

MEMORANDUM

To: Missouri Public Service Commission Official Case File Case No. EO-2009-0148,
KCP&L Greater Missouri Operations Company

From: Robert E. Schallenberg

/s/ Robert E. Schallenberg 12/18/08
Project Coordinator/Date

/s/ Nathan Williams 12/18/08
General Counsel's Office/Date

Subject: Staff Recommendation in Case No. EO-2009-0148, KCP&L Greater Missouri Operations Company's (KCP&L-GMO, formerly known as Aquila, Inc.) request for Commission approval to sell its Liberty and Platte City service centers to non-affiliated third parties.

Date: December 18, 2008

Summary

In this case, KCP&L-GMO, the Applicant, requests that the Commission (1) determine whether the Commission's approval of the proposed sales are necessary, and if so, (2) approve the sale of the Platte City Service Center to Platte-Clay Electric Cooperative, Inc.; and (3) approve the sale of the Liberty Service Center to a yet to be determined buyer in the future.ⁱ

The Applicant represents that the proposed sales are not detrimental to the public because the sales will result in more efficient operations for the Applicant and its affiliated company, Kansas City Power & Light Company (KCP&L). Synergy savings from this proposed sale will be passed along to customers in future rates involving the Applicant and KCP&L, as explained in the Applicant's testimony filed in Case No. EM-2007-0374.ⁱⁱ

Appendix 1 attached to this recommendation shows the overlap between the service centers in question. The Applicant notes that outage response will be enhanced for the Applicant's service territory by adoption of KCP&L's operational 24/7 coverage.ⁱⁱⁱ

Staff recommends that the Commission approve KCP&L-GMO's request to sell its Platte City Service Center subject to the following conditions:

- 1) The Commission include in its ordered section that no ratemaking decision is being made in this order relative to the sale of the Platte City Service Center and the parties will address the proper ratemaking treatment for this transaction in the pending KCP&L-GMO rate case.

- 2) KCP&L-GMO will submit a report to the Commission's Energy Department's Manager in the event that 24/7 continual coverage is discontinued relative to the portion of its service territory historically covered from the Platte City service center.
- 3) KCP&L-GMO will notify the Commission Staff if it determines that it will eliminate providing service to the more rural areas north of Platte City, including the City of Weston by utilization of two (2) resident local representatives with assigned trucks and dispatched from their homes for after-hours response.^{iv} Such notification will contain information regarding how such a change in service provision will not result reductions in service quality. Nothing in this agreement precludes Commission Staff from taking any action it deems necessary to address service issues caused by such an action.
- 4) For a period of three (3) years following the completion of the sale of Applicant's Platte City service center, KCP&L will submit monthly SAIDI, SAIFI, and CAIDI metrics and any specific customer complaint information regarding service provided in each of the three service areas formerly served by the Northland, Platte City, and Liberty service centers. These submittals will be sent to the Manager of the Commission's Energy and Engineering and Management Services Departments.

Staff based its recommendation on the following representations and commitments by KCP&L-GMO:

- 1) KCP&L will not discontinue providing Northland Service Center functions listed in this recommendation to KCP&L-GMO without receiving Commission approval to do so.
- 2) KCP&L will provide 24/7 coverage to the Applicant's service territory formerly covered by the Platte City service center.
- 3) There are no on-going issues or liabilities at the Platte City service center to KCP&L-GMO after the sale to the third party. Any and all outstanding issues will have been resolved by the time of the sale.^v
- 4) KCP&L-GMO will supplement its service to rural areas north of Platte City, including the City of Weston, with two (2) resident local representatives with assigned trucks that will be dispatched from their homes for after-hours response.
- 5) KCP&L-GMO agrees to seek Commission approval for future service center sales.
- 6) KCP&L-GMO will not need access or the Platte City Service Center site for provision of electrical generation or substation activities other than the easement contained in the Purchase Agreement.
- 7) KCP&L-GMO does not expect any ratemaking decision or treatment to be determined in this case.

