

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

In the Matter of the Application of KCP&L)	
Greater Missouri Operations Company for)	
Approval of June-November 2007 Accumulation)	Case No. EO-2009-0431
Period True-up Amounts of the Commission-)	
Approved Fuel Adjustment Clause of KCP&L)	
Greater Missouri Operations Company.)	

**RESPONSE OF KCP&L GREATER MISSOURI OPERATIONS COMPANY
TO STAFF RECOMMENDATION**

Pursuant to the Commission's Order Directing Response of June 26, 2009, KCP&L Greater Missouri Operations Company ("GMO" or "Company") hereby responds to the Staff Recommendation.

1. GMO's May 29, 2009 Application to true-up its annual Fuel Adjustment Clause ("FAC") advised the Commission of an under-collection of \$1,136,160 for its MPS service territory and \$188,893 for its L&P territory.

2. The Staff Recommendation proposed two adjustments. The first adjustment recommended the use of revised short-term interest rates for four months. GMO agrees with this adjustment.

3. However, Staff's other recommendation claims that the FAC should take into consideration GMO's Off-System Sales, even though there is no evidence in the record that the parties had either agreed or the Commission had ever ordered that Off-System Sales be a part of the FAC calculation. The Company opposes this proposed adjustment which exceeds \$5.3 million.

4. As discussed in detail below, the Stipulation and Agreement entered into in April 2007 in Case No. ER-2007-0004 defined the “Base Fuel Costs” that would be used if the Commission permitted the use of an FAC. There was no reference to Off-System Sales in either the stipulation, its attachments or the Commission’s order approving the stipulation. The Commission’s regulations expressly provide that a utility’s “FAC may or may not include off-system sales revenues and associated costs.” See 4 CSR 240-3.161(1)(B); 4 CSR 240-20.090(1)(C).

5. After the Report and Order in the 2007 rate case approved the use of an FAC mechanism, the subsequent audit of the Company’s implementation of the FAC contained no allegation by Staff that the adjustments had erroneously failed to include Off-System Sales or that there was any imprudent conduct.

6. Most significantly, the settlement of GMO’s latest rate case, ER-2009-0090, contained provisions that actually did alter the base rate upon which the FAC is premised, and specifically included consideration of Off-System Sales for the first time. The language of the Company’s tariff stating how the FAC is calculated prior to September 1, 2009 and how it is calculated on that date and thereafter demonstrates this conclusively.

7. For these reasons, the Staff Recommendation must be rejected as it has no basis in fact and, if accepted by this Commission, would constitute unlawful retroactive ratemaking and a collateral attack on prior Commission orders under Section 386.550, Mo. Rev. Stat. (2000).

A. The 2007 Settlement in Aquila’s General Rate Case (ER-2007-0004).

8. GMO’s predecessor Aquila, Inc. filed a general rate proceeding in Case No. ER-2007-0004 (“2007 Rate Case”). A major issue was whether the Company would be permitted to implement an FAC, which the Commission ultimately approved. See Report and Order, In re

Aquila, Inc., No. ER-2007-0004 (May 17, 2007) at 18-55 (“2007 Report & Order”). In dealing with the complex issue, the Commission listed over a dozen issues requiring its decision. Id. at 18-19. However, none of them related to whether Off-System Sales would be part of any FAC calculation because the issue of what would constitute Base Fuel Costs in such a calculation had been settled during the hearing and was governed by a written agreement.

9. In the Stipulation and Agreement as to Certain Issues filed on April 4, 2007, the parties agreed to settle a wide variety of issues, including what would constitute Base Fuel Costs for purposes of an FAC. See Stipulation and Agreement as to Certain Issues, In re Aquila, Inc., No. ER-2007-0004 (filed Apr. 4, 2007) (“2007 Stipulation”). How the parties defined and what they intended with regard to Base Fuel Costs are dealt with in two sections of the Stipulation: Section 7 relating to a coal contract dispute and Section 12 dealing specifically with Base Fuel Costs.

10. Section 7 pertains to GMO’s C.W. Mining Coal Company contract and how prices under that contract will be included in the overall average cost of fuel. Because the issue of whether Aquila would be authorized to implement a fuel cost recovery mechanism was being litigated before the Commission, Section 7 contained two subparagraphs that set forth “different regulatory treatment,” depending on whether the Commission allowed an FAC. See Exhibit A- at 4-5. Subparagraph 7(a) stated:

IF A FUEL COST RECOVERY MECHANISM IS
AUTHORIZED: The actual cost of fuel to serve native load will
be included in the calculation of any fuel cost recovery mechanism
that might be approved in this rate proceeding.

This passage indicates that the cost to be used in calculating the FAC is the cost of fuel to serve native load, not Off-System Sales customers.

11. Furthermore, Section 12 defines Base Fuel Costs as the costs set forth in Schedule 3, which was attached to the 2007 Stipulation. Section 12 provides that “the amounts on Schedule 3 (after being appropriately added together and converted to a per kilowatt hour amount) are the fuel base amounts for purposes of calculating positive or negative fuel adjustments.” See Exhibit A at 8.

12. Just as Section 7 stated that the cost of fuel to serve native load was included in any FAC calculation, Section 12 similarly states: “The actual cost of fuel and variable purchased power to serve native load will be included in the calculations under any fuel cost recovery mechanism that might be approved in this rate proceeding.” Id. Such provisions indicate that the parties contemplated nothing with regard to Off-System Sales, which Staff has acknowledged numerous times only occur after “utilities have met all obligations to serve their native load customers and have excess energy to sell to other utilities.” See Direct Testimony of V. William Harris, In re Aquila, Inc., No. ER-2007-0004 (Jan. 18, 2007) at 10.

13. Section 12 of the 2007 Stipulation covers one other subject related to Base Fuel Costs, which is hedging costs. It states: “The Signatories agree that Aquila shall record as a fuel cost its hedging costs, including settlement gains and losses, in the calculation of any fuel cost recovery mechanism approved in this case.” See Exhibit A at 8. Although the parties could have added such an additional provision with regard to Off-System Sales, they did not.

14. Schedule 3 to the 2007 Stipulation, entitled “Fuel and Purchased Power Costs in Staff Supplemental Direct,” defines the elements of Base Fuel Costs. See Exhibit B. There is no

reference to Off-System Sales. To the contrary, the FAC is calculated from Base Fuel Costs which Schedule 3 states -- in four different places¹ -- are based on the “Fuel Run.”

15. As the Commission knows, the Fuel Runs prepared by Staff and electric utilities like GMO pertain to On-System Sales designed to serve native load. Off-System Sales are calculated separately, as was done by Mr. Harris in the 2007 Rate Case, and are treated as an adjustment. See Direct Testimony of V. William Harris, Case No. ER-2007-0004 (Jan. 18, 2007) at 5, 11-13. The Off-System Sales analysis presented by Mr. Harris updated Off-System Sales and costs for the test-year period, and averaged them over two years. Id. at 5, 12. Staff’s proposed adjustments for Off-System Sales were contained in “Income Statement adjustments” sponsored by Mr. Harris and referred to in his testimony. Id. at 3-4, 12-13.

16. Schedule 3 to the 2007 Stipulation (attached as Exhibit B) contains no reference to, much less a calculation of or an adjustment for Off-System Sales.

17. Consequently, when the Commission issued its Report and Order approving the Company’s use of a Fuel Adjustment Clause, the provisions of Sections 12 and Section 7(a) of the Stipulation were triggered. The FAC process was implemented pursuant to Schedule 3, and the calculations properly ignored Off-System Sales.

