

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

In the matter of KCP&L Greater Missouri)	<u>File No. HT-2011-0343</u>
Operations Company, for Authority to File Tariffs)	YH-2012-0159
Changing the Steam QCA for Service Provided to)	
Customers in its Service Territory)	

STAFF'S RECOMMENDATION TO REJECT TARIFF SHEET AND DIRECT FILING

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and, for its *Recommendation to Reject Tariff Sheet and Direct Filing*, respectfully states:

1. In the attached Memorandum (Appendix A) the Staff recommends the Missouri Public Service Commission ("Commission") reject the tariff sheet KCP&L Greater Missouri Operations Company (GMO) filed on October 14, 2011, that bears an effective date of December 1, 2011, and order GMO to file a new tariff sheet that implements the Commission's order in File No. HC-2010-0028 and request that tariff sheet become effective on December 1, 2011.

2. On October 14, 2011, GMO filed its proposed tariff sheet to make a change to the quarterly cost adjustment (QCA) rate required by GMO's Quarterly Cost Adjustment Rider - Steam, which the Commission approved in Case No. HR-2005-0450, and modified in Case Nos. HR-2009-0092 and HR-2010-0028. The Quarterly Cost Adjustment Rider - Steam requires quarterly QCA rate adjustments, with not more frequent than annual true-ups. The proposed tariff sheet did not implement the refund the Commission ordered in File No. HC-2010-0235. In that case the Commission found GMO's implementation of its program to financially hedge its natural gas supply to be imprudent and ordered:

“[GMO] shall refund to its steam customers, through operation of the Quarterly Cost Adjustment, the net cost of operating its natural gas price hedging program for steam production in the amount of \$931,968 for 2006 and \$1,953,488 for 2007.”

3. Staff reviewed the proposed tariff sheet and determined that the current quarterly cost adjustment (CQCA) and QCA rate for the third quarter of 2011 has been calculated according to the Quarterly Cost Adjustment Rider - Steam and complies with the Commission’s Order in Case No. HR-2010-0028. However, the proposed tariff sheet is not in compliance with the Commission’s Order in File No. HC-2010-0235.

4. On October 21, 2011, given the then-pending *Application for Rehearing* in File No. HC-2010-0235, Staff filed its *Informational Pleading and Suggestion* indicating that in order to facilitate timely implementation of adjustments under GMO’s QCA, the Commission should indicate whether it intended this particular QCA rate adjustment to implement the refund it ordered in File No. HC-2010-0235 to allow adequate time for GMO to withdraw the tariff sheet it filed on October 14, 2011, and submit a new proposed tariff sheet, and for Staff review of such new proposed tariff sheet.

5. On November 2, 2011, the Commission denied GMO’s *Application for Rehearing*, indicating to Staff the Commission intends the ordered refund be included in the pending QCA rate for the third quarter of 2011.

6. On November 2, 2011, Lena Mantle, Manager of the Staff’s Energy Unit, sent to Tim Rush of GMO, via email and hard copy, a letter indicating Staff’s position to reject GMO’s October 14, 2011, proposed tariff sheet filing. Staff encouraged GMO to expeditiously file a new proposed tariff sheet incorporating the ordered refund.

7. GMO has not withdrawn its tariff sheet filed October 14, 2011, and GMO has not filed a new proposed tariff sheet incorporating the ordered refund amount.

8. The start date for adjustment of the third quarter of 2011 QCA rate is December 1, 2011. Some amount of time will be necessary for Staff to review a newly-filed proposed tariff sheet, and a Commission Order approving the tariff sheet to become effective on less than 30 days' notice will be necessary to facilitate timely implementation of the QCA rate adjustment.

9. Staff recommends the Commission issue an order (1) rejecting the proposed tariff sheet filed October 14, 2011, and (2) directing GMO to file a new proposed tariff sheet implementing the ordered refund and a motion for expedited treatment by close of business November 14, 2011.

10. 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 pending before the Commission that affects or is affected by this tariff filing except for File No. HC-2010-0235.

WHEREFORE, the Staff of the Missouri Public Service Commission recommends the Commission (1) reject the proposed tariff sheet GMO filed on October 14, 2011, to wit:

P.S.C. MO. No. 1

10th Revised Sheet No. 6.10 Canceling 9th Revised Sheet No. 6.10;

(2) direct GMO to file, by close of business on November 14, 2011, a proposed tariff sheet that both makes the quarterly cost adjustment for the third quarter of 2011 required by GMO's Quarterly Cost Adjustment Rider - Steam and implements the refund the Commission ordered in File No. HC-2010-0235; and (3) direct GMO to request that its proposed tariff sheet become effective on December 1, 2011.

