BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company to Transfer Certain Assets to KCP&L Greater Missouri Operations Company	))))	Case No.: EO-2012-0479

FIRST AMENDED APPLICATION TO TRANSFER ASSETS AND MOTION FOR EXPEDITED TREATMENT

Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") (collectively "Applicants"), pursuant to Section 393.190, Mo. Rev. Stat. (2000), as amended,[1] 4 CSR 240-2.060, 4 CSR 240-2.080(14), and 4 CSR 240-3.110, hereby submit this First Amended Application ("Application") for authorization to transfer at cost certain electric transmission facilities currently owned and operated by KCP&L, located between KCP&L's Nashua substation in Clay County near Smithville, Missouri and GMO's Alabama Street substation in St. Joseph, Buchanan County, Missouri, to GMO (the "Transfer"). All exhibits attached to Applicants' original Application filed on June 29, 2012 are incorporated by reference as if attached to this Application.

The Transfer is needed to facilitate the construction of a new regionally-funded transmission project required by the Southwest Power Pool, Inc. ("SPP") to relieve transmission congestion in the SPP region and to increase the ability to move low cost generation within the region.[2] Additionally, transferring these existing transmission facilities to GMO will more accurately align the existing facilities with the customers primarily benefiting from such

---

1 All statutory references are to the Missouri Revised Statutes (2000), as amended, unless otherwise noted.

2 As described more fully in the body of this Application, SPP has identified the need for a new 345 kV transmission line between KCP&L's Iatan substation and its Nashua substation as part of its regional transmission planning obligation the results of which are presented in the Balanced Portfolio Network Upgrades approved by the SPP Board of Directors in 2009. SPP Balanced Portfolio Project, available at http://www.spp.org/publications/2009%20Balanced%20Portfolio%20-%20Final%20Approved%20Report.pdf (last visited June 18, 2012).

facilities. This Application by KCP&L and GMO requests all necessary authorizations to complete the Transfer.

Because the new regionally-funded transmission line is expected to be constructed no later than June 2015, to meet this deadline and keep the current construction schedule, KCP&L and GMO seek expedited treatment for the approval requested herein, pursuant to 4 CSR 240-2.080(14). In support of their Application, KCP&L and GMO state as follows:

I. APPLICANTS

1. KCP&L is a Missouri corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. KCP&L is primarily engaged in the business of generating, transmitting, distributing, and selling electric energy to the public in portions of western Missouri and eastern Kansas. KCP&L is an electrical corporation and a public utility, as defined in Section 386.020, and is subject to the jurisdiction and regulatory supervision of this Commission. KCP&L provided its Certificate of Good Standing in Case No. EF-2002-315, which is incorporated by reference in accord with 4 CSR 240-2.060(1)(G).

2. GMO is a Delaware corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. GMO is primarily engaged in the business of generating, transmitting, distributing, and selling electric energy and providing steam utility service to the public in portions of western Missouri. GMO is an electrical corporation and a public utility, as defined in Section 386.020, and is subject to the jurisdiction and regulatory supervision of this Commission. GMO provided its Certificate of Good Standing in Case No. EU-2002-1053, which is incorporated by reference in accord with 4 CSR 240-2.060(1)(G).

3. Pleadings, notices, orders, and other correspondence and communications related to this Application should be sent to the undersigned counsel and also to:

Darrin Ives
Senior Director, Regulatory Affairs
Kansas City Power & Light Company
1200 Main Street
Kansas City, Missouri 64105
Tel: (816) 556-2522
Fax: (816) 556-2110
Email: darrin.ives@kcpl.com

Tim M. Rush
Director, Regulatory Affairs
Kansas City Power & Light Company
1200 Main Street
Kansas City, Missouri 64105
Tel: (816) 556-2344
Fax: (816) 556-2110
E-mail: tim.rush@kcpl.com

4. Applicants have no pending action or final unsatisfied judgment or decision against them from any state or federal agency or court that involves customer service or rates, which has occurred within three years of the date of this Application other than the following: *Ag Processing, Inc. a Cooperative v. KCP&L Greater Missouri Operations Company*, Case No. HC-2012-0259. Applicants also have no overdue annual reports or assessment fees.

