

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 19th day of April, 2011.

In the Matter of the Application of Kansas City )  
Power & Light Company for Approval to Make )  
Certain Changes in its Charges for Electric )  
Service to Continue the Implementation of Its )  
Regulatory Plan )

**File No. ER-2010-0355**

**ORDER OF CLARIFICATION**

Issue Date: April 19, 2011

Effective Date: April 22, 2011

On April 12, 2011, the Commission issued its Report and Order. Staff filed a motion for clarification regarding fuel expense on April 13, 2011. The time for responses to the motion was shortened and responses were received from Kansas City Power & Light Company (KCP&L) and jointly from the Office of the Public Counsel (OPC) and the Midwest Energy Users' Association (MEUA).

Staff's motion states that it believes the Commission's order has an inconsistency when it states regarding fuel expense on page 146-150 of its Report and Order that "the March 2, 2011 reconciliation numbers shall be used for determination of revenue requirement on this issue" and then further concludes that spot market purchased power prices shall be determined by using KCP&L's MIDAS™ model. OPC and MEUA responded that they also believe the Commission should clarify the *Report and Order* regarding this and the other fuel sub issues. KCP&L responded that the Report and Order need not be clarified because the:

Commission did not state that fuel expense should be re-calculated based on the fuel issues addressed in the Report and Order. As

the Commission pointed out on p. 148 of the Report and Order, there were scores of differences between the Staff and KCP&L, going both ways and including the fuel issues addressed in the Report and Order as well as many fuel differences not identified as issues in this case. As a result, the Commission determined that Staff's fuel expense taken as a whole and as reflected on the March 2 reconciliation was appropriate, without modification.<sup>1</sup>

The Commission determines that its Report and Order should be clarified.

The MIDAS™ model, for which KCP&L argued, is a superior model for determining spot market prices in many instances. During this case, however, no party adequately supported using KCP&L's number for fuel expense as filed in its true-up testimony. The true-up testimony itself indicates that the true-up number provided is not KCP&L's final number and once the March 2 reconciliation was filed KCP&L abandoned that figure in favor of the Staff's presentation. Therefore, the Commission found KCP&L's true-up testimony on this dollar amount to be less reliable than the number presented by Staff for this line item.

Staff's number is adequately supported with its audit findings and its testimony and even though the Commission favors KCP&L's methodology, the Commission did not adopt that methodology with regard to the fuel expense dollar amount. The Commission will clarify its Report and Order adding a Finding of Fact to the Fuel and Purchased Power section stating: "Because KCP&L abandoned its true-up testimony position on fuel expense and adopted Staff's fuel expense amount, the Commission finds Staff's methodology to be more reliable for determining the fuel expense." In addition, the Commission will make the following changes to its "Decision – Fuel and Purchased Power Expense" section:

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<sup>1</sup> *Kansas City Power & Light Company's Response to Staff's Motion for Clarification*, (filed April 14, 2011) pp. 1-2.

- On page 146. The sentence “The Commission adopts this method of determining natural gas costs.” is deleted.
- On page 150 of the Report and order. The last two paragraphs of that section will now read:

The Commission must set the level of fuel expense and purchased power expense for the Companies in this case, and determines that it ~~should~~ it prefers to use the greatest amount of information available to set spot market prices for determining that expense. Given the multitude of variables that affect electricity prices, the Commission accepts the MIDAS™ model ~~is~~ as superior in many instances because it considers a vast amount of information, both historical and projected.

Staff wants only historical data from the Companies to be considered arguing that use of the traditional historical test year prevents the Commission from relying upon forecasted data. To the contrary, the Commission is afforded considerable discretion in setting rates, and ~~in this instance~~ determines that the utilization of a nationally recognized tool like the MIDAS™ model is appropriate in many instances to determine spot market prices.<sup>2</sup> In this case, however, because the Companies have abandoned their model in favor of the Staff’s numbers, which are supported by reliable historical data providing greater certainty and producing a just and reasonable result, the Commission concludes that the fuel expense amount on Staff’s March 2 reconciliation shall be used to determine revenue requirement.

With regard to any perceived inconsistency, the Commission clarifies its Report and Order as stated above.

**THE COMMISSION ORDERS THAT:**

1. Staff’s Motion for Clarification and Response to Order Directing Filing filed on April 13, 2011, is granted to the extent set out above.

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<sup>2</sup> The underlined text is to be added while the strike-through text will be deleted from the Report and Order.

2. This order shall become effective on April 22, 2011.

**BY THE COMMISSION**



Steven C. Reed  
Secretary

( S E A L )

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

Dippell, Deputy Chief Regulatory Law Judge