

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
File No. ER-2011-0417  
KCP&L Greater Missouri Operations Company

FROM: Matthew Barnes, Utility Regulatory Auditor IV

DATE: /s/ John Rogers 7-29-2011                      /s/ Steven Dottheim 7-29-2011  
Energy Department / Date                      Staff Counsel's Office / Date

SUBJECT: Staff's Analysis of and Recommendation Concerning KCP&L Greater Missouri Operations Company's Fifth Fuel Adjustment Clause True-up Filing Under the Provisions in 4 CSR 240-3.161(8) and 4 CSR 240-20.090(5).

DATE: July 29, 2011

On June 29, 2011, KCP&L Greater Missouri Operations Company (GMO) filed with the Commission, in the form of direct testimony and supporting schedules by Linda J. Nunn, its fifth fuel adjustment clause (FAC) true-up filing under the provisions in 4 CSR 240-3.161(8) and 4 CSR 240-20.090(5). According to GMO's true-up filing, GMO over-billed \$683,699 from its customers in the former Aquila Networks-MPS territory (MPS) and over-billed \$251,837 from its customers in the former Aquila Networks-L&P territory (L&P) during Recovery Period 5 (March 1, 2010 through February 28, 2011) that followed its Accumulation Period 5 (June 1, 2009 through November 30, 2009).

The Missouri Public Service Commission Staff (Staff) reviewed the direct testimony of GMO witness Linda J. Nunn, the supporting schedules GMO provided with its application in this case, and the monthly information GMO submitted to the Commission in accordance with 4 CSR 240-3.161(5).

In her direct testimony in this case, GMO witness Nunn refers to "amount collected" during the recovery period<sup>1</sup> and "amount collected" through the recovery mechanism<sup>2</sup> when referring to the amount recovered through the FAC during Recovery Period 5. This is consistent with GMO's FAC tariff sheet number 127.9 TRUE-UP AND PRUDENCE REVIEWS section which refers to "revenues collected" as follows:

There shall be prudence reviews of costs and the true-up of **revenues collected** with costs intended for collection. (Emphasis added)

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<sup>1</sup> Nunn direct testimony at page 3 line 17

<sup>2</sup> Nunn direct testimony at page 3 line 23

Staff finds GMO's use of the word "collected" in the phrases "amount collected" in Ms. Nunn's direct testimony and "revenues collected" in its tariff sheet to be inconsistent with language in 4 CSR 240-20.090(5)(B) which states:

The true-up adjustment shall be the difference between the historical fuel and purchased power costs intended for collection during the true-up period and **billed revenues** associated with the RAM during the true-up period. (Emphasis added)

Regardless of this error in terminology, as a result of its review of GMO's supporting schedules in this case and discussions with GMO, Staff finds that GMO's calculation of the over- or under-recovery amount for Recovery Period 5 is consistent with the Commission's rule 4 CSR 240-20.090(5)(B) as described in the direct testimony of GMO witness Nunn<sup>3</sup>:

The CAF [Cost Adjustment Factor] is calculated based upon projected kWh sales for the recovery period. Since the CAF is based upon a projected number, once actual sales are recorded, a difference exists between the estimate and the actual **kWh billed**. The difference will be "trued-up" in the next FAC filing. (Emphasis added)

In GMO's next general rate case, Staff will recommend that the phrase "revenues collected" in GMO's FAC tariff sheets be removed and the phrase "billed revenues" inserted to make the GMO FAC tariff sheet language consistent with the language in 4 CSR 240-20.090(5)(B) and to avoid unnecessary confusion on this issue. It has been standard practice for Staff not to modify tariff sheets between rate cases as Staff believes the time to modify tariff sheets is in a general rate case.

Staff also verified with GMO and with Staff auditors that the uncollected billed kWh revenues are not identified as FAC or permanent rate revenues and are periodically written off to a bad debt expense account. Bad debts expense is recovered at an annualized level within a general rate case and does not impact the calculation of the FAC rate.

Based on its review and analysis of information filed and submitted by GMO for Recovery Period 5, Staff finds all calculations for the true-up amount for Recovery Period 5, including the calculation of monthly interest, are correct. Staff recommends the Commission approve GMO's fifth true-up filing for Recovery Period 5 during which

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<sup>3</sup> Nunn direct testimony at page 3 lines 18 through 21

GMO over-recovered \$683,699 from its customers in the MPS area and over-recovered \$251,837 from its customers in the L&P area. The over-recovered amounts for the MPS and L&P areas are included in GMO's current period Cost Adjustment Factor (CAF) in its semi-annual FAC filing in File No. ER-2011-0419 made on June 29, 2011 for Accumulation Period 8 (December 1, 2010 through May 31, 2011).

Staff has verified that GMO has filed its 2010 annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

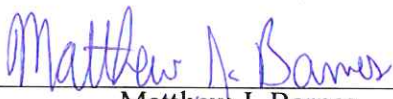
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of the Application of	)	
KCP&L Greater Missouri	)	
Operations Company Containing Its	)	Case No. ER-2011-0417
Annual Fuel Adjustment Clause	)	
True-Up	)	

**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.

  
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Matthew J. Barnes

Subscribed and sworn to before me this 29<sup>th</sup> day of July, 2011.



  
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Notary Public