18. Staff notes that prior to the filing of the 2007 Stipulation the Company had pre-filed testimony indicating that it was willing to include Off-System Sales in an FAC. Although that fact was mentioned in the Commission’s Report & Order, it was never the subject of any specific finding, conclusion or order. In the 2007 Report & Order, the Commission simply found

¹ The four references are found on several lines in Schedule 3: (1) 5th line of the top portion of the spreadsheet (“Total Variable - Fuel Run”); (2) 12th line of the top portion of the spreadsheet (“Kwh Sales levels in Fuel Run”); (3) Second line from the bottom on the lower portion of the spreadsheet (“Kwh Sales levels in Fuel Run”); and (4) Note on the bottom line (“The MPS and L&P allocation percentages only apply to variable costs in the fuel run”).

that “a RAM [rate adjustment mechanism] is appropriate to address Aquila’s fuel and purchased power costs” and that “a fuel adjustment clause is preferable to an interim energy charge.” See 2007 Report & Order at 38, 41-42.

19. When the Commission addressed the details of what costs should be recoverable through the FAC, it focused on issues related to demand charges and hedging costs, which it disallowed.² Id. at 44. With regard to other costs, it found that the FAC would “be allowed to flow through variable fuel and purchased power costs, including variable transportation costs, through its fuel adjustment clause.” Id. There was no conclusion or order regarding Off-System Sales.

B. FAC Audits and Staff Findings of No Imprudence.

20. Beginning on September 23, 2008, Staff initiated a prudence audit of the costs that were included in the Company’s FAC. See Staff Report and Recommendation, In re First Prudence Review of Costs Subject to Fuel Adjustment Clause of Aquila, Inc., Case No. EO-2009-0115 (Dec. 1, 2008). This audit purportedly included a review of GMO’s Off-System Sales.

21. Despite the fact that GMO has never included Off-System Sales in its FAC calculations, and that Staff has been fully aware of such practice, there was no mention of this fact in the audit, nor was there any indication of Staff’s disagreement with the Company’s position.

² Because of the 2007 Stipulation, whose terms on hedging costs were apparently overlooked by the Commission, it subsequently modified this decision and included such costs in the FAC as were permitted by the Stipulation. See Order Clarifying Report and Order, No. ER-2007-0004 (May 22, 2007).

22. Although Staff stated erroneously that “[p]rofit from off-system sales is a component of KCP&L-GMO’s FAC,” the FAC Staff Report concluded: “Staff found no evidence of KCP&L-GMO acting imprudently with regard to the issue of off-system sales.” Id., Staff Report at 14. The Commission approved the prudence audit report and directed GMO to comply with Staff’s recommendations, none of which dealt with Off-System Sales or their role in the FAC calculation. See id., Order Approving Staff’s Prudence Review (April 22, 2009).

23. Subsequent orders issued by the Commission on the Company’s FAC reflect no complaint by Staff or any other party to the 2007 Rate Case about the calculation of the FAC and the fact that Off-System Sales had not been included by the Company as one of the elements of the formula set forth in the tariff. See Order Approving Tariff to Establish Rate Schedules for Fuel Adjustment Clause, In re Aquila, Inc. Authority to Implement Rate Adjustments, No. EO-2008-0216 (Tariff No. YE-2008-0402) (Feb. 14, 2008); Order Approving Tariff to Establish Rate Schedules for Fuel Adjustment Clause and Denying Motion to Reject Tariffs, In re Aquila, Inc. Authority to Implement Rate Adjustments, No. EO-2008-0415 (Tariff No. YE-2008-0789) (Aug. 18, 2008); Order Denying Motion to Reject, and Approving Tariff to Adjust Rate Schedules for Fuel Adjustment Clause, In re Tariff Schedules Filed to Adjust FAC Rate of KCP&L Greater Mo. Operations Co., No. EO-2009-0254 (Tariff No. JE-2009-0490) (Feb. 19, 2009).

C. Stipulation in Case No. ER-2009-0090 where Off-System Sales were Added to the FAC Calculation.

24. To the extent there is any question whether the Company’s FAC took account of Off-System Sales, the settlement of GMO’s most recent general rate case removes any doubt. Schedule 1 to the May 22, 2009 Non-Unanimous Stipulation and Agreement (“2009 Stipulation”) contains the tariff sheets that will become effective September 1, 2009. In its order

approving this settlement (and one related to pension issues), the Commission attached the 2009 Stipulation as Exhibit A, to which were appended three schedules, including exemplar revised tariff sheets contained in Schedule 1. See Order Approving Non-Unanimous Stipulations and Agreements, and Authorizing Tariff Filing, In re Tariff Filing of KCP&L Greater Missouri Operations Co. to Implement a General Rate Increase, No. ER-2009-0090.

25. Of particular significance to the FAC and Off-System Sales issue are tariff sheets 124 through 127.4, which actually constitute two sets of tariffs relating to the FAC. The first set (pages 124 to 126) is only “Applicable to Service Provided Prior to September 1, 2009,” meaning it describes the current method of calculating the FAC. These tariff sheets are attached as Exhibit C. None of them contains any reference to Off-System Sales.

26. The base energy cost per kilowatt hour (“kWh”) sold is: \$0.02538 for the MPS and \$0.01799 for L&P. See Ex. C at 3 (Sheet 126).

27. The second set (pages 127.1 to 127.4) is “Applicable to Service Provided September 1, 2009 and Thereafter.” These tariff sheets are attached as Exhibit D and contain explicit references to Off-System Sales. On Tariff Sheet 127.3 the term “OSSR” is defined as “Revenues from Off-System Sales.” The sheet notes that revenues “from Off-system Sales shall exclude long-term full & partial requirements sales associated with GMO.” See Ex. D at 3 (Sheet 127.3).

28. Notably, the base energy cost per kWh sold is lower than contained in Exhibit C because Off-System Sales are now part of the FAC calculation and, in accord with longstanding Commission precedent, reduce the cost of electricity to customers. On and after September 1, 2009, the base energy costs per kWh will be: \$0.02348 for MPS and \$0.01642 for L&P. See Ex. D at 4 (Sheet 127.4). Two spreadsheets, shared with Staff, reflecting the Company’s calculations

to implement these FAC changes that include Off-System Sales net of the costs to provide the Off-System Sales are attached. See Ex. E.

29. Since Off-System Sales have not been and will not be a part of the FAC calculation until September 1, 2009, the current base energy rates are actually higher than the rates that will be implemented at that time.

D. Conclusion.

30. From the foregoing, it is clear that Off-System Sales were never described or included in the calculations to be used if an FAC were permitted by the Commission in the 2007 Rate Case, and were never part of the 2007 Stipulation, its Schedule 3 or the relevant tariff sheets.

31. The fact that Off-System Sales have never been an element of that calculation is now self-evident since the 2009 Stipulation contains tariff sheets where the new FAC's kWh rates were lowered to account for a \$3.4 million credit attributable to the inclusion of such sales for the first time. The adjustment now recommended by Staff would essentially double-credit customers for Off-System Sales margins since customers have been receiving the benefit of the two-year average of Off-System Sales used to set base non-FAC rates in the 2007 Rate Case.

32. There is, consequently, no factual support for Staff's claim that the Company has "over-collected" or "over-recovered" from customers. See Staff Recommendation, ¶¶ 1, 12. To the contrary, Staff's position would lead to a punitive assessment against the Company and an unjustified double-recovery for customers.

