

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

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In the Matter of the Tariff Filing of KCP&L)
Greater Missouri Operations Company to)
Implement a General Rate Increase for Retail)
Electric Service Provided to Customers in its)
Missouri Service Areas it formerly served as)
Aquila Networks—MPS and Aquila Networks—)
L&P.)

Case No. ER-2009-0090
Tariff No. JE-2009-0913

LIST OF ISSUES, ORDER OF WITNESSES AND ORDER OF CROSS-EXAMINATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and states:

1. On September 5, 2008, Aquila d/b/a KCP&L Greater Missouri Operations Company (“GMO”) filed with the Missouri Public Service Commission (“Commission”) tariff sheets designed to implement a general electric rate increase for service it provides to its Missouri customers. The Commission opened Case No. ER-2009-0090 to address that filing.

2. On November 20, 2008, the Commission issued an *Order Setting Procedural Schedules* in which it stated the parties shall file a joint list of issues and that “[a]ny issue, or sub-issue, not included in the issues list will be presumed to not require determination by the Commission.” In its order the Commission also stated that each party is to file a list of witnesses to appear on each day of the hearing, the order in which they are called, and that the parties are to file a joint pleading proposing the order in which witnesses are to be cross-examined. In the ordered schedule, as proposed by the parties, the Commission set April 10, 2009, as the filing date for the list of issues, order of witnesses [and] order of cross-examination.

3. The Parties to this proceeding are: GMO, the Missouri Public Service Commission Staff (“Staff”), the Office of the Public Counsel (“OPC”), Missouri Department of Natural Resources (“MDNR”), Federal Executive Agencies (“FEA”), Ag Processing, Inc. (“Ag Processing”), Sedalia Industrial Energy Users (“SIEU”), Wal-Mart Stores, Inc. (“Wal-Mart”)(collectively “Industrials”), Dogwood Energy, LLC (“Dogwood”), City of Kansas City

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(“KCMO”), Bothwell Regional Health Center, Community Hospital Association, Lee’s Summit Medical Center, Research Belton Hospital, Liberty Hospital, Royal Oaks Hospital, Saint Luke’s East—Lee’s Summit, Saint Luke’s Northland Hospital, St. Francis Hospital and Health Services, and St. Mary’s Medical Center (collectively “Hospitals”), IBEW Local Unions 412, 1464, and 1613 (“Unions”), and Union Electric Company d/b/a AmerenUE (“AmerenUE”).

4. In its November 20, 2008 *Order Setting Procedural Schedules*, the Commission, at the parties’ request, waived the requirements of Commission Rule 4 CSR 240-2.080(21) regarding the format of the list of issues.

5. The Staff consulted with the parties in an effort to obtain a consensus as to the wording of the issues, list of witnesses and order of cross-examination. However, such consensus was not reached, and the listing of issues below is not an agreement by any party that any particular listed issue is, in fact, a valid or relevant issue. Indeed, in their position statements, some parties may state that they consider a particular listed issue to not be a valid issue. This “non-binding” listing of issues is not to be construed as impairing any party’s ability to argue about any of these issues or related matters, or to restrict the scope of its response to arguments made by other parties.

LIST OF ISSUES

REVENUE REQUIREMENT

RATE BASE

1. Iatan 1 Selective Catalytic Reduction (“SCR”) facility, Flue Gas Desulphurization (“FGD”) unit and Baghouse (collectively “Iatan 1 AQCS-Air Quality Control Systems-Rate Base Additions”):
 - a. What criteria should the Commission use to determine when the Iatan 1 AQCS Rate Base Additions are “fully operational and used for service?”
 - b. Are the Iatan 1 AQCS Rate Base Additions fully operational and used for

service?

- c. Should the costs of the Iatan 1 AQCS Rate Base Additions that exceed KCPL's "definitive estimate" of [REDACTED] before allocation be allocated and included in L&P's rate base on an interim subject to refund basis?
- d. Should a regulatory asset be established to defer carrying cost and depreciation expense associated with the Iatan 1 AQCS Rate Base Additions appropriately recorded to Electric Plant in Service that are not included in L&P's rate base in the current rate case.

