

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

In the Matter of the Application of KCP&L	)	
Greater Missouri Operations Company for	)	Case No. ER-2010-0356
Approval to Make Certain Changes in its	)	
Charges for Electric Service.	)	

**RESPONSE TO COMMISSION ORDER DIRECTING FILING**

COMES NOW KCP&L Greater Missouri Operations Company (“GMO” or the “Company”) and states:

1. On May 24, 2011, the Commission issued an Order directing its staff to file a response regarding GMO’s request for clarification regarding the rebased fuel and purchased power amounts. The Order also permits any other party to file a response as well. GMO responds herein regarding the fuel and purchased power issue as well as two other issues raised in its request for clarification. This pleading is intended to provide additional information that may be needed by the Commission to more fully evaluate the issues raised in GMO’s motion for clarification.

2. On May 11, the Staff,<sup>1</sup> pursuant to Commission order, filed its revenue requirement based upon the Commission’s May 4 Report and Order. The Company had concerns regarding the revenue requirement filed by the Staff, and endeavored to work with the Staff to resolve its concerns. Among the Company’s concerns was the Staff’s revenue requirement reflected in the Staff’s fuel model results which the Company believed contained errors and missing elements. (GMO Motion pp. 5-7)

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<sup>1</sup> Staff, KCP&L and other parties were ordered to comply with the Stipulation and Agreement extending the effective date of the tariffs to June 4, 2011. See ¶ 2, Order Approving Nonunanimous Stipulation and Agreement, Setting Procedural Schedule, and Clarifying Order Regarding Construction and Prudence Audit (Aug. 18, 2010).

3. On May 13, 2011, GMO filed its Motion for Clarification and/or Reconsideration and Application for Rehearing. Among other issues, GMO sought clarification of the Commission's May 4, 2011 Report and Order on Crossroads Depreciation, Crossroads Accumulated Deferred Income Tax Reserve Amount and Rebased Fuel and Purchased Power Amounts. These issues are described in pages 1-7 of GMO's May 4 pleading. In particular, the Company pointed out that the Commission's Report and Order did not specify whose (Company's or Staff's) revenue requirement fuel numbers are to be used and, therefore, the Commission should indicate whether the Company's MIDAS<sup>TM</sup> model or Staff's historical model should be used for this calculation. The Staff's May 11, 2011, revenue requirement filing uses Staff's historical model for these costs. As explained in GMO's motion, Staff's model omits key elements of the rebased fuel and purchased power expenses. (GMO Motion, p. 4)

4. The Company has been in discussions with the Staff on the above three issues since the Report and Order was issued. The Company and Staff worked together to find common ground on how to interpret the Report and Order.

5. On May 20, Staff counsel circulated an email (attached as Exhibit 1) indicating that Staff would be filing updated revenue numbers. The email contained a table which indicated that Staff's revenue requirement number would be increasing based on updates to Staff's position on the Crossroads depreciation and deferred income tax issue and the rebased fuel and purchased power issue. The numbers contained in the email were consistent with the discussions that had occurred between Staff and the Company, and reflected corrections to Staff's fuel model that were of a concern to GMO. In addition, Staff provided a new EMS run to the Company on May 23, which also indicated that Staff was updating its revenue requirement numbers on the above issues.

6. Staff did not file the anticipated update on May 23 and it does not appear that Staff intends to file such an update<sup>2</sup>. Since the Commission needs this information in order to rule on the Motion for Clarification as well as to establish a just and reasonable revenue requirement, the Company is making this filing to provide this detail.

7. Exhibit 2 contains selected pages from Staff's May 11 EMS run which was filed in this docket.

8. Exhibit 3 is the Staff's May 23 EMS run which reflects the understanding that Staff and the Company had regarding the implementation of the Report and Order. That understanding covered Crossroads Depreciation, Crossroads Deferred Income Tax, and Rebased Fuel and Purchased Power Amounts.

9. The May 23 EMS runs show an overall impact of \$36.3 million for MPS and \$29.8 million for L&P. These numbers reflect corrections to Staff's fuel model and updates to the above three issues. Each adjustment can be found in the new EMS runs for MPS and L&P.

10. The Staff's original adjustment for the Crossroads Deferred Income Tax issue (MPS issue only) was a \$15 million reduction to rate base as reflected on Exhibit 2, p. 2, l. 32. Exhibit 3 (MPS), Schedule 2, l. 32 shows that Staff now values the rate base reduction at \$2,970,185. The income tax effects for this adjustment are found on Exhibit 3 (MPS), Schedule 11, Column C, l. 52. This change reflects the calculation of the deferred income tax amount using a \$61.8 million valuation of Crossroads as of July 2008 as ordered by the Commission.

11. The Staff's original accumulated reserve for depreciation for Crossroads (MPS issue only) was a \$6,600,582 as reflected on Exhibit 2, p. 3, Column I, l. 107. Exhibit 3 (MPS), Schedule 6, p. 2 of 5, Column I, l. 107 shows that Staff now values the accumulated reserve for

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<sup>2</sup> As noted above, staff has been directed to respond to GMO's motion for clarification on the fuel and purchased power issue.

depreciation for Crossroads at \$5,981,778. This change reflects the difference between 32 months of depreciation expense and 29 months.

