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** **Tariff No. JE-2010-0693**

STAFF'S AND PUBLIC COUNSEL'S SUGGESTIONS FOR CUSTOMER NOTICE AND REPLY TO KCP&L GREATER MISSOURI OPERATIONS COMPANY'S RESPONSE TO STAFF'S AND PUBLIC COUNSEL'S OBJECTIONS TO KCP&L GREATER MISSOURI OPERATIONS COMPANY'S PROPOSED CUSTOMER NOTICE

COME NOW the Staff of the Missouri Public Service Commission and Public Counsel and for their suggestions regarding the customer notice the Commission should approve in this case and for their reply to KCP&L Greater Missouri Operations Company's (GMO) response to their objections to GMO's proposed customer notice state:

1. Staff and Public Counsel pointed out in their objections to the customer notice GMO proposed on July 20, 2010, that GMO is characterizing its request in this case as being for an increase to its Missouri jurisdictional annual gross revenues from its MPS service area (Kansas City, Missouri area) of approximately $76 million (14.4%) and from its L&P service area (St. Joseph, Missouri area) of approximately $22 million (13.9%). It is still proposing the customer notice do so.

2. In its response to Staff's and Public Counsel's objection to its proposed customer notice GMO has revised its proposed customer notice by adding a disclosure that it is seeking to modify its fuel adjustment clause, but GMO's proposed customer notice is still inadequate. The primary inadequacy is that GMO's proposed notice still does not inform customers that not only is GMO seeking to increase its general rate revenues, it is also expecting to later recover through its fuel adjustment clause, 95% of approximately $46 million annually in net fuel and purchased

power costs—95% of $27 million from its customers in its MPS service area and 95% of approximately $19 million from its customers in its L&P service area. A second inadequacy is that GMO's proposed customer notice still understates the percentage increases in the rate revenues it proposes. Rather than being approximately 14% for both the MPS and L&P service areas as stated in the notice, the proposed percentage increases in rate revenues are approximately 15.2% and 15.6%, respectively

3. As indicated, Staff and Public Counsel have two issues with GMO's proposed customer notice. First, the notice does not reveal that GMO implicitly is proposing to recover through its Fuel Adjustment Clause (FAC) 95% of its projected annual increase in net fuel and purchased-power costs of approximately $46 million—95% of approximately $27 million in increased annual fuel and purchase power costs required for its MPS service area and 95% of approximately $19 million in annual fuel and purchased power costs for its L&P service area. GMO plans to recover this approximately $46 million annual increase through its FAC charges in addition to recovering through its FAC charges the differences between its actual fuel and purchased power costs and the normal ongoing level of annual fuel and purchased power costs it has projected, but not sought general rate recovery of, in this case. Second, the percentages of 14.4% and 13.9% do not correctly state the percentage increase in rate revenues that GMO has requested.

4. After Staff and Public Counsel raised their objections to GMO's initial proposed customer notice Staff, Public Counsel and GMO discussed them, but were unable to agree on customer notice language to submit to the Commission for approval.

5. With its filing on Friday, August 6, 2010, GMO has added language providing notice regarding its FAC; however, both Staff and Public Counsel view that disclosure to be inadequate.

6. The customer notice the Commission approves should adequately inform customers that GMO is implicitly proposing to recover in the future, through its FAC charges, 95% of the its projected $46 million increase in the test year level of normal ongoing fuel and purchased power costs. The heart of the inability to reach agreement on a customer notice is a difference of opinion between GMO, and Staff and Public Counsel on (1) the need for full disclosure to customers of potential rate impacts and (2) the appropriate use of rate adjustment mechanisms under § 386.266 RSMo.

