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Issues:	Demand-Side Programs Fuel Adjustment Claus
Witness:	John A. Rogers
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Surrebuttal Testimony
File No.:	ER-2010-0356
Date Testimony Prepared:	January 12, 2011

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

FILE NO. ER-2010-0356

Jefferson City, Missouri
January 2011

****Denotes Highly Confidential Information****

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

AFFIDAVIT OF JOHN A. ROGERS

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

John A. Rogers, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 19 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

John A Rogers
John A. Rogers

Subscribed and sworn to before me this 12th day of January, 2011.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086

Susan L Sundermeyer
Notary Public

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SURREBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2010-0356

Q. Please state your name and business address.

A. My name is John A. Rogers, and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position at the Missouri Public Service Commission?

A. I am a Utility Regulatory Manager in the Energy Department of the Utility Operations Division.

Q. Are you the same John A. Rogers that contributed to Staff's Revenue Requirement Cost of Service Report ("COS Report") filed on November 17, 2010 and to Staff's Class Cost-of-Service Report ("CCOS Report") filed on December 1, 2010, and that filed rebuttal testimony in this case on December 15, 2010?

A. Yes, I am.

Q. Would you please summarize the purpose of your surrebuttal testimony?

A. I address certain rebuttal testimony of KCP&L Greater Missouri Operations Company's ("GMO") witness Tim M. Rush, related to GMO's position that an "appropriate" cost recovery mechanism under the Missouri Energy Efficiency Investment Act ("MEEIA") must be in place for GMO prior to its continuation of current demand-side management ("DSM") programs and implementation of planned DSM programs. I also address rebuttal testimony of Mr. Rush and GMO witness Curtis D. Blanc related to GMO's position on

Staff's recommendation to rebase the GMO Fuel and Purchased Power Adjustment Clause ("FAC") in this case and on Staff's recommendation to change the FAC sharing mechanism from a 95%/5% FAC sharing mechanism to a 75%/25% FAC sharing mechanism. Finally, I provide explanations for correction to two of the exemplar tariff sheets filed in Staff's CCOS Report's Schedule JAR-2 and provide two corrected exemplar tariff sheets with this testimony.

Missouri Energy Efficiency Investment Act

Q. Do you believe GMO is committed to continuing its current DSM programs and implementing its planned DSM programs prior to receiving a demand-side investment mechanism through the soon-to-be effective MEEIA rules?

A. No.

Q. Why not?

A. In my direct testimony in Staff's COS Report at page 146, lines 3 through 5, I state: "It is Staff's understanding that GMO is not accepting new applications for its large customer MPower demand-response program due to a reduction in the GMO load forecast, which GMO attributes to the current economic recession." Also, Mr. Rush's rebuttal testimony in this case includes the following at page 15, line 18 through page 16, line 2:

> Q. What is your position regarding MDNR's request to the Commission to require GMO to continue its DSM programs?
>
> A. …. My primary concern regarding MDNR's proposal to "require" the Company to implement DSM programs without addressing an appropriate cost recovery mechanism. *It is the Company's position that an appropriate cost recovery mechanism must be in place to pursue the DSM programs.*

(emphasis added)

Q. Has GMO stated what it believes an appropriate cost mechanism would be?

A. Mr. Rush, in his rebuttal testimony stated on page 15, lines 2 through 3 that "…GMO requests that Commission consider granting GMO recovery consistent with the cost recovery recently granted in the last AmerenUE rate case, ER-2010-0036."

When asked in Data Request No. 364 if this proposed cost recovery mechanism was an appropriate cost recovery mechanism to pursue DSM programs, Mr. Rush responded that it was not the appropriate mechanism. However, in that same data request, Mr. Rush was asked to provide an explanation of what GMO believes the appropriate mechanism would be and why GMO did not propose that mechanism. The following response was received from GMO:

> Answer: No. The appropriate mechanism is contained in the comments filed by the Company and other Missouri utilities in the rulemaking procedure for the MEEIA and consistent with the Legislation. As previously commented by GMO, the appropriate mechanism would include contemporaneous recovery of program costs, and a deferral of all lost revenues, including carrying costs, to be recovered at the beginning of the third year plus an incentive based on program successes as evaluated through EM&V. This has previously been provided to Staff and other parties in the context of the GMO IRP discussions.

Q. Does this answer provide an explanation of an appropriate mechanism in this case?

A. No.

Q. Why not?

A. The answer does not describe a mechanism and does not describe how the mechanism would work. The answer only lists the components that GMO believes would be included in an appropriate mechanism.

Q. Does the MEEIA rulemaking specify the appropriate recovery mechanism?

A. No, it does not. It only specifies the general parameters of the recovery mechanisms that the utilities may request. Each utility will have to request what it believes the appropriate recovery mechanism will be for it.

