

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

In the Matter of KCP&L Greater Missouri)	
Operations Company for Authority to Implement)	<u>File No. ER-2012-0197</u>
Rate Adjustments Required by 4 CSR 240-2.090(4))	Tariff No. JE-2012-0296
and the Company's Approved Fuel and)	
Purchased Power Cost Recovery Mechanism)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through Staff Counsel's Office, and files its analysis and recommendation concerning KCP&L Greater Missouri Operations Company's (GMO) tariff sheet, Revised Sheet No. 127.10, bearing a proposed effective date of March 1, 2012, to revise the Cost Adjustment Factors (CAFs) of its Fuel Adjustment Clause (FAC). In support thereof, the Staff states as follows:

1. On December 22, 2011, pursuant to 4 CSR 240-20.090(4), GMO filed with the Missouri Public Service Commission (Commission) a proposed tariff sheet, a filing letter, supporting direct testimony, and information required by 4 CSR 240-3.161(7) to adjust charges related to its FAC.
2. Pursuant to 4 CSR 240-20.090(4) and 4 CSR 240-2.050, the Staff must submit its recommendation to the Commission regarding GMO's filing by January 23, 2012.
3. Staff notes that GMO has proposed changes to its CAF that will result in an increase to one of its rate districts – L&P. A typical L&P residential customer's bill will increase by approximately \$3.29 per month. This large increase to a typical residential L&P rate district customer's bill in Recovery Period 9 is due to increased use of short-term purchased power after the expiration of a Nebraska Public Power District contract on May 31, 2011 and to coal

conservation at the Iatan and Lake Road generating stations after the Missouri River flooding during Accumulation Period 8.

4. Staff also notes that Iatan 2 fuel costs began to flow through GMO's FAC on June 25, 2011, during Accumulation Period 9.

5. After analyzing GMO's filing, including the testimony of Linda J. Nunn and GMO's workpapers, Staff has issued its Staff Memorandum, attached as Appendix A, which recommends that the Commission approve GMO's filing. The Staff Memorandum details three adjustments included in GMO's filing. First, GMO has corrected its calculation of monthly interest amounts after determining that it had inadvertently used the 3-month London Interbank Offered Rate (LIBOR) instead of the 1-month LIBOR for monthly interest amounts. Second, in response to a Commission Order in Case No. EO-2008-0216, GMO is returning to its customers \$2,509,941 in total, which includes interest calculated with the 1-month LIBOR. Finally, on December 22, 2011, in File No. ER-2012-0196, GMO filed an application containing its FAC true up to remedy an over recovery for Recovery Period 6. GMO's third adjustment in the case at issue results from the Recovery Period 6 true-up amounts plus interest calculated using the 1-month LIBOR.

6. Staff is of the opinion that GMO's revised Tariff Sheet No. 127.10 is correct and complies with all applicable Orders and rules. Thus, the Staff recommends the Commission issue an Order approving the following proposed revised tariff sheet, as filed on December 22, 2011, to become effective on March 1, 2012:

P.S.C. Mo. No. 1

1st Revised Sheet No. 127.10 Canceling Original Sheet No. 127.10

7. **WHEREFORE** the Staff files its analysis and recommendation that the Commission approve GMO's Revised Sheet No. 127.10 to revise the CAFs of its FAC, pursuant to 4 CSR 240-20.090(4).

Respectfully submitted,

/s/ Amy E. Moore

Amy E. Moore
Legal Counsel
Missouri Bar No. 61759

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-4140 (Telephone)
(573) 751-9285 (Fax)
amy.moore@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 23rd day of January, 2012.

/s/ Amy E. Moore

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2012-0197, Tariff Tracking No. JE-2012-0296
KCP&L Greater Missouri Operations Company

FROM: Leon Bender, Utility Regulatory Engineer I
Matthew Barnes, Utility Regulatory Auditor IV
Michelle Bocklage, Rate & Tariff Examiner II

DATE: /s/John Rogers 01/23/2012 /s/ Amy Moore 01/23/2012
Energy Department / Date Staff Counsel Division / Date

SUBJECT: Staff Recommendation For **Approval** Of Tariff Sheet Filed to Change Rates
Related to KCP&L Greater Missouri Operations Company's Fuel Adjustment
Clause Pursuant to the Commission's Report and Order from File No ER-2010-
0356.

DATE: January 23, 2012

Staff Recommendation

The Staff recommends the Commission issue an order approving the proposed revised tariff Sheet No. 127.10 of the Fuel Adjustment Clause ("FAC") of KCP&L Greater Missouri Operations Company ("GMO") as filed on December 22, 2011, to become effective on March 1, 2012, as requested by GMO.

