

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2011-0419, Tariff Tracking No. YE-2012-0039
KCP&L Greater Missouri Operations Company

FROM: Matthew Barnes, Utility Regulatory Auditor IV
Michelle Bocklage, Rate & Tariff Examiner II

DATE: /s/ John Rogers 07/29/2011 /s/ Steven Dottheim 07/29/2011
Energy Department / Date Staff Counsel Division / Date

SUBJECT: Staff Recommendation For **Approval** Of Tariff Sheet Filed to Change Rates
Related to KCP&L Greater Missouri Operations Company's Fuel Adjustment
Clause Pursuant to the Commission's Report and Order from File No ER-2010-
0356.

DATE: July 29, 2011

On June 29, 2011, KCP&L Greater Missouri Operations Company ("GMO") filed one (1) tariff sheet¹ bearing a proposed effective date of September 1, 2011, to revise its Cost Adjustment Factors ("CAF") (Items 15 and 18 on revised Sheet No. 127.5) of its Fuel Adjustment Clause ("FAC"). On July 27, 2011, GMO, following discussions with Staff, withdrew the tariff sheet filed on June 29, 2011 and filed a correct revised tariff Sheet No. 127.5² still bearing a proposed effective date of September 1, 2011, to reflect the appropriate tariff sheet revision number and to correct the applicable service period in the title box of the tariff sheet. Included in the filing on June 29, 2011, are the testimony of Linda J. Nunn and GMO's workpapers. The testimony and workpapers include information supporting GMO's calculation of the CAFs for Accumulation Period 8 (December 1, 2010 through May 31, 2011) resulting from: 1) 95% of the difference between GMO's actual Total Energy Costs (fuel and purchased power costs plus emissions allowance costs less off-system sales revenue) and GMO's Base Energy Costs for Accumulation Period 8; and 2) the true up of the over/under recovered amounts as a result of the CAFs for Recovery Period 5 (March 1, 2010 through February 28, 2011) filed by GMO on June 29, 2011, in File No. ER-2011-0417.

¹ File No. JE-2011-0670

² 5th Revised Sheet No. 127.5, File No. YE-2012-0039

The proposed current annual CAFs are the sum of the previous period CAFs (which were the current period CAFs for Accumulation Period 7 – June 1, 2010 through November 30, 2010) and the proposed current period CAFs for Accumulation Period 8. Because GMO has different Base Energy Costs for the two service areas it formerly served as Aquila, Inc. d/b/a/ Aquila Networks – MPS (“MPS”) and Aquila Networks - L&P (“L&P”), there are two previous period CAFs, two current period CAFs and two current annual CAFs. Further, because of a difference in line losses for MPS and L&P for both primary and secondary voltage service levels, there are different CAFs for service taken at primary and secondary voltages for MPS and for L&P. The Accumulation Periods, Recovery Periods, and other specifications of GMO’s FAC are set out in its tariff sheets designated Sheet Nos. 127.1 through 127.5.

Listed below are the proposed current annual CAFs (“Proposed Annual CAF”) and the now-effective current annual CAFs (“Now-Effective Annual CAF”) together with the changes between them for primary and secondary service in both the MPS and L&P service areas.

Current Annual Cost Adjustment Factor - MPS			
Service	Proposed Current Annual CAF	Now-Effective Current Annual CAF	Difference
Primary	\$0.0046	\$0.0054	\$0.0008 Decrease
Secondary	\$0.0047	\$0.0055	\$0.0008 Decrease
Current Annual Cost Adjustment Factor – L&P			
Service	Proposed Current Annual CAF	Now-Effective Current Annual CAF	Difference
Primary	\$0.0026	\$0.0022	\$0.0004 Increase
Secondary	\$0.0027	\$0.0023	\$0.0004 Increase

The proposed change to the CAFs will result in a decrease to a typical MPS residential customer’s bill of approximately \$0.69 per month and an increase to a typical L&P residential customer’s bill of approximately \$0.35 per month, based on an average use of 867 kWh per

month³. L&P's increase to a typical residential customer's bill is due to outages at Iatan 1 and Lake Road Unit 4 generating units during Accumulation Period 8.

The Staff notes that fuel costs associated with Iatan 2 are not included in this tariff filing. On August 18, 2010, the Commission approved and ordered the signatories, including GMO, to comply with the terms of a *Nonunanimous Stipulation and Agreement/Proposed Procedural Schedules* in File No. ER-2010-0356 in which GMO agreed to request an Accounting Authority Order to use construction accounting for Iatan 2 and Iatan Common Plant, all as defined in the agreement. Construction accounting is defined in the agreement as follows:

The Signatory Parties agree that GMO should be allowed to treat the Iatan 2 project under "Construction Accounting" to the effective date of new rates in the 2010-11 Rate Case. Construction Accounting will be the same treatment for expenditures and credits consistent with the treatment for Iatan 2 prior to Iatan 2's commercial in service operation date. Construction Accounting will include treatment for test power and its valuation consistent with the treatment of such power prior to Iatan 2's commercial in service operation date with the exception that such power valuation will include off-system sales.