Q. Has GMO filed an appropriate mechanism in this case?

A. No. In his direct testimony, Mr. Rush states on page 22, lines 21 through 22 that "[I]t is our hope that the rule will become effective prior to the conclusion of the case and will be implemented as part of this case." In his rebuttal testimony, Mr. Rush states on page 14, lines 17 through 19 that "[t]he timing of the rule will most likely coincide with the effective date of rates from this case, but implementing a recovery mechanism consistent with the rule does not seem feasible in this case."

Q. Can GMO propose what it believes to be an "appropriate" method of recovery regardless of whether rules from the Commission's MEEIA rulemaking are in place?

A. Yes. The language of MEEIA allows GMO to propose a different method of recovery regardless of whether specific Commission rules are in place or not. However, GMO chose not to do so in this case at direct filing.

Q. Has the State of Missouri given direction regarding the future of DSM in Missouri?

A. Yes. In the MEEIA the Missouri state legislature has established a goal of achieving all cost-effective demand-side savings that is not only applicable to the Commission, but also to the electric utilities it regulates, including GMO. I stated Staff's positions for these issues in my rebuttal testimony in this case on page 12, line 27 through page 13, line 31:

> Q. Why do you believe GMO is required by law to comply with MEEIA regardless of when MEEIA rules are effective?

A. MEEIA became law on August 28, 2009. With the enactment of MEEIA, the State of Missouri has declared and directed the following:

. . .

> 3. It shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs.…
>
> 4. The Commission shall permit electric corporations to implement Commission-approved demand-side programs proposed pursuant to this section [MEEIA] with a goal of achieving all cost-effective demand-side savings.…

Q. What is Staff's recommendation to the Commission concerning GMO's DSM programs?

A. Staff recommends that the Commission direct GMO to comply with the MEEIA goal of achieving all cost-effective demand-side savings by: 1) filing with the Commission written documentation for each (current and planned) DSM program included in its last adopted preferred resource plan explaining how it plans to meet the MEEIA goal of achieving all cost-effective demand-side savings when it is curtailing its current programs and not adding the new programs in its adopted preferred resource plan, and, if applicable, why the Company considers the adopted current or new programs no longer cost-effective; or 2) continuing to fund and promote, or implement, the DSM programs in its last adopt preferred resource plan.

Rebase the Fuel Adjustment Clause Base Energy Cost In This Case

Q. Does Staff have a response to page 7, lines 2 through 10 of GMO witness Mr. Blanc's rebuttal testimony where he testifies as follows:

> Q. Do you agree with Staff's request that GMO be required to rebase its fuel costs?

> A. No. I do not understand Staff's rationale for the proposal, particularly in light of its argument in support of changing the "sharing" mechanism from 95%/5% to 75%/25%. Staff's argument for changing the "sharing" mechanism is to give GMO an additional incentive to manage its fuel cost. If Staff is correct that increasing the amount the Company is unable to recover creates such an incentive, rebasing fuel cost would seem to largely mitigate that objective. By rebasing, Staff's 25% would be applied to a much smaller incremental fuel cost, thus eliminating [the incentive the] Staff argues justifies increasing the percentage in the first place.

A. Staff did not intend to confuse Mr. Blanc with its proposal to rebase the GMO FAC and with its proposal to change the FAC sharing mechanism. Staff's proposals to rebase the GMO FAC and its proposal to change the FAC sharing mechanism are not related in any way. In its COS Report and its CCOS Report, Staff makes a number of recommendations concerning GMO's FAC including Staff's recommendations that the FAC Base Energy Cost be rebased to match the Base Energy Cost used in GMO's revenue requirement upon which rates are set and that the FAC Base Energy Cost be set equal to the Base Energy Cost in the test year true-up total revenue requirement for this case. If Staff had no other recommendation concerning GMO's FAC, Staff would still be recommending that the FAC Base Energy Cost be rebased in this case and that the FAC Base Energy Cost be set equal to the same as the Base Energy Cost in the test year true-up total revenue requirement for this case.

Q. Why is Staff recommending GMO's FAC Base Energy Cost be rebased in this case to match the Base Energy Cost in the test year trued-up revenue requirement for GMO in this case?

A. It is important to rebase GMO's FAC Base Energy Cost because all of GMO's costs and revenues, including fuel and purchased power costs and off-system sales revenues, are being reviewed by Staff and other parties during this general rate case. The upgrades to

Iatan 1 and the commercial operation of Iatan 2 will have significant impacts on many areas of GMO's costs and revenues in this case, including fuel and purchased power costs and off-system sales revenue. Rebasing the FAC Base Energy Costs in each general rate case assures that customers receive the correct price signal through fixed rates as soon as possible. Further, customers are not subjected to paying unnecessary additional interest which can occur if the FAC is not rebased in each general rate case.