33. If the Staff Recommendation is accepted by the Commission, it would constitute retroactive ratemaking and run afoul of the bedrock principles of utility regulation that this Commission has always followed. See State ex rel. Utility Consumers Council of Missouri, Inc.

v. PSC, 585 S.W.2d 41, 58-59 (Mo. 1979); State ex rel. Associated Natural Gas Co. v. PSC, 954 S.W.2d 520, 531 (Mo. App. W.D. 1997). It would also constitute a collateral attack upon the terms of those Commission-approved settlements, in violation of Section 386.550, Mo. Rev. Stat. (2000).

WHEREFORE, KCP&L Greater Missouri Operations Company requests that the Commission (a) accept the Staff Recommendation regarding an adjustment for short-term interest rates and (b) reject the Staff Recommendation regarding an adjustment for Off-System Sales.

Respectfully submitted,

/s/ Karl Zobrist

Karl Zobrist, MBN 28325
Roger W. Steiner, MBN 39586
Sonnenschein Nath & Rosenthal LLP
4520 Main Street, Suite 1100
Kansas City, MO 64111
Telephone: (816) 460-2545
Facsimile: (816) 531-7545
kzobrist@sonnenschein.com

Victoria Schatz, MBN 44208
Corporate Counsel
Kansas City Power & Light Company
1201 Walnut, 20th Floor
Kansas City, Mo 64106
Telephone: (816) 556-2791
Facsimile: (816) 556-2787
victoria.schatz@kcpl.com

Attorneys for KCP&L Greater Missouri Operations
Company

AFFIDAVIT

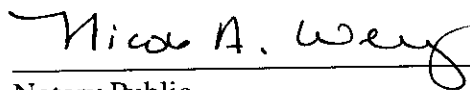
State of Missouri)
) ss.
County of Jackson)

I, John P. Weisensee, having been duly sworn upon my oath, state that I am Regulatory Accounting Manager of Kansas City Power & Light Company, that I am duly authorized to make this affidavit on behalf of KCP&L Greater Missouri Operations Company, and that the matters and things stated in the foregoing pleading and exhibits thereto are true and correct to the best of my information, knowledge and belief.



John P. Weisensee

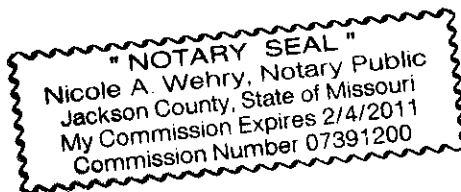
Subscribed and sworn to before me this 6th day of July, 2009.



Notary Public

My Commission Expires:

Feb. 4, 2011



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on all counsel of record either by electronic mail or by first-class U.S. mail, postage paid, this 6th day of July, 2009.

/s/ Karl Zobrist

Attorney

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

In the Matter of the Tariff Filing of Aquila,)
Inc., to Implement a General Rate Increase for)
Retail Electric Service Provided to Customers)
in its Aquila Networks—MPS and Aquila)
Networks—L&P Missouri Service Areas.)

Case No. ER-2007-0004
Tariff No. YE-2007-0001

**STIPULATION AND AGREEMENT
AS TO CERTAIN ISSUES**

COME NOW the undersigned signatories ("Signatories") and respectfully state to the Missouri Public Service Commission ("Commission") that as a result of extensive negotiations, they have reached the stipulations and agreements contained herein in order to settle the certain issues identified below:

1. **Issues Settled.** This Stipulation and Agreement is intended to settle all issues in this case with the exception of the issues characterized in the List of Issues, Order of Issues, List of Witnesses and Order of Cross-Examination, filed with the Commission on March 23, 2007, as "Accounting Authority Orders" (#6) – Sibley Generating Facility; "Depreciation" (#12); "Rate of Return – Return on Common Equity" (#1); "Rate of Return – Capital Structure" (#2); and "Fuel Cost Recovery" (#15).

2. **Revenue Requirement.** The Signatories agree that the present electric rate revenues for Aquila, Inc's ("Aquila" or "Company") Aquila Networks – MPS operating division ("MPS") are \$454,162,213 and the present electric rate revenues for the Company's Aquila Networks L&P operating division ("L&P") are \$123,097,937. The Signatories agree that in

settlement of all issues in this case, with the exceptions noted above, the Company's additional revenue requirement for its MPS and L&P operating divisions is as follows:

	<u>MPS</u>	<u>L&P</u>	<u>Total Company</u>
Additional Revenue Requirement	\$40,632,286	\$12,707,195	\$53,339,481

These amounts are subject to possible adjustment as specified in paragraph 10 (Depreciation), paragraph 5 (Sibley Accounting Authority Orders AAOs) and paragraph 13 (Rate of Return Valuations).

3. **Pension/Post Retirement OPEBs.** The Signatories agree that the MPS rates agreed to herein include a \$1,972,984 annual provision, prior to capitalization, for MPS electric jurisdictional pension cost, and that the L&P rates agreed to herein include a \$65,963 annual provision, prior to capitalization, for L&P electric pension cost. The Company should be authorized to reflect pension cost equal to this provision for the ERISA minimum and record the difference between the ERISA minimum and the annual provision for pension cost as a regulatory asset or liability. This regulatory asset and/or liability is intended to track the difference between the provision for the ERISA minimum contribution included in cost of service in this case, and the Company's actual ERISA minimum contributions made after the effective date of rates established in this case. This new regulatory asset and/or liability will be tracked beginning with the effective date of rates in this case and will be included in rate base in the Company's next rate case and amortized over a five (5) year period. The Company should be authorized to make such additional entries as are appropriate under Financial Accounting Statement ("FAS") 71 to reflect that rates do not include FAS 87 treatment in cost of service. The Company should be authorized to adjust its calculation of the MPS and L&P ERISA minimum, and the allocations to MPS and L&P of pension related assets and costs, to reflect the

exclusion of Aquila's total-company actual contributions that are in excess of the ERISA minimum. MPS rates include a \$2,110,436 annual provision, prior to capitalization, for an MPS electric jurisdictional prepaid pension amortization. This amortization will be in effect for a five and one-half (5 1/2) year period beginning with the effective date of rates established in Case No. ER-2004-0034. L&P rates include a \$3,352,742 annual provision, prior to capitalization, for L&P electric prepaid pension amortization. This amortization will be in effect for a nine and one-quarter (9 1/4) year period beginning with the effective date of rates established in Case No. ER-2004-0034. The unamortized balance of the regulatory asset established as a result of this ratemaking treatment should be included in rate base.

The MPS rates agreed to herein reflect a rate base offset for an electric jurisdictional regulatory liability of \$1,687,732. The L&P rates agreed to herein reflect a rate base addition for a regulatory asset of \$321,600. Included in these rates is a 5-year amortization of the regulatory asset and liability, identified in this paragraph, prior to capitalization. This amortization will begin with the effective date of rates established in this case.

Aquila agrees to make at least one payment per year equal to the current year FAS 106 calculation.

4. **Supplemental Employee Retirement Plan ("SERP").** The Signatories agree that the MPS rates agreed to herein include a \$25,456 annual expense provision for MPS electric jurisdictional SERP cost; similarly, the L&P rates agreed to herein include a \$8,296 annual expense provision for L&P electric SERP cost. Aquila agrees to account for SERP payments on a pay as you go method. The Company is authorized to make such additional entries as are appropriate under FAS 71 to reflect that rates do not include FAS 87 treatment in cost of service.