II. BACKGROUND

5. In 1947, this Commission granted KCP&L a Certificate of Convenience and Necessity ("CCN") to construct, maintain, and operate a high voltage electric transmission line from "the southern edge of North Kansas City, thence northwardly across Clay, Platte and Buchanan Counties to a substation of the St. Joseph Company, known as Lake Road Substation."[3] KCP&L subsequently constructed a transmission line pursuant to that CCN.

6. The Transfer contemplated herein seeks approval to transfer a portion of the line approved by the 1947 CCN and related assets. Specifically, the Transfer will include the

[3] In re Kansas City Power & Light Co., St. Joseph Light & Power Co. and Maryville Elec. Light & Power Co., Case No. 10,962, Report and Order at 5 (Jan. 3, 1947), attached hereto as Exhibit 1.

transmission facilities owned and operated by KCP&L between KCP&L's Nashua substation and GMO's Alabama substation (the "Alabama-Nashua Line"). A map of the Alabama-Nashua Line is attached hereto as Exhibit 2. The assets will be divided between GMO's two rate districts—the L&P rate district and the MPS rate district—based on the geographic boundaries of their franchised service territories. Specifically, 14.38 miles of the Alabama-Nashua Line will be assigned to L&P and 16.14 miles of the Alabama-Nashua Line will be assigned to MPS.

7. The Transfer arises from the issuance of Notifications to Construct ("NTC") from SPP seeking acceptance from KCP&L and/or GMO to build the Iatan-Nashua 345-kV line project ("Iatan-Nashua Project"). A map of the proposed route for the Iatan-Nashua Project is attached hereto as Exhibit 3. The Iatan-Nashua Project generally calls for the construction of a new 345 kV transmission line from KCP&L's Iatan substation to the Nashua substation where it will connect with KCP&L's existing Hawthorn-St. Joseph 345 kV transmission line. The selected route between these two substations is wholly within GMO's franchised service territory. In addition, the Iatan-Nashua Project calls for the installation of a 345/161 kV transformer at KCP&L's Nashua substation, including any necessary upgrades to that substation.

8. The Iatan-Nashua Project is a regionally beneficial transmission project that was approved by SPP in 2009 as part of its Balanced Portfolio of transmission upgrades.[4] Subsequently, on June 19, 2009, SPP issued an NTC seeking KCP&L's acceptance to construct, own, and operate the Iatan-Nashua Project. A copy of the NTC is attached hereto as Exhibit 4.

9. KCP&L advised SPP on September 15, 2009 that it accepted the NTC for the Iatan-Nashua Project. A copy of KCP&L's acceptance is attached hereto as Exhibit 5. On April 9, 2012, KCP&L requested that SPP modify the Iatan-Nashua Project to include both

[4] See SPP Balanced Portfolio Project, available at http://www.spp.org/publications/2009%20Balanced%20Portfolio%20-%20Final%20Approved%20Report.pdf (last visited June 18, 2012).

KCP&L and GMO as Designated Transmission Owners of the Project, because after reviewing routing options it became clear that the transmission line would traverse through GMO's franchised service territory. A copy of KCP&L's request is attached hereto as Exhibit 6. On April 17, 2012 SPP issued a NTC both to KCP&L and GMO to build the Project, which is attached hereto as Exhibit 7. On June 22, 2012, KCP&L and GMO each accepted the revised NTCs. A copy of the responses is attached hereto as Exhibit 8.

10. As the Commission is aware, KCP&L and GMO have been actively exploring options for constructing the Iatan-Nashua Project. Indeed, the Commission opened Case No. EO-2012-0271 to investigate the siting and safety of the Iatan-Nashua Project. In that proceeding, Applicants agreed to certain ongoing communication and reporting requirements recommended by Staff with regard to the construction of the Iatan-Nashua Project, including the status of the ownership of this Project.[5] Additionally, on May 22, 2012, the Company met with representatives of Staff and the Office of Public Counsel and indicated that the Company's preferred construction option was that KCP&L would be responsible for the upgrades at the Iatan and Nashua Substations and that GMO would be responsible for the construction of the entire 345 kV line between the substations.

11. Applicants seek Commission approval in this Application for the sale of the Alabama-Nashua Line by KCP&L to GMO at cost to facilitate the Applicants' plan under which GMO will construct the new 345 kV transmission line located entirely within its franchised service territory, between KCP&L's Iatan substation and its Nashua substation. KCP&L will construct the upgrades to the Iatan and the Nashua substations identified in the NTCs.

