

MEMORANDUM

TO: Missouri Public Service Commission Official Case File No. EO-2012-0479,
In the Matter of the Application of Kansas City Power & Light Company to
Transfer Certain Assets to KCP&L Greater Missouri Operations Company

FROM: Erin Maloney, Energy Unit – Engineering Analysis

/s/ Daniel I. Beck 08/08/12
Energy Unit / Date

/s/ Steven Dottheim 08/08/12
Staff Counsel's Department / Date

Subject: Staff Recommendation to Grant Requested Authority

Date: August 8, 2012

SUBJECT: Staff's Recommendation to Approve Kansas City Power & Light Company's
Request to Transfer the Alabama-Nashua Transmission Line to KCP&L
Greater Missouri Operations Company

STAFF RECOMMENDATION

Kansas City Power & Light Company ("KCPL") requests to transfer the Alabama-Nashua transmission line to KCP&L Greater Missouri Operations Company ("GMO"). Authorization by the Missouri Public Service Commission ("Commission") is required for this transaction by Section 393.190.1 RSMo. 2000. The requirements for an Application are prescribed in the Commission's rule, 4 CSR 240-3.110, Filing Requirements for Electric Utility Applications for Authority to Sell, Assign, Lease, or Transfer Assets. The Applicants, KCPL and GMO, have provided the required information and Staff of the Missouri Public Service Commission ("Staff") recommends that the Commission determine that the proposed transaction is not detrimental to the public interest and approve the proposed transaction.

Staff has reviewed the Application and First Amended Application and finds that the information contained therein complies with the requirements of the statute and Commission rules. Staff recommends that the Commission grant the authority to transfer the Alabama-Nashua transmission line from KCPL to GMO as there is nothing in evidence that would indicate that this transfer is detrimental to the public interest per Section 393.190.1 RSMo. 2000. Staff also recommends that the Commission determine that no ratemaking treatment determination will be made in this case. Staff further recommends that the Commission grant the Company's request for expedited treatment pursuant to 4 CSR 240-2.080(14) and the motion for waiver of the 60-day Notice of Filing pursuant 4 CSR 240-4.020(2).

KCPL and GMO state on page one of their Application and First Amended Application that "transferring these existing facilities to GMO will more accurately align the existing facilities with the customers primarily benefitting from such facilities." In response to Staff Data Request No. 0003, KCPL/GMO explain that whereas the line was originally built for off-system sales of energy by KCPL to St. Joseph and Maryville, the line is now used to provide reliable transmission service to customers in the St. Joseph area and therefore is primarily of benefit to GMO. KCPL's/GMO's response further notes that the Alabama-Nashua line is entirely in GMO's service territory, and because the northern segment of the line will remain in place and energized even after construction of the Iatan-Nashua transmission line Project, GMO will be able to use the northern portion of the Alabama-Nashua line to address load growth in the area.

Staff notes that also on page one of their Application and First Amended Application, KCPL and GMO state that "[t]he 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." (Footnote omitted). The new transmission project required by SPP and identified as the "Iatan-Nashua Project" calls for GMO to construct a new 345 kV transmission line from KCPL's Iatan substation to the Nashua substation where it will connect with KCPL's existing Hawthorn-St. Joseph 345 kV transmission line entirely within GMO's service territory. In response to Staff Data Request No. 0002, KCPL and GMO explain why the proposed transfer is needed to facilitate the construction of the Iatan-Nashua Project:

. . . the Company spent more than a year evaluating routing options and listening to customer concerns to aid in the planning and identification of the best construction route for the Iatan-Nashua 345kv transmission project. Our team collected more than 300 resident surveys, conducted five public meetings with more than 400 attendees, met and spoke with hundreds of residents and business owners personally and mailed almost 2,000 letters soliciting additional input and feedback. Based on the information that was gathered, there was a strong preference for utilizing existing lines, easements and right-of-ways as a first course of action to minimize the disturbance to landowners and wildlife habitats.

Consequently, a portion of the Alabama-Nashua Line was identified to be used in the selected route. As noted on page 5 in paragraph 9 of the Amended Application, Applicants state "after reviewing several routing options it became clear that the transmission line would traverse through GMO's franchised service territory." The Alabama-Nashua Line, however, currently is owned by KCP&L. Thus, to facilitate the ability of GMO to construct the new regionally-funded transmission line within its franchised service territory, using as many existing right-of-way and easements as practical, it became critical to seek this Commission's approval to transfer at cost the Alabama-Nashua Line from KCP&L to GMO.

OVERVIEW

On June 29, 2012, KCPL and GMO filed an Application and Motion for Expedited Treatment with the Commission seeking authority, pursuant to Section 393.190.1, RSMo. 2000, 4 CSR 240-2.060, 4 CSR 240-2.080(14), and 4 CSR 240-3.110, to transfer at cost certain electric transmission facilities 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, Buchanan County, Missouri, to GMO ("Alabama-Nashua line").

On July 3, 2012, the Applicants filed a First Amended Application for the requested transfer with the Commission correcting information regarding a meeting with Staff and the Office of Public Council ("OPC") on May 22, 2012.

On July 5, 2012, the Commission ordered Staff to file a statement no later than July 16, 2012 informing the Commission of a date by which Staff will file its recommendation.