5. **Sibley Accounting Authority Orders (AAOs).** The rate increases specified in Paragraph 2 are based on a calculation of rate base that includes the unamortized balance of the Sibley AAOs and also includes a calculation of the Accrued Deferred Income Tax (ADIT) associated with this balance. These calculations of rate base are shown in Paragraph 13. If the Commission agrees with Public Counsel that the unamortized balance should not be included in rate base or that ADIT is incorrectly calculated, the rate base calculations in Paragraph 13 will be reduced and the increase specified in Paragraph 2 will be adjusted to reflect the reduced rate base.

6. **Maintenance Expense.** The Signatories agree that MPS and L&P should be authorized to record costs incremental to typical maintenance costs related to turbine overhauls in advance of performing the maintenance at the power plant. This method is used to match the utilization of the power plant for the generation of electricity with incremental costs related to turbine overhauls that are required periodically based on number of starts for certain gas fired power plants. The accounting for this accrual is to record the authorized cost of service as expense in the period collected in rates with an offsetting credit to a regulatory liability in Account 254 until the major maintenance is performed. Use of the methodology referenced in this paragraph shall have no ratemaking effect in future case.

7. **C. W. Mining Coal Contract.**

The Signatories agree that for purposes of establishing the coal prices to be included in base fuel costs in this proceeding, the prices in the C. W. Mining Coal contract will be included in the overall average cost of fuel. The following subparagraphs distinguish different regulatory treatment depending on whether the Commission approves a fuel cost recovery mechanism.

a. IF A FUEL COST RECOVERY MECHANISM IS AUTHORIZED: The actual cost of fuel to serve native load will be included in the calculation of any fuel cost recovery mechanism that might be approved in this rate proceeding. As a result, any cash settlement or court ordered award, net of applicable legal and collection fees and costs, recovered by Aquila resulting from the pending C. W. Mining Company litigation will be flowed through fuel expense accounts and included in any fuel cost recovery mechanism approved in this rate proceeding. Applicable legal and collection costs shall be limited to incremental, non-payroll costs, including fees and costs of outside counsel (e.g. Shook, Hardy & Bacon) and outside collection agencies related exclusively to pending C. W. Mining litigation. If the Commission determines that fuel costs should be shared between customers and shareholders, then the C.W. Mining proceeds would flow through any fuel cost recovery mechanism at that same percentage. The Signatories agree that these conditions resolve all outstanding issues, including prudence, relative to Aquila's actions related to the C. W. Mining contract through March 28, 2007 in this and all future regulatory proceedings.

b. IF NO FUEL COST RECOVERY MECHANISM IS AUTHORIZED: Aquila agrees to defer in Account 186 any applicable legal and collection fees and costs, as previously defined, and any cash settlement or court ordered proceeds received by Aquila resulting from current C. W. Mining Company litigation in Account 254. Ratemaking treatment of any balance in this deferred account will be determined in a future rate case.

8. **Hedge Costs.** Aquila agrees not to seek recovery of its 2006 hedge settlement losses of \$11.5 million in this or any future regulatory proceedings. The Signatories agree that ultimate settlement values of Aquila's hedge contracts in place on March 27, 2007 for the period June 1, 2007 through December 31, 2009 will be subject to the provisions of any fuel cost

recovery mechanism approved by the Commission in this case. However, the ultimate settlement values will not be subject to challenge as to a prudence disallowance relative to Aquila's original decisions to enter into these hedge positions. The market values for these contracts as of March 27, 2007 are reflected on the attached Schedule 1. In the event that the Commission does not implement a fuel cost recovery mechanism for Aquila, then the treatment for hedge costs shall be determined in a future proceeding. While Aquila believes that its current hedging practices are prudent, Aquila acknowledges that its continued use of its current hedging practices is subject to a prudence review and potential disallowances relative to hedge positions taken after March 27, 2007.

9. **Allocations of Joint Dispatch Fuel and Purchased Power.** Aquila agrees to use the allocation ratio recommended by witness Maurice Brubaker (81% MPS and 19% L&P) to allocate the joint dispatch of fuel and purchased power between MPS and L&P for ratemaking purposes. For the fuel cost recovery mechanism approved in this rate proceeding, if any, Aquila will use the same allocation listed above for calculating fuel and purchased power costs for the FAC or IEC rate to be charged/credited to its customers. Aquila will, within 90 days of a Commission order approving this Stipulation and Agreement, begin working with the parties to determine how the joint dispatch of fuel and purchased power will be allocated in the next general rate increase or rate complaint case. Signatories are under no obligation to support or use this allocation result in any future rate case.

10. **Depreciation.** The rate increases specified in Paragraph 2 are based on a continuation of the current depreciation rates for L&P and MPS. Current depreciation rates are attached as Schedule 2. If the Commission approves different depreciation rates as a result of its

decision in this proceeding, the increase specified in Paragraph 2 will be adjusted to reflect the approved depreciation rates.

Aquila will complete a depreciation study by the first quarter of 2008 and will provide the results of such study to the Signatories.

11. **Demand Side Management ("DSM") Program Costs.** The Signatories agree that for ratemaking purposes Aquila will defer the costs of DSM programs in Account 186 and calculate allowance for funds used during construction (AFUDC) annually. DSM programs are defined as demand response and energy efficiency programs. The prudently-incurred costs included in the Account 186 balance will be amortized over a ten (10) year period. When new rates go into effect reflecting amortization recovery as a result of future general rate proceedings, the prudently-incurred costs included in the Account 186 balance will be added to rate base, Aquila will stop accruing AFUDC on the amount included in rate base, and Aquila will begin amortizing the balance. Additional DSM program costs incurred after the effective date of a final Report and Order in the initial general rate proceeding following Case No. ER-2007-0004 will be treated in the same manner, but will be deferred in a different sub-account by vintage.

Aquila will only implement the programs shown in Case No. EO-2007-0298 to be cost-effective at adequate funding levels, with a funding goal of one percent of its annual revenues to implement cost-effective energy efficiency programs by 2010. If, in Aquila's pending integrated resource planning case, Case No. EO-2007-0298, the parties are unable to agree by October 31, 2007, that DSM programs have been appropriately screened, Aquila will continue the current programs with the same funding levels as stipulated to in Case No. ER-2005-0436, until such time as an alternative agreement is reached or disagreements are resolved by the Commission in Case No. EO-2007-0298.

The amounts that have been booked to Account 186 and the DSM programs associated with those amounts in Account 186 at the time of any future general rate proceeding may be reviewed by the parties in those cases to assist in the determination of the prudence of the planning and implementation of the demand-side programs. The costs of the implementation and evaluation of DSM programs that are found to be imprudent will be removed from Account 186 in the rate case where the determination of imprudence is made.

12. **Base Fuel Costs.** The attached Schedule 3 identifies the amount of fuel and purchased power costs based on Staff's updated case through December 31, 2006 broken down between variable and fixed costs, with variable costs allocated 81% for MPS and 19% for L&P.

To the extent that any of the cost categories identified on Schedule 3 are permitted to be tracked in a fuel cost recovery mechanism, the amounts on Schedule 3 (after being appropriately added together and converted to a per kilowatt hour amount) are the fuel base amounts for purposes of calculating positive or negative fuel adjustments.