Finally, as pointed out in Staff's CCOS Report at page 199, line 7 through page 201, line 2, it is important that the Base Energy Cost in the FAC be set equal to the Base Energy Cost in the test year revenue requirement so that the utility neither benefits nor is penalized as a result of the level of actual energy costs. If the Base Energy Cost in the FAC is less than the Base Energy Cost in the test year revenue requirement, the utility will collect the amount of the fuel and purchased power costs net of off-system sales revenue that was set in the permanent rate and the difference between the lower FAC Base Energy Costs and actual energy costs. While customers may only pay a percentage of the difference between the lower FAC Base Energy Costs and actual fuel and purchased power costs net of off-system sales they will be penalized because they are paying some of the difference between the lower FAC Base Energy Costs and the actual energy costs twice. And, finally, if the Base Energy Cost in the FAC is greater than the Base Energy Cost used in the test year revenue requirement, the utility will be penalized because it will not recover the difference between the FAC Base Energy Costs and actual energy costs in neither its permanent rates nor its FAC and customers will benefit regardless of the level of actual energy costs because they will not pay all of the difference between the actual energy costs and the costs in the permanent rates. I provide numerical examples of these three cases on page 200 of Staff's COS Report.

Q. What is the expected impact of rebasing GMO's FAC Base Energy Cost in this case?

A. Based upon information in the Staff COS Report for Base Energy Cost (fuel and purchased power costs less off-system sales revenue) for the inclusion of Iatan 2 and Staff's test year adjustments, updated expansion factors (loss factors), normalized net system inputs, and Staff's allocation of Iatan 2 between MPS and L&P, Staff calculates the Base Energy Cost per kWh for MPS and L&P to be $0.0251 per kWh and $0.0199 per kWh respectively. The following table illustrates the impact of rebasing the FAC Base Energy Cost upon the Base Energy Cost per kWh rates for MPS and L&P.

Base Energy Cost per kWh

	Current Tariff ($/kWh)	Staff Proposed ($/kWh)	Increase ($/kWh)	Percent Increase
MPS	$ 0.02348	$ 0.02500	$ 0.00152	6.5%
L&P	$ 0.01642	$ 0.01990	$ 0.00348	21.2%

Staff will update its FAC Base Energy Costs per kWh rates for MPS and for L&P as part of the test year true-up in this case.

Q. Please use the information in this table to contrast the differences between Staff's recommendation to rebase the FAC in this case and GMO's filing in this case to not rebase the FAC.

A. If GMO's FAC is rebased then the Base Energy Cost included in GMO's permanent rates will increase by approximately 6% for MPS and by approximately 21% for L&P in this case. Future Fuel and Purchased Power Adjustment (FPA) rates will be lower, GMO will recover more of its fuel costs on a timely basis and the amount of interest related to under- or over-collection of actual fuel and purchased power costs less off-system sales

revenue will be less. Rebasing sends the correct price signal to customers through fixed rates as soon as possible.

If GMO's FAC Base Energy Cost is not rebased in this case, the increase in permanent rates in this case will not be as great and the Base Energy Cost will remain as set in Case No. ER-2009-0090. However, future FPA rates will be much larger and GMO will not collect as much of its fuel costs on a timely basis. The amount of interest related to under- or over-collection of actual fuel and purchased power costs less off-system sales revenue will be much higher and may result in customers paying interest that would not be necessary if the FAC had been rebased. Also, the correct price signal will not be provided to customers as soon as possible, but only through future FPA rates over a period of one to two years.

Q. Does the FAC rule in 4 CSR 240-20.090 require that FAC Base Energy Cost be rebased in each general rate case?

A. No, it does not. However, the Commission has opened a repository file for review of 4 CSR 240-20.090 Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms and of 4 CSR 240-3.161 Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements (File No. EW-2011-0139). The Commission has requested written comments and suggestions from interested parties by March 1, 2011, on how the effectiveness of the fuel adjustment clause rules could be improved. Staff will be providing written comments which will include a recommendation that the fuel adjustment clause rules be changed to require that the FAC Base Energy Cost be rebased in each rate case in which a utility requests continuation of its FAC and that the FAC Base Energy Cost be set equal to the Base Energy Cost in the test year true-up total revenue requirement in each rate case.

Q. Does the Staff believe the Commission's order on September 28, 2010, approving GMO's draft customer notice regarding GMO's rate increase application and upcoming public hearings means that the Commission agrees with GMO that the FAC will not be rebased in this case as requested by GMO?

A. No. Through its order on September 28, 2010, the Commission chose to not decide this important issue at that time. The Commission chose instead to decide whether the FAC Base Energy Cost should be rebased in this case through its consideration of all evidence in this case when it stated in its September 28, 2010 order: "In addition, the customer public hearing notice is not the place to argue ratemaking doctrines or the issues of the case."

Q. Please respond to the following rebuttal testimony of Mr. Rush at page 3, lines 21 through 23:

> Q. What did the Company do in the last rate request regarding re-basing the FAC?
>
> A. The Company filed its application to re-base the FAC, however, in the ultimate settlement of the rate case, the parties agreed that the Company not re-base the FAC.