As required by the agreement, GMO requested, in File No. EU-2011-0034, authority to use construction accounting from the in-service date of Iatan 2 until the effective date of the rates in File No. ER-2010-0356 and the Commission issued an Accounting Authority Order granting that request on October 8, 2010.

Iatan 2 was deemed "in-service" August 26, 2010, during Accumulation Period 7 (June 1, 2010 through November 30, 2010). Under "Construction Accounting" the fuel costs for Iatan 2 are deferred to a regulatory asset account until June 25, 2011, the effective date of rates in the Report and Order approved by the Commission in File No. ER-2010-0356, issued May 4, 2011. On June 25, 2011, and thereafter, the fuel and purchased power costs related to Iatan 2 flow through GMO's FAC. The Staff will review the prudence of the costs included in the FAC for Iatan 2 fuel and purchased power costs in its next prudence review that is expected to be filed in November 2011.

The Staff reviewed revised Tariff Sheet No. 127.5, the direct testimony of Linda J. Nunn and workpapers in this filing, as well as GMO's monthly information filed in compliance with 4

³ Staff's estimates of the impacts on the average residential customer's bill for MPS and L&P vary from those included in the testimony of Linda A Nunn at page 5 line 13, since Staff does not agree with the way GMO calculates its impact on the average residential customer's bill.

CSR 240-3.161(5) for Accumulation Period 8, and verified that the actual fuel and purchased power costs less off-system sales revenues match the fuel and purchased power costs less off-system sales revenues in GMO's proposed revised Tariff Sheet No. 127.5 and the supporting schedules of Linda J. Nunn's direct testimony. The Staff also reviewed GMO's monthly interest rates that are applied to the over/under base fuel and purchased power costs for Accumulation Period 8 and verified that the monthly interest rates and calculations of interest amounts are correct for Accumulation Period 8.

The information filed with the revised tariff sheet and workpapers, as supplemented by GMO, include sufficient data to calculate GMO's CAFs based on the actual fuel, purchased power and emission allowance costs net of off-system sales revenue and base cost of fuel, purchased power and emission allowance costs net of off-system sales revenue GMO provided for Accumulation Period 8.

Staff Recommendation

The Staff is of the opinion that GMO timely filed a correct revised Tariff Sheet No. 127.5 and that it complies with the Commission's *Report and Order* in Case No. ER-2010-0356, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and GMO's FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(4) provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility's filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

GMO has requested that revised Tariff Sheet No. 127.5, filed July 27, 2011, become effective on September 1, 2011. Thus, the revised tariff sheet was filed with 35 days' notice. The Staff, therefore, recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on July 27, 2011, to become effective on September 1, 2011, as requested by GMO:

P.S.C. Mo. No. 1

5th Revised Sheet No. 127.5 Canceling 4th Revised Sheet No. 127.5

The Staff has verified that GMO is not delinquent on any assessment and has filed its 2010 Annual Report. GMO is current on its submission of its Surveillance Monitoring reports as

required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). This filing includes the amount for the true-up of Recovery Period 5 which GMO requested in File No. ER-2011-0417, which Staff is recommending be approved by the Commission in File No. ER-2011-0417. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

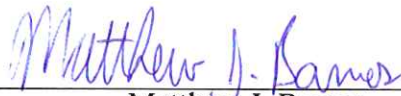
In the Matter of KCP&L Greater)
Missouri Operations Company for)
Authority to Implement Rate)
Adjustments Required by 4 CSR)
240-2.090(4) and the Company's)
Approved Fuel and Purchased Power)
Cost Recovery Mechanism)

Case No. ER-2011-0419

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Matthew J. Barnes, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Matthew J. Barnes

Subscribed and sworn to before me this 29th day of July, 2011.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater
Missouri Operations Company for
Authority to Implement Rate
Adjustments Required by 4 CSR
240-2.090(4) and the Company's
Approved Fuel and Purchased
Power Cost Recovery Mechanism

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Case No. ER-2011-0419

AFFIDAVIT OF MICHELLE BOCKLAGE

STATE OF MISSOURI


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) ss

COUNTY OF COLE

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Michelle Bocklage, of lawful age, on oath states: that she participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.


Michelle Bocklage

Subscribed and sworn to before me this 29th day of July, 2011.




Notary Public