- 8) The Platte City Service Contract specifically provides for all the right of way requirements needed if KCP&L-GMO wants to expand the substation at the property.^{vi}

To the extent that any of these representations by KCP&L and KCP&L-GMO are proven to be false, inaccurate, misleading or if KCP&L-GMO or KCP&L fail to satisfy their commitments, then, if this recommendation is adopted by the Commission in its order, KCP&L-GMO and KCP&L acknowledge that they would be in violation of a Commission order and subject to penalties.

Staff recommends that the Commission withhold approving KCP&L-GMO's request to sell its Liberty Service Center because the terms and conditions of the sale are unknown at this time. The "no detriment to the public interest" standard cannot be fully evaluated without knowledge of the terms and conditions of the sale.

Staff recommends the Commission hold this case open for three (3) months to allow KCP&L-GMO to supplement its Application with a Real Estate Purchase & Sale Agreement for the sale of KCP&L-GMO's Liberty Service Center and to correct and update prior responses in this case

Staff recommends that the Commission either make a finding that Commission approval of the sale of KCP&L-GMO's service centers is required or, in the alternative, not address the question of whether the Commission approval is required since KCP&L-GMO has requested approval of the sales of its Platte City Service Center and Liberty Service Center, and has agreed to seek Commission approval for future service center sales.

Background

Great Plains Energy Company (GPE) wholly owns utilities that provide electric service to portions of western and central Missouri. These two utilities are KCP&L Greater Missouri Operations Company (KCP&L-GMO) and Kansas City Power Light Company (KCP&L). After GPE's acquisition of KCP&L-GMO, KCP&L began to provide certain electric utility functions on behalf of KCP&L-GMO as well as itself. As part of this process, KCP&L-GMO's employees and equipment were transferred from its Platte City and Liberty service centers to KCP&L's Northland service center. KCP&L-GMO's customers formerly receiving services from its Platte City and Liberty service centers now are receiving these services from KCP&L's Northland service center.

The following table provides a description of the functions performed from these service centers:

Service Center Functions^{vii}

Description	Northland	Platte City	Liberty
Distribution Construction & Maintenance	X	X	X
Street Light Construction & Maintenance*	-	X	X
Connect/Disconnect	X	X	X
Field Design	X	X	X
Clerical Work - including time keeping	X	X	X
Trouble Shooting & Patrols	X	X	X
Evening Fueling - Fleet	X	-	-
Truck and Equipment Repair (Fleet Garage)	X	-	-
Storeroom	X	X	X

* KCP&L outsources streetlight construction and maintenance

The above information shows that each service center performed the same functions except in two (2) instances. One, KCP&L's Northland service center provided fleet fueling and repair which was not performed at KCP&L-GMO's Platte City and Liberty service centers. KCPL-GMO perform these functions at other facility locations or used third part vendors. Two, KCP&L-GMO's Platte City and Liberty service centers performed street lighting construction and maintenance while KCP&L used third party vendors to perform this function at its Northland service center.

Three metrics are maintained by the service centers to evaluate their customer service. These three metrics are: 1) System Average Interruption Frequency Index (SAIFI); 2) System Average Interruption Duration Index (SAIDI); and 3) Customer Average Interruption Duration Index (CAIDI). The following table provides weather normalized SAIFI, SAIDI, CAIDI statistics for each of the three service centers areas in question for the years 2003 through 2007:

ALL STATISTICS ARE WEATHER NORMALIZED
Platte City, Liberty, and Northland

<u>Year</u>	<u>Platte City SAIFI</u>	<u>Platte City SAIDI (minutes)</u>	<u>Platte City CAIDI (minutes)</u>	<u>Platte City Customers Served</u>
2003*	---	---	---	---
2004	** _____ **	** _____ **	** _____ **	** _____ **
2005	** _____ **	** _____ **	** _____ **	** _____ **
2006	** _____ **	** _____ **	** _____ **	** _____ **
2007	** _____ **	** _____ **	** _____ **	** _____ **