A. I do not agree with Mr. Rush's answer. The following is from Mr. Rush's direct testimony in Case No. ER-2009-0090 at page 5, line 21 through page 6, line 3:

> Q. Is the Company proposing to change the base amounts included in the [FAC] tariff?
>
> A. Yes. The current base amounts are $0.02538 per kWh for MPS and $0.01799 per kWh for L&P. The proposed base amounts are $0.03578 per kWh for MPS and $0.02429 per kWh for L&P. These proposed amounts are calculated with values from the production cost model and weather normalized sales kWhs. This is addressed in the Rate Design portion of my Direct Testimony.

However, while GMO did file to increase the Base Energy Cost per kWh rates in its FAC, Staff later discovered that GMO did not change the Base Energy Cost in the test year

revenue requirement for its rate increase application in Case No. ER-2009-0090 from the Base Energy Cost in permanent rates in its previous rate case, Case No. ER-2007-0004. Thus, GMO's filing in Case No. ER-2009-0090 resulted in the Base Energy Cost in its FAC being greater than the Base Energy Cost in the test year revenue requirement. As I explained earlier in this section of my testimony, if this had been the outcome of the case, GMO would have been penalized because it would not recover the difference between the Base Energy Costs and actual energy costs in the permanent rates and customers would benefit regardless of the level of actual energy costs because they would not pay all of the difference between the actual energy costs and the costs in the permanent rates. The outcome of this issue in Case No. ER-2009-0090 was a negotiated settlement to rebase Base Energy Cost in the FAC equal to the Base Energy Cost in the revenue requirement for permanent rates.

FAC Sharing Mechanism

Q. Mr. Blanc and Mr. Rush both repeatedly characterize Staff's recommendation to change the current 95%/5% FAC sharing mechanism to a 75%/25% FAC sharing mechanism as a way to "penalize" GMO. Do you agree with this characterization?

A. No.

Q. Mr. Blanc and Mr. Rush both suggest in their rebuttal testimony that because Staff has found no evidence of imprudent decisions by the Company's management related to procurement of fuel for generation, purchased power or off-system sales there is no basis for the Staff's proposal to change the FAC sharing mechanism in order to provide a more appropriate incentive for GMO to keep its fuel and purchased power costs down. Do you agree with this suggestion?

A. No.

Q. Please explain your last two answers.

A. The Commission first expressed its view on the relationship between FAC prudence reviews and using a FAC sharing mechanism in its Report and Order in Case No. ER-2007-0004 where it first established the current 95%/5% FAC sharing mechanism for GMO when it stated on page 54:

> The Commission also finds after-the-fact prudence reviews alone are insufficient to assure Aquila will continue to take reasonable steps to keep its fuel and purchased power cost down, and the easiest way to ensure a utility retains the incentive to keep fuel and purchased power costs down is to not allow a 100% pass through of those costs.

Staff's recommendation to change the current 95%/5% FAC sharing mechanism to a 75%/25% FAC sharing mechanism is a way to provide further incentive to GMO to develop and manage an effective energy procurement process which minimizes energy costs while managing risk of loss of energy supply. Also, as I explain later in this surrebuttal testimony, Staff believes a 75%/25% FAC sharing mechanism is a more appropriate sharing of risk between the Company and its customers for any future under- or over-collection of energy costs through GMO's fixed rates.

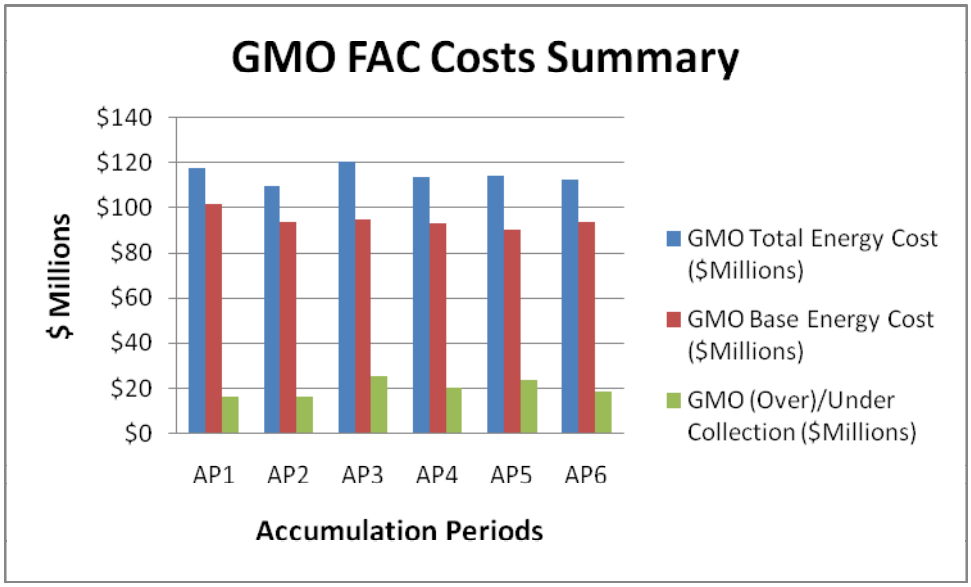
In addition, while Staff has not found any imprudence in its reviews, the Company's reluctance to reset the Base Energy Cost indicates that the 5% that GMO does not recover is not large enough to mean much to GMO. If the incentive is changed to 75%/25%, GMO has made it clear that it will have a reason to rebase its fuel adjustment clause.

