

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

In the Matter of the Tariff Schedules Filed to)	
Adjust the Fuel Adjustment Clause Rate of)	<u>Case No. EO-2009-0254</u>
KCP&L Greater Missouri Operations Company)	Tariff No. JE-2009-0490

**STAFF RECOMMENDATION TO APPROVE TARIFF SHEET
AND DENY REQUEST TO ELIMINATE MONTHLY SURVEILLANCE FILINGS**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its *Recommendation to Approve Tariff Sheet and Deny Request to Eliminate Monthly Surveillance Filings* states the following to the Missouri Public Service Commission ("Commission"):

1. On December 30, 2008, KCP&L Greater Missouri Operations Company (KCP&L – GMO) filed a tariff sheet to establish rate schedules to make a semi-annual adjustment to customer rates based on KCP&L - GMO's approved Fuel Adjustment Clause ("FAC"). The filing was pursuant to the Commission's *Report and Order* in that entity's last general rate increase proceeding, Case No. ER-2007-0004, in which the Commission authorized the FAC.

2. Commission Rule 4 CSR 240-20.090(4) provides that the Staff "shall submit a recommendation regarding its examination and analysis to the Commission not later than thirty (30) days after the electric utility files its tariff schedules to adjust its FAC rates." Staff must determine if KCP&L - GMO's proposed adjustment to the FAC is in accordance with 4 CSR 240-20.090, §386.266 RSMo, and the "FAC mechanism established in the most recent general rate proceeding." *Id.*

3. In the attached Memorandum (Appendix A), the Staff recommends that the Commission issue an interim rate adjustment order approving KCP&L – GMO's Tariff Sheet, P.S.C. MO. No. 1, 3rd Revised Sheet 127 Canceling 2nd Revised Sheet No. 127, as filed on

December 30, 2008, and substituted on January 22, 2009, and corrected on January 23, 2009 to become effective on March 1, 2009, subject to true-up and prudence reviews.

4. KCP&L – GMO’s requested adjustment is based on an accumulation period (of eligible costs subject to subsequent recovery from or refund to customers) June 1, 2008 through November 30, 2008.

5. Commission Rule 4 CSR 240-3.161(6) requires each electric utility with a fuel adjustment clause to submit a Surveillance Monitoring Report. Commission Rule 4 CSR 240-20.090(10) states that a utility shall submit the Surveillance Monitoring Reports within 15 days of the utility’s submission of its 10-Q and 10-K reports to the U.S. Securities and Exchange Commission. The Company submitted this report in its June 30, 2008 filing. The Staff Memorandum notes that these filings are to be made in accordance with the applicable rules.

6. The Staff’s evaluation shows KCP&L – GMO’s filing is in compliance with §386.266 RSMo, 4 CSR 240-20.090 and 4 CSR 240-3.161. The Staff recommends that the Commission issue an interim rate adjustment order approving KCP&L – GMO’s proposed tariff sheet, subject to true-up and prudence reviews.

7. KCP&L – GMO has requested that it be allowed to forgo monthly surveillance reporting, as it characterizes its monthly reporting requirements to be redundant of its quarterly reporting requirements. Staff is concerned that this request is beyond the scope of the filing contemplated in 4 CSR 240-20.090(4) which allows Staff only thirty days for the preparation of a recommendation regarding tariff schedules filed to adjust FAC rates. Because of this timing consideration, Staff urges the Commission to deny the company’s request.

8. However, if the Commission does address the merits of the Company’s request, for the reasons described in Schedule 2 to Appendix A, Staff opposes this request, as the monthly

reporting requirements involve a greater array of data than do the quarterly reports, and provide that data on a more contemporary basis than do the quarterly reports.

WHEREFORE, the Staff recommends that the Commission issue an interim rate adjustment Order approving KCP&L – GMO's Tariff Sheet, P.S.C. MO. No. 1, 3rd Revised Sheet 127 Canceling 2nd Revised Sheet No. 127, as filed on December 30, 2008, and substituted on January 22, 2009, and corrected on January 23, 2009 to become effective on March 1, 2009, subject to true-up and prudence reviews; and deny the Company's request to forgo monthly surveillance reporting.

