

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

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
Tariff No. JE-2010-0692

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
Tariff No. JE-2010-0693

**STAFF’S MOTION FOR CLARIFICATION
IN RESPONSE TO THE COMMISSION’S JULY 7, 2010
ORDER REGARDING CONSTRUCTION AND PRUDENCE AUDITS**

Comes now the Staff of the Missouri Public Service Commission (“Staff”) and states for its response as follows to the Commission’s July 7, 2010, Order Regarding Construction And Prudence Audits (“July 7 Order”) item 12: “Any party wishing clarification of this order shall file a motion for qualification [sic], stating with particularity the clarity sought, no later than July 14, 2010.” The Staff requests clarification of the Commission’s July 7 Order as set out below:

1. The last sentence starting at the bottom of page 2 and continuing to the top of page 3 of the Commission’s July 7 Order states that all parties should identify the individual(s) that have settlement authority for the party and at least one of those individuals for each party will be required to attend the monthly status hearings/conferences. Is the settlement authority referenced in the July 7 Order that these individuals are supposed to have limited to discovery matters, and if a party has no item in dispute, must it have an individual with settlement authority attend the particular monthly status hearing/conference?

2. Ordered item 8 at page 4 of the Commission’s July 7 Order states: “All audit activity, of any type, associated with the environmental upgrades to Iatan 1, if not already filed,

shall be completed and filed no later than August 6, 2010.” The definitive admonition of this ordered item regarding Iatan 1 raises a number of questions that the Staff has previously sought to highlight going in large part to KCPL having inadequately assigned costs among the components of the Iatan project (Iatan 1 Air Quality Control System (AQCS)¹, Iatan 1 Common Plant, Iatan 2, and Iatan Common Plant Remainder).² The Staff established in the proceedings in File No. EO-2010-0259 that KCPL is still incurring material costs, in the tens of millions of dollars, in 2010 being charged by KCPL to Iatan 1 / Iatan 1 Common Plant. Also costs being assigned to Iatan 2 should be assigned to Iatan 1 AQCS or Iatan 1 Common Plant. The Staff is not sure how to comply with the Commission’s admonition regarding August 6, 2010. The Staff currently has cost information from KCPL through April 30, 2010 for Iatan 1 AQCS, Iatan 1 Common Plant, Iatan 2, and Iatan Common Plant Remainder. As the Commission is aware, there is a lag between the date the utility receives cost data and the utility provides properly verified cost data to the Staff, and there is a lag between when the Staff receives the cost data from the utility and the Staff can audit the cost data and make the determination whether the costs should be recovered. Are KCPL and GMO to be permitted to recover in rates unaudited costs for Iatan 1 AQCS and Iatan 1 Common Plant?

¹ The Commission’s July 7 Order incorrectly states in footnote 1 on page 1 that the in-service date for the Iatan 1 environmental upgrades was June 19, 2009. The fully operational and used for service date was April 19, 2009.

² Iatan 1 AQCS, Iatan 2, and Iatan Common Plant “cannot be separated on an actual cost basis because the Iatan Project used a contracting strategy which included work covering Iatan 1, Iatan 2, and Common facilities for both units for large contracts. In addition, actual costs incurred were not invoiced or recorded in a manner that allowed for the recognition of the Iatan Project’s actual expenditures related to each of these four segments. In many cases, actual costs were assigned totally to Iatan 2 that were related to Iatan 1, in part or in total. The Report covers Staff’s audit of the actual costs of the Iatan 1 AQCS segment as of May 31, 2009. Staff was informed that cash payments were expected to be made relative to this segment through December 2009. As Staff discovered in this audit, certain costs were assigned to Iatan 1 AQCS that in Staff’s opinion were related to Iatan 2. It is likely that Iatan 2 contains costs that should be assigned or allocated to the Iatan 1 AQCS segment or the Common Plant Used to Operate Iatan 1 segment.” Staff Construction Audit / Prudence Review Reports, December 31, 2009, pp. 2-3, Case No. ER-2009-0089 and Case No. ER-2009-0090.