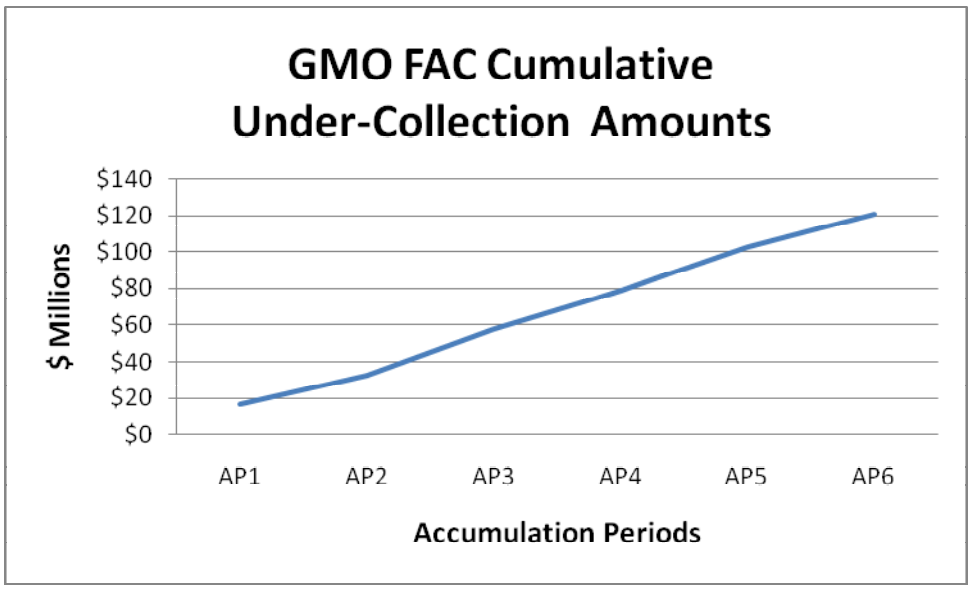
Q. Do you agree with the following rebuttal testimony of Mr. Rush at page 7, lines 4 through 11?

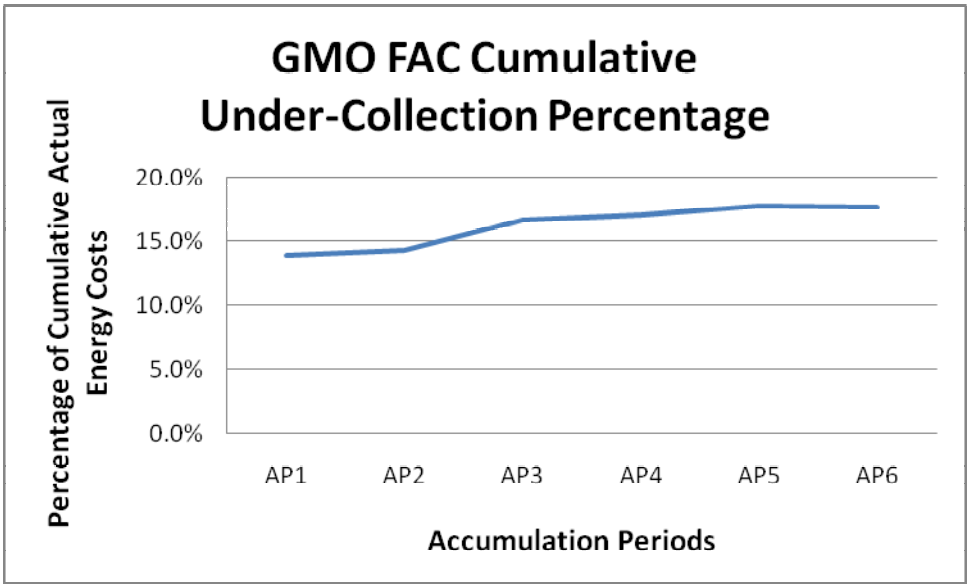
> Staff's 75%/25% proposal prevents GMO the opportunity to earn a fair return on costs which Staff has already determined prudent. … if Staff's 75%/25% sharing mechanism were instituted for GMO, it would have resulted in a reduction of recovered costs of $24

