Exhibit No.:	
Issues:	Cost Recovery Mechanism Fuel Adjustment Clause
Witness:	Matthew J. Barnes
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Surrebuttal Testimony
Case No.:	ER-2012-0175
Date Testimony Prepared:	October 10, 2012

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

MATTHEW J. BARNES

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2012-0175

Jefferson City, Missouri
October 2012

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement General Rate Increase for Electric Service	))))	Case No. ER-2012-0175

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Matthew J. Barnes, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 10 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Matthew J. Barnes

Matthew J. Barnes

Subscribed and sworn to before me this 10th day of October, 2012.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086

Susan L Sundermeyer

Notary Public

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SURREBUTTAL TESTIMONY

OF

MATTHEW J. BARNES

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2012-0175

Q. Please state your name and business address?

A. My name is Matthew J. Barnes and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, MO 65102.

Q. What is your position at the Commission?

A. I am a Utility Regulatory Auditor IV in the Energy Unit of the Regulatory Review Division.

Q. Are you the same Matthew J. Barnes that contributed to Staff's Revenue Requirement Cost of Service ("COS") Report filed on August 9, 2012, Staff's Class Cost of Service Rate Design Report ("CCOS") filed August 21, 2012, and rebuttal testimony filed on September 12, 2012?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of KCP&L Greater Missouri Operations Company ("GMO" or "Company") witnesses Mr. Tim M. Rush on the Fuel Adjustment Clause ("FAC"), Mr. Wm. Edward Blunk on hedging cost for GMO's FAC, and Mr. John R. Carlson on GMO's independence from KCPL when purchasing capacity for GMO.

Response to Mr. Rush's Rebuttal Testimony

Q. On page 17, line 7 through line 11, Mr. Rush claims that Staff's recommended 85%/15% sharing mechanism is attempting to punish the Company for past decisions and that Staff is using a "stick" as an incentive rather than a "carrot". How do you respond?

A. Staff disagrees with Mr. Rush's claim that Staff's recommended 85%/15% sharing mechanism is attempting to punish the Company and that Staff is using a "stick" as an incentive rather than a "carrot". Any sharing mechanism is an incentive for the company to keep its fuel and purchased power costs net of off-system sales revenues down and – as such - is both a "stick" and a "carrot". Under Staff's proposal, any decrease in fuel and purchased power costs net of off-system sales revenues will benefit the Company, because it would get to keep 15% of such a decrease - the "carrot." Correspondingly, any increases in fuel and purchased power costs net of off-system sales revenues will result in the Company absorbing 15% of such an increase – the "stick." Both the "stick" and the "carrot" are designed to provide the Company with an incentive to keep fuel and purchased power costs down. Staff's recommendation to change the sharing mechanism from 95%/5% to 85%/15% will provide the Company greater incentive to reduce its fuel and purchased power costs net of off-system sales revenues, since it will either get to keep a larger percentage of any decrease in fuel and purchased power costs net of off-system sales revenues or absorb a larger percentage of any increase in fuel and purchased power costs net of off-system sales revenues.

The FAC is a privilege and not a right. Prior to having an FAC, all increases in fuel and purchased power costs net of off-system sales revenues were absorbed by the Company between rate cases; alternatively, any decrease in fuel and purchased power costs net of off-system sales revenues were kept by the Company between rate cases. GMO's current FAC almost completely reverses the traditional rate making treatment of fuel and purchased power. Now GMO is able to bill its customers to recover almost 100% of its fuel and purchased power cost which almost eliminates the incentive of traditional ratemaking of the electric utility getting to keep 100% of any fuel and purchased power savings.

Q. Is the Staff's proposal "punishment" as Mr. Rush asserts?

A. No it is not. The FAC enabling legislation granted the Commission the ability to "provide the electrical corporation with incentives to improve the efficiency and cost-effectiveness of its fuel and purchased power procurement activities." Staff's proposal gives GMO more incentive to improve the efficiency and cost-effectiveness of its fuel and purchased power procurement activities.

