

**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	)	File No. EO-2012-0479
To KCP&L Greater Missouri Operations Company	)	

STAFF’S RECOMMENDATION

Comes Now the Staff of the Missouri Public Service Commission (“Staff”), by and through the Staff Counsel Office of the Missouri Public Service Commission (“Commission”), and submits the attached Staff Memorandum of Erin L. Maloney recommending that the Commission approve Kansas City Power & Light Company’s (“KCPL”) and KCP&L Greater Missouri Operations Company’s (“GMO”) July 3, 2012 First Amended Application To Transfer Assets. In support thereof, the Staff states as follows:

1. On June 29, 2012 Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company filed an Application To Transfer Assets And Motion For Expedited Treatment and on July 3, 2012 filed a First Amended Application To Transfer Assets And Motion For Expedited Treatment. KCPL and GMO filed their Application and First Amended Application pursuant to Section 393.190.1 RSMo. 2000 and 4 CSR 240-2.060, 4 CSR 240-2.080(14), and 4 CSR 240-3.110. KCPL and GMO are seeking authorization to transfer certain electric transmission facilities, the Alabama-Nashua line, currently owned and operated by KCPL located between KCPL’s Nashua substation in Clay County near Smithville, Missouri and GMO’s Alabama Street substation in St. Joseph, Missouri, Buchanan County to GMO. The Alabama-Nashua line will be sold at its book value, less the amount of depreciation reserve associated with the line. The transferred Alabama-Nashua line 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 the service territories. KCPL and GMO assert that transferring the Alabama-

Nashua line from KCPL to GMO will more accurately align the existing facilities with the customers principally benefiting from the facilities.

2. KCPL and GMO seek Commission approval in File No. EO-2012-0479 of the sale of the Alabama-Nashua line by KCPL to GMO also to facilitate KCPL's and GMO's plan under which GMO will construct a new 345 kV transmission line located entirely within GMO's service territory between KCPL's Iatan substation and KCPL's Nashua substation. The Southwest Power Pool, Inc. issued Notices to Construct seeking KCPL's and GMO's acceptance to build the Iatan-Nashua 345kV line project. The Iatan-Nashua Project is a regionally beneficial transmission project that was approved by SPP in 2009 as part of the Balanced Portfolio of transmission upgrades. KCPL and GMO contend that the transfer of the Alabama-Nashua line to GMO allows the use of as many existing rights-of-way and easements as practical for the Iatan-Nashua line.

3. The standard for the Commission's determination for authorization of the transaction is whether the proposed transfer is not detrimental to the public / public interest. Section 393.190.1 RSMo.; *State ex rel. City of St. Louis v. Public Serv. Comm'n*, 73 S.W.2d 393, 400 (Mo. 1934); 4 CSR 240-3.110(1)(D).

4. In paragraph 15 at page 7 of its Application To Transfer Assets and First Amended Application To Transfer Assets, KCPL and GMO state that the proposed transaction is not covered by the Commission's Affiliate Transaction Rules:

. . . 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, to the extent the affiliate transactions rule is applicable to transactions between KCP&L and GMO, a variance shall be granted.*⁹ [Emphasis added].

⁸ In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for the 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.

5. The Staff recommends that the Commission specifically state in its Order authorizing the transfer that it is making no ratemaking determinations.

4. On July 5, 2012, the Commission issued an Order Directing Staff To File Status Update by July 16, 2012 indicating by what date it can file the Staff's recommendation with the Commission.

5. On July 16, 2012, the Staff filed its First Status Report with the Commission in which the Staff in response to the Commission's July 5, 2012 Order Directing Staff To File Status Update projected that under certain conditions it would be able to file its recommendation with the Commission by August 1, 2012 regarding KCPL's and GMO's June 29, 2012 Application To Transfer Assets and July 3, 2012 First Amended Application To Transfer Assets.

6. On August 1, 2012, the Staff in a Second Status Report to the Commission related that it needed additional time to review KCPL's/GMO's responses to certain Staff Data Requests and that the Staff assigned to the instant case are also working on the Staff's direct rate case filings in File Nos. ER-2012-0174 (KCPL) and ER-2012-0175 (GMO). The Staff explained that it would file its Staff recommendation with the Commission by August 7, 2012.

7. The Staff was not able to file its Memorandum recommendation with the Commission by August 7, 2012. Undersigned Staff counsel apologizes for the delay. Undersigned Staff counsel indicated in Staff's Second Status Report that KCPL and GMO are

hopeful that the Commission will be able to issue an Order at the Commission's August 15, 2012 Agenda Session.

Wherefore the Staff submits its Staff Memorandum recommending that the Commission (1) authorize KCPL to transfer the Alabama-Nashua line to GMO at book value, less the amount of depreciation reserve associated with the line on the basis that the transaction is not detrimental to the public / public interest, pursuant to Section 393.190.1 RSMo. 2000, *State ex rel. City of St. Louis v. Public Serv. Comm'n*, 73 S.W.2d 393, 400 (Mo. 1934), and 4 CSR 240-3.110(1)(D), and in doing so (2) state that it is making no ratemaking determinations, (3) waive the requirement that a 60-days notice of filing may have been required under 4 CSR 240-4.020(2), and (4) issue its Order on an expedited basis.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing *Staff Recommendation* have been transmitted electronically to all counsel of record this 8th day of August, 2012.

/s/ Steven Dottheim