Respectfully submitted,

/s/ Sarah Kliethermes

Sarah L. Kliethermes
Legal Counsel
Missouri Bar No. 60024

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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 29th day of January 2009.

/s/ Sarah Kliethermes

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EO-2009-0254, File No. JE-2009-0490
KCP&L Greater Missouri Operations Company

FROM: James Watkins, Manager, Economic Analysis, Project Coordinator
Mack McDuffey, Rate & Tariff Examiner II

/s/ James C. Watkins 1/29/09
Energy Department / Date

/s/ Sarah L. Kliethermes 1/29/09
General Counsel's Office / Date

SUBJECT: Staff Recommendation for **Approval** of Tariff Sheet Filed to Increase Revenues
Related to the Fuel Adjustment Clause (FAC) Pursuant to the Commission's
Report and Order from Case No. ER-2007-0004

DATE: January 29, 2009

On December 30, 2008, Kansas City Power & Light Greater Missouri Operations Company (KCP&L-GMO or Company) of Kansas City, Missouri, filed with the Commission one (1) tariff sheet bearing a proposed effective date of March 1, 2009 to revise the current annual Cost Adjustment Factor (CAF) for the areas formerly served by Aquila as Aquila Networks-MPS and Aquila Networks-L&P service territories (lines 12 on Sheet No. 127). By means of the proposed tariff sheet KCP&L-GMO requests an increase in the revenues it bills through its fuel adjustment clause of \$18,105,744 for the former Aquila MPS service territory by increasing the CAF by \$0.0011 for Secondary and by \$0.0010 for Primary for the Recovery Period of March 2009 through February 2010. KCP&L-GMO requests an increase in the revenues it bills through its fuel adjustment clause of \$6,112,883 for the former Aquila L&P service territory by increasing the CAF by \$0.0013 for both the Secondary and Primary - these values are the same due to rounding. These increases result in a secondary CAF of \$0.0054 and a primary CAR of \$0.0052 for the former MPS service territory and a secondary and primary CAF of \$0.0036 for the former L&P service territory.

On January 22, 2009, KCP&L-GMO filed a substitute tariff sheet to correct inadvertently omitted incremental costs of a project to test the burning of biofuel at the Company's Sibley Generating station which included filing corrected pages to the information required by 4 CSR 240-3.161(7). On January 23, 2009, KCP&L-GMO filed a substitute tariff sheet to remove an extra decimal point of the amount shown for L&P's "Current period cost adjustment factor" (line 10 on Sheet No. 127) for Primary as found by the Company.

The accumulation periods, recovery periods, and other specifications of KCP&L-GMO's existing FAC are set out in its tariff sheets designated Original Sheet Nos. 124 through 127, approved on June 29, 2007, via the Commission's *Order Granting Expedited Treatment and Approving Tariff Sheets* with an effective date of July 5, 2007. Specifically, Original Sheet No. 124 sets out KCP&L-GMO's six-month accumulation periods as June through November and

December through May, while the twelve-month recovery periods are set out as March through February and September through August.

The information and workpapers filed with the revised tariff sheets in this case include sufficient data to calculate adjustments to the CAF based on the fuel and purchased energy costs provided by KCP&L-GMO for the period of June 1, 2008 through November 30, 2008.

The Commission's Energy Department Staff has reviewed the proposed Revised Tariff Sheet No. 127 based on the information and workpapers attached to the filing in conjunction with the calculations and details found on Tariff Sheet No. 127. The Staff also reviewed the monthly submission and surveillance monitoring reports provided by the Company as described in the attached memorandum.

Staff is of the opinion that KCP&L-GMO timely filed its proposed tariff sheet and that the proposed tariff sheet complies with the Commission's Order in Case No. ER-2007-004 and Commission rules 4 CSR 240-20.090 and 4 CSR 240-3.161. Staff, therefore, recommends to the Commission that it issue an order approving the following proposed tariff sheet, as filed on December 30, 2008, and substituted on January 22 and 23, 2009, to become effective on March 1, 2009, as requested by KCP&L-GMO, subject to both true-up and prudence reviews:

P.S.C. MO. No. 1

3rd Revised Sheet No. 127 Canceling 2nd Revised Sheet No. 127

Staff has verified that KCP&L-GMO is not delinquent on any assessment or the filing of its annual report. Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. KCP&L-GMO's current rate case will have no effect on this filing.