12. The Staff's original amount for MPS total power production expenses was \$204,784,684 as reflected on Exhibit 2, p. 4, Schedule 9, Column H, 1. 2. Exhibit 3 (MPS), Schedule 9, p. 1 of 1, Column H, 1. 2 shows that Staff's updated amount for MPS total power production expense is \$210,234,662. This increase reflects the addition of certain fuel amounts that were not included in Staff's original EMS run. Staff's original amount for L&P total power production expenses was \$68,022,331 as reflected on Exhibit 2, p. 6, Schedule 9, Column H, 1. 2. Exhibit 3 (L&P), Schedule 9, Column H, 1. 2 shows that Staff's updated amount for MPS total power production expense is \$68,502,769. This increase reflects the addition of certain fuel amounts that were not included in the Staff's original EMS run.

13. Staff's original revenue requirement for MPS was \$30,142,949. Staff's May 23 EMS run reflects \$36,267,914, an increase of \$6,124,965. Staff's original revenue requirement for L&P was \$29,293,182. Staff's May 23 EMS run reflects \$29,772,796 an increase of \$479,614. These increases reflect the understanding between the Staff and the Company regarding how to correctly interpret the Report and Order for the Crossroads Accumulated Reserve for Depreciation, Crossroads Deferred Income Tax amount and the Rebased Fuel and Purchased Power issues.

14. The above does not reflect the other items that were included in the Company's Request for Clarification and Application for Rehearing such as Crossroads valuation and transmission expense and the allocation of Iatan 2 which have previously been fully briefed by GMO. The Company continues to believe that the Commission's Report and Order indicates that the MIDAS<sup>TM</sup> model was the preferred modeling choice for GMO's fuel and purchased power expenses, and therefore the Company used MIDAS<sup>TM</sup> to model its fuel and purchased power expenses to reflect the Commission's direction after its fuel re-basing decision. If the

Commission clarifies that the MIDAS™ model should be used in calculating the revenue requirements in this case, then the revenue requirement listed in the May 23 EMS run would be increased by \$2.4 million for MPS and \$.8 million for L&P for a total revenue requirement of \$38,714,264 for MPS and \$30,552,969 for L&P. If, however, the Commission clarifies its Order and indicates that Staff's fuel model should be utilized, then the Company believes that the corrections and updates made by Staff to its fuel model which are reflected in the May 20 email provided to the parties and the May 23 EMS run provided to the Company should be used for purposes of calculating the final revenue requirement in this case.

WHEREFORE, GMO requests that the Commission accept this filing in support of its Motion for Clarification and any other relief that the Commission deems necessary.

*/s/ Roger W. Steiner*

Roger W. Steiner      MBN 39586  
Corporate Counsel  
Kansas City Power & Light Company  
1200 Main Street  
Kansas City, MO 64105  
Phone: (816) 556-2314  
Fax: (816) 556-2787  
Roger.Steiner@kcpl.com

James M. Fischer      MBN 27543  
Fischer & Dority, PC  
101 Madison, Suite 400  
Jefferson City MO 65101  
Phone: (573) 636-6758  
Fax: (573) 636-0383  
[jfischerpc@aol.com](mailto:jfischerpc@aol.com)

**ATTORNEYS FOR KCP&L GREATER  
MISSOURI OPERATIONS COMPANY**

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the above and foregoing was served upon counsel of record on this 25<sup>th</sup> day of May, 2011.

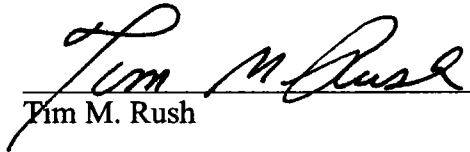
*/s/ Roger W. Steiner*

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Roger W. Steiner

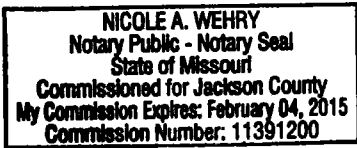
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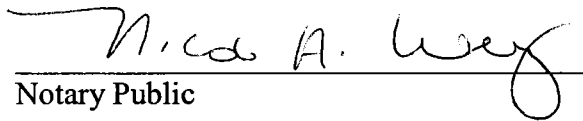
State of Missouri     )  
                                  ) ss  
County of Jackson    )

I, Tim M. Rush, having been duly sworn upon my oath, state that I am the Director, Regulatory Affairs of Kansas City Power & Light Company, that I am duly authorized to make this affidavit on behalf of KCP&L Greater Missouri Operations Company, and that the matters and things stated in the foregoing response and appendices thereto are true and correct to the best of my information, knowledge and belief.

  
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Tim M. Rush

Subscribed and sworn before me this 25<sup>m</sup> day of May, 2011.



  
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Notary Public