

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 22nd day of
April, 2009.

In the Matter of the First Prudence Review of)
Costs Subject to the Commission-Approved Fuel) **File No. EO-2009-0115**
Adjustment Clause of Aquila, Inc., d/b/a KCP&L)
Greater Missouri Operations Company)

ORDER APPROVING STAFF'S PRUDENCE REVIEW

Issue Date: April 22, 2009

Effective Date: May 2, 2009

KCP&L Greater Missouri Operations Company (KCP&L-GMO) has utilized a fuel adjustment clause since the Commission approved the use of that clause in the company's last general rate case, ER-2007-0004. Section 386.266.4(4) RSMo Supp. 2008, the statute that authorizes an electric utility to use a fuel adjustment clause, requires the Commission to conduct a prudence review of the utility's fuel costs no less frequently than at 18-month intervals. The 18-month prudence review is also required by Commission Rule 4 CSR 240-20.090(7) and by KCP&L-GMO's tariff.

On September 26, 2008, the Commission's Staff filed a notice indicating it started its prudence audit on September 23, 2008. Commission Rule 4 CSR 240-20.090(7)(B) establishes a timeline that requires Staff to file a recommendation regarding the results of its audit no later than 180 days after it initiates its audit. The timeline then directs the Commission to issue an order regarding Staff's audit no later than 210 days after Staff initiates its audit, unless within 190 days some party to the proceeding requests a hearing.

Staff filed its report and recommendation regarding its prudence audit on December 1, 2008. No party requested a hearing by April 1, 2009, which was the 190th day after Staff initiated its audit. Therefore, the Commission may now consider Staff's report and recommendation.

Staff's report and recommendation regarding its prudence review indicates Staff has conducted a review of all aspects of KCP&L-GMO's fuel costs as they are passed through to customers under the fuel adjustment clause. Staff does not identify any imprudence by KCP&L-GMO that would result in harm to the utility's ratepayers; therefore, Staff does not recommend that KCP&L-GMO be required to make any refunds to its customers.

The one area of concern identified by Staff concerns litigation by KCP&L-GMO against one of its coal suppliers, C.W. Mining. Staff explains that KCP&L-GMO has sued C.W. Mining for breaching a coal supply contract and has been awarded a \$24.8 million judgment for damages resulting from that breach. Under the fuel adjustment clause, 95 percent of the damages KCP&L-GMO is able to collect from C.W. Mining, less applicable legal and collection fees, are to be flowed through to customers. C.W. Mining is in bankruptcy so the collection of the awarded damages has been sporadic.

To aid it in tracking KCP&L-GMO's collection of those funds for purposes of future prudence reviews, Staff asks the Commission to order KCP&L-GMO to submit the following additional information:

1. All future settlement payments from C.W. Mining shall be reported in the monthly reports as additional information ordered by the Commission (4 CSR 240-3.161(5)(M));
2. Applicable legal and collection fees and costs regarding C.W. Mining litigation in the monthly reports as of the date the Commission order regarding this prudence review is

effective. The submitted information shall show the fees and costs of outside counsel (e.g. Shook, Hardy & Bacon), outside collection agencies, and any other fees and costs;

3. Applicable legal and collection fees and costs regarding C.W. Mining litigation shall be included in the monthly reports as additional information ordered by the Commission (4 CSR 240-3.161(5)(M)). This submitted information shall show the fees and costs of outside counsel (e.g. Shook, Hardy & Bacon), outside collection agencies, and any other fees and costs.

Staff also asks the Commission to order KCP&L-GMO to submit the following additional information relating to the company's handling of its sulfur dioxide emission allowances:

4. Monthly amount and cost of emission allowances that are purchased, sold, or used by KCP&L-GMO.

The Commission finds Staff's report and recommendation regarding its prudence review of KCP&L-GMO's fuel costs to be reasonable. No party has requested a hearing, or in any other way opposed or objected to Staff's recommendation. Therefore, the Commission will approve Staff's report, and will order KCP&L-GMO to implement Staff's recommendation.

THE COMMISSION ORDERS THAT:

1. Staff's Report regarding its prudence audit of the costs subject to KCP&L – Greater Missouri Operations Company's fuel adjustment clause is approved.

2. KCP&L – Greater Missouri Operations Company shall comply with Staff's recommendations by supplying the additional information identified in the body of this order.

3. This order shall become effective on May 2, 2009.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written in a cursive style.

Colleen M. Dale
Secretary

(S E A L)

Clayton, Chm., Murray, Davis, Jarrett,
and Gunn, CC., concur.

Woodruff, Deputy Chief Regulatory Law Judge