2. Iatan Common Costs (L&P only):

- a. What portion of the Common Costs of the Iatan 1 and Iatan 2 construction projects should be included in L&P's rate base in this proceeding?
- b. Should a regulatory asset be established to defer carrying cost and depreciation expense associated with the portion of the Common Costs of the Iatan 1 and Iatan 2 construction projects appropriately recorded to Electric Plant in Service that are not included in L&P's rate base in the current rate case, or should these costs be considered Iatan 2 project costs?
- c. Should the reduction of reserve overstatement currently assigned to MPS and L&P as UCU Common General Plant be assigned on a weighted average per reserve account to the ECORP accumulated reserve for depreciation?
- d. Should GMO maintain separate accounting of amounts accrued for recovery of its initial investment in plant and the amounts accrued for cost of removal of plant?

3. Sibley 3 and Jeffrey Energy Centers (collectively "Sibley and Jeffrey Rate Base Additions") (MPS only):

- a. Are the Sibley and Jeffrey Rate Base Additions fully operational and used for service?
- b. Should the costs of the Sibley and Jeffrey Rate Base Additions that exceed GMO's "definitive estimates" of [REDACTED] and approximately [REDACTED], respectively, be included in MPS's rate base, on an interim subject to refund basis?

4. Is it lawful for the Commission to designate a portion of the rates in this case "interim rates, subject to refund," if GMO has not voluntarily agreed to any rates being interim subject to refund?

5. Prudence of MPS Generating Capacity Additions (MPS only):

- a. Was the decision of MPS to wait to add the approximately 300 MW of capacity

GMO is obtaining from Crossroads prudent?

- b. For purposes of setting rates for MPS, should be the revenue requirement for the approximately 300 MW of capacity GMO is obtaining from Crossroads be based on the depreciated net book value of Crossroads on MPS's books and included in MPS's rate base?
 - c. For purposes of setting rates for MPS, should be the revenue requirement for the approximately 300 MW of capacity GMO is obtaining from Crossroads be based on the present cost of two additional 105 MW combustion turbines installed in 2005 at a GMO site that would permit the building of six such combustion turbines (rate base) plus a short-term 100 MW purchased power agreement (expense) because GMO was imprudent by not acquiring the capacity of those two additional combustion turbines in 2005?
 - d. For purposes of setting rates for MPS, should be the revenue requirement for the approximately 300 MW of capacity GMO is obtaining from Crossroads be based on the present cost of Crossroads based on the cost to GMO of acquiring Crossroads as a regulated site in 2005 because GMO was imprudent by not owning that capacity in 2005? If the revenue requirement for the approximately 300 MW of capacity GMO is obtaining from Crossroads is included in rate base at the 2007 depreciated net book value of Crossroads, should the accumulated deferred taxes associated with Crossroads be used as an offset to rate base?
 - e. Was transfer on GMO's books of Crossroads from non-regulated operations to the regulated operations of MPS at cost permitted by the Commission's Affiliated Transaction Rule without a variance from the Commission?
 - f. If a value of Crossroads is included in rate base, should the transmission expense to get the energy from Crossroads to MPS's territory be included in expenses? If so, should the Commission reflect any transmission cost savings to the Company resulting in its future participation in SPP as a network service customer related to the Crossroads plant?
 - g. Would GMO be prudent to delay building additional combustion turbine capacity in order to utilize the power and asset sales offers by Dogwood in response to GMO's RFPs?
6. Southwest Power Pool Transmission (MPS and L&P): Should the Commission reflect any transmission cost savings to the Company resulting in its future participation in SPP as a network service customer?
7. Cash Working Capital—Imputed AR Program in Lead Lag Study (MPS and L&P): Should the cost related to the termination of GMOs accounts receivable sales program caused by the loss of investment grade status be passed on to its customers?
8. Accumulated Depreciation (MPS and L&P): Should the reserve deficiency related to plant retired prematurely as a consequence of GPE's acquisition of Aquila be added back to the respective ECORP reserve account?

If the reserve deficiency associated with these premature retirements is not added back to the respective ECORP reserve accounts, should this amount be considered an acquisition detriment?

