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 Certain Changes in its Charges for Electric Service to Implement its Regulatory Plan.	)))))	**File No. ER-2010-0355** Tariff No JE-2010-0692
In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service.	))))	**File No. ER-2010-0356** Tariff No. JE-2010-0693

STATEMENT OF POSITIONS OF THE OFFICE OF THE PUBLIC COUNSEL

COMES NOW the Office of the Public Counsel and submits the following Statement of Positions. For the issues on which it takes a position at this time, Public Counsel's positions are listed after each issue in italics. Please note an additional issue (Number 98) not included in the filed List of Issues.

Kansas City Power & Light Company Issues Only, File No. ER-2010-0355

REVENUE REQUIREMENT

Rate Base

1. **Demand-Side Management**: (KCPL—Rush,, Weisensee; MDNR—Bickford, Staff —Hyneman, Rogers)

a. Does KCPL's Regulatory Plan require the return on KCPL's demand-side management program costs authorized in this case be the allowance for funds used during construction rate specified in the Regulatory Plan or should they be treated as a rate base item in this proceeding?

KCPL's Regulatory Plan requires that the return on KCPL's demand-side management program costs authorized in this case be the allowance for funds used during construction rate specified in the Regulatory Plan.

b. Should KCPL be required to fund its demand-side programs and, if so, at what level?

Yes, it should be required to continue, at no less than the current level.

c. Should 50% of Connections advertising program costs and certain other advertising costs be recovered as an expense or included in the demand-side management program rate base balance? (KCPL— Blanc, Staff—Prenger)

d. Should KCPL be ordered to continue to fund and promote or implement each of the DSM programs in its Regulatory Plan and in its last adopted preferred resource plan, unless it has filed with the Commission documentation that explains why continuing, or initiating the program as planned, does not promote the Missouri Energy Efficiency Investment Act goal of achieving all cost-effective demand-side savings? (KCPL— Rush, Staff—Rogers)

Yes.

i. Should the Commission require KCPL to expand its DSM programs if the current DSM portfolio does not meet the Act's goal of achieving all cost-effective demand-side savings?

Yes.

e. Should the amortization period for the energy efficiency regulatory asset account be shortened from 10 years to 6 years?

Yes, for new DSM expenditures booked to the regulatory asset account after the conclusion of this rate case, and with the qualification in response to 1.e.i, below.

i. Should the shortening of the amortization period be contingent on KCPL's continuation and/or expansion of its DSM portfolio, if required by the Commission?

Yes.

2. **Low Income Program (Economic Relief Pilot Program):** (KCPL—Rush, Weisensee; Staff—Fred, Prenger)

Should the Commission include the amortized balance of the deferred costs of KCPL's Economic Relief Pilot Program in KCPL's rate base for ratemaking purposes?

No. Public Counsel supports Staff's position on this issue.

3. **SO_2 emission allowance regulatory liability**: (KCPL—Weisensee, Public Counsel—Robertson)

Should the SO_2 emission allowance regulatory liability be flowed back to ratepayers over 21 years as proposed by KCPL or 5 years as proposed by Public Counsel?

The SO_2 emission allowance regulatory liability should be flowed back to ratepayers over 5 *years.*

CASH WORKING CAPITAL ISSUES

4. **Gross Receipts Taxes**: (KCPL—Hardesty, Weisensee, Staff—Lyons, Industrial —Meyer)

    a. Are municipal gross receipts taxes collected from customers before or after they are paid?

    b. What is the cash working capital expense lag?

    c. What is the cash working capital revenue lag?

5. **Injuries & Damages:** (KCPL—Weisensee, Staff—Lyons)

    Should injuries and damages be a component of cash working capital? If so, what is the appropriate number of days of lag?

EXPENSES

6. **Depreciation:** (KCPL—Spanos, Staff—Rice)

    a. Should KCPL's rates for KCPL's steam production generation fleet excluding Iatan 2, Hawthorn 5, and Wolf Creek be based on (a) mass asset, whole life depreciation rates or (b) life spanned, remaining life depreciation rates?

    b. What is the appropriate life estimate to use for calculating Iatan 2's remaining life depreciation rates?

    c. Should Wolf Creek's rates reflect an adjustment to the net salvage rates to collect net salvage only on the portion of plant expected to retire as interim retirements?

    d. Should the appropriate depreciation rates for General Plant account numbers 391, 393, 394, 395, and 398 remain the same as ordered in Case No. ER-2005-0329, or be amortized over a set period of time representing an estimated average service life for each year (vintage) of plant additions?

