes of setting rates for MPS, should be the revenue requirement for the approximately 300 MW of capacity GMO is obtaining from Crossroads be based on the present cost of Crossroads based on the cost to GMO of acquiring Crossroads as a regulated site in 2005 because GMO was imprudent by not owning that capacity in 2005? If the revenue requirement for the approximately 300 MW of capacity GMO is obtaining from Crossroads is included in rate base at the 2007 depreciated net book value of Crossroads, should the accumulated deferred taxes associated with Crossroads be used as an offset to rate base?

Position: The transfer price of the Crossroads unit should include recognition of all deferred taxes.

- e. Was transfer on GMO's books of Crossroads from non-regulated operations to the regulated operations of MPS at cost permitted by the Commission's Affiliated Transaction Rule without a variance from the Commission?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- f. If a value of Crossroads is included in rate base, should the transmission expense to get the energy from Crossroads to MPS's territory be included in expenses? If so, 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?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- g. Would GMO be prudent to delay building additional combustion turbine capacity in order to utilize the power and asset sales offers by Dogwood in response to GMO's RFPs?

Position: The Industrial Intervenors take no position on this issue.

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?

Position: Any cost savings realized before the end of the true-up period should be recognized in GMO's rates.

7. Cash Working Capital—Imputed AR Program in Lead Lag Study (MPS and L&P): Should the cost related to the termination of GMOs accounts receivable sales program caused by the loss of investment grade status be passed on to its customers?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

8. Accumulated Depreciation (MPS and L&P):
- a. Should the reserve deficiency related to plant retired prematurely as a consequence of GPE's acquisition of Aquila be added back to the respective ECORP reserve account?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- b. Should the reduction of reserve overstatement currently assigned to the two divisions as UCU Common General Plant be assigned on a weighted average per reserve account to the ECORP accumulated reserve for depreciation?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- c. Should GMO maintain separate accounting of amounts accrued for recovery of its initial investment in plant and the amounts accrued for the cost of removal?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- d. Is Commission authorization required for GMO to change its depreciation rate to zero (0)?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- e. Should the accumulated depreciation for ECORP common plant asset accounts reflect depreciation accrual of approximately \$4.2 million more than on GMO's books because the authorized depreciation rates for the ECORP common asset accounts are not zero?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- f. Has GMO properly accounted for ECORP common plant asset retirements caused by Great Plains Energy's acquisition of GMO?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

9. What level of prepaid pension asset should be included in rate base?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

**10. Demand-Side Management**

- a. Should the Commission require GMO to use a net incremental reduction in annual energy usage of at least 1% resulting from the ongoing implementation of demand side programs over a twenty year planning horizon as a target for GMO's programs to meet? Should the net incremental reduction incorporate free-ridership and spill over factors?

Position: The Industrial Intervenors take no position on this issue.

- b. Should 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?

Position: The Industrial Intervenors take no position on this issue.

**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?

Position: The Commission should establish a reasonable return on equity consistent with the positions advanced by Mr. Murray and Mr. Gorman.

2. Capital Structure (MPS and L&P): What capital structure should be used for determining GMO's rate of return?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

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

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

**EXPENSES**

1. Short-term Incentive Compensation (MPS and L&P): Should the costs of short-term incentive compensation plans be included in MPS and L&P's revenue requirements for setting GMO's rates?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

2. Supplemental Executive Retirement Pension (SERP) Costs (L&P only): Should the costs of the SERP payments related to former Saint Joseph Light and Power Company officers be included in L&P's revenue requirement for purposes of setting rates?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

3. Payroll Overtime (MPS and L&P): What level of payroll overtime should be included in MPS and L&P's revenue requirements for purposes of setting rates?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

4. Fuel & Purchased Power Expenses, and Off-System Sales Margins (MPS and L&P):
  - a. What level of fuel and purchased power expense should be included in MPS and L&P's revenue requirements for purpose of setting rates?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- b. Should non-asset-based off-system sales (also referred to as "Q Sales") be excluded from the revenue requirements of MPS and L&P (treated "below-the-line") or should these Q Sales be included in the revenue requirements of MPS and L&P?

Position: Q sales should be included in the revenue requirement of MPS and L&P.

- i. If these non-asset-based off-system sales are treated "below-the-line" has GMO assigned an appropriate amount of its costs to the support of this non-regulated activity?

Position: Q sales should be included in the revenue requirement of MPS and L&P.

5. MPS and L&P Fuel Allocations:
  - a. Should the Commission adopt Staff's methodology to allocate fuel and purchased power expense in this case?

Position: Yes.

- b. Should the Commission direct the parties to work toward agreement of allocation of purchased power sales and environmental costs prior to the filing of the first change under the Fuel Adjustment Clause (January 1, 2010)?