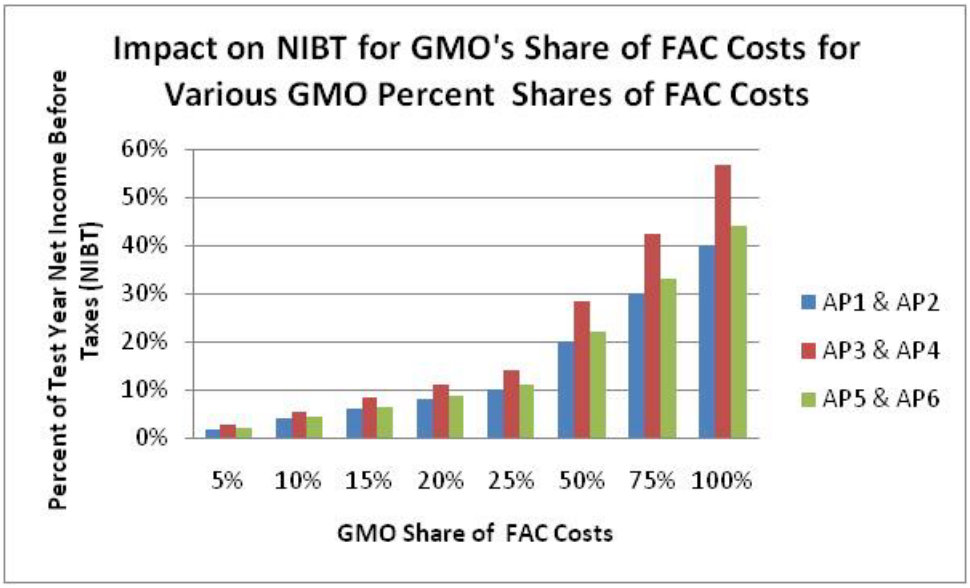
million. This would have equated to an average annual earning loss of $8 million, which would represent approximately a 1% reduction in the Company's return on equity (ROE).

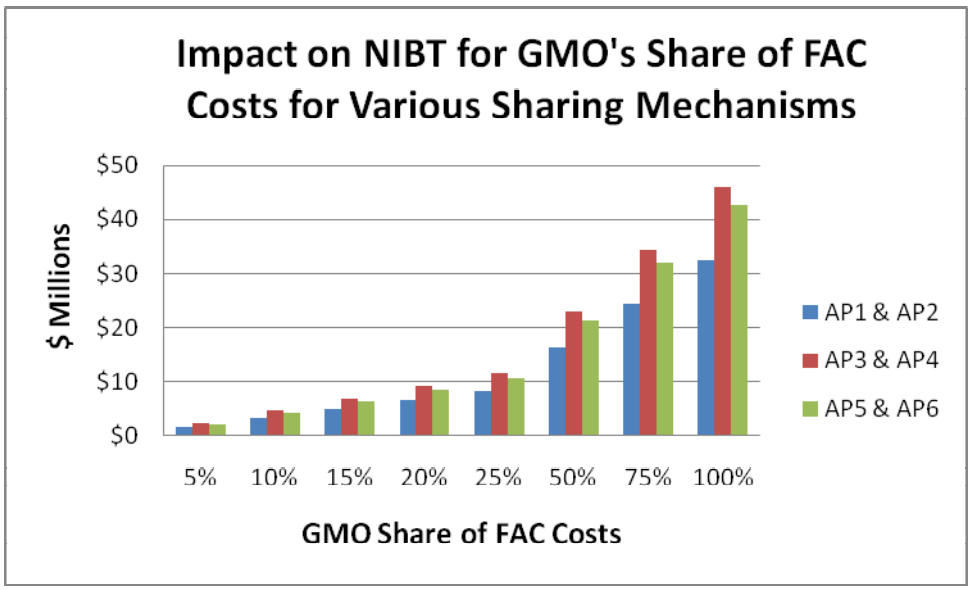
A. I do agree with this statement, since it is simply reiterating the analysis which I performed and included in the Staff's COS Report at page 196, line 4 through page 199, line 6. I am providing the graphic summary of my analysis again at this time:






GMO FAC Cumulative
Under-Collection Percentage
Percentage of Cumulative Actual Energy Costs
20.0%
15.0%
10.0%
5.0%
0.0%
AP1
AP2
AP3
AP4
AP5
AP6
Accumulation Periods


Impact on NIBT for GMO's Share of FAC Costs for
Various GMO Percent Shares of FAC Costs
Percent of Test Year Net Income Before Taxes (NIBT)
60%
50%
40%
30%
20%
10%
0%
5%
10%
15%
20%
25%
50%
75%
100%
GMO Share of FAC Costs
AP1 & AP2
AP3 & AP4
AP5 & AP6



Q. Do you believe a 75%/25% FAC sharing mechanism for GMO will have a similar (1%) impact on GMO's return on equity ("ROE") in the future if it is approved by the Commission?

A. No, not as long as the FAC Base Energy Cost is rebased in this and future rate cases. Mr. Blanc is correct in his rebuttal testimony at page 7, lines 8 through 9 when he states: "By rebasing, Staff's 25% would be applied to a much smaller incremental fuel cost, …."