Q. On page 17, line 20 through page 18, line 3, of his rebuttal testimony Mr. Rush states:

> Q. Is the Company indifferent to the impact of the 5% sharing as Staff has claimed in its Cost of Service Report starting on page 270?
>
> A. No. the Company has attempted to use the ability to recover 95% of the changes in fuel and purchased power costs net of OSS as a way to mitigate the impact of rate cases as filed. The Company is very concerned with the loss of 5% of its net costs, but the Company is also very concerned with the impact of rate increases on the customer as well as the perception the percentage increases have on the customer.

What is your response?

A. The FAC is a Commission-approved rider mechanism designed to allow rate adjustments – both increases and decreases - outside of general rate proceedings and thereby to postpone the need for more frequent rate cases. Staff's recommended 85%/15% sharing mechanism will still afford the Company and its customers the benefits of mitigating the need for more frequent rate cases vs. not having an FAC at all.

Mr. Rush's statement "but the Company is also very concerned with the impact of rate increases on the customer as well as the perception the percentage increases have on the customer" suggests that GMO believes it has some options available through the FAC to shape the perceptions of customers regarding what the actual fuel and purchased power costs net of off-system sales revenues are. The FAC is not intended to provide the Company with an opportunity to somehow alter the perception of customers as a result of the percentage increase or decrease in the fuel and purchased power costs net of off-system sales revenues. Clearly, this is the case, since the Commission ordered in GMO's last general rate proceeding that the FAC shall be rebased in each general rate proceeding in which the Company chooses to request a continuation (with or without modification) of its FAC.[1] The increase or decrease in fuel and purchased power costs net of off-system sales revenues in the base energy costs in a general rate proceeding and the operation of the FAC between general rate proceedings are not at the discretion of the Company, but, rather, are ordered by the Commission.

Q. On page 18, line 4 through line 26, Mr. Rush claims that by changing the sharing mechanism to 85%/15% the Company would lose an additional $16.5 million of costs that Staff has already determined were prudently incurred and that the FAC statute[2] does not contemplate excluding prudently incurred costs. How do you respond?

A. Mr. Rush's statement again is focused on the "stick" and gives no consideration for the "carrot" opportunity to increase earnings of the Company should the FAC have an 85%/15% sharing mechanism. There is no reason to believe that the Company

[1] Page 209 of the Commission's *Final Order* in File No. ER-2010-0356.

[2] Missouri Revised Statute §386.266.1 (200) which states: Subject to the requirements of this section, any electrical corporation may make an application to the commission to approve rate schedules authorizing an interim energy charge, or periodic rate adjustments outside of general rate proceedings to reflect increases and decreases in its prudently incurred fuel and purchased-power costs, including transportation. The commission may, in accordance with existing law, include in such rate schedules features designed to provide the electrical corporation with incentives to improve the efficiency and cost-effectiveness of its fuel and purchased-power procurement activities.

will not become more efficient and cost-effective with its fuel and purchased power costs and off-system sales revenues with a sharing mechanism of 85%/15% resulting in a lower amount that GMO would "lose."

Q. On page 19, line 1 through page 20, line 3, Mr. Rush claims that by changing the FAC sharing mechanism to 85%/15% GMO would reduce annual earnings by $3.7 million or approximately a 0.5% reduction in the Company's ROE. How do you respond?

A. Mr. Rush's 0.5% reduction in the Company's ROE assumes that fuel and purchased power costs net of off-system sales revenues are always going up and the Company will always lose money. What he does not say is if fuel and purchased power costs net of off-system sales revenues decrease the Company will benefit by keeping 5% under the current FAC, which happened in the 10th semi-annual FAC filing and could happen with more frequency over the long-run. If costs decrease, the Company would benefit even more if the sharing mechanism is changed to 85%/15%, by keeping 15% under Staff's proposal.

Q. On page 24, line 2 through page 26, line 13, Mr. Rush states numerous reasons for not rebasing the FAC Base Energy Cost. Did the Commission make a ruling in the Company's last rate case, File No. ER-2010-0356 concerning the need to rebase the FAC?