Public Counsel supports Staff's position on this issue.

    i. Should KCPL be allowed to amortize over 10 years the unrecovered General Plant?

Public Counsel supports Staff's position on this issue.

ii. Should KCPL be ordered to inventory the property in these accounts, retire equipment from the books which is no longer used and useful, provide Staff with information concerning these accounts, and work with Staff to determine if any reserve transfers are warranted?

Public Counsel supports Staff's position on this issue.

e. Should KCPL's rates for KCPL's combustion turbine generation fleet be based on (a) mass asset, whole life depreciation rates or (b) life spanned, remaining life depreciation rates?

f. To what accounts should the approximately $36.7 million and $132.2 million (total $168.9 million) accumulated additional amortizations currently held in account 399 be allocated, and on what basis? (Staff—Rice and Featherstone, Public Counsel— Robertson)

Only the plant accounts associated with the Regulatory Plan new construction should receive allocations of the accumulated additional amortizations. The additional amortizations should be separately booked into their own unique plant account subaccounts which would include no comingling of any other depreciation or other expenses associated with the plant account (so as to be easily identified and monitored). Lastly, any such amounts so booked should not be removed or otherwise eliminated from the individual subaccounts before the associated plant is retired, and further subject to, for plant retired earlier than ten years from the conclusion of the instant case, inclusion in the individual subaccounts for a minimum of ten years subsequent to their actual inclusion in the determination of rates, by vintage collected.

g. Is it appropriate to make transfers among reserve accounts at this time, or use remaining life depreciation rates to correct for over or under accrued reserves?

7. **<u>Hawthorn 5 Selective Catalytic Reduction Warranty Settlement</u>**: (KCPL—Blanc, Staff—Lyons, Featherstone)

Should a settlement payment from Hawthorn 5 SCR warranty litigation be used to offset the costs that KCPL seeks to charge customers now and into the future because the Hawthorn 5 SCR has not, does not and will not operate within its design parameters?

8. **<u>Hawthorn Transformer Settlement</u>**: (KCPL—Blanc, Staff—Lyons, Featherstone)

Should a settlement payment from defective product litigation over the Hawthorn 5 transformer be used to offset the increased costs KCPL is seeking to recover from its customers through rates in this case for the more expensive replacement transformer and the premature retirement of the defective transformer?

9. **<u>Non-labor production, maintenance expenses</u>**: (KCPL—Hedrick, Staff—Lyons)

What is the appropriate level of non-labor Production, Maintenance expenses that should be included in KCPL's revenue requirement for setting KCPL's rates?

10. **Demand-Side Management Amortization Expense**:

a. How should demand-side amortization expense be determined?

b. Should 50% of Connections advertising program costs and certain other advertising costs be recovered as an expense or included in the demand-side management program rate base balance? (KCPL Blanc, Staff Prenger)

JURISDICTIONAL ALLOCATIONS

11. **Allocation of Off-System Sales Margins:** (KCPL—Loos, Staff— Featherstone, Bax, Industrials—Meyer)

What methodology should be used to allocate KCPL's off-system sales margins between the Missouri, Kansas and FERC jurisdictions?

RATE DESIGN/ CLASS COST OF SERVICE STUDY

(Staff—Scheperle, Kang; DOE—Goins; KCPL—Rush, Normand; Industrials— Brubaker; Public Counsel—Meisenheimer; MGE—Noack)

12. Should the frozen general service All-electric and separately metered space heating rate schedules currently serving no customers be eliminated?
Yes. Public Counsel supports Staff's position on this issue.

13. **Should KCPL's discounted residential electric rates, specifically, Rate B – Residential General Use and Space Heat – One Meter; Rate C – Residential General Use and Space Heat – 2 Meters; and Rate D (applicable to electric space and water heating)— be eliminated?** (MGE's issue)
No. Public Counsel supports the Company's position on this issue.

14. Which class cost of service study provides the best guidance for determining shifts in customer class revenue responsibilities that are revenue neutral on an overall company basis?
Public Counsel is satisfied to use the Company's CCOS study results as a guide in setting rates.