- a. Should the reduction of reserve overstatement currently assigned to the two divisions as UCU Common General Plant be assigned on a weighted average per reserve account to the ECORP accumulated reserve for depreciation?
 - b. Should GMO maintain separate accounting of amounts accrued for recovery of its initial investment in plant and the amounts accrued for the cost of removal?
 - c. Is Commission authorization required for GMO to change its depreciation rate to zero (0)?
 - d. Should the accumulated depreciation for ECORP common plant asset accounts reflect depreciation accrual of approximately \$4.2 million more than on GMO's books because the authorized depreciation rates for the ECORP common asset accounts are not zero?
 - e. Has GMO properly accounted for ECORP common plant asset retirements caused by Great Plains Energy's acquisition of GMO?
9. Prepaid Pension Asset: What level of prepaid pension asset should be included in rate base?
10. Demand-Side Management
- a. Should the Commission require GMO to use a net incremental reduction in annual energy usage of at least 1% resulting from the ongoing implementation of demand side programs over a twenty year planning horizon as a target for GMO's programs to meet? Should the net incremental reduction incorporate free-ridership and spill over factors?
 - b. Should GMO add its proposed Supplemental Weatherization and Minor Home Repair Program to GMO's energy efficiency portfolio?
 - c. Should GMO add its Economic Relief Pilot Program to its demand-side management programs?
 - d. Should the weatherization program be modified so that GMO's Call Center will refer customers to the program?
 - e. Should LIHEAP recipients be directed to the weatherization program and be required to participate in it?
11. Service Quality: Has Great Plains Energy's acquisition of Aquila affected the quality of GMO's service?

COST OF CAPITAL

1. Return on Common Equity (MPS and L&P): What return on common equity should be used for determining GMO's rate of return?
2. Capital Structure (MPS and L&P): What capital structure should be used for determining GMO's rate of return?
3. Cost of Debt (MPS and L&P): What cost of debt should be used for determining GMO's rate of return?

EXPENSES

1. Short-term Incentive Compensation (MPS and L&P): Should the costs of short-term incentive compensation plans be included in MPS and L&P's revenue requirements for setting GMO's rates?
2. Supplemental Executive Retirement Pension (SERP) Costs (L&P only): Should the costs of the SERP payments related to former Saint Joseph Light and Power Company officers be included in L&P's revenue requirement for purposes of setting rates?
3. Payroll Overtime (MPS and L&P): What level of payroll overtime should be included in MPS and L&P's revenue requirements for purposes of setting rates?
4. Fuel & Purchased Power Expenses, and Off-System Sales Margins (MPS and L&P):
 - a. What level of fuel and purchased power expense should be included in MPS and L&P's revenue requirements for purpose of setting rates?
 - b. What level of off-system sales margins should be reflected in MPS and L&P revenue requirements for purposes of setting rates?
 - c. Should non-asset-based off-system sales (also referred to as "Q Sales") be excluded from the revenue requirements of MPS and L&P (treated "below-the-line") or should these Q Sales be included in the revenue requirements of MPS and L&P?
 - i. If these non-asset-based off-system sales are treated "below-the-line" has GMO assigned an appropriate amount of its costs to the support of this non-regulated activity?
5. MPS and L&P Fuel Allocations:
 - a. Should the Commission adopt Staff's methodology to allocate fuel and purchased power expense in this case?
 - b. Should the Commission direct the parties to work toward agreement of allocation of purchased power sales and environmental costs prior to the filing of the first change under the Fuel Adjustment Clause (January 1, 2010)?