A. Yes. On page 208, in the Commission's *Report and Order* issued May 04, 2011, and effective May 14, 2011, the Commission stated:

> Even though not required by the FAC laws to rebase, the Commission determines that it is consistent with the purpose of those laws and in the public interest to rebase the FAC Base Energy Cost. To fail to do so sends the wrong signal to the customers that the base rate they are paying includes the complete fuel costs and subjects those customers to the potential for paying interest charges. *The Commission determines that the FAC shall be rebased.* (Emphasis added)

Q. Do any of the reasons that Mr. Rush gave lead Staff to recommend that the Commission deviate from this ruling?

A. No, they do not. Staff agrees that the FAC should be rebased in every rate case.

Q. On page 30, line 3 through line 11, Mr. Rush does not agree with Staff that the transmission costs associated with Crossroads should be excluded from the FAC. Did the Commission make a ruling in the Company's last rate case, File No. ER-2010-0356, concerning the exclusion of transmission costs associated with Crossroads from the FAC?

A. Yes. On page 218 in the Commission's *Report and Order* issued May 04, 2011, and effective May 14, 2011, the Commission stated:

> The Commission concludes that all transmission costs should not be included in GMO's adjustment clause because they are not included in section 386.266, RSMo. Supp. 2010, as a type of cost to be recovered through a fuel adjustment clause, they are inconsistent with the definitions of fuel and purchased power costs in 4 CSR 240-20.090(1)(B), and elsewhere, and they do not vary in a direct relationship with fuel and purchased power. With regard to the transmission costs specifically related to OSS, however, those costs shall be allowed to the extent that they do not include transmission costs from the Crossroads facility.

Q. Do any of the reasons that Mr. Rush gave lead Staff to recommend that the Commission deviate from this ruling?

A. No, they do not. Staff agrees that transmission costs associated with the Crossroads generating plant not be included in GMO's FAC.

Q. On page 30, line 12 through page 32, line 2, Mr. Rush lists various changes to the Company's FAC tariff sheets that Staff recommended in its CCOS filed August 21, 2012. Do you agree with Mr. Rush's changes?

A. With the exception of Staff's recommended sharing mechanism, the exclusion of transmission costs related to the Crossroads facility, and costs related to Renewable Energy Credits (REC's), Staff is in agreement with Mr. Rush's changes to the Company's FAC tariff sheets. Staff has worked with the Company on the proposed changes to the FAC tariff sheets and provides its exemplar tariff sheets attached to this testimony (see Schedule MJB-1) with any differences between Staff and the Company highlighted in yellow.

Q. Should there be costs related to REC's included in the FAC?

A. Staff understands that there is no cost to generate a REC. A REC is generated when a kWh is produced by a renewable energy source such as wind and solar, which is in base rates. When the utility meets the mandate required by the Renewable Energy Standard, if there are excess REC's on the books, the utility has the option to sell those REC's in the market. The revenues from the sale of REC's should flow through GMO's FAC.

Response to Mr. Blunk's Rebuttal Testimony

Q. On page 4, line 2 through page 11, line 12, Mr. Blunk addresses File No. EO-2011-0390 in which Staff claimed imprudence in GMO's hedging and hedge accounting practices. Has the Commission issued a ruling in that case?

A. Yes. The Commission issued its *Report and Order* on September 4, 2012, effective September 14, 2012. The Commission ruled that GMO's hedging practices during the review period were prudent and that GMO's accounting practices were not misleading or deceptive. Since the Commission made a ruling on this issue and the *Report and Order* was released after Staff filed its COS on August 9, 2012, Staff will not pursue this issue further in this case. However, the Commission did open a working docket, File No. EW-2013-0101, to explore hedging practices of the three investor-owned electric utility companies.

Q. On page 8, lines 6 – 7, of his rebuttal testimony Mr. Blunk states: "A mechanism that penalizes the Company nine (9) out of ten (10) times is not an incentive." What is your response?