<u>Year</u>	<u>Liberty SAIFI</u>	<u>Liberty SAIDI (minutes)</u>	<u>Liberty CAIDI (minutes)</u>	<u>Liberty Customers Served</u>
2003*	** _____ **	** _____ **	** _____ **	** _____ **
2004	** _____ **	** _____ **	** _____ **	** _____ **
2005	** _____ **	** _____ **	** _____ **	** _____ **
2006	** _____ **	** _____ **	** _____ **	** _____ **
2007	** _____ **	** _____ **	** _____ **	** _____ **

*In 2003, the Platte City data was included within the Liberty data.

<u>Year</u>	<u>Northland SAIFI</u>	<u>Northland SAIDI (minutes)</u>	<u>Northland CAIDI (minutes)</u>	<u>Northland Customers Served</u>
2003	** _____ **	** _____ **	** _____ **	** _____ **
2004	** _____ **	** _____ **	** _____ **	** _____ **
2005	** _____ **	** _____ **	** _____ **	** _____ **
2006	** _____ **	** _____ **	** _____ **	** _____ **
2007	** _____ **	** _____ **	** _____ **	** _____ **

Analysis

KCP&L-GMO seeks for Commission authority to sell its service centers citing to section 393.190.1, RSMo. 2000. That statute includes no express standard for reviewing sales of assets; however, the Commission has used the standard of "not detrimental to the public interest" in considering such requests in the past. In this case, Staff used the standard of "not detrimental to the public interest" to evaluate whether to recommend the Commission approve the proposed sales. Staff used the detrimental to the public interest standard when examining the proposed sales from both a customer service and rate impact perspective. The specifics of both perspectives will be addressed in their respective sections. At this time

KCP&L-GMO has not identified a buyer of the Liberty Service Center. Marketing efforts have started and inquiries have been received as to availability of the property. KCP&L-GMO has not identified the terms and conditions relative to KCP&L-GMO or buyer responsibilities for a sale of the Liberty Service Center. KCP&L-GMO has a pending contract to sell the Platte City Service Center. Staff focused its efforts to address this pending sale transaction completely, since Commission approval would facilitate the sale closing. Staff has included the currently available Liberty Service Center information in this Recommendation to facilitate a timely modification to this Recommendation in the future, if and when a Liberty Service Center sale agreement is finalized.

A. Customer Service

Staff requested the metrics used to monitor service provision at the service centers in question. KCP&L and KCP&L-GMO provided the SAIFI, SAIDI, CAIDI metrics contained in the background section. Historically, the Northland Service Center has better general metric results than KCP&L-GMO's Platte City or Liberty service centers. Appendix 1 shows that both of KCP&L-GMO's service center areas overlap with a comparable coverage area to that of KCP&L's Northland Service Center. Staff will monitor these service indices after the sale is completed, and take appropriate action if service problems materialize.

Staff further inquired into the value of each site relative the generation and substation options for KCP&L-GMO. There is an existing substation at the Platte City Service Center site. KCP&L-GMO represented that the Platte City Service Center sale contract provides specifically for all the right-of-way needed, if expansion of the substation is desired. There is no substation at the Liberty Service Center site. Neither site is properly situated for power plant consideration.^{viii}

Staff relies upon this information, representations, continued local service provision capability for the rural areas north of Platte City, and the reporting conditions in this Recommendation to conclude reasonable safeguards will be in place to minimize any detrimental impact to customer service from the proposed sale of the Platte City Service Center.

From a customer service perspective, with the commitments of KCP&L-GMO and conditions recommended by Staff, sale of KCP&L-GMO's Platte City Service Center as presented is not detrimental to the public interest.