15. **Allocation of Increase Among Customer Classes**: How should any rate increase be allocated among the various customer classes?
Public Counsel recommends that revenue neutral shifts be limited to no more than half the revenue neutral shifts indicated by the Company's CCOS study. Public Counsel also recommends that no class should receive an increase as the combined result of a revenue neutral and revenue requirement adjustment when another class receives a decrease. Based on the Company's CCOS study results in this case, Public Counsel recommends that the Large Power

class revenues should increase and the Small General Service and Medium General Service class revenues should decrease as described in the direct testimony of Public Counsel witness Meisenheimer. Class rate increases should be allocated in a manner that maintains the current customer charges for Residential and Small General Service. Public Counsel is willing to review customer charges and other rate elements in a separate proceeding as proposed by the Company.

What allocation methodology should be used for determining off-system sales between classes of customers?

Public Counsel did not submit testimony specific to this allocation but is satisfied to use the Company's CCOS study results as a guide in setting rates.

16. **Should the new "Residential Other Use" (ROU) tariff provision KCPL has proposed be implemented?**

Yes. Public Counsel does not oppose the Company recommendation on this issue.

17. Should a fee of $25.00 for customer collection by a field service person making a final collection attempt at the meter location prior to the meter to be disconnected for non-payment be added to KCPL's tariff as KCPL has proposed?

Yes. Public Counsel does not oppose the Company recommendation on this issue.

18. Should the energy charges the Industrials have proposed for the Large General Service and Large Power Service rate schedules be implemented?

No. Public Counsel supports the Company's position on this issue.

REGULATORY AMORTIZATIONS

19. **What should be the ratemaking treatment for the Regulatory Additional Amortizations?** (KCPL—Weisensee, Spanos; Staff—Rice, Featherstone; Public Counsel—Robertson; Industrials--Meyer)

20. **What is the appropriate reduction of accumulated deferred income tax reserve that is an offset to rate base that is attributable to the regulatory plan additional amortizations?** (KCPL—Weisensee, Staff—Harrison)

KCPL and GMO common issues

REVENUE REQUIREMENT

Rate Base

Iatan 1, Iatan 2 and Iatan Common (KCPL/GMO—Downey, Bell, Davis, Meyer, Roberts, Archibald, Giles, Meyer, Jones, Roberts, Nielsen, Blanc; MRA—Drabinsky; Staff—Schallenberg, Hyneman, Majors, adverse witnesses for Staff: Terry Bassham, Denise Schumaker, Dave McDonald)

21. Should the Iatan 1and 2 plant additions be included in rate base in this proceeding?

22. Has doubt regarding the prudence or reasonableness of the Iatan 1 and 2 plant additions been raised by any party in this proceeding?

23. What should be the appropriate prudence standard regarding the costs of Iatan 1 and 2 plant additions?

24. Did KCP&L prudently manage the Iatan 1 and 2 projects?

25. Is the December 2006 Control Budget Estimate the "Definitive Estimate"?

26. Should the costs of the Iatan 1 and 2 projects be measured against the Control Budget Estimate?

27. What amount of Iatan 1, 2, and Common regulatory assets and annualized amortization expense should be included in rate base in this case?

28. Has KCPL carried its burden of proving the common costs of its Iatan 1 and Iatan 2 construction projects?

29. What portion of the Common Costs of the Iatan 1 and Iatan 2 construction projects should be included in rate base in this proceeding?

List of Iatan Project Issues:

30. **UNIDENTIFIED, UNEXPLAINED COST OVERRUNS**: (Staff - Hyneman)

a. Has KCPL identified and explained cost overruns above the definitive estimate, as required by The Experimental Alternative Regulatory Plan Stipulation and Agreement, page 28, Case No. EO-2005-0329, sufficiently to show the cost overruns were prudently incurred?

b. Should these unidentified, unexplained cost overruns in the Iatan project costs be included in rate base?

31. **IATAN 1 AQCS INDIRECT COSTS RELATED TO COMMON PLANT**: (Staff—Schallenberg)

Should KCPL include the Iatan Unit 1 indirect costs fully in the cost of Iatan Unit 1 or allocate a portion of those costs to Iatan Common?

Public Counsel supports Staff's position on this issue.

32. **INAPPROPRIATE CHARGES**: (Staff—Hyneman)

Has KCPL included inappropriate charges in the Iatan Unit 1 and Iatan Unit 2 plant costs?

33. **MAY 23, 2008 CRANE ACCIDENT IATAN 1**: (Staff—Hyneman)

Should costs related to the May 23, 2008 Crane Accident be included as costs of Iatan Unit 1?

34. **PROJECT DEVELOPMENT COSTS**: (Staff—Hyneman)

Should Project Development Costs related to Iatan Unit 2 be included as costs of Iatan Unit 1 or Iatan Unit 2?