The actual cost of fuel and variable purchased power to serve native load will be included in the calculations under any fuel cost recovery mechanism that might be approved in this rate proceeding. The Signatories agree that Aquila shall record as a fuel cost its hedging costs, including settlement gains and losses, in the calculations under any fuel cost recovery mechanism approved in this case.

13. **Rate of Return Valuations.** The rate increase in Paragraph 2 for MPS is based upon a capital structure of 51.83% debt and 48.17% equity, with related costs of 6.670% and 9.625%, respectively. In the event the Commission determines that the Company is to receive a capital structure or returns different from those identified above, then any increase or decrease is to be applied to a rate base of \$918,480,038 and adjusted by a tax factor of 1.62308 to determine

the adjustment to the increase specified in Paragraph 2. This rate base amount is based on the attached Reconciliation (Schedule 4); if the Commission adopts Public Counsel's position on the Sibley AAO rate base issue in paragraph 5, these amounts will be adjusted.

The rate increase in Paragraph 2 for L&P is based upon a capital structure of 51.83% debt and 48.17% equity, with related costs of 7.700% and 9.625%, respectively. In the event the Commission determines that the Company is to receive a capital structure or returns different from those identified above, then any increase or decrease is to be applied to a rate base of \$186,801,110 and adjusted by a tax factor of 1.56640 to determine the adjustment to the increase specified in Paragraph 2. This rate base amount is based on the attached Reconciliation (Schedule 4).

14. **Billing Determinants.** The Signatories have agreed on the billing determinants in attached Schedule 5 as of the date thereon shown. Said billing determinants will be utilized in this case for purposes of allocating the additional revenue requirement determined by the Commission in this proceeding.

15. **Testimony Received Into Evidence.** If the Commission accepts the specific terms of this Stipulation and Agreement without modification, then the portions of the testimony of the witnesses related to the issues not being tried set out on Schedule 6 shall be received into evidence without the necessity of these witnesses taking the stand. Unless called by the Commissioners or the Regulatory Law Judge ("RLJ") to respond to questions of the Commissioners or the RLJ those witnesses shall not appear or testify before the Commission on the issues that are not being tried.

General

16. Unless otherwise explicitly provided herein, none of the Signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any other method of cost determination or cost allocation or revenue-related methodology. Other than explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding regardless of whether this Stipulation and Agreement is approved. This Stipulation and Agreement is being entered into solely for the purpose of settling all issues in this case with the exception of the issue as characterized in the List of Issues, Order of Issues, List of Witnesses and Order of Cross-Examination, filed with the Commission on March 23, 2007, as "Accounting Authority Orders" (#6) – Sibley Generating Facility; "Depreciation" (#12); "Rate of Return – Return on Common Equity" (#1); "Rate of Return – Capital Structure" (#2); and "Fuel Cost Recovery" (#15). It will be an express violation of this Stipulation and Agreement for any signatory party to assert in any future regulatory proceeding that another signatory party agreed, used, approved, or acquiesced to any ratemaking or procedural principle, any method of cost determination or cost allocations or revenue related methodology in this case, except for specific items identified elsewhere in this Stipulation and Agreement.

17. This Stipulation and Agreement has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent. If the Commission does not approve this Stipulation and Agreement unconditionally and without modification, then this Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.

18. If the Commission does not unconditionally approve this Stipulation and Agreement without modification, and notwithstanding the provision herein that it shall become void; neither this Stipulation and Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatories shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

19. In the event the Commission unconditionally accepts the specific terms of this Stipulation and Agreement without modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to RSMo §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §536.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission order respecting this Stipulation and Agreement issued in this proceeding and only to the issues/items that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding or any matters not explicitly addressed by this Stipulation and Agreement.

20. This Stipulation and Agreement contains the entire agreement of the Signatories concerning the issues/items addressed herein.

21. Should the Commission have questions about this Stipulation and Agreement, the parties will make available their witnesses and attorneys on the issues/items resolved by this Stipulation and Agreement. If the Commission has questions for the parties' witnesses or parties, the parties will make available at any on-the-record session, their witnesses and attorneys on the issues/items resolved by this Stipulation and Agreement, so long as all the parties have had adequate notice of that session. The Signatories agree to cooperate in presenting this Stipulation and Agreement to the Commission for approval, and will take no action, direct or indirect, in opposition to the request for approval of this Stipulation and Agreement.

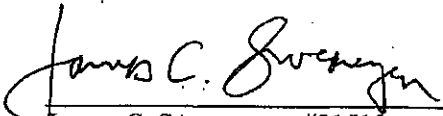
22. This Stipulation and Agreement does not constitute a contract with the Commission. Acceptance of this Stipulation and Agreement by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has. Thus, nothing in this Stipulation and Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

23. The following parties who are not Signatories have indicated that they have no objection to this Stipulation and Agreement:

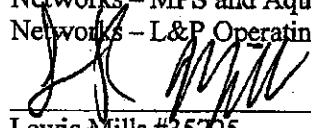
The Commercial Group, City of Kansas City, MO, AmerenUE and County of Jackson,
MO

WHEREFORE, for the foregoing reasons, the undersigned Signatories respectfully request that the Commission issue its Order approving the specific terms and conditions of this Stipulation and Agreement.

Respectfully submitted,



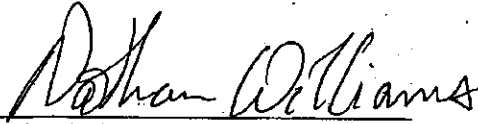
James C. Swearingen #21510
Paul A. Boudreau #33155
Brydon, Swearingen & England
312 East Capitol Avenue
P. O. Box 456
Jefferson City, Missouri 65102-0456
Phone: (573) 635-7166
Fax: (573) 634-7431
Email: lrackers@brydonlaw.com
For Aquila, Inc., and its Aquila
Networks - MPS and Aquila
Networks - L&P Operating Divisions



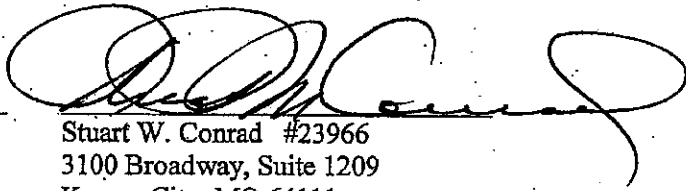
Lewis Mills #35725
Office of the Public Counsel
Governor Office Building
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102-2230
Phone: (573) 751-4857
Fax: (573) 751-5562
Email: mike.dandino@ded.mo.gov
For the Office of the Public Counsel



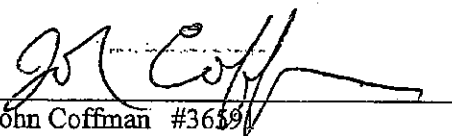
William D. Steinmeier #25689
Mary Ann Young #27951
P.O. Box 104595
2031 Tower Drive
Jefferson City, MO 65110-4595
Phone: (573) 659-8672
Fax: (573) 636-2305
Email: wds@wdspsc.com
For the City of St. Joseph, MO



Nathan Williams #35512
Deputy General Counsel
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
Phone: (573) 751-8702
Fax: (573) 751-9285
Email: Nathan.williams@psc.mo.gov
For the Commission Staff



Stuart W. Conrad #23966
3100 Broadway, Suite 1209
Kansas City, MO 64111
Phone: (816) 753-1122
Fax: (816) 756-0373
Email: Stucon@fcplaw.com
For SIEUA and AG Processing, Inc.