7. Based on how GMO has filed its application, GMO views that it is appropriate to use its FAC to augment the rate recovery of normal, net fuel and purchased power costs on an ongoing basis and not just from one general rate case to the next. This occurs by GMO excluding a portion of the normal, ongoing net fuel and purchased power costs (historically based) from the revenue requirement it uses for designing rates in this rate case, then expecting to recover that omitted amount through periodic adjustments to its FAC charge by "continuing" the existing FAC and FAC bases with what GMO characterizes as minor modifications. In other words, GMO is proposing to recover a portion of its normal, ongoing net fuel and purchased power costs through its future FAC charges rather than through its general rates, even though this rate case provides the opportunity to reflect a more current level of ongoing net fuel and purchased power costs in GMO's general rates. Failure to take advantage of this re-basing opportunity is harmful to consumers because it decreases the transparency of the ratemaking

process and unnecessarily increases the complexity of FAC mechanisms, which are already difficult for customers to understand.

8. Staff and Public Counsel disagree that this is an appropriate use of FACs and, indeed, it should not be a permissible use of them. Staff and Public Counsel view that rate adjustment mechanisms such as a FAC are intended to enable a utility to recover the difference between the predicted net fuel and purchased power costs used for setting rates in a general rate proceeding and the net fuel and purchased power costs the utility actually incurs until the subsequent general rate proceeding. General rates are set prospectively based on historical costs. In contrast, rate adjustment mechanisms are used to recover any after-the-fact difference between the net fuel and purchased power costs used in setting general rates and the net fuel and purchased power costs the utility actually incurs.

9. GMO does not propose to disclose in the customer notice that it is requesting the Commission to set the bases in its FAC to allow it to recover through its future FAC charges 95% of approximately $46 million in increased fuel-related costs annually—95% of approximately $27 million annually in fuel-related costs for its customers in its MPS service area and 95% of approximately $19 million annually for its customers in its L&P service area. While GMO has not included these amounts in the revenue requirements it used for developing proposed general rates for its MPS and L&P service areas, it is not planning to forego them—it intends to collect them through its FAC charges. Therefore, the customer notice the Commission approves should tell customers what the impact on GMO's proposal for general rates would be if GMO had included these net fuel and purchased power costs in the revenue requirements it used to develop its proposed general rates. When the $27 million and $19 million are included in the

respective revenue requirements, the resulting increase is approximately $103 million (20.7%) for the MPS service area and approximately $41 million (29.4%) for the L&P service area.

10. In its response to Staff's and Public Counsel's objections GMO argues that because it is not proposing to set the FAC bases against which its actual costs are compared based on what it has determined to be all of its net fuel and purchased power costs, "it would be inappropriate and highly misleading to the public to suggest, . . ., that: 'Including these costs in base rates would result in the Company seeking an approximate $103 million total increase, or 19.5% for MPS and an approximate $41 million total increase, or 26%, for L&P.'" However, it would be more inappropriate and misleading to ignore that, by the bases GMO is proposing for its FAC in this case, GMO is anticipating to recover 95% of the $46 million projected annual increase ($27 million plus $19 million) in its net fuel and purchased power costs later in time through its FAC charges. By how GMO has chosen to file its case, it is obvious that the loss of five percent of $46 million annually and several months of delay in recovering the $46 million are not sufficient to cause GMO to seek to recover the $46 million through its general rates. Therefore, the Commission must require that the Customer Notice it approves for distribution to customers in this case provide a full disclosure of the quantifications of the impacts of the revenue increases GMO is proposing to defer for future recovery through its FAC charges. Staff and Public Counsel are merely proposing a quantification of that impact in terms that should be readily understandable by GMO's customers.

11. With regard to the percentage increases that should be included in the customer notice based on annual increases in rate revenues of approximately $76 million from the MPS service area and approximately $22 million from the L&P service area, the respective 14.4% and 13.9% figures GMO proposes to include in the notice are not correct. The percentages that

should be used are found in the minimum filing requirements included in GMO's application, 15.2% and 15.6%, respectively. The immediately referenced minimum filing requirement is in Appendix 2 to the Application and follows, in full:

INFORMATION FILED IN ACCORDANCE WITH
4 CSR-240-3.030 (3) (B) (1)

Aggregate Annual Increase

The aggregate annual increase over current revenues which the tariffs propose is $22,101,088 for KCP&L Greater Missouri Operations Company for the L&P Territory, an overall increase of 13.87%, including the Fuel Adjustment Clause revenues on a Pro Forma Basis. The percentage increase as applied to retail rates, excluding Fuel Adjustment Clause revenue is 15.64%.

