

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

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for)
Approval to Make Certain Changes in its)
Charges for Electric Service.)

File No. ER-2010-0356

STAFF REPLY TO RESPONSE OF INDUSTRIAL INTERVENORS

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and replies to the response of Ag Processing, Inc. a cooperative and the Sedalia Industrial Energy Users’ Association (“Industrial Intervenors”) to Staff’s suggestions regarding the Commission’s *Order of Clarification and Modification* as follows::

1. In its suggestions Staff pointed out that by creating a delay between the date new general rates take effect and when new fuel adjustment clause provisions take effect, both of which are based on new energy costs, the Commission is creating a mismatch between the base energy costs in general rates and in the fuel adjustment clause during that period of time—June 4, 2011 to July 1, 2011.

2. Based on June 2010 usage, Staff estimated the impact of this mismatch in the base energy costs in GMO’s fuel adjustment clause and the base energy costs in the revenue requirements used for setting its new general rates for MPS and L&P is that during the period of June 4, 2011, through July 1, 2011, customers in GMO’s L&P rate district will overpay approximately \$874,052 and the customers in its MPS rate district will underpay approximately \$419,713 relative to what they would pay if the base energy costs in GMO’s fuel adjustment clause matched the base energy costs used for setting the new general rates.

3. In their response the Industrial Intervenors claim that this mismatch will be

addressed by an annual true-up. Not so. The purpose of the true-up is remedy any over- or under-collection during a recovery period, not to “cure” any mismatch between base fuel costs in the general rates and in the fuel adjustment clause. To explain, at the end of an accumulation period, the utility’s actual fuel and purchased power related expenses during the accumulation period are compared to the fuel and purchased power related expenses predicted for that period. A fuel adjustment rate is then adjusted to collect from, or credit, customers for the resulting difference during the associated recovery period. The sole purpose of the true-up is to remedy the under- or over-collection during the recovery period, since it a virtual certainty the amount actually collected or credited will not match the amount intended to be collected or credited.

WHEREFORE, Staff submits the foregoing in reply to the response of the Industrial Intervenors.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
Deputy 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

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 1st day of June 2011.

/s/ Nathan Williams