---

[5] In the Matter of an Investigation into the Siting and Safety of a Proposed Transmission Line in Platte County, Missouri, Case No. EO-2012-0271, Order Directing Filing and Denying Motion for Local Public Hearing at 4-5 (issued Mar. 14, 2012) ("March 14, 2012 Order") (directing Applicants to file quarterly updates beginning on March 30, 2012 that include the progress of the planning, design, and construction of this Project, the status of the ownership of this Project, and a summary of the Applicants' contact with the public during the previous quarter).

III. DESCRIPTION OF THE TRANSFER

12. Applicants are seeking authorization for the sale of the Alabama-Nashua Line by KCP&L to GMO. This line was built in 1947 to allow KCP&L to sell energy to St. Joseph and Maryville. From an operational standpoint, however, the transfer of the Alabama-Nashua Line will have no impact on KCP&L customers. Because of certain improvements to the transmission facilities since 1947 when the Alabama-Nashua Line was first constructed, and particularly because of the construction and activation of the 345 kV facilities at the nearby Hawthorne-St. Joseph line, dependence on this line has been greatly reduced.

13. Applicants seek authorization to transfer the Alabama-Nashua Line from KCP&L to GMO so that GMO can use a portion of these existing facilities to construct the new regionally-funded Iatan-Nashua Project. The entire Alabama-Nashua Line lies within GMO's service territory. Because a portion of the Iatan-Nashua Project will overlap with a portion of the Alabama-Nashua Line, Applicants hereby request that the Commission approve the transfer of that line to GMO pursuant to Section 393.190.[6]

14. A copy of the executed Purchase Agreement is attached hereto as Exhibit 9. As noted above, the assets will be divided between L&P and MPS based on the geographic boundaries of their franchised service territories—*i.e.*, 14.38 miles of the Alabama-Nashua Line will be assigned to L&P and 16.14 miles of the Alabama-Nashua Line will be assigned to MPS. The book value of this line is $1,751,526.19, depreciation reserve is $1,105,526.19, and net book value is $646,483.77 as of May 31, 2012.

15. As described in the attached Purchase Agreement, the Alabama-Nashua Line will be sold at its book value less the amount of depreciation reserve associated with the line as

---

6 See Exhibit 3.

reflected in KCP&L's accounting records, which is the line's net book value.[7] Because the Transfer will occur between two regulated utilities at cost, the Affiliate Transactions Rule set forth in 4 CSR 240-20.015, the stated purpose of which is "to prevent regulated utilities from subsidizing their non-regulated operations," is inapplicable. The Commission so held in its Report and Order approving the merger of Great Plains Energy Incorporated and Aquila, Inc., stating that "the purpose of the Commission's Affiliate Transactions Rule is to prevent cross-subsidization of regulated utility's non-regulated operations, not to prevent transactions at cost between two regulated affiliates."[8] In that Report and Order, the Commission further held that, to the extent the affiliate transactions rule is applicable to transactions between KCP&L and GMO, a variance shall be granted.[9]

16. Attached hereto as Exhibit 10 are GMO's balance sheet and income statement with adjustments showing the results of the acquisitions of the property, pursuant to 4 CSR 240-3.110(1)(E).

17. The Transfer will have a minimal effect on the tax revenues on the counties in which the assets are located. Because the Alabama-Nashua Line will be sold at its book value, less the amount of depreciation reserve associated with the line, both KCP&L and GMO will pay the same amount of taxes. However, because KCP&L's average pole mile cost is higher than GMO's average pole mile cost, the total decrease in property taxes based on the 2011 assessments and mill levy rates would have been $72,148 for the following tax districts where

---

7 See Exhibit 9 at 2.

8 In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated and for Other Related Relief, Case No. EM-2007-0374, Report and Order at 264 (effective July 11, 2008).

