

In the Matter of the Second Prudence Review of)
Costs Subject to the Commission-Approved Fuel)
Adjustment Clause of KCP&L Greater Missouri) Case No. EO-2010-
Operations Company.)

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its Notice of Start of Prudence Audit, respectfully states to the Missouri Public Service Commission (“Commission”) as follows:

2. In GMO's 2006 general electric rate case (when GMO was doing business as Aquila Networks-MPS and Aquila Networks-L&P), Case No. ER-2007-0004, the Commission first approved GMO's FAC with original tariff sheets numbered 124 – 127 that became effective on July 5, 2007.³ Original tariff sheet number 127 provided for six-month accumulation periods through May 31, 2011 as follows: June-November and December-May. In its last general electric rate case, Case No. ER-2009-0090, the Commission approved modifications to GMO's FAC effective September 1, 2009, but, while changes were made to costs and revenues included

³ *In the Matter of Aquila, Inc. to Implement a General Rate Increase for Retail Electric Service to Customers in its Aquila Networks-MPS and Aquila Networks-L&P Missouri Service Areas*, Case No. ER-2007-0004, *Order Granting Expedited Treatment and Approving Tariff Sheets*, issued June 29 effective July 5, 2007.

in the FAC effective September 1, 2009, the six-month accumulation periods remained the same.⁴

3. The Staff plans to conduct a prudence review of the costs and revenues associated with GMO's FAC for the period June 1, 2008 to November 30, 2009.⁵

4. Rule 4 CSR 240-20.090(7)(B), in part, provides: "The Staff shall file notice within ten (10) days of starting its prudence audit." It also establishes the following schedule by which certain events are to take place based on the date the Staff starts its prudence audit:

Time from start of Staff prudence audit to event	Event
Within 180 days	Submission of Staff recommendation to Commission regarding Staff's examination and analysis
Within 190 days	Request for hearing
Within 210 days	Commission Order, if no hearing requested

5. The Staff initiated its prudence audit of the costs and revenues associated with GMO's commission-approved FAC on December 1, 2009. The Staff plans to file its recommendation to the Commission regarding the Staff's examination and analysis in this case by May 30, 2010.

6. The Staff notes that this is the first FAC prudence audit that it has undertaken where the costs and revenues associated with the FAC have changed during the audit period. As it has said before, the Staff may change its audit approach during this audit, and in future prudence audits as well, based on the particular circumstances existing at the time of the audit. The Staff's Energy Resource Analysis Section, among other things, is responsible for the Staff's

⁴ KCP&L Greater Missouri Operations Company Tariff P.S.C. MO. No. 1, 1st revised Sheet No. 124 and Original Sheet No. 127.1.

⁵ The Staff notes rate adjustments based on the June 2008 to November 2008 and December 2008 to May 2009 accumulation periods were the subjects of Case Nos. EO-2009-0254 and EO-2010-0002, respectively.

roles in Rules 4 CSR 240-3.161 and 4 CSR 240-20.090. The Staff plans to include in its recommendation the following:

Section 1 - Standard of Prudence

A. The standard requires documentation and includes other Commission principles as appropriate, such as the Commission's Affiliate Transactions Rules, which also require documentation.

Section - 2 Audit Scope

- A. Presently Known Areas To Review
 - 1. GMO's Total Book Costs of Fuel Consumed in GMO's Generating Units
 - 2. Costs Associated with GMO's Fuel Hedging Program
 - 3. Purchased Power Energy Charges, Including Applicable Transmission Fees
 - 4. Southwest Power Pool Variable Costs
 - 5. Emission Allowance Costs and Revenues
 - 6. Off System Sales
- B. Tests/Investigations to Address/Discover Other Significant Items Impacting Fuel and Purchased Power Cost Recovery Amount
 - 1. Comparison of Base Fuel Components and Amounts to Claimed Cost Components and Amounts
 - 2. Plant Outages
 - 3. Fuel, Freight and Transportation / Purchase Power Contracts

WHEREFORE, the Staff of the Missouri Public Service Commission hereby provides notice that it started its prudence audit of the costs and revenues associated with GMO's Commission-approved fuel adjustment clause on December 1, 2009, for the audit period of June 1, 2008 through November 30, 2009, and that it plans to file its recommendation regarding the Staff's examination and analysis in this case by May 30, 2010.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
Deputy Staff Counsel
Missouri Bar No. 35512

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8702 (Telephone)
(573) 751-9285 (Fax)
nathan.williams@psc.mo.gov (e-mail)

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 1st day of December, 2009.

/s/ Nathan Williams