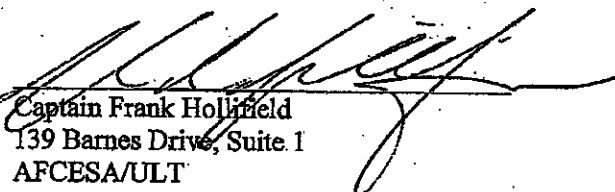


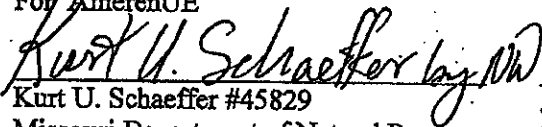
John Coffman #36391
871 Tuxedo Blvd
St. Louis, MO 63119
Phone: (573) 424-6779
Email: john@johncoffman.net
For AARP

Mark W. Comley #28847
601 Monroe Street, Suite 301
P.O. Box 537
Jefferson City, MO 65102-0537
Phone: (573) 634-2266
Fax: (573) 636-3306
Email: comleym@ncrpc.com
For the City of Kansas City, MO

Rick Chamberlain
6 NE 63rd Street, Ste. 400
Oklahoma City OK 73105
Phone: (405)848-1014
Fax: (405)848-3155
Email: rdc_law@swbell.net
For The Commercial Group

James B. Lowery #40503
Smith Lewis, LLP
111 South Ninth St., Suite 200
P.O. Box 918
Columbia, MO 65202-0918
Phone: (573) 443-3141
Fax: (573) 442-6686
Email: lowery@smithlewis.com
For AmerenUE


Captain Frank Hollifield
139 Barnes Drive, Suite. 1
AFCEA/ULT
Tyndall Air Force Base FL 32403-5319
Phone: (850) 283-6348
Fax: (850) 283-6219
Email: frank.hollifield@tyndall.af.mil
For Federal Executive Agencies


Kurt U. Schaeffer #45829
Missouri Department of Natural Resources
P.O. Box 176
Jefferson City, MO 65102-0176
Phone: (573) 751-0323
Fax: (573) 751-3444
Email: kurt.schaeffer@dnr.mo.gov
For Missouri Department of Natural Resources

Jeremiah Finnegan #18416
3100-Broadway, Suite 1209
Kansas City, MO 64111
Phone (816) 753-1122
Fax: (816) 756-0373
Email: jfinnegan@fcplaw.com
For County of Jackson, Missouri

Fuel and Purchased Power Costs in Staff Supplemental Direct						
	Staff Supp Direct MPS	Staff Supp Direct L&P	Staff Supp Direct Combined	Allocation Split 75.15% MPS	Allocation Split 20.82% L&P	
Variable and Joint						
501 (Coal)	\$58,837,805	\$15,471,118	\$74,308,923	\$58,837,805	\$15,471,118	
547 Gas (Energy)	\$5,103,408	\$1,341,916	\$6,445,324	\$5,103,408	\$1,341,916	
555 Purchased Pwr (Energy)	\$75,695,863	\$19,903,863	\$95,599,726	\$75,695,863	\$19,903,863	
Total Variable - Fuel Run	\$139,637,076	\$36,716,897	\$176,353,973	\$139,637,076	\$36,716,897	
Fixed and Direct charges						
509 Emission Allowances	\$2,098,579	\$3,006,513	\$5,105,092	\$2,098,579	\$3,006,513	
547 Gas Pipeline Reservation Charges	\$6,724,635	\$0	\$6,724,635	\$6,724,635	\$0	
Other Fuel Adders	\$2,815,882	\$1,177,323	\$3,993,205	\$2,815,882	\$1,177,323	
Unit Train	\$1,914,890	\$477,212	\$2,392,102	\$1,914,890	\$477,212	
Total Fuel and Purchased Power	\$153,191,062	\$41,377,945	\$194,569,007	\$153,191,062	\$41,377,945	
Kwh Sales levels In Fuel Run	5,711,223	2,030,129	7,741,352			
Kwh Generation	6,159,854	2,222,195	8,382,049			
Costs based on 81/19 Split						
	Staff Supp Direct MPS	Staff Supp Direct L&P	Staff Supp Direct Combined	Allocation Split 81.00% MPS	Allocation Split 19.00% L&P	
Variable and Joint						
501 (Coal)	\$58,837,805	\$15,471,118	\$74,308,923	\$60,190,228	\$14,118,695	
547 Gas (Energy)	\$5,103,408	\$1,341,916	\$6,445,324	\$5,220,712	\$1,224,612	
555 Purchased Pwr (Energy)	\$75,695,863	\$19,903,863	\$95,599,726	\$77,435,778	\$18,163,948	
Total Variable - Fuel Run	\$139,637,076	\$36,716,897	\$176,353,973	\$142,846,718	\$33,507,255	
Fixed and Direct charges						
509 Emission Allowances	\$2,098,579	\$3,006,513	\$5,105,092	\$2,098,579	\$3,006,513	
547 Gas Pipeline Reservation Charges	\$6,724,635	\$0	\$6,724,635	\$6,724,635	\$0	
Other Fuel Adders	\$2,815,882	\$1,177,323	\$3,993,205	\$2,815,882	\$1,177,323	
Unit Train	\$1,914,890	\$477,212	\$2,392,102	\$1,914,890	\$477,212	
Total Fuel and Purchased Power	\$153,191,062	\$41,377,945	\$194,569,007	\$156,400,704	\$38,168,303	
Kwh Sales levels In Fuel Run	5,711,223	2,030,129	7,741,352			
Kwh Generation	6,159,854	2,222,195	8,382,049			
Note: The MPS and L&P allocation percentages only apply to variable costs in the fuel run. Fixed and direct charges are not affected						

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

1st

Revised Sheet No. 124

Cancelling P.S.C. MO. No. 1

Original Sheet No. 124

KCP&L Greater Missouri Operations Company

For Territories Served as L&P and MPS

KANSAS CITY, MO 64106

FUEL ADJUSTMENT CLAUSE ELECTRIC

(Applicable to Service Provided Prior to September 1, 2009)

DEFINITIONS

ACCUMULATION PERIOD:

The two six-month accumulation periods each year through May 31, 2011, the two corresponding twelve-month recovery periods and filing dates will be as follows:

Accumulation Period

June – November

December – May

Filing Date

By January 1

By July 1

Recovery Period

March – February

September – August

RECOVERY PERIOD:

The billing months during which the Cost Adjustment Factor (CAF) for each of the respective accumulation periods are applied to retail customer billings on a per kilowatt-hour (kWh) basis.

COSTS:

Costs eligible for Fuel Adjustment Clause (FAC) will be the Company's allocated variable Missouri Jurisdictional costs for the fuel component of the Company's generating units, purchased power energy charges, and emission allowance costs. Eligible costs do not include the purchased power demand costs associated with purchased power contracts.

APPLICATION

The price per kWh of electricity sold will be adjusted subject to application of the FAC mechanism and approval by the Missouri Public Service Commission. The price will reflect accumulation period Missouri Jurisdictional costs above or below base costs for:

1. variable fuel components related to the Company's electric generating plants;
2. purchased power energy charges;
3. emission allowance costs;
4. an adjustment for recovery period sales variation. This is based on the difference between the values of the FAC as adjusted minus actual FAC revenue during the recovery period. This amount will be collected or refunded during a succeeding recovery period;
5. interest on deferred electric energy costs, which shall be determined monthly. Interest shall be calculated at a rate equal to the weighted average interest rate paid on short-term debt, applied to the month-end balance of deferred electric energy costs. The accumulated interest shall be included in the determination of the CAF.