35. **SEVERANCE ADJUSTMENT**: (Staff—Hyneman)

Should employee severance costs be included in the costs of Iatan Unit 1 and Iatan Unit 2?

36. **CAMPUS RELOCATION FOR UNIT 2 TURBINE BUILDING**: (Staff—Hyneman)

Should the costs related to the campus relocation be included in the costs of Iatan Unit 1 and Iatan Unit 2?

37. **AUGUST 25, 2007 JLG ACCIDENT**: (Staff—Hyneman)

Should costs related to the August 25, 2007 JLG accident be included in the costs of Iatan Unit 1 and Iatan Unit 2?

38. **CONSTRUCTION RESURFACING PROJECT**: (Staff—Hyneman)

Should KCPL include costs related to the construction resurfacing project in the costs of Iatan Unit 1 and Iatan Unit 2?

39. **EMPLOYEE MILEAGE CHARGES**: (Staff—Hyneman)

Has KCPL included inappropriate employee mileage charges in the costs of Iatan Unit 1?

40. **AFFILIATE TRANSACTION - GREAT PLAINS POWER**: (Staff—Hyneman)

Should costs originally incurred by a non-regulated affiliated entity be included in the costs of Iatan Unit 2?

41. **KCPL'S JULY 18, 2008 ALSTOM SETTLEMENT IATAN 1**: (Staff—Hyneman)

Should the cost of the July 18, 2008 settlement and foregone liquidated damages be included in the costs of Iatan Unit 1?

42. **KCPL'S IATAN 2 ALSTOM SETTLEMENT**: (Staff—Hyneman)

Should the cost of the January 13, 2010 settlement be included in the costs of Iatan Unit 2?

43. **SCHIFF HARDIN, LLP**: (Staff—Hyneman)

SCHIFF ADJUSTMENTS

Should the following adjustments be made before the costs of services provided by Schiff Hardin for the Iatan Project be included in the costs of Iatan Unit 1 and Iatan Unit 2?

i. Travel and other expenses adjustment

ii. Hourly rate adjustment for Project Management duties

iii. Schiff Hourly rate adjustment for legal services

44. **ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)** : (Staff—Majors)

Should the following adjustments be made to the cost of AFUDC accrued on Iatan Unit 1 and Iatan Unit 2 construction costs?

i. Adjust additional AFUDC due to Iatan 1 Turbine Start-Up Failure

ii. Adjust additional AFUDC Caused By GPE Acquisition of Aquila

iii. Adjust the Equity Rate Used in Calculating AFUDC

iv. Adjust additional AFUDC due Transfer of Iatan 1 Common Plant

v. Adjust SECTION 48A ADVANCED COAL PROJECT TAX CREDIT AFUDC

vi. Adjust AFUDC Accrued on Staff's Prudency Adjustments

45. EXCESS PROPERTY TAXES TRANSFERRED FROM IATAN 1 TO IATAN COMMON : (Staff—Majors)

Should excess property taxes paid on Iatan Unit 1 that was transferred to Iatan Common be included in the costs of Iatan Unit 1?

46. CUSHMAN & ASSOCIATES: (Staff—Hyneman)

Should the full amount of the Cushman & Associates charges be included in the costs of Iatan Unit 1 and Iatan Unit 2?

47. PERMANENT AUXILIARY ELECTRIC BOILERS : (Staff—Schallenberg)

Is the cost of the permanent auxiliary electric boilers an Iatan Unit 1 cost or an Iatan Common Cost?

48. IATAN CHIMNEY PULLMAN ADJUSTMENT: (Staff—Hyneman)
Should KCPL include the full amount of costs paid to Pullman for the Iatan Chimney?

49. **ADJUSTMENTS FROM KCC STAFF IATAN 1 AUDIT**: (Staff—Hyneman)

Should the cost of Iatan Unit 1 and Iatan Unit 2 be reduced by the adjustments proposed by the KCC Staff?

50. **ALSTOM WELDING SERVICES INCORPORATED (WSI) CHANGE ORDER ADJUSTMENT** : (Staff—Hyneman)

Should the cost of Iatan Unit 2 be reduced by costs paid to Welding Services Incorporated?

51. **TEMPORARY AUXILLARY BOILER**: (Staff—Hyneman)

Should the cost of Iatan Unit 2 be reduced by the cost of the temporary auxiliary boilers?