6. Property Tax Expense (L&P only): Should property taxes in the amount of \$126,425 assessed on the new Air Quality Control System (“AQCS”) at the Iatan 1 generating station be included in the GMO’s revenue requirement in this proceeding before they are paid?
7. Cost of Removal (MPS and L&P): Should the Company be allowed to charge current customers for tax benefits related to plant retired from service prior to 2001 that is no longer in service where the tax benefit was provided to customers in the years when the plant was retired?
8. Prepaid Pensions (MPS only):
 - a. Should Public Counsel’s proposal to include MPS’ prepaid pension balance at the effective date of the tariffs in rate base be adopted?
 - b. Should the amount included in rate base in a. above be amortized over the period between the current case effective date of tariffs and the expected effective date of tariffs for the Company’s next general rate case?
9. Rate Case Expense (MPS and L&P): What levels of rate case expense should be included in the revenue requirements of MPS and L&P?
10. Merger Transition Costs (MPS and L&P):
 - a. Has the Company satisfied its commitment to only seek recovery of transition costs if its synergy tracker indicates overall savings equal to or greater than the level of transition costs being sought to be included in rates.
 - b. What are the appropriate levels of merger transition costs that should be included in the revenue requirements of MPS and L&P for setting the rates of MPS and L&P?
11. Bad Debt Expense (MPS and L&P): What is the appropriate level of bad debt expense to be included in the revenue requirements of MPS and L&P for setting rates?

DEPRECIATION/GENERAL PLANT:

1. Depreciation Rates (MPS and L&P): What are the appropriate levels of depreciation rates to be established in this case?
2. Should life-span method be rejected for developing depreciation rates for the Company’s production plant accounts?
3. Should establishment of GMO’s depreciation rates be postponed until completion of a consolidated KCPL and GMO depreciation study?
4. If establishment of GMO’s depreciation rates is postponed until completion of a consolidated KCPL and GMO depreciation study, does that delay constitute an acquisition detriment?
5. Should the Company review its unit property catalog for proper and consistent placement of Combustion Turbine units?

RATE DESIGN/TIMING OF NEXT CLASS COST OF SERVICE STUDY

1. Allocations Among Customer Classes (MPS and L&P): How should the rate increase be allocated among the various customer classes?

- a. Should the Company's proposal to allocate the rate increase on an equal percentage for the non-fuel portion of the increase, and rebase the fuel costs on an equal cents per kilowatt-hour basis to equal the expected costs for the test period, be adopted?
 - b. Should Staff's proposal to increase the rates on an equal percentage basis be adopted?
 - c. Should the Industrials' proposal that first the fuel costs be re-based on an equal cents per kilowatt-hour basis to reflect the overall fuel costs, purchased power and off-system sales, then the non-fuel increase be applied on an equal percentage basis to the non-fuel portion of the existing rates, be adopted?
2. Timing of Future Class Cost of Service Study (MPS and L&P): Should the Commission order GMO to perform a Class Cost of Service Study as a part of the next rate case or after the next rate case?

FUEL ADJUSTMENT CLAUSE

1. Expense and Revenue Components (MPS and L&P): What expense and revenue components should be included in the Fuel Adjustment Clause?
2. Q Sales (MPS and L&P): Should revenues and expenses associated with Q sales be included in the Fuel Adjustment Clause?
3. Should GMO be required to submit the information requested by Staff in its Cost-of-Service Report on pages 145-146?
4. Were off-system sales a component of GMO's FAC since the FAC was first implemented?
5. Should the FAC tariff sheet follow the example tariff sheet filed with the surrebuttal testimony of Staff witness John Rogers or the example tariff sheet filed with the rebuttal testimony and surrebuttal testimony of GMO witness Tim Rush?

ORDER OF WITNESSES AND ORDER OF CROSS-EXAMINATION

1. In its *Order Setting Procedural Schedule*, as requested by the parties, the Commission scheduled the evidentiary hearings in this case for May 11-15, 2009. Following is the hearing schedule the parties' propose:

ORDER OF ISSUES AND WITNESSES

Following are known witness conflict dates:

Staff: John Rogers is unavailable May 15; Mike Proctor – unavailable May 13

Dogwood: Janssen will need to appear on 5/14

Monday, May 11, 2009 8:30 a.m.

**Make Entries of Appearance Take Up Outstanding Matters
Opening Statements**

GMO
Staff
Public Counsel
Industrials
FEA
Hospitals
MDNR
Kansas City
Dogwood
Unions
AmerenUE

Overview and Policy

**Giles (GMO)
Featherstone (Staff)**

Iatan 1 Rate Base Additions

**Giles (GMO)
Davis (GMO)
Featherstone (Staff)
Schallenberg (Staff)**

Sibley/Jeffrey Rate Base Additions

**Giles (GMO)
Hedrick (GMO)
Crawford, Dana (GMO)
Featherstone (Staff)
Schallenberg (Staff)**

Tuesday, May 12, 2009 8:30 a.m.

