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 Period True-up Amounts of the Commission-Approved Fuel Adjustment Clause of KCP&L Greater Missouri Operations Company.	))))))	**Case No. EO-2009-0431**

STAFF REVISED RECOMMENDATION AND REPLY TO KCP&L GREATER MISSOURI OPERATIONS COMPANY'S RESPONSE TO STAFF RECOMMENDATION

Comes now the Staff of the Missouri Public Service Commission, by counsel, and for its revised recommendation and reply to KCP&L Greater Missouri Operations Company's response to Staff's recommendation, states:

1. In its response, made July 6, 2009, KCP&L Greater Missouri Operations Company (GMO) states it agrees with Staff's adjustment to revise short-term interest rates for four months. As the Staff stated in its June 25, 2009 recommendation, GMO indicated that it agreed with Staff's short-term interest rate based adjustment. In a data request response dated June 15, 2009 GMO stated, "The company will take the appropriate steps to make this correction [pertaining to short-term borrowing interest rates] on its books and in future FAC [fuel adjustment clause] filings." (Copy of data request response attached as Appendix A.) Despite the foregoing GMO representations, based on the Staff's review of GMO's filing in Case No. EO-2010-0002 made July 1, 2009, in which GMO seeks to include its first accumulation period true-up adjustment (June through November 2007)—which is the subject of this case—as well as implement recovery for its fourth accumulation period (December 2008 to May 2009), GMO has not made the Staff's adjustment to revise short-term borrowing interest rates for July 31, 2008,

August 31, 2008, September 30, 2008, and October 31, 2008 in its proposed revised FAC tariff sheet no. 127.

2. GMO asserts three bases for challenging the Staff's OSS margin adjustment. First, it asserts that inclusion of Off-System Sales margin in GMO's FAC was not agreed to by the parties nor ordered by the Commission on the grounds that OSS margin is not addressed in the April 2007 Stipulation and Agreement or *Order Approving Stipulation and Agreement* in Case No. ER-2007-0004. Second, GMO asserts the Staff did not raise GMO's non-inclusion of OSS margin in its FAC filings when the Staff conducted its prudence review of the first accumulation period in Case No. EO-2009-0115 or in the GMO FAC proceedings in Case Nos. EO-2008-0216, EO-2008-0415 and EO-2009-0254, implying the Staff is somehow barred from raising the issue now. Third, GMO asserts that because, in the unopposed non-unanimous settlement agreements approved by the Commission in GMO's last general rate case—Case No. ER-2009-0090—GMO's FAC was changed to explicitly include OSS margin, it was not included in GMO's FAC before then.

3. The Staff disagrees with each of GMO's arguments pertaining to OSS margin and with certain statements GMO makes in its response; however, based on the Staff's further review, the Staff realizes OSS margin was not included in the calculation of the base fuel and purchased power costs for GMO's FAC established in Case No. ER-2007-0004. As a result, the Staff's adjustment for OSS margin is based on all GMO's OSS margin during the accumulation period, not an incremental amount. The Staff believes rate adjustment mechanisms such as GMO's fuel adjustment clause are intended to recover such incremental amounts and that it would constitute a "double adjustment" if all GMO's OSS margin during the accumulation period were recovered rather than the incremental amount that margin had changed from the

OSS margin included in the revenue requirement for GMO used to set rates in Case No. ER-2007-0004. While the Staff believes an amount for OSS margin was included in the revenue requirement for GMO used to set rates in Case No. ER-2007-0004, the parties in that case never agreed to that amount, nor did the Commission quantify it. By means of a non-unanimous stipulation and agreement filed April 4, 2007 and approved April 12, 2007, parties did agree to "black box" revenue requirement amounts and, in the event the Commission authorized a fuel adjustment clause (FAC) for GMO, FAC base amounts of fuel and purchased power costs, but not OSS margin. *See Order Approving Stipulation and Agreement as to Certain Issues* issued April 12, 2007 in Case No. ER-2007-0004.