52. **Iatan Common Costs**: (Staff—Schallenberg)

a. Has KCPL carried its burden of proving the common costs of its Iatan 1 and Iatan 2 construction projects?

b. What portion of the Common Costs of the Iatan 1 and Iatan 2 construction projects should be included in KCPL's rate base in this proceeding?

Other Iatan Issues:

53. **Tracker for Iatan 2 and Iatan Common Operations and Maintenance Expenses**: (KCPL—Weisensee, Staff—Lyons, Public Counsel—Robertson)

Should the Commission authorize the use of a tracker for Iatan 2 and Iatan Common operations and maintenance expenses?

54. **Iatan 2 Generating Unit In-Service**: (MRA—Drabinsky, Staff—Schallenberg, Hyneman, Majors)

a. What criteria should the Commission use to determine when the Iatan 2 Generating Unit Rate Base Additions are "fully operational and used for service?

b. Is the Iatan 2 Generating Unit Rate Base Additions fully operational and used for service?

c. How should Iatan 2 test energy and emission credits during the testing of Iatan 2 be treated?

55. **__Fuel Switching Program__: (MGE—Reed, KCPL—Goble, Staff—Rogers) (MGE issue)**

Should the Commission order the implementation of MGE's proposed fuel switching program?

No. Public Counsel supports Staff's position on this issue.

56. **__Bad Debt__**: (KCPL—Weisensee, Staff—McMellen)

What is the appropriate level of bad debt expense to include in revenue requirement?

COST OF CAPITAL (KCPL—Cline, Blanc, Hadaway; Industrials—Gorman; Staff—Brossier, Kremer and Murray)

57. **__Return on Common Equity__**: What return on common equity should be used for determining rate of return?

58. **__Capital Structure__**: What capital structure should be used for determining rate of return?

59. **__Equity Units__**: What cost of equity units should be included in the capital structure used for determining rate of return?

EXPENSES

60. **__Fuel & Purchased Power Expense, and Off-System Sales Margins__**:

a. How should the revenues and charges to KCPL and GMO for Southwest Power Pool transmission system energy loss from the wholesale of energy to entities outside the SPP market be included in their revenue requirements? (KCPL Crawford, Staff Harris, Industrial Meyer)

b. Should Revenue Neutrality Uplift Charges be removed from the appropriate level of off-system sales margins?

c. Should the losses associated with wholesale purchases that are later resold be removed from the appropriate level of off-system sales margins?

d. How should the Commission determine the level of non-firm off-system sales margin to use for setting rates in this case, i.e., should the non-firm off-system sales margin level proposed by KCPL/GMO, or by Staff and Industrials be used for setting rates? (Industrial Meyer, Staff Harris)

e. Are the purchases for resale, SPP line losses and revenue neutrality uplift charges adjustments KCPL makes to arrive at its proposed level of non-firm off-system sales margin to be used for setting rates appropriate?

f. Should the Commission require tracking of off-system sales margin levels that exceed the level of off-system sales margin the Commission includes in revenue requirement, and include interest on those amounts tracked?
g. For the purpose of developing purchased power prices (spot market prices), should Staff's method of using historical test year inputs or the Company's method using forecasted inputs be used? (KCPL/GMO—Crawford, Staff—Maloney)

61. **RESRAM/Proposition C:** (Staff—Taylor)

a. Should Proposition C expenses be included in cost of service?

b. Should 2010 Proposition C expenses be amortized over a two-year period beginning with the implementation of rates in this case?

62. **Supplemental Executive Retirement Pension (SERP) Costs**: (KCPL/GMO— Fairchild, Staff—Hyneman)

What level of SERP costs should be included in KCPL's and GMO's revenue requirements for setting their rates?

63. **Talent Assessment**: (KCPL—Alberts, Staff—Hyneman)

Should the amortization of severance costs and related costs associated with the Talent Assessment program be included in KCPL's and GMO's revenue requirement for setting their rates?

64. **Non-Talent--Severance Costs**: (KCPL—Fairchild, Staff--Hyneman)

What level of severance costs of KCPL employees terminated for reasons other than KCPL's talent assessment program should be included in KCPL's and GMO's revenue requirements for setting their rates?

65. **Advanced Coal Investment Federal Income Tax Credit**: (KCPL—Hardesty, Staff—

Harrison)

Should KCPL's advanced coal investment federal income tax credit for Iatan 2 be reduced to reflect a redistribution of a portion of that credit to GMO based on GMO's 18% ownership interest in the Iatan 2 Generating Unit and, concurrently, should GMO be treated as getting the benefit of that credit redistribution?

