

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

In the Matter of KCP&L Greater Missouri Operations Company for Authority to File Tariff Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company ) ) ) ) ) File No. ER-2010-0356

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

COMES NOW KCP&L Greater Missouri Operations Company (“GMO” or “Company”) and for its response to Staff’s and Public Counsel’s August 11, 2010 Suggestions for Customer Notice state:

1. Staff and Public Counsel are using the notice issue to argue that GMO must re-base its Fuel Adjust Clause (“FAC”) every time it files a rate case. Staff and Public Counsel contend that this rate case provides the opportunity to reflect a more current level of ongoing net fuel and purchased power costs (p.3). Besides the fact that the law does not require re-basing, Staff’s and Public Counsel’s position ignores that rate adjustment mechanisms under 386.266 are tried up to recover any difference between the fuel and purchase power costs the utility actually incurs and the fuel and purchased power costs used to set rates. 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, the Company’s rates were not re-based.

2. After explaining that GMO has not chosen to re-base its FAC in this case, the Staff and Public Counsel argue at p.5 that the Commission must require that the customer notice provide a full disclosure of the quantifications of the impact of the revenue increases GMO is

proposing to defer for future recovery through its FAC charges. Again, Staff cites no statute or regulation which would require such a notice.

3. The Company is already providing full disclosure of its rate increase through its proposed notice. When the FAC adjustment is filed, there will be another notice to show how much and which rates were increased as a result of the FAC.

4. Staff's and Public Counsel's proposed notice will cause more customer confusion in the Company rate request regarding FACs. FACs are filed semi-annually and are designed to recover the fuel and purchased power costs, net of off-system sales revenues for a prior six-month period above the base amount in the base rates of the Company. The incremental difference in costs above the base amount is to be recovered over a twelve month period. To include in the customer notice an estimate of what a *future* FAC increase *might* be *after* this case is resolved is not appropriate.

5. The Company is not recommending to re-base its fuel and purchase power costs, net of off-system sales. The GMO rate case filing is complicated in that GMO serves two rate divisions (MPS and L&P). GMO is a partner in the Iatan 2 power plant and owns 18%. With the addition of Iatan 2 in this rate case, the Company is proposing to allocate a portion of Iatan 2 to each rate division. Additionally, the expiration of major GMO purchase power contract which only serves L&P, fuel and purchased power costs and the level of off-system sales all have a significant bearing on how future fuel costs at GMO will be addressed and will impact the overall future FAC for GMO.

6. Due to the manner the Company filed its case, the earliest that the Company could raise rates under the FAC for the fuel costs suggested in the Staff/Public Counsel notice is September 2011. Not only will the notice proposed by Staff and Public Counsel be over a year

old but customers will be notified at that time of the *actual* increase in rates under the FAC which will be known at the time. Therefore, GMO's proposed notice is the most transparent method of informing customers of the two ways that rates will change.

7. Staff and Public Counsel also argue that the percentage increase amounts in GMO's purposed notice were incorrect. The 14.4% and 13.9% figures in GMO's proposed notice are the correct increased amounts. As the Company described in its minimum filing requirements included in its case (Appendix 2, 4 CSR-240-3.030(3)(B)(1), the expected impact to a customer for the L&P territory is 13.87% and 14.43% for the MPS Territory. These percentage increases include the expected FAC revenues on a pro forma basis. The percentage increase as applied to retail rates, if FAC is excluded, is 15.64% for the L&P territory and 15.21% for the MPS territory. The primary difference in these percentages is what is included in the denominator in calculating the percentage change. It is the Company's position that the customer percentage increase should include both the base rates and an expectation of what the FAC will be at the time that rates take effect. This calculation is representative of the customer's total bill. Staff/Public Counsel believes that the percentage increase would be the percentage increase without the FAC as a part of the denominator. It is the Company's opinion that Staff/Public Counsel's position misrepresents the expected percentage change that customer would see in the bill if the entire rate increase were granted

WHEREFORE, GMO respectfully requests that the Commission reject Staff and Public Counsel's argument that GMO must re-base its Fuel Adjustment Clause rates in this rate case and approve the notice as provided by the Company.

Respectfully submitted,

*/s/ Roger W. Steiner*

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**Counsel for KCP&L Greater Missouri Operations  
Company**

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing response has been hand-delivered, emailed or mailed, First Class mail, postage prepaid, this 20th day of August 2010, to the counsel of record in this proceeding.

*/s/ Roger W. Steiner*

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