A. I disagree. Although nine (9) of the Company's first ten (10) FAC adjustment filings resulted in GMO absorbing 5% of the increase in fuel and purchased power costs less off-system sales revenues for the accumulation period, that does not mean that having a sharing mechanism is not an incentive to the Company. As I explained earlier in this surrebuttal testimony, the Company's Commission-approved 95%/5% sharing mechanism provides an incentive in the form of both a "carrot" and a "stick." While the past five years have resulted in a period of rising costs for the Company, the next five years may be a period of declining costs as a result of the Company's management of fuel, purchased power and off-system sales.

Staff's recommendation to change the sharing mechanism from 95%/5% to 85%/15% will provide the Company greater incentive to reduce its fuel and purchased power costs net of off-system sales revenues, since it will either get to keep a larger percentage of any decrease in fuel and purchased power costs net of off-system sales revenues or absorb a larger percentage of any increase in fuel and purchased power costs net of off-system sales revenues.

Response to Mr. Carlson's Rebuttal Testimony

Q. On page 3, line 21 through page 4, line 6, Mr. Carlson states:

> The inference, which is inaccurate, is that KCP&L buys from Dogwood at one price and then sells directly to GMO at a higher price. In actuality, what is being compared in Graph 8 is the forward price of energy purchased by KCP&L from its contract with Dogwood and the average of a conglomeration of day-ahead, forward and spot prices of energy purchased by GMO. In the case of the time period referenced in Graph 8, the average of the day-ahead, forward and spot prices for energy purchased by GMO was higher, on average, than KCP&L's forward price from Dogwood.

What is your response?

A. Mr. Carlson's testimony does not provide significant explanation of how GMO is managed independently from KCPL. The point that Staff was making is that in the hours that KCPL purchased power from Dogwood in July and August 2011, most of the time it sold at least the same amount of energy and in most hours even more energy, to GMO at a higher price. As explained in my rebuttal testimony, GMO knows that it is short on long-term capacity, but management still purchases the short-term higher day-ahead, forward and spot prices of energy rather than enter into a lower priced, contract for energy, such as KCPL did with Westar for energy from the Dogwood plant.

Q. Mr. Carlson on page 4, lines 9 through 12 states:

> When KCP&L sells power to GMO, it typically sells GMO peak power. KCP&L's purchase from Westar was a capacity contract and represented power for around the clock. Those are two very different energy products.

Do you agree with Mr. Carlson?

A. No, I do not. I reviewed the hourly purchase and sales data supplied for July and August 2011 and found that KPCL sells to GMO around the clock. In addition, while I do not disagree that KCPL's contract with Dogwood was "around the clock," KCPL typically purchased energy from Westar during peak hours.

Q. Mr. Carlson on page 5, lines 1 through 3 states:

> [t]he mere fact that KCP&L did not allocate a portion of KCP&L's contract to GMO is evidence that KCP&L and GMO are acting independently on capacity purchases.

Do you agree with Mr. Carlson?

A. No, Staff does not. KCPL entered into a contract in which the energy prices were lower than the on-peak prices of GMO's generation. KCPL knew that the flooding conditions were likely to continue through most of the summer when it extended the contract through August and, therefore, it knew that it was very unlikely that market prices were going to be low through August. KCPL was also aware that while it does not have a FAC in which it could pass higher energy charges through, GMO does. All of this leads Staff to conclude that KCPL's managers did not manage KCPL and GMO independently in the summer of 2011.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION
P.S.C. MO. No. 1 2nd ~~Original~~ Revised Sheet No. ~~127.1~~1124
Canceling P.S.C. MO. No. 1 1st Revised Sheet No. 124

KCP&L Greater Missouri Operations Company
KANSAS CITY, MO

For Territory Served as L&P ~~and MPS~~

~~FUEL ADJUSTMENT CLAUSE~~FUEL AND PURCHASE POWER ADJUSTMENT ELECTRIC For the L&P and MPS Rate Districts(Applicable to Service Provided ~~March 28, 2012~~Month Day, Year and Thereafter)

DEFINITIONS

ACCUMULATION PERIODS, FILING DATES AND RECOVERY PERIODS:

An accumulation period is the six calendar months during which the actual costs and revenues subject to this rider will be accumulated for the purposes of determining the Fuel Adjustment Rate (FAR). The two six-month accumulation periods each year through ~~March 27, 2016~~Month Day, Year, the two corresponding twelve-month recovery periods and the filing dates will be as shown below. Each filing shall include detailed work papers in electronic format to support the filing.

