

**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
Tariff No. JE-2010-0693

**STAFF’S AND PUBLIC COUNSEL’S REPLY TO KCP&L GREATER
MISSOURI OPERATIONS COMPANY’S RESPONSE TO STAFF’S AND
PUBLIC COUNSEL’S SUGGESTIONS FOR CUSTOMER NOTICE**

COME NOW the Staff of the Missouri Public Service Commission and the Office of the Public Counsel and for their reply to KCP&L Greater Missouri Operations Company’s (GMO) response to their suggestions regarding the customer notice state:

1. In the first sentence in paragraph 1 of its response GMO charges that Staff and Public Counsel are, under the guise of the customer notice issue, arguing that GMO “must rebase its Fuel Adjust [sic] Clause (“FAC”) every time it files a rate case.” That charge is untrue. Staff and Public Counsel are not arguing that GMO must rebase, but rather that it must accurately inform its customers of the impacts of this case as GMO has chosen to file it. One significant impact that customers need to know about is the impact of GMO’s choice to not rebase the FAC. This choice essentially defers recovery of a portion of GMO’s fuel and purchased power costs that otherwise would be reflected as an increase in general rates.

2. The customer notice the Commission approves should tell the public the full impact of GMO’s rate case filing as GMO has presented it, not just GMO’s proposed increase to its general rates. Part of that impact is GMO’s expectation to recover through its FAC charge not only the difference between the level of net fuel and purchased power costs based on the test year and its actual level of net fuel and purchased power costs, but also its additional \$46 million per year of net fuel and purchased power costs from its test year.

3. It is only recently that rate adjustment mechanisms such as GMO's FAC have been used in Missouri. Staff and Public Counsel based their suggested customer notice in light of the fact that GMO's customers have had little experience with GMO's FAC. The lack of understanding of the magnitude of GMO's increase requests in its last general rate case—Case No. ER-2009-0090—directly resulting from GMO's FAC highlights the novelty and ease with which even parties versed in utility regulation can have misunderstandings because of novel fuel adjustment clauses and how information is presented. By how it chose to present its request in Case No. ER-2009-0090, parties misunderstood GMO's increase request to be significantly lower than it was as embodied in its proposed tariff sheets.

4. As an alternative to the proposal of Staff and Public Counsel to have the notice show what incorporation into general rates of the fuel and purchased power costs GMO plans to recover through its FAC, the Commission could require GMO to quantify and show the impact of those costs on GMO's FAC charge to its customers. Based on GMO's case as filed, Staff has quantified that these costs would result in typical GMO MPS and L&P residential customers using 10,760 kWh per year to incur \$43.98 and \$86.65 per year of FAC charges, respectively. Note that this would only be the part of the FAC charges attributable to these test year costs, it does not include the future impact of actual variances—positive or negative—from those costs. But rather than being \$0.00, the starting points for future accumulation periods will be recovery of \$43.98 and \$86.65 per year, respectively. When these FAC charge amounts are added to the increase in general rates GMO proposes, the results (for typical residential customers) are increases of approximately 19% and 24% for such MPS and L&P customers, respectively. Attached are spreadsheets showing Staff's calculations of the foregoing amounts and percentages.

5. The last statement in paragraph 1 of GMO’s response, “Moreover, in GMO’s last rate case, Case No. ER-2009-0090, which was settled through a stipulation and agreement among the parties including the Staff and Public [sic], the Company’s rates were not re-based” is erroneous. The bases in GMO’s FAC were changed as a result of the settlement in that case as follows:

	MPS	L&P
Pre 9/1/09	\$0.01799/kWh	\$0.02538/kWh
9/1/09 and after	\$0.02348/kWh	\$0.01642/kWh

Since the case was settled without specification of the components of GMO’s net fuel and purchased power costs for its general rates, one could perhaps argue that the base was not set to exactly match the then-current fuel and purchased power cost. But the base **was** changed, and so it is simply not accurate to say – as GMO does – that “the Company’s rates were not re-based” in the last case.

Wherefore, Staff and Public Counsel submit the foregoing in reply to GMO’s response to their suggestions for customer notice.

Respectfully submitted,

/s/ Nathan Williams _____

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Respectfully submitted,

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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 24th day of August 2010.

/s/ Nathan Williams _____

FAC Increase to Typical Residential Customer

L&P

FAC Revenue not in Base	19,435,681	0.95	18,463,897
TY NSI	2,292,763,000		
	\$/kWh	0.008053	

RESIDENTIAL GENERAL MO910

		Units	Current Rate	Revenue	Proposed Rate	Revenue	
Customer Charge		12	7.90	\$ 94.80	9.14	\$ 109.68	
				\$ -			
				\$ -			
Energy Charge:							
Summer:	First 650	2,600	\$0.0905	\$ 235.30	0.1046	\$ 271.96	
	Over 650	1,920	\$0.0905	\$ 173.76	0.1046	\$ 200.83	
				\$ -			
Winter:	First 650	5,200	\$0.0805	\$ 418.60	0.0931	\$ 484.12	
	Over 650	1,040	\$0.0592	\$ 61.57	0.0685	\$ 71.24	
		10,760		\$ 984.03		\$ 1,137.83	15.63%
					FAC Increase	\$ 86.65	\$ 12.82
		Monthly		\$ 82.00			
					Annual	\$ 1,224.48	24.44%
					Monthly	\$ 102.04	\$ 20.04

FAC Increase to Typical Residential Customer

MPS

FAC Revenue not in Base	27,324,163	0.95	25,957,955
TY NSI	6,350,218,000		
	\$/kWh	0.004088	

Res General MO860

Customer Charge	Units	Current Rate	Revenue	Proposed Rate	Revenue	
	12	9.73	116.76	11.20	134.40	
Energy Charge:						
Summer:						
First 600	2,400	\$0.1015	243.60	0.1169	280.56	
Next 400	1,600	\$0.1045	167.20	0.1205	192.80	
Over 1000	520	\$0.1098	57.10	0.1265	65.78	
Winter:						
First 600	4,800	\$0.1015	487.20	0.1169	561.12	
Next 400	1,440	\$0.0695	100.08	0.0802	115.49	
Over 1000		\$0.0695	-	0.0802	0.00	
Total Energy	10,760		1,171.94		1350.15	15.21% \$ 14.85
				FAC Increase	\$ 43.98	
Total		Monthly	97.66			
				Annual	1394.13	18.96%
				Monthly	116.18	\$ 18.52