Q. Are there other reasons you believe a 75%/25% FAC sharing mechanism for GMO is not expected, by itself, to have an adverse impact on GMO's future earnings?

A. Yes. Natural gas prices are now expected to remain moderate and more stable in future years as a result of the very large new potential of shale gas plays.

Q. Is GMO taking every opportunity to increase its off-system sales while managing risk of loss of energy supply?

A. I do not believe so. GMO is not accepting and processing new applications for its large customer MPower demand-response program even though the MPower program has

proven to be a very effective way to reduce load on GMO's system at a time when market prices for energy are very high. Therefore, I believe by promoting the MPower program, GMO has an opportunity to increase off-system sales revenue beyond what is currently expected without this one approach.

I also believe that GMO's off-system sales should increase because of the addition of Iatan 2 capacity.

Q. Would Staff's 75%/25% FAC sharing mechanism provide an enhanced incentive for GMO to promote the MPower program?

A. Yes, since GMO would benefit more from increased off-system sales revenues than it would under the current 95%/5% FAC sharing mechanism. Mr. Rush recognized this opportunity as well in his rebuttal testimony at page 8, line 19 through page 9, line 6:

> Q. Do you believe there are other mechanisms that serve to incent the utility to "develop and manage an effective energy procurement process which minimizes energy costs while managing risk of loss of energy supply"?
> …
> 2) An incentive to retain a portion of the off-system sales would create an incentive to pursue prudent off-system sales.

Q. Please respond to Mr. Blanc's rebuttal testimony at page 7, lines 10 through 15 which follows:

> The wiser course would be to continue the current FAC sharing mechanism, let the Company decide whether it places so much risk on the Company as to necessitate rebasing, and continue reviewing the Company's fuel procurement practices to ensure those costs are prudently incurred. In the mean time, customers continue to benefit from never having to pay millions of dollars that the Company prudently incurs to serve them.

A. When Mr. Blanc states that "… customers continue to benefit from never having to pay millions of dollars that the Company prudently incurs …" he is making this statement with respect to the period of time following the Commission's approval of GMO's

FAC. Staff has performed an analysis of the annual energy cost under-collection for the three full calendar years preceding the Commission's approval of GMO's FAC and found that for this three-year period (2004 through 2006) GMO under-collected a total of approximately $116 million dollars of energy costs, for which GMO's customers were responsible for paying $0.

Following the Commission's approval of GMO's FAC, GMO continued to consistently under-collect energy costs with a total under-collection of $121 million for accumulation periods 1 through 6, which covered the three years from June 2007 to May 2010. However, during this three-year period, GMO's customers were responsible for paying $115 million and GMO was responsible for $6 million as a result of the current 95%/5% FAC sharing mechanism. Thus, nearly all of the risk resulting from under-collection of energy costs has been shifted from GMO to its customers as a result of the 95%/5% FAC sharing mechanism.

Assuming everything else remained the same, if the FAC sharing mechanism had been a 75%/25% FAC sharing mechanism for accumulation periods 1 through 6, GMO's customers would have been responsible for $91 million of the total $121 million of under-collected energy costs, and GMO would have been responsible for $30 million. However, GMO would have had an incentive to promote its MPower program and to increase its off-system sales so both the amount the customers and GMO would have paid would have been less.

The following charts graphically illustrate this shift in risk for the 95%/5% FAC sharing mechanism and the more reasonable allocation of risk represented by the 75%/25% FAC sharing mechanism Staff recommends.

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Changes to Staff's FAC Exemplar Tariff Sheets

Q. What additional changes does Staff propose to the FAC exemplar tariff sheets filed in Staff's CCOS Report?

A. On Schedule JAR-1-10 and Schedule JAR-2-15 Staff proposes to delete the word "long-term" from the definition of OSSR (Revenues from Off-System Sales) since the term "long-term" can be interpreted various ways. I recommend that the definition of OSSR be: "OSSR = Revenues from Off-System Sales: Revenues from Off-system Sales shall exclude full and partial requirements sales to Missouri municipalities that are associated with GMO." Also, on Schedule JAR-2-14 the jurisdictional factor ("* J") is deleted from the equation defining FPA in order to be consistent with Staff's proposal to delete the jurisdictional factor from the GMO FAC. Revised schedules, Schedule JAR-1-10, Schedule JAR-2-14 and Schedule JAR-2-15 are included as schedules to this surrebuttal testimony.

Q. Does this conclude your surrebuttal testimony at this time?

A. Yes, it does.

FUEL ADJUSTMENT CLAUSE (CONTINUED)
ELECTRIC
(Applicable to Service Provided June 4, 2011 and Thereafter)

- The following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, fuel losses, hedging costs, fuel additives, fuel used for fuel handling, and settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses, broker commissions and fees in Account 547.

EC = Net Emissions Costs:

- The following costs reflected in FERC Account Number 509 or any other account FERC may designate for emissions expenses in the future: Emission allowances costs and revenues from the sale of SO2 emission allowances.