Accumulation Periods	**Filing Dates**	**Recovery Periods**
June – November	By January 1	March – February
December – May	By July 1	September – August

A recovery period consists of the billing months during which the ~~Cost Adjustment Factor~~Fuel Adjustment Rate (~~CAF~~FAR) is applied to retail customer billings on a per kilowatt-hour (kWh) basis. ~~for each of the respective accumulation periods are applied to retail customer billings on a per kilowatt-hour (kWh) basis.~~

COSTS AND REVENUES:

Costs eligible for the ~~Fuel Adjustment Clause~~ Fuel and Purchased Power Adjustment (FPA~~AC~~) will be the Company's allocated Jurisdictional costs for the fuel component of the Company's generating units, including the costs ~~as~~ described below associated with the Company's fuel hedging programs; purchased power energy charges, and emission allowance costs - all as incurred during the accumulation period. These costs will be offset by off-system sales revenues, applicable net SPP revenues, any revenue from the sale of Renewable Energy Certificates and any emission allowance revenues collected during the accumulation period. Eligible costs do not include the purchased power demand costs associated with purchased power contracts in excess of one year.

APPLICABILITY

The price per kWh of electricity sold to retail customers will be adjusted (up or down) periodically subject to application of the ~~FAC~~FPA mechanism and approval by the Missouri Public Service Commission.

The ~~CAF~~FAR is the result of dividing the Fuel and Purchased Power Adjustment (FPA) by forecasted retail net system input (~~RNSI~~S_{RP}) during the recovery period, expanded for ~~losses~~Voltage Adjustment Factors (VAF), rounded to the nearest $0.00001, and aggregating over two accumulation periods. ~~A CAFFAR will appear on a separate line on retail customers' bills and represents the rate charged to customers to recover the FPA.~~ The amount charged on a separate line on retail customers' bills is equal to the current annual FAR times kWh's billed.

FORMULAS AND DEFINITIONS OF COMPONENTS

FPA = ~~9~~85% * ((~~T~~ANEC – B) * J) + -T~~C~~ + I + P

~~CAF = FPA/RNSI~~

~~Single Accumulation Period Secondary Voltage CAF_{Sec} = CAF * XF_{Sec}~~

~~Single Accumulation Period Primary Voltage CAF_{Prim} = CAF * XF_{Prim}~~

~~Annual Secondary Voltage CAF =~~
~~Aggregation of the Single Accumulation Period Secondary Voltage CAFs still to be recovered~~

~~Annual Primary Voltage CAF =~~
~~Aggregation of the Single Accumulation Period Primary Voltage CAFs still to be recovered~~

~~Where:~~

~~FPA = Fuel and Purchased Power Adjustment~~

~~CAF = Cost Adjustment Factor~~

~~9~~85% = Customer responsibility for fuel variance from base level. ~~TEC~~

ANEC = ~~Total~~ Actual Net Energy Costs = (FC + E~~C~~ + PP + TC ~~-~~ – OSSR-R):

FC = Fuel Costs Incurred to Support Sales:

- The following costs reflected in Federal Energy Regulatory Commission (FERC) Account Numbers 501 & 502: coal commodity and railroad transportation, switching and demurrage charges, applicable taxes, natural gas costs, alternative fuel (i.e. tires and bio-fuel), fuel additives, quality adjustments assessed by coal suppliers, fuel hedging cost (hedging is defined as realized losses and costs minus realized gains associated with mitigating volatility in the Company's cost of fuel, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps), fuel oil adjustments included in commodity and transportation costs, broker commissions and fees associated with price hedges, oil costs, propane costs, ash disposal revenues and expenses, and settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses in Account 501.