3. The Kansas City Power & Light Company (“KCPL”) Application filed on June 4, 2010 in File No. ER-2010-0355 states at page 5, paragraph 12:

This Application and the attached schedules and testimony filed on behalf of KCP&L in this proceeding reflect historical data and analyses concerning KCP&L’s operations, based on a test year ending December 31, 2009.⁴

⁴ Consistent with the Stipulation, KCP&L has initially filed test year data for 2009, with twelve (12) months actual data, trued up through December 31, 2010. The test year data will be updated with actual data in the anticipated June 30, 2010 update and true-up process of this case.

4. The KCP&L Greater Missouri Operations Company (“GMO”) Application filed on June 4, 2010 in File No. ER-2010-0356 states at page 3, paragraph 7:

This Application and the attached schedules and testimony filed on behalf of GMO in this proceeding reflect the historical data and analyses concerning GMO’s operations, based on a test year ending December 31, 2009, with an anticipated update based upon June 30, 2010 financial data, and a true-up as of December 31, 2010.

5. Is the Commission indicating that the Staff should not consider for inclusion in Staff’s Direct Case filing, costs for Iatan 1 AQCS or Iatan 1 common plant that the Staff could not have reasonably audited before August 6, 2010 but can audit before the Staff’s filing of its Direct Case in File Nos. ER-2010-0355 and ER-2010-0356? If the Staff is to consider any such costs, then can the Staff propose adjustments to such costs? If the Staff can propose adjustments to such costs, can the Staff propose adjustments on the basis of prudence to such costs? Is the Commission expecting that the parties will propose a cutoff date(s) for such costs as part of the procedural schedule they will file on July 20, 2010.

6. Is the Commission indicating that the Staff should not consider for inclusion in Staff’s True-Up Case filing, costs for Iatan 1 AQCS or Iatan 1 common plant that the Staff could not reasonably have audited before August 6, 2010 or the Staff’s filing of its Direct Case but can audit before the Staff’s filing of its True-Up Case in File Nos. ER-2010-0355 and ER-2010-0356? If the Staff is to consider any such costs, then can the Staff propose adjustments to such

costs? If the Staff can propose adjustments to such costs, can the Staff propose adjustments on the basis of prudence to such costs? Is the Commission expecting that the parties will propose a cutoff date(s) for such costs in the instant rate cases as part of the procedural schedule the parties are to file on July 20, 2010.

7. The Staff notes again that KCPL's Application filed on June 4, 2010 in File No. ER-2010-0355 states at page 5, footnote 4 that test year data will be updated with actual data in the anticipated June 30, 2010 update, and GMO's Application filed on June 4, 2010 in File No. ER-2010-0356 states at page 3, paragraph 7 that test year data will be updated with actual data in the anticipated June 30, 2010 update. Based on past experience, the Staff will receive from KCPL and GMO actual data in the anticipated June 30, 2010 update, weeks after the August 6, 2010 filing date directed by the Commission in its July 7, 2010 Order.

8. Will KCPL and GMO be permitted to request recovery in rates and recover in rates resulting from File Nos. ER-2010-0355 and ER-2010-ER-0356, Iatan 1 AQCS and Iatan 1 Common Plant costs not audited and addressed in the Staff's August 6, 2010 filings in File Nos. ER-2010-0355 and ER-2010-ER-0356? If so, does the Commission plan for these costs to ever be audited? The Staff presently has cost information from KCPL and GMO for Iatan 1 AQCS and Iatan 1 Common Plant through April 30, 2010. Is April 30, 2010 an acceptable date for the Commission for the cutoff of costs for Iatan 1 AQCS and Iatan 1 Common Plant for Staff's Report to be filed August 6, 2010 and for Iatan 1 AQCS and Iatan 1 Common Plant costs for KCPL and GMO to recover in File Nos. ER-2010-0355 and ER-2010-0356? If April 30, 2010 is an acceptable date for the Commission for the cutoff of costs for Iatan 1 AQCS and Iatan 1 Common Plant for Staff's Report to be filed August 6, 2010 and for Iatan 1 AQCS and Iatan 1 Common Plant costs for KCPL and GMO to recover in File Nos. ER-2010-0355 and ER-2010-

0356, will the Commission consider Iatan 1 AQCS and Iatan 1 Common Plant costs for audit by Staff and recovery by KCPL and GMO in KCPL's and GMO's next rate cases?