PP = Purchased Power Costs:

- Purchased power costs reflected in FERC Account Numbers 555: Purchased power costs, settlement proceeds, insurance recoveries, and subrogation recoveries for increased purchased power expenses in Account 555, and excluding capacity charges for purchased power contracts with terms in excess of one (1) year.

OSSR = Revenues from Off-System Sales:

- Revenues from Off-system Sales shall exclude full and partial requirements sales to Missouri municipalities that are associated with GMO.

B = Base energy costs are costs as defined in the description of TEC (Total Energy Cost). Base Energy costs will be calculated as shown below:

L&P NSI x Applicable Base Energy Cost
MPS NSI x Applicable Base Energy Cost

CGP = Accumulation period Crossroads Generating Plant factor will be used to reduce actual fuel costs to reflect one-half of the estimated annual incremental cost to include the Crossroads Generating Plant in the FAC. For each accumulation period, the CGP factor is equal to $370,035 for MPS and $0 for L&P.

C = Under / Over recovery determined in the true-up of prior recovery period cost, including accumulated interest, and modifications due to prudence reviews.

I = Interest on deferred electric energy costs calculated at a rate equal to the weighted average interest paid on short-term debt applied to the month-end balance of deferred electric energy costs.

Issued: ~~July 8, 2009~~ Effective: June 4, 2011~~September 1, 2009~~
Issued by: Curtis D. Blanc, Sr. Director
STATE OF MISSOURI, PUBLIC SERVICE COMMISSION
P.S.C. MO. No. 1 1st Revised~~Original~~ Sheet ~~-~~No.127.1~~2~~
Canceling P.S.C. MO. No. 1 Original Sheet No.127.1
KCP&L Greater Missouri Operations Company For Territories Served as L&P and MPS
KANSAS CITY, MO ~~64106~~

FUEL ADJUSTMENT CLAUSE (CONTINUED)
ELECTRIC
(Applicable to Service Provided June 4, 2011~~September 1, 2009~~ and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS

FPA = 75~~95~~% * ~~(~~(TEC – B - CGP) ~~* J)~~ + C + I

CAF = FPA/RNSI

Single Accumulation Period Secondary Voltage $CAF_{Sec} = CAF * XF_{Sec}$

Single Accumulation Period Primary Voltage $CAF_{Prim} = CAF * XF_{Prim}$

Annual Secondary Voltage CAF =
Aggregation of the Single Accumulation Period Secondary Voltage CAFs still to be recovered

Annual Primary Voltage CAF =
Aggregation of the Single Accumulation Period Primary Voltage CAFs still to be recovered

Where:

FPA = Fuel and Purchased Power Adjustment

CAF = Cost Adjustment Factor

75~~95~~% = Customer responsibility for fuel variance from base level.

TEC = Total Energy Cost = (FC + EC + PP - OSSR):

FC = Fuel Costs Incurred to Support Sales:

- The following costs reflected in Federal Energy Regulatory Commission (FERC) Account Numbers 501 & 502: coal commodity and railroad transportation, switching and demurrage charges, applicable taxes, natural gas costs, alternative fuel (i.e. tires and bio-fuel), fuel additives, quality adjustments assessed by coal suppliers, fuel hedging cost (hedging is defined as realized losses and cost

minus realized gains associated with mitigating volatility in the Company's cost of fuel, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps), fuel oil adjustments included in commodity and transportation costs, broker commissions and fees associated with price hedges, oil costs, propane costs, ash disposal revenues and expenses, fuel used for fuel handling, and settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses in Account 501.

FUEL ADJUSTMENT CLAUSE (CONTINUED)
ELECTRIC
(Applicable to Service Provided June 4 2011~~September 1, 2009~~ and Thereafter)

- The following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, fuel losses, hedging costs, fuel additives, fuel used for fuel handling, and settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses, broker commissions and fees in Account 547.

EC = Net Emissions Costs:

- The following costs reflected in FERC Account Number 509 or any other account FERC may designate for emissions expenses in the future: Emission allowances costs and revenues from the sale of SO2 emission allowances.

PP = Purchased Power Costs:

- Purchased power costs reflected in FERC Account Numbers 555~~, 565, and 575~~: Purchased power costs, settlement proceeds, insurance recoveries, and subrogation recoveries for increased purchased power expenses in Account 555, ~~excluding SPP and MISO administrative fees and~~ excluding capacity charges for purchased power contracts with terms in excess of one (1) year.

OSSR = Revenues from Off-System Sales:

- Revenues from Off-system Sales shall exclude ~~long-term~~ full and~~&~~ partial requirements sales to Missouri municipalities that are associated with GMO.

B = Base energy costs are costs as defined in the description of TEC (Total Energy Cost). Base Energy costs will be calculated as shown below:

L&P NSI x Applicable Base Energy Cost
MPS NSI x Applicable Base Energy Cost