

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

In the Matter of the Fifth Prudence Review of)
Costs Subject to the Commission-Approved)
Fuel Adjustment Clause of KCP&L Greater)
Missouri Operations Company.)

Case No. EO-2014-

STAFF’S NOTICE OF START OF FIFTH PRUDENCE AUDIT

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

1. The tariff of KCP&L Greater Missouri Operations Company (“GMO”)¹ provides that as part of its fuel adjustment clause (“FAC”) there “shall be prudence reviews of costs” that “shall occur no less frequently than at 18-month intervals.”² This tracks the language of both Commission Rule 4 CSR 240-20.090(7) and § 386.266.4(4) RSMo Supp. 2013.

2. In each of GMO’s general electric rate cases where the Commission has approved GMO to have or continue to have a FAC, the accumulation periods have remained the same—two six-month accumulation periods each year, June-November and December-May.³

¹ Formerly Aquila, Inc.

² KCP&L Greater Missouri Operations Company Tariff P.S.C. MO. No. 1, First Revised Sheet No. 127.9 (For service provided July 1, 2011 through January 25, 2013) and Original Sheet No. 126.2 (For service after January 25, 2013).

³ Case Nos. ER-2007-0004 (KCP&L Greater Missouri Operations Company Tariff P.S.C. MO. No. 1, Original Sheet No. 124), ER-2009-0090 (KCP&L Greater Missouri Operations Company Tariff P.S.C. MO. No. 1, First Revised Sheet No. 124 and Original Sheet No. 127.1), ER-2010-0356 ((KCP&L Greater Missouri Operations Company Tariff P.S.C. MO. No. 1, First Revised Sheet No. 127.1 and Original Sheet No. 127.6) and ER-2012-0175 (KCP&L Greater Missouri Operations Company Tariff P.S.C. MO. No. 1, First Revised Sheet No. 127.1, First Revised Sheet No. 127.6 and Second Revised Sheet No. 124).

3. Staff plans to conduct a prudence review of the costs and revenues associated with GMO's FAC for the period June 1, 2012, to November 30, 2013.⁴

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. Staff initiated its fifth prudence audit of the costs and revenues associated with GMO's Commission-approved FAC on March 3, 2014.⁵ Staff plans to file its recommendation to the Commission regarding the Staff's examination and analysis in this case by August 29, 2014.

6. As it has said before for prior prudence audits, 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 roles in

⁴ The Staff notes rate adjustments based on the June 2012 to November 2012 (11th), December 2012 to May 2013 (12th) and June 2013 to November 2013 (13th) accumulation periods were the subjects of Case Nos. ER-2013-0341, ER-2014-0002, and ER-2014-0204, respectively.

⁵ Staff has conducted four prior prudence audits: Case Nos. EO-2009-0115 (June 1, 2007, to May 31, 2008), EO-2010-0167 (June 1, 2008, to November 30, 2009), EO-2011-0390 (December 1, 2009, to May 31, 2011) and EO-2013-0325 (June 1, 2011, to November 30, 2012).

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 fifth prudence audit of the costs and revenues associated with GMO's Commission-approved fuel adjustment clause on March 3, 2014, for the audit period of June 1, 2012, through November 30, 2013, and that it plans to file its recommendation regarding the Staff's examination and analysis in this case by August 29, 2014.

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 4th day of March, 2014.

/s/ Nathan Williams