9. When the Commission in Ordered item 8 says "[a]ll audit activity, of any type, associated with the environmental upgrades to Iatan 1, if not already filed, shall be completed and filed no later than August 6, 2010" does it include assignment/allocation issues such as those the Staff notes in footnote 2 above. In the April 29, 2010 hearing in File No. EO-2010-0259, Mr. Schallenberg addressed this matter a number of times including the colloquies excerpted below:

[MR. SCHALLENBERG] . . . I know from what we've done to date that when you look at Iatan 2 you are going to find items that impact Iatan 1. In fact, if you look at what we've done, in some cases, we moved dollars from Iatan 1 and put it into Iatan 2. We anticipate that when we look at Iatan 2, we're going to find dollars that should be put back into Iatan 1.

You say can I close it out? I would say I can do that any time, just say it's done, I'm not doing any more work. But if you're asking for what we know as of today, we know the Iatan 2 work will, in essence, create numbers that will impact the numbers to date for Iatan 1.

[CHAIRMAN CLAYTON] Q. Well, if I ask this question, from what you've just said, does that mean Staff really doesn't want to sign off on any of the pieces of Iatan 1 because of the interrelationship between Iatan 1 and Iatan 2? Is that a fair statement?

A. In the Staff's view, the completion of Iatan -- yes. The answer to your question is yes.

Q. So Staff doesn't want to complete Iatan 1 without having Iatan 2 also being conducted, is that --

A. I don't know I would say want. What I would say is, if you're looking at trying to have a complete picture of Iatan 1 and its cost, you need to complete the Iatan 2 piece to allow for the transfers of the Iatan 2 piece that belongs in Iatan 1.

(Tr. Vol. 3, pp. 478-79).

* * * * *
[MR. SCHALLENBERG] A. . . . In fact, we had questions about what would the Staff's next audit report look like? And as I said, I would, given --

given the latitude, I would combine Iatan 1, Iatan 2 and common into separate sections of the same report.

[MS. VAN GELDER] Q. Okay. Well, of course, that's not what you told the Commission on May 31st. Is that a new idea?

A. Well --

Q. I mean, on December 31st.

A. On December 31st I'm responding to their April 15th, '09 order specifying what I'm to do.

Q. But also on December 31st, you're saying, this is what I'm doing next. I'm just taking the post May 31st, 2009 expenditures?

A. Yes.

Q. So I'm going to do that, and then I'm also going to do -- and it's not in the Iatan inclusion of the Iatan 2 in the rate base, it's in the next rate case, you're going to do that separately?

A. As I said, I'm going to do all of that within one report, so that, you know, as you heard our prior discussion, I can, in essence, show you the plus and minuses of where the dollars are, and you can identify allowances and you can identify transfers in the format I anticipate. But on the other hand, this May 31st date that's in this report, we will -- in fact, we're in the process of now of truing the entire Iatan project up to March 31st of 2010. And I don't know that will be the final update because I don't know what the procedural schedule's going to end up for 2010, but I know that the date for the next Staff report on this, assuming it's not stopped, will be at least March 31st, 2010.

(Tr. Vol. 3, pp. 607-08).

9. The Staff has somewhat similar questions to the preceding questions regarding the January 30, 2011 deadline for final completion for all audit activity, of any type, directed by the Commission regarding the Iatan 2 generating facility, including Common Plant Remainder.

10. Is the Staff correct in its assumption that the Commission in its Ordered 10 deadline for final completion for all audit activity, of any type, associated specifically with the KCPL or GMO rate increase request shall be no later than the date set for the Staff to file its Direct True-

Up Testimony is not intended to prohibit any party from engaging in audit activity in response to Direct or Rebuttal True-Up Testimony?

11. Regarding Ordered item 4, Staff engineer contribution does not rely on the auditing standards issued by the American Institute of Certified Public Accountant Standards.

12. Regarding Ordered item 7, does the Commission want the responses to discovery filed in EFIS, and if it does, then does the Commission want to indicate which party should file the responses to discovery?

13. Does the Commission desire to provide the Staff any direction regarding Vantage Consulting, Inc. which has testimony filed before the Kansas Corporation Commission regarding the Iatan Project?

14. The Staff anticipates that on the basis of the filing that the Commission has directed the Staff to make no later than on July 17, 2010 the Commissioners may have additional thoughts respecting the instant filing of the Staff.

Wherefore the Staff submits its Motion For Clarification.

Respectfully submitted,

/s/ Steven Dottheim
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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 July, 2010.

/s/ Steven Dottheim