Public Counsel supports Staff's position on this issue.

66. **Excess Deferred Income Taxes associated with Depreciation**: (KCPL—Hardesty, Staff—Harrison)

If in this case the Commission orders a change to the average book depreciation rate, should the amortization period for excess deferred taxes associated with the deprecation also change?

67. **Kansas City Earnings Tax**: (KCPL—Hardesty, Staff—Harrison)

What is the appropriate amount of Kansas City Earnings Tax to be included in revenue requirement?

68. **Property Tax Expense**: (KCPL/GMO—Hardesty, Staff—Harrison, Lyons)

a. What methodology should be used to determine the appropriate level of property tax expense to include in the revenue requirement used to set rates in this case? (Hardesty, Lyons)

b. Should property taxes in the amount of $ (total company, i.e., Missouri and Kansas) assessed and paid in, and capitalized into the cost of the new Iatan 2 generating station (included in rate base) also be included as an annualized property tax expense to KCPL and included in KCPL's revenue requirement for setting KCPL's rates?

69. **Acquisition Transition Costs**: (KCPL—Ives, Staff— Majors, Public Counsel —Robertson)

Should merger transition cost amortization be included in cost of service?

70. **Rate Case Expense**: (Staff—Majors)

What is the appropriate amount of rate case expense that should be included in revenue requirement for setting rates?

71. **Transmission Expense and Revenue Tracker**: (KCPL—Rush, Staff—Beck, Public Counsel—Robertson)

Should the Commission authorize the use of a tracker for changes in certain transmission-related expenses? If so, should changes in transmission related-revenues be included in that tracker?

No.

72. **<u>Low-income Weatherization program:</u>** (KCPL/GMO—Rush, Staff—Warren, MDNR--Bickford)

a. Should KCPL and GMO continue to fund their low-income weatherization programs at the current levels of funding?

Yes.

i. If so, should the funds continue to be administered under current procedures or should the Commission order they be deposited into an account with the Environmental Improvement and Energy Resources Authority (EIERA) to be administered by EIERA and MDNR?

RATE DESIGN/ CLASS COST OF SERVICE STUDY

(Staff Scheperle, Goins, KCPL Rush, Normand, Industrial Brubaker, Public Counsel Meisenheimer, MGE Noack)

73. What methodology should be used to develop the class cost-of-service study production-capacity allocator?

Public Counsel did not submit testimony specific to this allocation but is satisfied to use the Company's CCOS study results as a guide in setting rates.

74. **<u>Facility extension practices</u>**:

Should KCPL/GMO be allowed to offer discounts or refunds to customers or developers in exchange for agreeing to install heat pumps?

No. Public Counsel supports the Company's position on this issue.

75. **<u>LED street and area lighting systems</u>**: (Staff-Kang)

Should the Commission order KPCL and GMO to complete an evaluation of Light Emitting Diode (LED) Street and Area Lighting (SAL) systems and, no later than twelve (12) months after the effective date of the Commission's Report and Order in this case, file proposed LED lighting tariff sheet(s) to offer a LED SAL demand-side program, unless KCPL's and GMO's analysis shows that a LED SAL demand-side program would not be cost-effective, and, if a LED SAL demand-side program is not cost-effective, update the Staff as to the rationale of the analysis and file a proposed tariff sheet(s) that would provide LED SAL services at cost to its customers.

Yes. Public Counsel supports Staff's position on this issue.

76. **<u>Outdoor Lighting</u>**: Should the Commission adopt Mr. Wagner's proposals to order KCPL and GMO to do the following? (KCPL—Rush, Herdegen, Wagner)

a. Develop LED Lighting rates within a year

b. Add voluntary part-night outdoor lighting rates

Yes. Public Counsel supports Mr. Wagner's position on this issue.

c. Add lower wattage outdoor lights as an available option

Yes. Public Counsel supports Mr. Wagner's position on this issue.

d. Convert rates from listing output lumens/wattage to the amount of light on the ground

e. Discontinue marketing outdoor lights as safety or crime prevention devices without a guarantee

Yes. Public Counsel supports Mr. Wagner's position on this issue.