B. Rates charged for Service

As of September 30, 2008, the Platte City Service Center had a rate base impact of ** _____ ** to KCP&L-GMO's former Aquila Networks-MPS division. The Liberty Service Center had a rate base impact of ** _____ ** to KCP&L-GMO's former Aquila Networks-MPS division.^{ix} KCP&L-GMO stated that it does not expect any ratemaking decision or treatment to be determined in this case. ^x Preliminary indications are that KCP&L-GMO intends to treat the excess of funds and accumulated depreciation over original cost

with the cost of the sale as a gain for GPE. Staff is examining this transaction as part of the cost of the transition that the Commission authorized deferral in its order in Case Number EM-2007-0374. KCP&L-GMO and Staff have agreed to defer this aspect to KCP&L-GMO's pending rate case, Case No. ER-2009-0090.

Among the conditions Staff recommends above is the following: The Commission include in its ordered section that no ratemaking decision is being made in this order relative to the sale of the Platte City Service Center and the parties will address the proper ratemaking treatment for this transaction in the pending KCP&L-GMO rate case.

Regardless of the foregoing, because of the value of the Platte City Service Center in comparison to KCP&L-GMO's total rate base, the ratemaking impacts from the change in KCP&L-GMO's rate base and accounting treatment associated therewith are insufficient to cause the proposed transaction to be detrimental to the public interest.

The Staff has verified that KCP&L-GMO has filed its annual report and is not delinquent on any assessment. Aside from a possible impact on KCP&L-GMO's pending rate case, Case No. ER-2009-0090, the Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

ⁱ See paragraph 4 of Applicant's Application in this case

ⁱⁱ See paragraph 7 of Applicant's Application in this case

ⁱⁱⁱ See paragraph 9 of Applicant's Application in this case

^{iv} See paragraph 9 of Applicant's Application in this case

^v Tim Rush November 26, 2008 e-mail to Bob Schallenberg

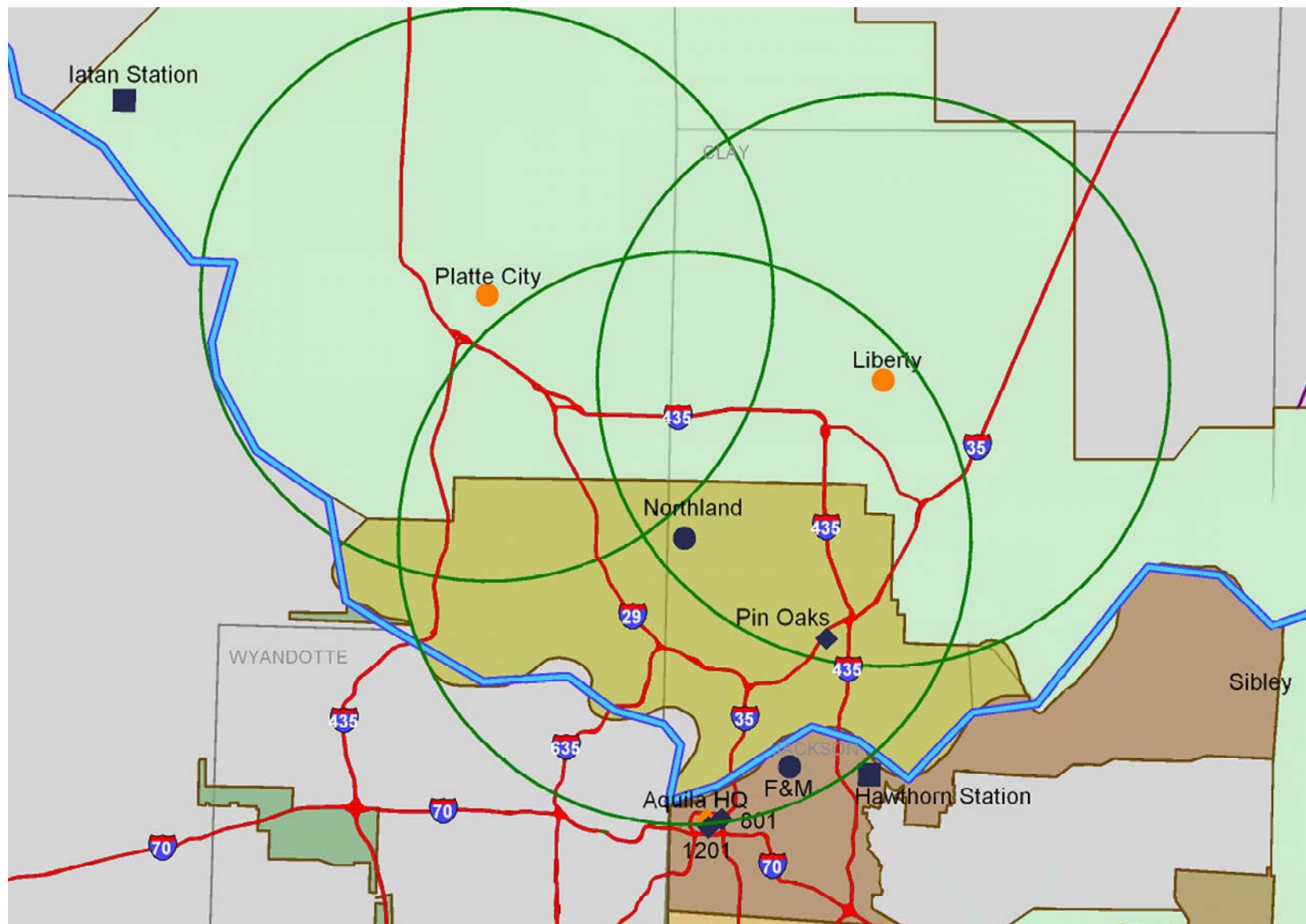
^{vi} See Tim Rush December 1, 2008 e-mail to Bob Schallenberg