Respectfully submitted,

/s/ Sarah Kliethermes

Sarah L. Kliethermes
Senior Counsel
Missouri Bar No. 60024

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Missouri Public Service Commission
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of November, 2011.

/s/ Sarah Kliethermes

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. HT-2011-0343, Tariff Tracking No. YH-2012-0159
KCP&L Greater Missouri Operations Company

FROM: Leon Bender, Utility Regulatory Engineer I
Michelle Bocklage, Rate & Tariff Examiner

/s/ John Rogers 11/8/2011
Energy Unit / Date

/s/ Sarah Kliethermes 11/8/2011
Staff Counsel Department / Date

SUBJECT: Staff Recommendation For **Rejection** Of Tariff Sheet To Add The Quarterly Cost Adjustment For The Third Quarter Of 2011 To The Quarterly Cost Adjustment Rider Of KCP&L Greater Missouri Operations Company And To Require GMO To File a New Tariff Sheet That Includes Implementation Of The Full Refund Amount Ordered By The Commission

DATE: November 8, 2011

On October 14, 2011, KCP&L Greater Missouri Operations Company (GMO) filed with the Commission one (1) tariff sheet bearing an issue date of October 14, 2011, and an effective date of December 1, 2011, to add the quarterly cost adjustment (QCA) for the third quarter of 2011. The adjustment is required by GMO's Quarterly Cost Adjustment Rider, which the Commission approved in Case No. HR-2005-0450, and modified in Case Nos. HR-2009-0092 and HR-2010-0028, for steam service on and after July 1, 2009.

GMO's filing included the proposed tariff sheet and workpapers consisting of four worksheets showing its calculation of the QCA for the third quarter of 2011.

The procedure for the calculation of the QCA for steam service sales occurring on and after July 1, 2009, is set out in Sheet Nos. 6.6 through 6.10 of GMO's tariff, which are entitled, "Quarterly Cost Adjustment Rider – Steam."

Staff reviewed the data and mathematical calculations GMO provided in its workpapers. Staff found GMO's calculations related to the third quarter 2011 QCA filing to be correct, and that the calculations satisfy the standards set forth on Sheet Nos. 6.6 through 6.10 of GMO's tariff. The calculations are also consistent with previous GMO QCA tariff filings.

However, on September 28, 2011, the Commission issued its *Report and Order* in the Complaint by AG Processing, Inc., A Cooperative Concerning Recoveries From Steam Customers Of Imprudently Incurred Amounts By Aquila, Inc. And Its Successors Including KCP&L Greater Missouri Operations Company ("Complaint") in File No. HC-2010-0235 with an effective date of October 8, 2011. In the *Report and Order* the Commission ordered GMO to refund to its steam customers, through the QCA, the net cost of operating its natural gas price hedging program for steam production in the amount of \$931,968 for 2006 and \$1,953,488 for 2007. In

GMO's letter of filing dated October 14, 2011, GMO states it has not made that adjustment ordered by the Commission in this filing of the Current Quarterly Cost Adjustment (CQCA) for the third quarter of 2011.

Staff therefore recommends that the Commission **reject** the following proposed tariff sheet, as filed on October 14, 2011, to become effective on December 1, 2011, as requested by GMO.

P.S.C. MO. No. 1

10th Revised Sheet No. 6.10 Canceling 9th Revised Sheet No. 6.10

Staff also recommends the Commission order GMO to file a new 10th Revised Sheet No. 6.10 to include implementation of the full refund amount of \$2,885,456 ordered by the Commission in the CQCA for the third quarter of 2011. Staff recommends the revised tariff sheet take effect December 1, 2011, so customers can receive the benefit of the refund amount for charges made approximately four years ago.

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 pending before the Commission that affects or is affected by this tariff filing except for the Complaint.

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

In the Matter of KCP&L Greater
Missouri Operations Company for
Authority to File Tariffs Changing the
Steam QCA for Service Provided to
Customers in its Service Territory

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Case No. HT-2011-0343
File No. YH-2012-0159

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 8th day of November, 2011.

SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 03, 2014 Commission Number: 10942086
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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 File Tariffs Changing
the Steam QCA for Service
Provided to Customers in its
Service Territory

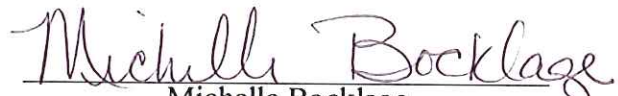
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Case No. HT-2011-0343
File No. YH-2012-0159

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 8th day of November, 2011.




Notary Public