~~FUEL ADJUSTMENT CLAUSE~~FUEL AND PURCHASE POWER ADJUSTMENT ELECTRIC (continued) (Applicable to Service Provided March 28, 2012 and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

- The following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, fuel losses, hedging costs for fuel burned in the Company's generating units, fuel additives, ~~and~~ settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses, broker commissions and fees in Account 547.

Hedging is defined as realized losses and costs minus realized gains associated with mitigating volatility in the Company's cost of fuel, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps

E~~C~~ = Net Emissions Costs:

- The following costs reflected in FERC Account Number 509 or any other account FERC may designate for emissions expenses in the future: Emission allowances costs offset by revenues from the sale of emission allowances.

PP = Purchased Power Costs:

- Purchased power costs reflected in FERC Account Numbers 555: Purchased power costs, settlement proceeds, insurance recoveries, and subrogation recoveries for increased purchased power expenses in Account 555, excluding capacity charges for purchased power contracts with terms in excess of one (1) year.

TC = Transmission Costs:

Transmission costs that are necessary to receive purchased power to serve native load and transmission costs that are necessary to make Off System Sales included in FERC Account Number 565, except for costs related to the Crossroads ~~Generating plant~~Energy Center. ~~• Transmission costs for Off System Sales included in FERC Account Number 565 except for costs for the Crossroads facility.~~

OSSR = Revenues from Off-System Sales:

- Revenues from Off-system Sales shall exclude full and partial requirements sales to Missouri municipalities that are associated with GMO.

R = Renewable Energy Credit Revenue

- Revenues reflected in FERC Account 509 from the sale of Renewable Energy Credits that are not needed to meet the Renewable Energy Standard before they expire.

B = Net base energy costs ~~are~~ ordered by the Commission in the last rate case consistent with the costs and revenues included in the calculation of the FPA. ~~Base energy costs are costs as defined in the description of TEC (Total Energy Cost).~~ Base Energy costs will be calculated as shown below:

L&P ~~NSI~~ S_{AP} x ~~Applicable Base Energy Cost~~Base Factor (BF)
MPS ~~NSI~~ S_{AP} x ~~Applicable Base Energy Cost~~Base Factor (BF)

S_{AP} = Net system input (NSI) in kWh for the accumulation period

J = ~~Energy retail ratio~~Missouri Retail Energy Ratio = Retail kWh NSI~~sales~~/~~total system kWh~~S_{AP}

Where: S_{AP} is the total system kWh and is equal~~s~~ to retail and full and partial requirement~~s sales~~NSI associated with GMO.

~~C~~ T = ~~Under / Over recovery determined in the true-up of prior recovery period cost, including accumulated interest, and modifications as ordered by the Commission as a result of due to prudence reviews.~~True-up amount as defined below.

I = ~~Interest on deferred electric energy costs calculated at a rate equal to the weighted average interest paid on short-term debt applied to the month-end balance of deferred electric energy costs.~~Interest applicable to (i) the difference between Missouri Retail ANEC and B for all kWh of energy supplied during an AP until those costs have been recovered; (ii) refunds due to prudence reviews ("P"), if any; and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the true-up filings ("T") provided for herein. Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company's short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

P= Prudence disallowance amount, if any, as defined below.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 Original Sheet No.