The aggregate annual increase over current revenues which the tariffs propose is $75,779,649 for KCP&L Greater Missouri Operations Company for the MPS Territory, an overall increase of 14.43%, including the Fuel Adjustment Clause revenue on a Pro Forma Basis. The percentage increase as applied to retail rates, excluding Fuel Adjustment Clause revenue is 15.21%

12. After further review and discussions, Staff and Public Counsel present with this filing what they believe to be a customer notice that would provide better notice to GMO's customers than both the changes to GMO's initial proposed customer notice they suggested with their objections and to the revised proposed customer notice GMO has provided with its response to Staff's and Public Counsel's objections.

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 11th day of August 2010.

/s/ Nathan Williams____________________

Important notice

KCP&L Greater Missouri Operations Company has filed revised electric service tariff sheets with the Missouri Public Service Commission (PSC) seeking to increase the Company's Missouri jurisdictional annual gross revenues in its MPS service area by approximately $76 million, or 15.2%, and in its L&P service area by approximately $22 million, or 15.6%.

The Company has asked the PSC to modify its fuel adjustment clause (FAC) to allow the Company to recover certain additional transmission costs through its FAC charge. The Company's modified FAC allows it to adjust customers' bills two times per year based on variations in certain costs and revenues related to fuel and purchased power.

With these tariff sheets the Company is not proposing to change the level of costs and revenues related to fuel and purchased power net of off-system sales in its currently approved rates except for changes related to the inclusion of certain transmission and propane costs. Based on the Company's filing, on an annual basis, it would recover through its FAC charge 95% of an additional $27 million from its MPS customers and 95% of an additional $19 million from its L&P customers for these costs, plus any variations (positive or negative) in them. If the Company is allowed to recover these costs in its rates and not through its FAC charge, in addition to the increase as it has requested, the resulting increase in the Company's Missouri jurisdictional annual gross revenues in its MPS service area would be approximately $103 million, or 20.7%, and the resulting increase in the Company's Missouri jurisdictional annual gross revenues in its L&P service area would be approximately $41 million, or 29.4%.

For the typical MPS residential customer, the Company's proposed increase is approximately $14.86 each month, but if costs the Company proposes be collected through its FAC charge are collected in rates the increase would be approximately $20.20 per month. For the typical L&P residential customer, the Company's proposed increase is approximately $12.82 each month, but if costs the Company proposes be collected through its FAC charge are collected in rates the increase would be approximately $24.10 each month.

The PSC will determine the actual change in rates. As part of its determination the PSC will conduct local public comment hearings to solicit input from the company's customers, as follows:

• Day of week, Date, beginning at Time, in the Building name, Address

• Day of week, Date, beginning at Time, in the Building name, Address

• Day of week, Date, beginning at Time, in the Building name, Address

• Day of week, Date, beginning at Time, in the Building name, Address

A question-and-answer session will be held beginning at time.

The Commission will also conduct an evidentiary hearing at its offices in Jefferson City Date through Date, beginning at Time. If you wish to comment or secure information, you may contact the Office of the Public Counsel, Post Office Box 2230, Jefferson City, MO 65102, telephone (866) 922-2959, email opcservice@ded.mo.gov or the Missouri Public Service Commission, Post Office Box 360, Jefferson City, MO 65102, telephone 800-392-4211, email pscinfo@psc.mo.gov.

The buildings where the hearings will be held meet accessibility standards required by the Americans with Disabilities Act. If a customer needs additional accommodations to participate in these hearings, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.