The FAC will be the aggregation of (1), (2), (3), minus the base cost of fuel, all times 95%, plus or minus (4), plus (5), above.

The Cost Adjustment Factor is the result of dividing the FAC by estimated kWh sales during the recovery period, rounded to the nearest \$.0001, and aggregating over two accumulation periods. The formula and components are displayed below.

Issued:

Issued by: Chris Giles, Vice President

Effective

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 1st Revised Sheet No. 125
 Canceling P.S.C. MO. No. 1 Original Sheet No. 125
KCP&L Greater Missouri Operations Company For Territories Served as L&P and MPS
KANSAS CITY, MO 64106

FUEL ADJUSTMENT CLAUSE (CONTINUED)

ELECTRIC

(Applicable to Service Provided Prior to September 1, 2009)

$$FAC_{Sec} = \{[95\% * (F + P + E - B)] * [(S_{ASec} * L_{Sec}) / [(S_{ASec} * L_{Sec}) + (S_{APrim} * L_{Prim})]]\} + C_{Sec}$$

$$FAC_{Prim} = \{[95\% * (F + P + E - B)] * [(S_{APrim} * L_{Prim}) / [(S_{ASec} * L_{Sec}) + (S_{APrim} * L_{Prim})]]\} + C_{Prim}$$

The Cost Adjustment Factor (CAF) is as follows:

$$\text{Single Accumulation Period Secondary Voltage CAF} = FAC_{Sec} / S_{RSec}$$

$$\text{Single Accumulation Period Primary Voltage CAF} = FAC_{Prim} / S_{RPrim}$$

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:

FAC_{Sec} = Secondary Voltage FAC

FAC_{Prim} = Primary Voltage FAC

95% = Customer responsibility for fuel variance from base level

F = Actual variable cost of fuel in FERC Accounts 501 & 547

P = Actual cost of purchased energy in FERC Account 555

E = Actual emission allowance cost in FERC Account 509

B = Base variable fuel costs, purchased energy, and emission allowances are calculated as shown below:

L&P $S_A \times \$0.01799$

MPS $S_A \times \$0.02538$

C = Under / Over recovery determined in the true-up of prior recovery period cost, including accumulated interest, and modifications due to prudence reviews

C_{Sec} = Lower than Primary Voltage Customers

C_{Prim} = Primary and Higher Voltage Customers

S_A = Actual sales (kWh) for the accumulation period

S_{ASec} = Lower than Primary Voltage Customers

S_{APrim} = Primary and Higher Voltage Customers

S_R = Estimated sales (kWh) for the recovery period

S_{RSec} = Lower than Primary Voltage Customers

S_{RPrim} = Primary and Higher Voltage Customers

L = Loss factor by voltage level

L_{Sec} = Lower than Primary Customers

L_{Prim} = Primary and Higher Customers

Issued:

Issued by: Chris Giles, Vice President

Effective:

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 1st

Revised Sheet No. 126

Canceling P.S.C. MO. No. 1

Original Sheet No. 126

KCP&L Greater Missouri Operations Company

For Territories Served as L&P and MPS

KANSAS CITY, MO 64106

FUEL ADJUSTMENT CLAUSE (CONTINUED)

ELECTRIC

(Applicable to Service Provided Prior to September 1, 2009)

The FAC will be calculated separately for KCP&L Greater Missouri Operations Company - L&P and KCP&L Greater Missouri Operations Company - MPS and by voltage level, and the resultant CAF's will be applied to customers in the respective divisions and voltage levels.

APPLICABLE BASE ENERGY COST

Company base energy cost per kWh sold, \$0.01799 for L&P, and \$0.02538 for MPS. These base energy costs are to be used for the calculations of the over/under accumulation up until the effective date of this tariff.

TRUE-UPS AND PRUDENCE REVIEWS

There shall be prudence reviews of costs and the true-up of revenues collected with costs intended for collection. FAC costs collected 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 FAC for collection unless a separate refund is ordered by the Commission. True-ups occur at the end of each recovery period. Prudence reviews shall occur no less frequently than at 18 month intervals.

Issued:

Issued by: Chris Giles, Vice President

Effective:

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 Original Sheet No. 127.1
Canceling P.S.C. MO. No. _____ Sheet No. _____
KCP&L Greater Missouri Operations Company For Territories Served as L&P and MPS
KANSAS CITY, MO 64106

FUEL ADJUSTMENT CLAUSE ELECTRIC
(Applicable to Service Provided September 1, 2009 and Thereafter)

DEFINITIONS

ACCUMULATION PERIODS, FILING DATES AND RECOVERY PERIODS:

The two six-month accumulation periods each year through August 5, 2013, 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.

<u>Accumulation Periods</u>	<u>Filing Dates</u>	<u>Recovery Periods</u>
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 (CAF) 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 (FAC) will be the Company's allocated Jurisdictional costs for the fuel component of the Company's generating units, including costs associated with the Company's fuel hedging program; purchased power energy charges, including applicable transmission fees; applicable Southwest Power Pool (SPP) costs, 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, 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 mechanism and approval by the Missouri Public Service Commission.

The CAF is the result of dividing the Fuel and Purchased Power Adjustment (FPA) by forecasted retail net system input (RNSI) during the recovery period, rounded to the nearest \$.0001, and aggregating over two accumulation periods. A CAF will appear on a separate line on retail customers' bills and represents the rate charged to customers to recover the FPA.

Issued:
Issued by: Chris Giles, Vice President

Effective:

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 127.2

Cancelling P.S.C. MO. No. _____

Sheet No. _____

KCP&L Greater Missouri Operations Company

For Territories Served as L&P and MPS

KANSAS CITY, MO 64106

FUEL ADJUSTMENT CLAUSE (CONTINUED)

ELECTRIC

(Applicable to Service Provided September 1, 2009 and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS

$$FPA = 95\% * ((TEC - B) * J) + C + I$$

$$CAF = FPA/RNSI$$

$$\text{Single Accumulation Period Secondary Voltage } CAF_{Sec} = CAF * XF_{Sec}$$

$$\text{Single Accumulation Period Primary Voltage } CAF_{Prim} = CAF * XF_{Prim}$$

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

95% = Customer responsibility for fuel variance from base level.

TEC = Total Energy Cost = (FC + EC + PP - OSSR):

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 cost 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, ash disposal revenues and expenses, fuel used for fuel handling, and settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses in Account 501

Issued:

Issued by: Chris Giles, Vice President

Effective:

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 127.3

Canceling P.S.C. MO. No. _____

Sheet No. _____

KCP&L Greater Missouri Operations Company
KANSAS CITY, MO 64106

For Territories Served as L&P and MPS

FUEL ADJUSTMENT CLAUSE (CONTINUED)

ELECTRIC

(Applicable to Service Provided September 1, 2009 and Thereafter)

- The following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, fuel losses, hedging costs, fuel additives, fuel used for fuel handling, and settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses, broker commissions and fees in Account 547.

EC = 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 and revenues from the sale of SO₂ emission allowances.

PP = Purchased Power Costs:

- Purchased power costs reflected in FERC Account Numbers 555, 565, and 575: Purchased power costs, settlement proceeds, insurance recoveries, and subrogation recoveries for increased purchased power expenses in Account 555, excluding SPP and MISO administrative fees and excluding capacity charges for purchased power contracts with terms in excess of one (1) year.