MEMORANDUM

TO: Mack McDuffey

FROM: Matt Barnes, David Roos

SUBJECT: KCP&L - GMO FAC Tariff, Tariff Filing No. JE-2009-0490, Case No. EO-2009-0254

DATE: January 23, 2009

On December 30, 2008 KCP&L Greater Missouri Operations Company, (KCPL – GMO) (formerly known as Aquila, Inc.) filed an updated fuel adjustment clause (FAC) tariff filing in compliance with the FAC Rule which describes the manner KCPL - GMO is to calculate the Cost Adjustment Factor (CAF) for the next six months. Included in the current filing are the proposed tariff pages, the testimony of Tim Rush of GMO, and accompanying workpapers.

The procedure for the calculation of the CAF is set out in Sheets 124-126 of GMO Tariff No. 1.

We have reviewed the provided numbers and mathematical calculations within the current tariff filing on proposed 3rd Revised Sheet 127. The calculations satisfy the standards set forth within Sheets 124-126 of the tariff.

Please note that there is an amount of interest added between line 6 “Second Interim Total by Voltage Level”, and line 8, “Fuel Adjustment Clause” for both Primary and Secondary customers in both the areas formerly served by Aquila d/b/a Aquila Networks - L&P and Aquila Networks - MPS that is described in paragraph 5 under the heading “application” on Original Sheet 124. The amount of this interest does not appear in 3rd revised Sheet 127 but is described in the workpapers.

KCPL - GMO is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5).

MEMORANDUM

TO: Mack McDuffey
James Watkins

FROM: Mark Oligschlaeger, Utility Regulatory Auditor V, Auditing Department

SUBJECT: Staff Recommendation Concerning KCP&L – GMO Request to Terminate Monthly Surveillance Submissions; Case No. EO-2009-0254

DATE: January 29, 2009

On December 30, 2008, as part of its request in Case No. EO-2009-0254 to adjust its approved Fuel Adjustment Clause (FAC) rates, KCP&L – Greater Missouri Operations Company (KCP&L – GMO, or Company) also requested that the Company be allowed to forego provision of its monthly surveillance reports to the Commission Staff. (KCP&L – GMO is the new name of Aquila, Inc. which formerly provided electric service in two different areas of Missouri as Aquila Networks-MPS and Aquila Networks-L&P; Great Plains Energy (GPE), which also owns Kansas City Power & Light Company (KCP&L), acquired Aquila, Inc. in 2008.) The Auditing Department was asked by Ms. Lena Mantle of the Commission's Energy Department, Operations Division, to respond to this specific request by the Company.

As a first matter, the Staff opposes the Company's attempt to interject issues not directly germane to FAC concerns in an FAC rate adjustment proceeding, such as monthly surveillance reporting requirements. The Commission rule governing processing of FAC rate adjustments, 4 CSR 240-20.090 requires action on the part of the Staff and other parties in this type of docket in a very accelerated manner. For this reason, non-related matters such monthly surveillance concerns should be handled in other regulatory forums. However, if the Commission decides to rule on this request in the context of this FAC proceeding, the Staff's recommendation on this request follows.

Based upon the direct testimony of Company witness Timothy M. Rush filed earlier in this proceeding, KCP&L - GMO's request is based upon its assertion that the FAC quarterly surveillance reporting requirements under 4 CSR 240-3.161(6) and 4 CSR 240-20.090(10)(A) makes separate submission of monthly surveillance reports "redundant." Mr. Rush further states that the quarterly FAC surveillance report "contains the same information as the monthly report." As discussed below, Staff does not find the report contents to be redundant, and recommends the Commission require the continuation of the monthly reporting requirement.

As referenced by Mr. Rush in his testimony, the receipt of monthly surveillance submissions from KCP&L – GMO and its predecessor companies date back to the 1970s.

