

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

In the matter of Aquila, Inc. d/b/a Aquila Networks– )  
L&P, for authority to file tariffs changing the steam )  
Quarterly Cost Adjustment for service provided to ) Case No. HR-2007-0028  
customers in the Aquila Networks–L&P service )  
territory.<sup>1</sup> )

In the matter of Aquila, Inc. d/b/a Aquila Networks– )  
L&P, for authority to file tariffs changing the steam )  
Quarterly Cost Adjustment for service provided to ) Case No. HR-2007-0399  
customers in the Aquila Networks–L&P service )  
territory. )

In the Matter of Aquila, Inc., d/b/a KCP&L Greater )  
Missouri Operations Company, for Authority to File )  
Tariffs Changing the Steam QCA for Service Provided ) Case No. HR-2008-0340  
to Customers in the KCP&L Greater Missouri )  
Operations Company Service Territory )

**STAFF’S REPORT**

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

1. KCP&L Greater Missouri Operations Company’s (“GMO,” formerly Aquila, Inc.) steam rates are adjusted quarterly on terms set out in a non-unanimous stipulation and agreement: the Commission approved in Case No. HR-2005-0450. The non-unanimous stipulation and agreement includes the following provision:

8.4. As detailed below, there will be prudence reviews and true-up of revenues collected and costs. A reconciliation account shall be created to track, adjust and return true-up amounts not otherwise refunded. The

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<sup>1</sup> Aquila is now KCP&L Greater Missouri Operations Company, Case Nos. EN-2009-0164 and HN-2009-0165.

difference between the costs intended for recovery and revenues collected will be tracked in a reconciliation account. Fuel costs collected in rates will be refundable based on true-up results and findings in regard to prudence. . . .

- a. The nonunanimous stipulation and agreement is otherwise silent as to the scope and parameters of the true-ups; however, it includes the following regarding prudence reviews: In consideration of the sharing provisions of the fuel rate mechanism, and the intent to rely on an alignment of customer and Company interest in efficient operations, a two-step approach to prudence review will be followed. In step one the Staff will review to ascertain:
  - i. that the concept of aligning of company and customer interests is working as intended; and,
  - ii. that no significant level of imprudent costs is apparent.
- b. This review may be entirely a part of surveillance activity. Aquila steam customers in the L&P service area will be given timely notice of the results of the step one review. In consideration of Step one results, the Staff may proceed with a full prudence review, if deemed necessary. Such full prudence review shall be conducted no more often than once every 12 months and shall concern the prior 12 month period or calendar year only, provided however that the full prudence review addressing the first partial year, if pursued, will be included with a full prudence review of the first full calendar year of operation of this rate mechanism.
- c. Any Aquila steam customer or group of steam customers in the L&P service area may make application to initiate a complaint for the purpose of pursuing a prudence review by use of the existing complaint process. The application for the complaint and the complaint proceeding will not be prejudiced by the absence of a step two prudence review by Staff.
- d. Pursuant to any prudence review of fuel costs, whether by the Staff or Aquila steam customer(s), there will be no rate adjustment unless the resulting prudence adjustment amount exceeds 10 percent of the total of the fuel costs incurred in an annual review period.

2. In past status reports in these cases the Staff has stated, “Until the scope and parameters for true-up audits for Aquila’s steam “fuel rider” are determined, the Staff

is unable to indicate the date on which it expects to file its true-up audits of the fuel rider.”

3. In Case No. HR-2005-0450 the Staff provided suggestions in support of the Nonunanimous Stipulation and Agreement that included the following description:

For assurance the fuel adjustment rider is properly executed, there is a two-step review process. In the first step the Staff will review for determination that the rider is working as intended and that no significant level of imprudent costs is apparent. Based on step-one results the Staff may perform a detailed prudence review not more than once every twelve months.

4. In the Staff’s last reports in these cases, the Staff related that Ag Processing and Aquila had continued discussions and made progress, but were hampered by the attention devoted to planning and executing the integration of Aquila’s operations with those of Kansas City Power & Light Company as proposed in Case No. EM-2007-374, and that they had not yet resolved all of their differences. Since then KCP&L Greater Missouri Operations Company (GMO) has filed a new steam rate case, along with a new electric rate case, and Ag Process and GMO have continued their discussions within the context of the steam case.

5. Until the scope and parameters for true-up audits for Aquila’s steam “fuel rider” are determined, the Staff is unable to perform its true-up audits of the fuel rider.

WHEREFORE, the Staff of the Missouri Public Service Commission submits this status report to the Commission.

Respectfully submitted,

**/s/ Nathan Williams**

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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 27<sup>th</sup> day of February 2009.

**/s/ Nathan Williams**