^{vii} See Tim Rush December 1, 2008 e-mail to Bob Schallenberg

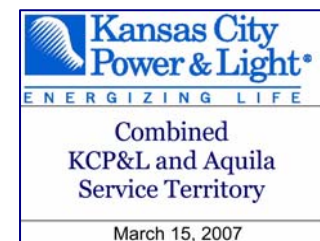
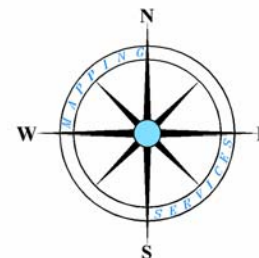
^{viii} See Tim Rush December 1, 2008 e-mail to Bob Schallenberg

^{ix} See response to Request Number 23, dated November 20, 2008

^x See response to Request Number 24, dated November 20, 2008



- Legend**
- | | | | |
|-------------------------|------------------|-------------------------|-------------------|
| ◆ KCP&L Office | ■ Dodson | ■ Aquila East District | ○ 5 Mile Buffer |
| ● KCP&L Service Center | ■ East District | ■ Aquila West District | ○ 10 Mile Buffer |
| ■ KCP&L Generation | ■ F&M | ■ Aquila North District | ○ 15 Mile Buffer |
| ◆ Aquila Office | ■ Johnson County | ■ Aquila South District | — Primary Streets |
| ● Aquila Service Center | ■ Northland | — Rivers | |
| ■ Aquila Generation | ■ South District | | |
| ■ Aquila Fleet | ■ Southland | | |
| ■ Aquila Warehouse | | | |



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

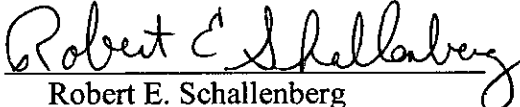
In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for)
Authority to Sell Its Platte City and Liberty)
Service Centers.)
)

Case No. EO-2009-0148

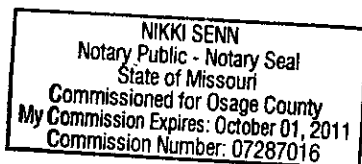
AFFIDAVIT OF ROBERT E. SCHALLENBERG

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Robert E. Schallenberg, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.


Robert E. Schallenberg

Subscribed and sworn to before me this 18th day of December, 2008.




Notary Public