4. In light of OSS margin not being included in the calculation of the base fuel and purchased power costs for GMO's FAC and neither the Commission nor the parties identifying the amount of OSS margin included in the revenue requirement for GMO used to set rates in Case No. ER-2007-0004, the Staff withdraws its adjustment based on netting 100% of off-system sales revenue against fuel and purchased power costs prior to calculating the 95% of fuel and purchased power costs that should have been recovered in the FAC recovery period. The Staff's revised recommendation is that GMO under-recovered as follows: MPS $1,132,431; L&P $187,925. The Staff revised adjustments from GMO's proposal to Staff's revised recommendation are shown in the table following:

Accumulation Period: June 1, 2007 through November 30, 2007
Recovery Period: March 1, 2008 through February 28, 2009

	GMO Proposed	Staff Revised Adjustment	Staff Revised Recommendation
MPS True-up Amount	$1,136,160	($3,729)	$1,132,431
L&P True-up Amount	$188,893	($968)	$187,925

5. Because of how it has revised its recommendation, the Staff believes there no longer is a dispute between GMO and the Staff in this case.

WHEREFORE, the Staff revises its recommendation to now recommend GMO under-recovered $1,132,431 from customers in MPS and $187,925 from customers in L&P during the March 2008 to February 2009 recovery period for the June to November 2007 accumulation period, based on adjustments to GMO's under-recovery true-up proposal (adjustments of ($3,729) for MPS and ($968) for L&P) to properly apply interest at GMO's short-term borrowing rate for July 31, 2008, August 31, 2008, September 30, 2008, and October 31, 2008 as required by Commission Rule 4 CSR 240-20.090(5)(A), and (3)(b).

Respectfully submitted,

/s/ Nathan Williams____________________
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 16th day of July 2009.

/s/ Nathan Williams____________________
Nathan Williams

DATA REQUEST– Set MPSC_20090609
Case: EO-2009-0431
Date of Response: 06/15/2009
Information Provided By: Cline Mike
Requested by: Barnes Matthew

Question No. : 0006
Schedule TMR-1 page 10 lists a $400M Revolver as one of the facility descriptions as of September 30, 2008. Please explain why the Company changed from the CSFB Facility to the $400M Revolver facility.

Response:

The CSFB credit facility was very expensive; as such, the Company moved quickly following the acquisition by Great Plains Energy to put a more cost-effective facility into place. The CSFB facility was terminated on July 17, 2008, just three days after the completion of the acquisition in July. A new $400 million revolving credit facility was completed in September 2008. At GMO's credit rating of BBB at S&P and Baa3 at Moody's, the margin over LIBOR under the new facility is 70 basis points, compared to a margin of 150 basis points under the old CSFB facility for the same rating.

Also, though not directly pertaining to this data request response, it should be noted that Schedule TMR-1 to Mr. Rush's testimony is incorrect:

- The Short-term Borrowing Rate for July 31, 2008 and August 29, 2008 includes the CSFB facility. As indicated above, that facility was terminated on July 17, 2008. Accordingly, the July 31, 2008 and August 31, 2008 Borrowing Rates should be revised downward from 4.14% to 3.875% to reflect just the A/R Program.
- The A/R facility was reduced from $150 million to $65 million upon the closing of the acquisition of GMO by Great Plains Energy in July, yet it incorrectly appears at the $150 million level for July, August, September, and October. This does not impact the Borrowing Rate for July and August referenced in the first bullet since the A/R facility was the only facility. For September, the Weighted Cost of the A/R Program drops to 0.961% from 1.875%, the Weighted Cost of the $400M Revolver increases to 5.763% from 4.873% and the Borrowing Rate drops to 6.72% from 6.75%. For October, the Weighted Cost of the A/R Program drops to 0.751% from 1.466%, the Weighted Cost of the $400M Revolver increases to 4.473% from 3.782% and the Borrowing Rate drops to 5.22% from 5.25%.

The company will take the appropriate steps to make this correction on its books and in future FAC filings.