

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

In the Matter of the Fourth Prudence Review)
of Costs Subject to the Commission-Approved)
Fuel Adjustment Clause of KCP&L Greater) Case No. EO-2013-
Missouri Operations Company.)

STAFF’S NOTICE OF START OF FOURTH PRUDENCE AUDIT

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its Notice of Start of Fourth 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. 2011.

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 The Commission will decide in GMO’s pending general electric

¹ Formerly Aquila, Inc.

² KCP&L Greater Missouri Operations Company Tariff P.S.C. MO. No. 1, First Revised Sheet No. 127.4 (For service provided September 1, 2009 through June 30, 2011) and Original Sheet No. 127.9 (For service after June 30, 2011).

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) and ER-2010-0356 ((KCP&L Greater Missouri Operations Company Tariff P.S.C. MO. No. 1, Revised Sheet No. 127.1 and Original Sheet No. 127.6).

rate case, Case No. ER-2012-0175, whether GMO shall continue to have a FAC and, if so, upon what terms.

3. Staff plans to conduct a prudence review of the costs and revenues associated with GMO's FAC for the period June 1, 2011, to November 30, 2012.⁴

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 fourth prudence audit of the costs and revenues associated with GMO's Commission-approved FAC on December 3, 2012.⁵ Staff plans to file its recommendation to the Commission regarding the Staff's examination and analysis in this case by May 29, 2013.

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 Rules

⁴ The Staff notes rate adjustments based on the June 2011 to November 2011 (9th) and December 2011 to May 2012(10th) accumulation periods were the subjects of Case Nos. ER-2012-0197 and ER-2012-0478, respectively. A rate adjustment for the June 2012 to November 2012 accumulation period is due by January 1, 2013, but has not yet been filed.

⁵ Staff had conducted three 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) and EO-2011-0390 (December 1, 2009 to Ma 31, 2011).

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 fourth prudence audit of the costs and revenues associated with GMO's Commission-approved fuel adjustment clause on December 3, 2012, for the audit period of June 1, 2011, through November 30, 2012, and that it plans to file its recommendation regarding the Staff's examination and analysis in this case by May 29, 2013.

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 6th day of December, 2012.

/s/ Nathan Williams