Discussion

On December 22, 2011, GMO filed one (1) tariff sheet¹ bearing a proposed effective date of March 1, 2012, to revise its Cost Adjustment Factors ("CAF") (Items 15 and 18 on revised Sheet No. 127.10) of its FAC. Included in the filing on December 22, 2011, are the testimony of Linda J. Nunn and GMO's workpapers. The testimony and workpapers include information supporting GMO's calculation of the CAFs for Accumulation Period 9 (June 1, 2011 through November 30, 2011) resulting from: 1) 95% of the difference between GMO's actual Total Energy Costs (fuel and purchased power costs plus emissions allowance costs less off-system sales revenue) and GMO's Base Energy Costs for Accumulation Period 9; and 2) the true up of the over/under

¹ File No. JE-2012-0296

recovered amounts as a result of the CAFs for Recovery Period 6 (September 1, 2010 through August 31, 2011) filed by GMO on December 22, 2011, in File No. ER-2012-0196.

The proposed current annual CAFs are the sum of the previous period CAFs (which were the current period CAFs for Accumulation Period 8 – December 1, 2010 through May 31, 2011) and the proposed current period CAFs for Accumulation Period 9. Because GMO has different Base Energy Costs for the two rate districts it formerly served as Aquila, Inc. d/b/a/ Aquila Networks – MPS (“MPS”) and Aquila Networks - L&P (“L&P”), there are two previous period CAFs, two current period CAFs and two current annual CAFs. Further, because of a difference in line losses for MPS and L&P for both primary and secondary voltage service levels, there are different CAFs for service taken at primary and secondary voltages for MPS and for L&P. The Accumulation Periods, Recovery Periods, and other specifications of GMO’s FAC are set out in its tariff sheets designated Sheet Nos. 127.1 through 127.10.

Listed below are GMO’s proposed current annual CAFs and the now-effective current annual CAFs together with the changes between them for primary and secondary service in both the MPS and L&P rate districts.

Current Annual Cost Adjustment Factor - MPS			
Service	Proposed Current Annual CAF	Now-Effective Current Annual CAF	Difference
Primary	\$0.0040	\$0.0046	\$0.0006 Decrease
Secondary	\$0.0040	\$0.0047	\$0.0007 Decrease
Current Annual Cost Adjustment Factor – L&P			
Service	Proposed Current Annual CAF	Now-Effective Current Annual CAF	Difference
Primary	\$0.0063	\$0.0026	\$0.0037 Increase
Secondary	\$0.0065	\$0.0027	\$0.0038 Increase

The proposed change to the CAFs will result in a decrease to a typical MPS residential customer's bill of approximately \$0.61 per month and an increase to a typical L&P residential customer's bill of approximately \$3.29 per month, based on an average use of 867 kWh per month. This large increase to a typical residential L&P rate district customer's bill in Recovery Period 9 is due to increased use of short-term purchased power after the expiration of a Nebraska Public Power District contract on May 31, 2011, and to coal conservation at the Iatan and Lake Road generating stations after the Missouri River flooding during Accumulation Period 8.

Fuel costs related to Iatan 2 began to flow through GMO's FAC starting on June 25, 2011, during Accumulation Period 9, after the end of their being treated under "Construction Accounting."

The Staff reviewed revised Tariff Sheet No. 127.10, the direct testimony of Linda J. Nunn and workpapers in this filing, as well as GMO's monthly information filed in compliance with 4 CSR 240-3.161(5) for Accumulation Period 9, and verified that the actual fuel and purchased power costs less off-system sales revenues match the fuel and purchased power costs less off-system sales revenues in GMO's proposed 1st Revised Tariff Sheet No. 127.10 and the supporting schedules of Linda J. Nunn's direct testimony. The Staff also reviewed GMO's monthly interest rates that are applied to the over/under base fuel and purchased power costs for Accumulation Period 9 and verified that the monthly interest rates and calculations of interest amounts are correct for Accumulation Period 9.

The Staff notes that there are three adjustments included in the current semi-annual filing. The first adjustment is to the monthly interest amounts. GMO's internal review of previous FAC adjustment filings determined that, when calculating interest amounts, the Company inadvertently used short-term interest rates that are not consistent with the Company's policy for short-term rates for the months June 2009 through May 2011. GMO inadvertently included the 3-month London Interbank Offered Rate (LIBOR) when it should have included the 1-month LIBOR in calculating the monthly interest amounts. The use of the 1-month LIBOR rate is

consistent with the Company's policy for financing its short-term debt. This adjustment results in increased interest amounts for the months of June 2009 through May 2010 of \$231,281 and \$26,753 for MPS and L&P, respectively. These increased interest amounts are included, along with the interest amounts for AP9 for MPS and L&P, respectively, on Line 9 "Interest (I)" in the current CAF calculation as proposed in GMO's 1st Revised Sheet No. 127.10.