Prudency of MPS Generating Capacity Additions

**Rooney (GMO) (adopted by Crawford, Burton)
Crawford, Burton (GMO)
Hedrick (GMO)
Hardesty (GMO)
Hyneman (Staff)
Mantle (Staff)
Featherstone (Staff)
Meyer (Industrials)
Janssen (Dogwood) (taken on May 14, 2009)
Rose (Dogwood)**

Cost of Capital

**Return on Common Equity
Capital Structure**

**Hadaway (GMO)
Cline (GMO)
Murray (Staff)
Gorman (OPC)**

Cash Working Capital—Lost AR Program Benefits

**Cline (GMO)
Klote (GMO)
Prenger (Staff)**

Wednesday, May 13, 2009 8:30 a.m.

Service Quality

**Alberts(GMO)
Kremer(Staff)**

Short-Term Incentive Compensation

**Curry (GMO)
Klote (GMO)
Majors (Staff)**

Supplemental Executive Retirement Pension (SERP) Costs

**Curry (GMO)
Hyneman (Staff)**

Overtime Costs

**Klote (GMO)
Majors (Staff)**

Prepaid Pensions

**Klote (GMO)
Robertson (OPC)**

Rate Case Expense

**Klote (GMO)
Prenger (Staff)
Trippensee (OPC)**

Bad Debt Expense

**Klote(GMO)
Boateng (Staff)**

Forfeited Discount Revenue

**Klote (GMO)
Boateng (Staff)**

Southwest Power Pool Transmission Expense Savings
Crawford, Burton (GMO)
Meyer (Industrials)

Property Taxes
Hardesty (GMO)
Herrington (Staff)

Cost of Removal
Hardesty (GMO)
Harrison (Staff)

Thursday, May 14, 2009 8:30 a.m.

Prudency of MPS Generating Capacity Additions
Janssen (Dogwood)

Fuel & Purchased Power Expenses, and Off-System Sales Margins
Blunk (GMO)
Crawford, Burton (GMO)
Harris (Staff)
Beck (Staff)
Proctor (Staff)
Kind(OPC)

Divisional Fuel Allocations
Mantle
Maloney

Fuel Adjustment Clause
Rogers(Staff)
Mantle(Staff)
Rush?(GMO)

Depreciation
White (GMO)
Klote (GMO)
Schad (Staff)

Merger Synergy Tracking and Transition Cost Recovery
Giles (GMO)
Ives (GMO)
Hyneman (Staff)

Friday, May 15, 2009 8:30 a.m.

Rate Design/Timing of Next CCOS Study
Rush (GMO)

Normand (GMO)

Cecil (Staff)

Kind (OPC)

Brubaker (MIEC/Praxair)

Demand-Side Management

Dennis (GMO)

Wolfe (MDNR)

Kind (OPC)

Johnson (City of Kansas City)

ORDER OF CROSS-EXAMINATION

While for specific issues a different order of cross-examination may be more appropriate, generally, the order of cross-examination, based on adversity, is the following:

GMO witnesses

AmerenUE, Kansas City, Unions, Dogwood, MDNR, FEA, Industrials, Hospitals, Public Counsel, Staff

Staff witnesses

AmerenUE, Kansas City, Unions, Dogwood, MDNR, FEA, Industrials, Hospitals, Public Counsel, GMO

Public Counsel witnesses

AmerenUE, Kansas City, Unions, Dogwood, MDNR, FEA, Industrials, Hospitals, Staff, GMO

Industrial witnesses

AmerenUE, Kansas City, Unions, Dogwood, MDNR, FEA, Hospitals, Staff, Public Counsel, GMO

Dogwood witnesses

AmerenUE, Kansas City, Unions, MDNR, FEA, Industrials, Hospitals, Staff, Public Counsel, GMO

WHEREFORE, the Staff submits the foregoing list of issues, order of witnesses and order of cross-examination in response to the Commission's November 20, 2008 *Order Setting Procedural Schedule*.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams #35512

Deputy General Counsel

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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 April, 2009.

/s/ Nathan Williams