9 Id.

these pole miles are located, which will be offset by an increase in value to the other taxing districts served by KCP&L and GMO:

County Wide:	
Buchanan	(2,591)
Clay	(335)
Platte	(1,999)
Fire Protection District:	
Dearborn	(1,607)
DeKalb	(357)
S Central	(748)
Smithville	(1,096)
Camden	(839)
School District:	
Buchanan	(25,806)
Clay	(3,506)
Platte	(26,694)
City:	
Smithville	(165)
Kansas City	(170)
Library:	
R. Hill	(1,682)
Clay County	(225)
Ambulance:	
Northland	(2,578)
Road:	
Platte County	(1,750)

IV. LEGAL STANDARD

18. The Commission must approve the Transfer if it is not detrimental to the public interest.[10] "The Commission may not withhold its approval of the disposition of assets unless it can be shown that such disposition is detrimental to the public interest."[11] Missouri courts have

---

[10] See 4 CSR § 240-3.110(1)(D).

[11] State ex rel. Fee Fee Trunk Sewer, Inc. v. Litz, 596 S.W.2d 466, 468 (Mo. App. E.D. 1980). See also State ex rel. City of St. Louis v. PSC, 73 S.W.2d 393, 400 (Mo. 1934).

recognized that "the obvious purpose of Section 393.190 is to ensure the continuation of adequate service to the public served by the utility."[12]

19. In a decision approving the transfer of assets from one utility to an affiliated utility, the Commission defined its role under Section 393.190:

> In considering whether or not the proposed transaction is likely to be detrimental to the public interest, the Commission notes that its duty is to ensure that [the utility] provides safe and adequate service to its customers at just and reasonable rates. A detriment, then, is any direct or indirect effect of the transaction that tends to make the power supply less safe or less adequate, or which tends to make rates less just or less reasonable.
>
> The presence of detriments, thus defined, is not conclusive to the Commission's ultimate decision because detriments can be offset by attendant benefits. The mere fact that a proposed transaction is not the least cost alternative or will cause rates to increase is not detrimental to the public interest where the transaction will confer a benefit of equal or greater value or remedy a deficiency that threatens the safety or adequacy of the service.[13]

20. Applying this analysis, the Commission must look at the potential benefits and detriments, and then determine if the transaction results in a net detriment to the public. Specifically, the Commission has applied the following factors when considering whether a Section 393.190.1 transaction meets the "not detrimental" standard: (1) the applicant's experience in the utility industry; (2) the applicant's history of service difficulties; (3) the applicant's general financial health and ability to absorb the proposed transaction; and (4) the applicant's ability to operate the assets safely and efficiently.[14]

21. The Transfer meets the "not detrimental" standard as outlined above and pursuant to 4 CSR 240-3.110(1)(D) for the reasons addressed herein. First, as an established utility with approximately 300,000 customers in its franchised service territory and decades of experience in

---

[12] Fee Fee Trunk Sewer, 596 S.W.2d at 468.

[13] In re Union Elec. Co., Case No. EO-2004-0108, Report and Order on Rehearing at 49 (Feb. 10, 2005).

[14] In re Missouri-American Water Co., Case No. WM-2004-0122, Report and Order (Nov. 20, 2003) (citing In re Joint Application of Missouri Gas Energy, Report and Order, 3 Mo. P.S.C.3d 216, 220 (1994)).

operating its transmission system, GMO is well positioned to assume responsibility for the facilities subject to the proposed transfer. Furthermore, GMO's transmission system is under the functional operational control of Southwest Power Pool, the same regional transmission organization ("RTO") in which KCP&L is a member. Therefore, the transfer will involve no shift in RTO responsibilities. Second, the Transfer will not cause any service difficulties, given GMO's well-established history of reliable operation of its transmission facilities. Third, because the assets will be transferred at cost—the net book value of the Transfer assets ($646,483.77)—the proposed transaction is well within the financial capability of GMO to absorb. Fourth, GMO's historical track record in transmission operations demonstrates that it can safely and efficiently operate the facilities subject to the proposed Transfer.

22. Moreover, under a Joint Operating Agreement between KCP&L and GMO, filed with this Commission in Case No. EM-2007-0374, KCP&L employees, working on behalf of GMO, will continue to perform the operational functions associated with this line as they do today. With regard to rate effects, it is anticipated that the proposed Transfer may result in a minimal increase in the rates of GMO customers because rate base will be increased by the value of the net plant being transferred from KCP&L and because certain energy losses across those facilities are likely to be absorbed by GMO. KCP&L customers will likely experience a minimal rate decrease. The minimal increase in GMO rates that may result will be accompanied by the attendant benefits of further reliability to customers in the St. Joseph area and enhanced ability to support additional local load growth. Given such benefits, the cost of the line should be aligned with the electric service provided by GMO, rather than KCP&L.