The second adjustment results from the Missouri Public Service Commission's *Report and Order on Remand* issued August 31, 2011, and effective September 9, 2011, in Case No. EO-2008-0216, in which the Commission ordered GMO to provide adjustments in Recovery Period 9 by crediting its customers in the amounts of \$1,975,363 for MPS and \$484,626 for L&P plus interest. The adjustment amounts, including interest calculated using the 1-month LIBOR, result in refunds of \$2,015,472 and \$494,469 for customers of MPS and L&P, respectively.

The third adjustment results from the true-up amounts plus interest calculated using the 1-month LIBOR for Recovery Period 6 of \$293,135 and \$146,284 for MPS and L&P, respectively, contained in File No. ER-2012-0197, which Staff is recommending be approved by the Commission in File No. ER-2012-0197.

The refund amounts ordered in Case No. EO-2008-0216 and the true-up amounts for Recovery Period 6 are included on Line 8 "Adjustment for Under/Over recovery for prior periods and Modifications due to prudence reviews (C)" in the current CAF calculation as proposed in GMO's 1st Revised Sheet No. 127.10.

The information filed with the revised tariff sheet and workpapers, as supplemented by GMO, include sufficient data to calculate GMO's CAFs based on the actual fuel, purchased power and emission allowance costs net of off-system sales revenue and base cost of fuel, purchased power and emission allowance costs net of off-system sales revenue GMO provided for Accumulation Period 9.

Staff Recommendation

The Staff is of the opinion that GMO timely filed a correct revised Tariff Sheet No. 127.10 and that it complies with the Commission's *Report and Order* in Case No. ER-2010-0356, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and GMO's FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(4) provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility's filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

GMO has requested that Revised Tariff Sheet No. 127.10, filed December 22, 2011, become effective on March 1, 2012. Thus, the revised tariff sheet was filed with 35 days' notice. The Staff, therefore, recommends the Commission issue an order approving the following proposed revised tariff sheet, as filed on December 22, 2011, to become effective on March 1, 2012, as requested by GMO:

P.S.C. Mo. No. 1
1st Revised Sheet No. 127.10 Canceling Original Sheet No. 127.10

The Staff has verified that GMO is not delinquent on any assessment and has filed its 2010 Annual Report. GMO is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

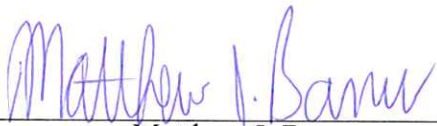
In the Matter of the Application of)
KCP&L Greater Missouri)
Operations Company Containing its)
Annual Fuel Adjustment Clause)
True-Up)

Case No. ER-2012-0197

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Matthew J. Barnes, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Matthew J. Barnes

Subscribed and sworn to before me this 23rd day of January, 2012.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)	
Operations Company for Authority to)	
Implement Rate Adjustments Required by)	
4 CSR 240-2.090(4) and the Company's)	Case No. ER-2012-0197
Approved Fuel and Purchased Power Cost)	
Recovery Mechanism)	

AFFIDAVIT OF LEON C. BENDER

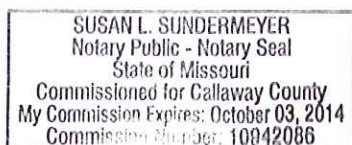
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Leon C. Bender, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Leon C. Bender

Subscribed and sworn to before me this 23rd day of January, 2012.





Notary Public

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

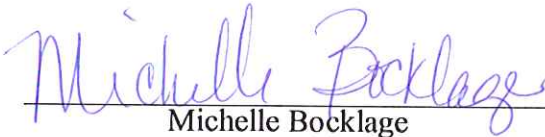
In the Matter of KCP&L Greater)
Missouri Operations Company)
Containing its Annual Fuel)
Adjustment Clause True-Up In the)
Matter of the Application of)
KCP&L Greater Missouri)
Operations Company Containing)
its Annual Fuel Adjustment Clause)
True-Up)

Case No. ER-2012-0197

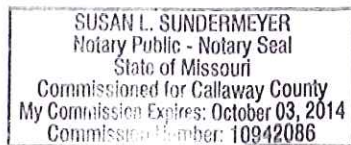
AFFIDAVIT OF MICHELLE BOCKLAGE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michelle Bocklage, of lawful age, on oath states: that she participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.


Michelle Bocklage

Subscribed and sworn to before me this 23rd day of January, 2012.




Notary Public