KCP&L Greater Missouri Operations Company ISSUES—Case No. ER-2010-0356

REVENUE REQUIREMENT

Rate Base

77. **Iatan Unit 2 and Iatan Common Costs**:

a. How should GMO's portion of the costs of Iatan 2 and associated Iatan Common Plant be allocated to the rate bases of L&P and MPS, respectively? (Mantle)

b. 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? (Rice)

78. **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? (GMO—Crawford, Staff—Mantle, Schallenberg, Hyneman and Majors)

b. If the Commission determines the addition of the approximately 300 MW of capacity from Crossroads was prudent, for purposes of setting rates for MPS, should 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? (GMO—Crawford, Staff--Hyneman and Featherstone)

c. If the Commission determines the addition of the approximately 300 MW of capacity from Crossroads was prudent, for purposes of setting rates for MPS, should 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) because GMO was imprudent by not acquiring the capacity of those two additional combustion turbines in 2005? (GMO—Crawford, Staff---Mantle, Hyneman and Featherstone)

d. If the Commission determines the addition of the approximately 300 MW of capacity from Crossroads was prudent, should the accumulated deferred taxes associated with Crossroads be used as an offset to rate base?

e. Was the 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? (GMO—Crawford, Staff---

Mantle, Hyneman and Featherstone)

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? (GMO—Crawford, Staff---Mantle, Hyneman and Featherstone)

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?

79. **Demand-Side Management :** (GMO—Rush, Staff—Rogers)

a. Should GMO be required to fund its demand-side programs and, if so, at what level?

b. Should GMO be ordered to continue to fund and promote or implement each of the demand-side management programs in its last adopted preferred resource plan, unless it has filed with the Commission documentation that explains why continuing, or initiating the program as planned, does not promote the Missouri Energy Efficiency Investment Act goal of achieving all cost-effective demand-side savings? (Rogers)

i. Should the Commission require KCPL to expand its DSM programs if the current DSM portfolio does not meet the Act's goal of achieving all cost-effective demand-side savings?

c. Should 50% of Connections advertising program costs and certain other advertising costs be recovered as an expense or included in the demand-side management program rate base balance? (KCPL Blanc, Staff Prenger)

CASH WORKING CAPITAL ISSUES

80. <u>Accounts Receivable Sales Program</u>: <u>(GMO—Cline, Staff—Prenger)</u>

Should GMO's accounts receivable sales program be a component of cash working capital?

COST OF CAPITAL

81. <u>Cost of Debt</u> (Staff—Murray)

EXPENSES

82. **<u>Depreciation</u>** (Staff—Rice)

a. Is it appropriate to update the depreciation rates for GMO to reflect the recent depreciation study, or to continue to use the rates ordered in 2005?

b. Should GMO's depreciation rates for GMO's steam production generation fleet be based on (a) mass asset, whole life depreciation rates or (b) life spanned, remaining life depreciation rates?

i. If Iatan 2 depreciation rates are based on life span, remaining life rates, should the rates be computed on a life span basis of 50 or 60 years? (Industrials—Meyer)

d. Should GMO's rates for GMO's combustion turbine generation fleet be based on

(a) mass asset, whole life depreciation rates or (b) life spanned, remaining life depreciation rates?

e. Should the appropriate depreciation rates for General Plant account numbers 391, 393, 394, 395, 397 and 398 remain the same as ordered in Case No. ER-2005-0436, or be amortized over a set period of time representing an estimated average service life for each year (vintage) of plant additions?

Public Counsel supports Staff's position on this issue.

i. Should the Company be allowed to amortize over 20 years the unrecovered General Plant?

Public Counsel supports Staff's position on this issue.

ii. Should KCPL be ordered to inventory the property in these accounts, retire equipment from the books that is no longer used and useful, provide Staff with information concerning these accounts, and work with Staff to determine if any reserve transfers are warranted?

Public Counsel supports Staff's position on this issue.

e. Should an amortization of the difference between the theoretical reserve and the actual reserve be a component of the depreciation rate?

83. **Demand-Side Management Amortization Expense**:

a. How should demand-side amortization expense be determined?

b. Should 50% of Connections advertising program costs and certain other advertising costs be recovered as an expense or included in the demand-side management program rate base balance? (KCPL Blanc, Staff Prenger)

84. **Jeffrey Energy Center (Jeffrey) Flue Gas Desulphurization (FGD) Rebuild Project**: (GMO—Hedrick, Staff—Majors)

a. Should the Jeffrey FGD rebuild project costs be included in rate base in this proceeding?

b. Has doubt regarding the prudence or reasonableness of the Jeffrey FGD rebuild project been raised by any party in this proceeding?

c. What should be the appropriate prudence standard regarding the costs of Jeffrey FGD rebuild project?

d. Did GMO prudently manage the Jeffrey FGD rebuild project?

e. Has GMO carried its burden of proving the costs of the Jeffrey FGD rebuild project?