V. MOTION FOR EXPEDITED TREATMENT

23. KCP&L and GMO seek to finalize the Transfer as soon as possible. Pursuant to 4 CSR 240-2.080(14), Applicants respectfully request expedited treatment of this Application and request Commission approval no later than August 10, 2012 to ensure that there will be no delays in the construction of the new regionally-funded Iatan-Nashua Project. This Application is being filed as soon as it could have been following the final route selection and adjustments made to the NTC to facilitate Applicants' plan under which GMO will construct the new 345 kV line, which will be located entirely within GMO's franchised service territory.

24. There will be no negative effect on Applicants' customers or the general public if the Commission acts by the date requested herein.

25. Applicants are not certain if this matter will become a "contested case" under 4 CSR 240-4.020. The Commission has previously held that Section 393.190.1 does not require the Commission to hold a hearing prior to ruling on Section 393.190 transfer applications, and that, therefore, such applications are not contested cases.[15] Because Section 393.190 transfer applications are typically not contested cases, the Commission's rule regarding contested cases is inapplicable and a waiver of the rule is unnecessary.[16]

26. However, to the extent that a 60-day Notice of Filing would otherwise be required under 4 CSR 240-4.020(2), Applicants respectfully request that such notice be waived because it was not known sixty days prior to the filing date that this Application would be filed.

---

[15] See In the Matter of the Application of Atmos Energy Corporation for Authority to Sell Part of its Work or System Located at the Hannibal, Missouri Propane Air Plant, Case No. GO-2011-0281, Order Authorizing Sale of Propane Air Plant Facility Located in Hannibal, Missouri at 4 (issued Apr. 19, 2011).

[16] Id.

WHEREFORE, for the foregoing reasons, KCP&L and GMO respectfully request that the Commission approve the transfer of the Alabama-Nashua Line from KCP&L to GMO, for expedited treatment of such approval, and for such other relief as is necessary to consummate the proposed Transfer.

Respectfully submitted,

/s/ Karl Zobrist

Karl Zobrist MBN 28325
Lisa A. Gilbreath MBN 62271
SNR Denton US LLP
4520 Main Street, Suite 1100
Kansas City, MO 64111
Tel: (816) 460-2400
Fax: (816) 531-7545
karl.zobrist@snrdenton.com
lisa.gilbreath@snrdenton.com

Roger W. Steiner MBN 39586
Corporate Counsel
Denise M. Buffington
Corporate Counsel
Kansas City Power & Light Company
1200 Main Street
Kansas City, MO 64105
Tel: (816) 556-2785
Fax: (816) 556-2787
roger.steiner@kcpl.com
denise.buffington@kcpl.com

Attorneys for Kansas City Power & Light Company and
KCP&L Greater Missouri Operations Company

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing Application has been emailed this 3rd day of July, 2012 to the following parties:

Mr. Steven Dottheim
Mr. Nathan Williams
Office of the General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65101
steve.dottheim@psc.mo.gov
nathan.williams@psc.mo.gov

Mr. Lewis Mills
Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65101
lewis.mills@ded.mo.gov

/s/ Karl Zobrist
Attorneys for Kansas City Power & Light Company and
KCP&L Greater Missouri Operations Company

<u>**AFFIDAVIT**</u>

State of Missouri)
) ss
County of Jackson)

I, Darrin R. Ives, being duly sworn upon my oath, state that I am the Senior Director, Regulatory Affairs of Kansas City Power & Light Company ("KCP&L"), that I am duly authorized to make this affidavit on behalf of KCP&L and KCP&L Greater Missouri Operations Company ("GMO"), and that the facts set forth in the foregoing Application and exhibits thereto are true and correct to the best of my information, knowledge, and belief. I further verify, pursuant to 4 CSR 240-3.110(1)(C), that KCP&L and GMO have the proper authority to make the Transfer as described herein.

Darrin R. Ives

Subscribed and sworn before me this 3rd day of July, 2012.

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2015
Commission Number: 11391200

Nicole A. Wehry
Notary Public