Position: Yes.

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 included in the GMO's revenue requirement in this proceeding before they are paid?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

7. Cost of Removal (MPS and L&P): Should the Company be allowed to charge current customers for tax benefits related to plant retired from service prior to 2001 that is no longer in service where the tax benefit was provided to customers in the years when the plant was retired?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

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?

Position: The Industrial Intervenors take no position on this issue.

- 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?

Position: The Industrial Intervenors take no position on this issue.

9. Rate Case Expense (MPS and L&P): What levels of rate case expense should be included in the revenue requirements of MPS and L&P?

Position: The Commission should only recognize a reasonable level of rate case expense in establishing rates.

10. Merger Transition Costs (MPS and L&P):
  - a. Has the Company satisfied its commitment to only seek recovery of transition costs if its synergy tracker indicates overall savings equal to or greater than the level of transition costs being sought to be included in rates?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

- b. What are the appropriate levels of merger transition costs that should be included in the revenue requirements of MPS and L&P for setting the rates of MPS and L&P?\_

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

11. Bad Debt Expense (MPS and L&P): What is the appropriate level of bad debt expense to be included in the revenue requirements of MPS and L&P for setting rates?\_

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

**DEPRECIATION/GENERAL PLANT:**

1. Depreciation Rates (MPS and L&P): What are the appropriate levels of



depreciation rates to be established in this case?\_

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

2. Should life-span method be rejected for developing depreciation rates for the Company's production plant accounts?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

3. Should establishment of GMO's depreciation rates be postponed until completion of a consolidated KCPL and GMO depreciation study?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

4. If establishment of GMO's depreciation rates is postponed until completion of a consolidated KCPL and GMO depreciation study, does that delay constitute an acquisition detriment?

Position: The Industrial Intervenors take no position on this issue.

5. Should the Company review its unit property catalog for proper and consistent placement of Combustion Turbine units?

Position: The Industrial Intervenors support the position advanced by Staff on this issue.

#### **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?

Position: The Commission should allocate any revenue increase in a manner that recognizes the existence of the GMO fuel adjustment clause. As described by Mr. Brubaker, the Commission should allocate any increase in non-fuel costs by applying in an across the board increase to the existing non-fuel portion of each rate. Any increase in fuel and purchased power costs then should be applied on a loss-adjusted cents / kWh basis.

- 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 on an equal cents per kilowatt-hour basis to equal the expected costs for the test period, be adopted?

Position: No. The above description of the Company's method is not accurate. The Company's method first adds the increase in fuel costs on a per kwh basis to existing rates and then applies an equal percentage to these re-based rates to recover the increase in non-fuel costs. Such an approach double counts the impact of fuel cost increases to the detriment of high load factor customers.

- b. Should Staff's proposal to increase the rates on an equal percentage basis be adopted?

Position: No.

- c. Should the Industrials' proposal that first the fuel costs be re-based on an equal cents per kilowatt-hour basis to reflect the overall fuel costs,

purchased power and off-system sales, then the non-fuel increase be applied on an equal percentage basis to the non-fuel portion of the existing rates, be adopted?

Position: Again, this is not an accurate description of Mr. Brubaker's proposal. The Commission should allocate any revenue increase in a manner that recognizes the existence of the GMO fuel adjustment clause. As described by Mr. Brubaker, the Commission should allocate any increase in non-fuel costs by applying in an across the board increase to the existing non-fuel portion of each rate. Any increase in fuel and purchased power costs then should be applied on a loss-adjusted cents / kWh basis.

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?

Position: The Commission should order the Company to conduct a comprehensive class cost of service and rate design study for presentation in its next general rate filing.

## **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?

Position: The Industrial Intervenors take no position on this issue.

2. Q Sales (MPS and L&P): Should revenues and expenses associated with Q sales be included in the Fuel Adjustment Clause?

Position: Q sales should be included in the revenue requirement as well as the Fuel Adjustment Clause of MPS and L&P.

3. Should GMO be required to submit the information requested by Staff in its Cost-of-Service Report on pages 145-146?

Position: Yes.

4. Was off-system sales a component of GMO's FAC since the FAC was first implemented?

Position: Yes.

5. Should the FAC tariff sheet follow the example tariff sheet filed with the surrebuttal testimony of Staff witness John Rogers or the example tariff sheet filed with the rebuttal testimony of GMO witness Tim Rush?

Position: The Industrial Intervenors take no position on this issue.

Respectfully submitted,



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ATTORNEYS FOR AG PROCESSING,  
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USERS' ASSOCIATION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.



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David Woodsmall

Dated: April 22, 2009