RATE DESIGN/ CLASS COST OF SERVICE STUDY

(Staff—Scheperle; KCPL—Rush, Normand; Industrials—Brubaker; Public Counsel—Meisenheimer; MGE—Noack)

85. Which class cost of service study provides the best guidance for determining shifts in customer class revenue responsibilities that are revenue neutral on an overall company basis?

Public Counsel is satisfied to use the Company's CCOS study results as a guide in setting rates.

86. **Allocation of Increase Among Customer Classes**: How should the rate increase be allocated among the various customer classes?

Public Counsel recommends that revenue neutral shifts be limited to no more than half the revenue neutral shifts indicated by the Company's CCOS study. Public Counsel also recommends that no class should receive an increase as the combined result of a revenue *neutral and revenue requirement adjustment when another class receives a decrease. Based on the Company's CCOS study results for the MPS service area, Public Counsel recommends that the Large Power and Large General Service class revenues should increase and the Small General Service and Residential class revenues should decrease as described in the direct testimony of Public Counsel witness Meisenheimer. Based on the Company's CCOS study results for the LP service area, Public Counsel recommends that the Large Power class revenues should increase and the Small General Service, Large General Service and Residential class revenues should decrease as described in the direct testimony of Public Counsel witness Meisenheimer. Class rate increases should be allocated in a manner that maintains or minimizes any increases in the current customer charges for Residential and Small General Service.*

87. **Should the residential electric space heating rates for both MPS and L&P, specifically, MPS Rate MO870 – Residential Electric Space Heating, L&P Rate MO920 – Residential Service – with Electric Space Heating; and L&P Rate MO922 – Residential Space Heating/Water Heating – Separate Meter be eliminated?** (MGE proposals)
No. Public Counsel supports the Company's position on this issue.

88. **Municipal Street Lighting**: (GMO—Rush, Lee's Summit—Park)
Should GMO's proposed increase in rates for its Municipal Street Lighting Service be applied to all elements involved in the leased street light system?

89. **Street Lighting Purchase:** (GMO—Rush, Lee's Summit—Park)

Should the effect on current negotiations between Lee's Summit and GMO for purchase of the leased street light system be considered in setting increased rates for Municipal Street Lighting Service?

FUEL ADJUSTMENT CLAUSE (GMO Rush Staff Rogers)

90. **Fuel Adjustment Clause continuation**:

Should GMO's Fuel Adjustment Clause be modified, continued, or discontinued?

91. **Sharing Mechanism**:

What should be the level of sharing in GMO's Fuel Adjustment Clause sharing mechanism?
The sharing percentage should be changed in this case from 95:5 to 75:25.

92. **Base Energy Cost**:

Should GMO's Fuel Adjustment Clause be modified to require the base energy cost in the Fuel Adjustment Clause equal the base energy cost in the test year total revenue requirement used for setting rates in the rate case?

93. Should transmission expenses be included in GMO's Fuel Adjustment Clause?
No.

(Staff—Rogers, Public Counsel—Robertson)

Should two FERC accounts now in the definition of Purchased Power Cost be deleted since these FERC accounts are for transmission expenses and, therefore, are not consistent with the definition of fuel and purchased power cost in 4 CSR 240-20.090(1)(B)?
Yes.

94. Should factor RNSI (forecasted retail net system input) be redefined in GMO's Fuel Adjustment Clause as RNSI = Forecasted recovery period net system input, at the generator, for the calculation of the CAF (cost adjustment factor)?

95. Should the definition of OSSR be changed to clarify that only sales to Missouri municipalities are excluded from OSSR.
Yes.

96. Should GMO's Fuel Adjustment Clause include a new factor to exclude GMO's fuel costs for its Crossroads generating plant from GMO's Fuel Adjustment Clause?

97. Should GMO's Fuel Adjustment Clause tariff sheets follow the example tariff sheet filed with the surrebuttal testimony of Staff witness John Rogers or the example tariff sheet filed with the testimony of GMO witness Tim Rush?

98. **Is GMO in compliance with the FAC filing requirement in 4 CSR 240-3.161(3)(S)?**
No.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

/s/ Lewis R. Mills, Jr.

By:______________________________

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I hereby certify that a copy of the foregoing has been emailed to parties of record this 12th day of January 2011.

/s/ Lewis R. Mills, Jr.

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