On July 16, 2012, Staff filed a statement informing the Commission that if KCPL's/GMO's responses to Staff's outstanding data requests do not cause Staff to send KCPL/GMO any follow-up data requests, Staff anticipates that it will be able to file a Staff recommendation by August 1, 2012.

On August 1, 2012, counsel for Staff requested additional time for Staff to review the data request responses provided by the Applicants.

BACKGROUND

In 1947, the 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.” This CCN was granted and is attached to the Applicants June 29, 2012 filing as Exhibit 1. The transmission line built under the 1947 CCN is the Alabama-Nashua line for which the Applicants seek approval to transfer. A map of the Alabama-Nashua line is attached to the June 29, 2012 filing as Exhibit 2.

In June of 2009, KCPL received a “Notification to Construct” (“NTC”), attached to the Application as Exhibit 4, from SPP seeking acceptance from KCPL to build the Iatan-Nashua Project. KCPL responded to SPP’s NTC with a letter of commitment to construct the line on September 15, 2009.

On February 6, 2012, the Commission opened File No. EO-2012-0271 to investigate the siting and safety of the Iatan-Nashua Project and in that proceeding the Applicants agreed to certain ongoing communication and reporting requirements with regard to the construction of the Iatan-Nashua Project including the status of the ownership of the Project.

On April 9, 2012, KCPL requested that SPP modify the Iatan-Nashua Project NTC to include both KCPL and GMO as Designated Transmission Owners (“DTO”) of the Project.

On May 8, 2012 the Applicants filed a notice of intended case, File No. EO-2012-0367, “In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company Regarding Arrangements for the Construction of Certain Transmission Projects.” The filing includes the following language: “Without waiving their right to request that the Commission disclaim

jurisdiction over certain matters and issues related to this proceeding, KCP&L and GMO state that they intend to file a joint application regarding their rights and responsibilities to construct certain regionally-funded high-voltage transmission projects which have been approved by SPP and the anticipated designation of Transource Energy, LLC or a subsidiary thereof to construct such projects.”

On June 29, 2012 the Applicants made a filing in File No. ER-2012-0271 which included the following language on page 8 in the “Status of Ownership of Iatan-Nashua Project” section of the report: “. . . KCP&L and GMO plan to terminate and release their respective obligations as a DTOs under the modified NTCs, and to designate Transource Missouri as the Alternate DTO responsible for building and owning the I-N Project [Iatan-Nashua Project] (and Sibley-Nebraska City Project) pursuant to Section VI of Attachment O to SPP’s Open Access Transmission Tariff . . .”

The Applicants attached a copy of the executed Purchase Agreement as Exhibit 9 with their original request. The Alabama-Nashua transmission line will be allocated between L&P and MPS based on the geographic boundaries of their 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. As described in the Purchase Agreement, the Alabama-Nashua line will be sold at its book value less the amount of depreciation reserve associated with the line as reflected in KCPL’s accounting records, which is the line’s net book value.

The Applicants provided GMO's balance sheet and income statement with pro-forma adjustments showing the results of the acquisitions of the property, pursuant to 4 CSR 240-3.110(1)(E) as Exhibit 10 in their original filing. Staff's Auditing Unit has reviewed the pro-forma journal entries and do not have concerns that this proposed transaction is detrimental to the public interest. Staff recommends that the Commission determine that no ratemaking treatment determination is being made in this case.

The Applicants state that "[T]he 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 counties, cities, and other tax districts listed in the Application. Filing the impact on tax revenues to political subdivisions is required by Section 393.190.1 RSMo. It should be noted that the \$72,148 of tax impact will be offset by an increase in value to the other taxing districts served by KCPL and GMO.

CONCLUSIONS

Staff has reviewed the Application and finds that the information contained therein complies with the requirements of the applicable statute and Commission rules. Staff recommends that the Commission grant the authority to transfer the Alabama-Nashua transmission line from KCPL to GMO as there is nothing in evidence that would indicate that this transfer is detrimental to the public interest per Section 393.190.1 RSMo, 2000. Staff also recommends that the Commission determine that no ratemaking

treatment determination will be made in this case. Staff further recommends that the Commission grant the Company's request for expedited treatment pursuant to 4 CSR 240-2.080(14) and the motion for waiver of the 60-day Notice of Filing pursuant 4 CSR 240-4.020(2)(B).

Staff has verified that KCPL and GMO have filed their required Annual Reports and are not delinquent on any assessment.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

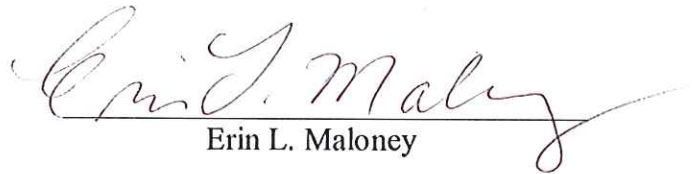
In the Matter of the Application of Kansas)
City Power & Light Company to Transfer)
Certain Assets to KCP&L Greater)
Missouri Operations Company)

Case No. EO-2012-0479

AFFIDAVIT OF ERIN L. MALONEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Erin L. Maloney, of lawful age, on oath states: that she 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 given by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.


Erin L. Maloney

Subscribed and sworn to before me this 8th day of August, 2012.

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


Notary Public