OSSR = Revenues from Off-System Sales:

- Revenues from Off-system Sales shall exclude long-term full & partial requirements sales associated with GMO.

B = 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 x Applicable Base Energy Cost

MPS NSI x Applicable Base Energy Cost

J = Energy retail ratio = Retail kWh sales/total system kWh
Where: total system kWh equals retail and full and partial requirements sales associated with GMO.

C = Under / Over recovery determined in the true-up of prior recovery period cost, including accumulated interest, and modifications due to prudence reviews

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

Issued:
Issued by: Chris Giles, Vice President

Effective:

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1

Original Sheet No. 127.4

Canceling P.S.C. MO. No. _____

Sheet No. _____

KCP&L Greater Missouri Operations Company

For Territories Served as L&P and MPS

KANSAS CITY, MO 64106

FUEL ADJUSTMENT CLAUSE (CONTINUED)

ELECTRIC

(Applicable to Service Provided September 1, 2009 and Thereafter)

RNSI = Forecasted retail net system input in kWh for the Recovery Period

XF = Expansion factor by voltage level

XF_{Sec} = Expansion factor for lower than primary voltage customers

XF_{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's will be applied to customers in the respective divisions and voltage levels.

APPLICABLE BASE ENERGY COST

Company base energy costs per kWh:

\$0.01642 for L&P.

\$0.02348 for MPS

TRUE-UPS AND PRUDENCE REVIEWS

There shall be prudence reviews of costs and the true-up of revenues collected with costs intended for collection. FAC costs collected 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 FAC for collection unless a separate refund is ordered by the Commission. True-ups occur at the end of each recovery period. Prudence reviews shall occur no less frequently than at 18 month intervals.

Issued:

Issued by: Chris Giles, Vice President

Effective:

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1Original Sheet No. 127.5

Canceling P.S.C. MO. No. _____

Sheet No. _____

KCP&L Greater Missouri Operations Company
KANSAS CITY, MO 64106

For Territories Served as L&P and MPS

FUEL ADJUSTMENT CLAUSE (CONTINUED)

ELECTRIC

(Applicable to Service Provided September 1, 2009 and Thereafter)

COST ADJUSTMENT FACTOR

		MPS	L&P
Accumulation Period Ending			
1 Total Energy Cost (TEC)			
2 Base energy cost (B)	-		
3 First Interim Total			
4 Jurisdictional Factor (J)	*		
5 Second Interim Total			
6 Customer Responsibility	*	95%	95%
7 Third Interim Total			
8 Adjustment for Under / Over recovery for prior periods and Modifications due to prudence reviews (C)	+		
9 Interest (I)	+		
10 Fuel and Purchased Power Adjustment (FPA)			
11 RNSI	+		
12 Fourth Interim Total			
13 Current period CAF _{Prim} (= Line 12 * XF _{Prim})			
14 Previous period CAF _{Prim}	+		
15 Current annual CAF _{Prim}			
16 Current period CAF _{Sec} (= Line 12 * XF _{Sec})			
17 Previous period CAF _{Sec}	+		
18 Current annual CAF _{Sec}			

Expansion Factors (XF):Network:

MPS

Primary

1.0444

Secondary

1.0679

L&P

1.0444

1.0700

Issued:

Issued by: Chris Giles, Vice President

Effective:

**MPS Base FAC Change
Stipulation & Agreement**

	Fuel Costs Per Staff EMS Run	Included in Prior FAC	To Be Included in Current FAC	Difference
5010XX Fuel	80,530,695	80,530,695	80,530,695	-
5010XX Urea & Limestone	313,995	313,995	313,995	-
5010XX Propane	358,156			
5010XX Biofuel	150,447	150,447	150,447	-
5010XX Alternative Fuels - Tires	149,995	149,995	149,995	(149,995)
5010XX Trains	1,977,002			
5010XX Freeze/Dust	216,636		216,636	(216,636)
5010XX NL Fuel Handling	1,286,350			
5010XX Fly Ash	1,035,768		200,000	(200,000)
501030 Fuel - Off-system Sales	1,393,677		1,035,768	(1,035,768)
509000 SO2 Allowances	2,327,546		1,393,677	(1,393,677)
547000 Fuel	2,327,546	2,327,546	2,327,546	-
547006 Fixed Charges	5,229,786	5,229,786	5,229,786	-
547030 Fuel - Off-system Other Production	7,128,468			
547101 Hedge	372,256		372,256	(372,256)
555000 Purchased Power	86,848,552			
555006 Purchased Power On-Sys Demand ST	(3,221)	86,848,552	86,848,552	-
555007 Purchased Power On-Sys Demand LT	8,835,386			
555030 Purchased Power Off System Sales	18,145,697		18,145,697	(18,145,697)
565300 Transmission - Off System	349,477		349,477	(349,477)
575XXX Regional Market Expenses	-			
447030 Off-System Sales	(24,157,670)		(24,157,670)	24,157,670
Total Costs	192,488,998	175,401,021	173,106,857	2,294,164

Wording says, "fuel used for fuel handling." Estimating this will be about \$200k for MPS. Now recorded in 502.

Will this include Nox?

Staff Jurisdictional Factor - Energy 100.00%
Staff Jurisdictional Factor - Demand 100.00%

Old Base \$ 0.02538
Staff Sales Level (kWh) 6,076,050,557
Sub-total \$ 154,210,163
Less changes to FAC inputs (2,294,164)
Sub-total 151,915,999
Staff NSI 6,470,078,327
New FAC Base - MPS \$ 0.02348

**L&P Base FAC Change
Stipulation & Agreement**

	Fuel Costs Per Staff EMS Run	Included in Prior FAC	To Be Included in Current FAC	Difference
5010XX Fuel	18,889,916	18,889,916	18,889,916	-
5010XX Alternative Fuels - Tires	127,008		127,008	(127,008)
5010XX Trains	942,679			-
5010XX Freezer/Dust	47,037		47,037	(47,037)
				Wording says, "fuel used for fuel handling." Estimating this will be about \$50k for L&P. Had agreed to give up but wasn't taken out of tariff.
5010XX NL Fuel Handling	906,489		50,000	(50,000)
5010XX Fly Ash	210,040		210,040	(210,040)
501030 Fuel - Off-system Sales	354,640		354,640	(354,640)
509000 SO2 Allowances	3,309,541	3,309,541	3,309,541	-
547000 Fuel	1,219,223	1,219,223	1,219,223	-
547006 Fixed Charges	7,407			-
547030 Fuel - Off-system Other Production	-		-	-
547101 Hedge	-		-	-
555000 Purchased Power	20,371,883	20,371,883	20,371,883	-
555007 Purchased Power On-Sys Demand LT	9,792,000			-
555030 Purchased Power Off System Sales	358,879		358,879	(358,879)
565030 Transmission - Off System	9,538		9,538	(9,538)
575XXX Regional Market Expenses	-		-	-
447030 Off-System Sales	(2,269,914)		(2,269,914)	2,269,914
Total Costs	54,276,366	43,790,563	42,677,791	1,112,772

Old Base	\$ 0.01799
Staff Sales Level (kWh)	2,170,530,870
	\$ 39,047,850
Less changes to FAC inputs	(1,112,772)
Sub-total	\$ 37,935,078
Staff NSI	2,310,796,199
New FAC Base - L&P	\$ 0.01642