Canceling P.S.C. MO. No. ~~127.11~~126.2

KCP&L Greater Missouri Operations Company For Territory Served as L&P and MPS

KANSAS CITY, MO

~~FUEL ADJUSTMENT CLAUSE~~FUEL AND PURCHASE POWER ADJUSTMENT ELECTRIC (continued) (Applicable to Service Provided March 28, 2012 and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

$FAR = FPA/S_{RP}$

FAR = Fuel Adjustment Rate

Single Accumulation Period Secondary Voltage $FAR_{Sec} = FAR * VAF_{Sec}$

Single Accumulation Period Primary Voltage $FAR_{Prim} = FAR * VAF_{Prim}$

Annual Secondary Voltage FAR_{Sec} =
Aggregation of the Single Accumulation Period Secondary Voltage FARs still to be recovered

Annual Primary Voltage FAR_{Prim} =
Aggregation of the Single Accumulation Period Primary Voltage FARs still to be recovered

Where:

FPA = Fuel and Purchased Power Adjustment

~~RNSI~~ S_{RP}= Forecasted recovery period net system input in kWh, at the generator

~~XF~~VAF = Expansion factor by voltage level

~~XF~~VAF_{Sec} = Expansion factor for lower than primary voltage customers

~~XF~~VAF_{Prim} = Expansion factor for primary and higher voltage customers

~~NSI = Net system input (kWh) for the accumulation period~~

The FPA will be calculated separately for L&P and MPS, and by voltage level, and the resultant ~~CAF~~FAR's will be applied to customers in the respective ~~divisions~~ rate districts and voltage ~~e l~~levels.

~~APPLICABLE BASE ENERGY COST~~BASE FACTOR (BF)

Company base ~~energy~~ factor costs per kWh:

$0.0~~2177~~2121 for L&P

$0.02~~446~~434 for MPS

TRUE-UPS

After completion of each RP, the Company shall make a true-up filing ~~on~~by the filing date of ~~same day as~~ its FAR filing. Any true-up adjustments shall be reflected in "T" above. Interest on the true-up adjustment will be included in item I above.

The true-up adjustments shall be the difference between the revenues billed and the revenues authorized for collection during the RP.

~~AND~~ PRUDENCE REVIEWS

Prudence reviews of the costs subject to this FAC shall occur no less frequently than every eighteen months, and any such costs which are determined by the Commission to have been imprudently incurred or incurred in violation of the terms of this rider shall be returned to customers. Adjustments by Commission order, if any, pursuant to any prudence review shall be included in the FAR calculation in item "P" above unless a separate refund is ordered by the Commission. Interest on the prudence adjustment will be included in item "I" above.

~~There shall be prudence reviews of costs and the true-up of revenues billed with costs intended for collection. FACFPA costs billed in rates will be refundable based on true-up results and findings in regard to prudence. Adjustments, if any, necessary by Commission order pursuant to any prudence review shall also be placed in the FACFPA for billing, unless a separate refund or credit is ordered by the Commission. True-ups occur in conjunction with an adjustment to its FARat the end of each recovery period. Prudence reviews shall occur no less frequently than at 18- month intervals.~~

Accumulation Period Ending:

			Month, Day, Year	
			MPS	L&P
1	Actual Net Energy Cost (ANEC) = (FC+E+PP+TC-OSSR-R)			
2	Net Base Energy Cost (B)	-		
	2.1 Base Factor (BF)			
	2.2 Accumulation Period NSI (S_{AP})			
3	(ANEC-B)			
4	Jurisdictional Factor (J)	*	%	%
5	(ANEC-B)*J			
6	Customer Responsibility	*	85%	85%
7	85% *((ANEC-B)*J)			
8	True-Up Amount (T)	+		
9	Prudence Adjustment Amount (P)	+		
10	Interest (I)	+		
11	Fuel and Purchased Power Adjustment (FPA)	=		
12	Estimated Recovery Period Retail NSI (S_{RP})	÷		
13	Current Period Fuel Adjustment Rate (FAR)	=		
14	Current Period FAR_{Pri} = FAR x VAF_{Pri}			
15	Prior Period FAR_{Pri}	+		
16	Current Annual FAR_{Pri}			
17	Current Period FAR_{Sec} = FAR x VAF_{Sec}			
18	Prior Period FAR_{Sec}	+		
19	Current Annual FAR_{Sec}			

MPS VAF_{Prim} = 1.0419
MPS VAF_{Sec} = 1.0712
L&P VAF_{Prim} = 1.0421
L&P VAF_{Sec} = 1.0701