

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

In the Matter of the Application of KCP&L)	<u>File No. ER-2010-0356</u> T
Greater Missouri Operations Company for)	
Approval to Make Certain Changes in its)	
Charges for Electric Service.)	

STAFF’S RESPONSE TO ORDER DIRECTING FILING

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and responds to the Commission’s June 14, 2011, *Order Directing Filing* as follows:

1. In its June 14, 2011, *Order Directing Filing*, the Commission ordered Staff to file a response to the numbers KCP&L Greater Missouri Operations Company presented with regard to the allocation and fuel change due to the allocation of Iatan 2 as presented in GMO’s comparison of its Iatan 2 allocation and the Commission’s Iatan 2 allocation filed June 13, 2011.
2. Staff understands the Commission is requesting Staff’s response before the Commission’s 9:30 a.m. Agenda tomorrow, Wednesday, June 15, 2011.
3. Without workpapers, which it does not have, Staff is unable to adequately review those numbers accurately reflect the revenue requirement impact of the difference between how the Commission has assigned the costs of Iatan 2 and how GMO proposed they be assigned for revenue requirement purposes.
4. Staff can state now, as it has before in briefs, that assigning more of the capital cost of Iatan 2 to the MPS rate district rather than the L&P rate district, all other things being equal, does have the effect of decreasing the revenue requirement for L&P and increasing the revenue requirement for MPS. However, since rates are cost based, the lower cost energy generating by Iatan 2 associated with that shifted capital cost should also be assigned to MPS

rather than L&P. The impact of that is a reduction in the revenue requirement for MPS and an increase for L&P.

5. With regard to rebasing fuel and purchased power costs, as has also been briefed, the current “base” includes for L&P the capacity and energy from a 100 MW purchased power contract with the Nebraska Public Power District that expired May 2011. With the assignment of Iatan 2 proposed by GMO (41 MW to L&P) or that the Commission ordered (53 MW to L&P), whatever mix of fuel and purchased power costs—Iatan 2 based, combustion turbine based, purchased power agreement based—used to replace the capacity and energy of the 100 MW NPPD contract is more expensive. Therefore, for that reason alone, rebasing fuel and purchased power costs for L&P causes its revenue requirement to increase.

6. This Commission should not shy away from appropriately setting rates based on costs because of the magnitude of the rate increase. In section 393.155, RSMo. 2000, the legislature expressly has provided the Commission with the tool of the phase-in to ameliorate rate shock.

7. If the Commission does not intend that the Staff must respond before the Commission’s 9:30 a.m. Agenda tomorrow, Wednesday, June 15, 2011, Staff will supplement its response after it receives and reviews GMO’s workpapers for the numbers in GMO’s June 13, 2011 filing.

WHEREFORE, the above is Staff’s response to the Commission’s *Order Directing Filing*.

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 emailed to all counsel of record this 14th day of June, 2011.

/s/ Nathan Williams