The purpose of these reports has been to allow the Staff and the Commission a near-contemporaneous view of a utility's earnings and general financial situation, through the provision of financial information in sufficient detail to allow calculation of standard earnings and other financial ratios. The Commission's Report and Order in Case No. EM-2000-292, approving the merger of UtiliCorp United Inc. (UtiliCorp) and St. Joseph Light & Power Company, required both the MPS and L&P divisions of UtiliCorp United Inc. to continue filing separate surveillance reports. (UtiliCorp was later re-named Aquila, Inc.).

In the context of the Commission promulgating certain rules to govern operation of the FACs now allowed for Missouri electric utilities under state law, the parties to those rulemakings negotiated, and the Commission adopted, a requirement that electric utilities granted a FAC must provide to the Commission and interested parties a quarterly surveillance report containing certain financial information. The Commission Staff was one of the parties involved in negotiation of the requirement for quarterly FAC surveillance reports, and it was never intended or expressed by the Staff as part of that process that the FAC surveillance reports would or should substitute for the pre-existing surveillance submissions by electric utilities. While there are some similarities in the information provided to the Commission Staff via the monthly reports and the quarterly FAC reports, there are also material differences which will be explained in further detail below. For this reason, the Auditing Department strongly disputes the Company's characterization that there is "no difference" between the content of the monthly and quarterly reports, or that the quarterly submissions make the monthly reports "redundant."

The monthly surveillance reports provide the Staff with information beyond that called for in the quarterly FAC reports to allow for calculation of financial ratios helpful in assessing a utility's ongoing overall financial/earnings position. As an example, utilities provide certain information as part of their monthly surveillance that is necessary to calculate pre-tax interest coverage ratios, an important measurement of utility financial health. Such information is not required under the quarterly FAC reporting requirements.

Given the material differences in the monthly and quarterly FAC surveillance reports discussed above, the Auditing Department recommends that KCP&L - GMO's request to terminate monthly surveillance reports be denied. The Staff would note that it is always willing to enter into informal discussions with utilities concerning alternative approaches to surveillance reporting requirements, if the companies have suggestions or ideas on that topic.

In a related matter, beginning in late 2008, after KCP&L began providing all operating services to KCP&L-GMO, KCP&L - GMO began providing monthly surveillance submissions to the Staff that only provided the same information as provided in quarterly FAC surveillance reports, not all the information previously provided to the Staff in the monthly reports. The Company neither consulted nor informed the Staff of this reduced content before instituting it, or at any time since. The Staff intends to further address its

concerns regarding KCPL – GMO's current provision of monthly surveillance information in other regulatory forums, as appropriate.

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

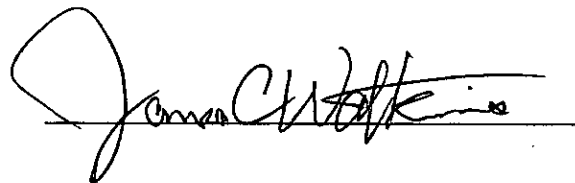
**In the Matter of KCP&L Greater Missouri Operations)
Company for Authority to Implement Rate)
Adjustments Required by 4 CSR 240-20.090(4) and the)
Company's Approved Fuel and Purchased Power Cost)
Recovery Mechanism)**

**Case No. EO-2009-0254
Tariff No. JE-2009-0490**

AFFIDAVIT OF JAMES C. WATKINS

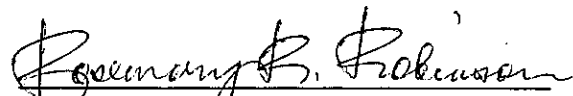
**STATE OF MISSOURI)
) ss
COUNTY OF COLE)**

James C. Watkins, of lawful age, on oath states: that he has participated in the preparation of the foregoing Staff Recommendation; that he has knowledge of the matters set forth in such recommendation; and that such matters are true to the best of his knowledge and belief.



Subscribed and sworn to before me this 29th day of January, 2009.




Notary Public

My commission expires

9-23-2012

ROSEMARY R. ROBINSON Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: September 23, 2012 Commission Number: 08499510
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