

In the Matter of the Application of _____)
KCP&L Greater Missouri Operations Company) Case No. _____
for Approval of An Accounting Authority Order)

Pursuant to Section 393.140(4) and 4 CSR. 240-2.060, KCP&L Greater Missouri Operations Company (“GMO” or “Applicant”) hereby applies for an Accounting Authority Order (“AAO”) that would allow GMO to treat the Iatan 2 project under “Construction Accounting”, as more fully described herein, until the effective date of the rates approved in GMO’s rate case in which Iatan 2 is proposed to be included in rates (the 2010-11 Rate Case or File No. ER-2010-0356). In support of its Application, GMO states as follows:

This application requests a Commission order which authorizes GMO to utilize construction accounting in connection with its investments in Iatan 2 and related common plant in accordance with the terms of a Non-Unanimous Stipulation and Agreement (the “Agreement”) which was filed in File No. ER-2010-0356 on July 29, 2010 and is pending Commission approval.

1. GMO (formerly Aquila, Inc.) is a Delaware corporation with its principal office and place of business at One Kansas City Place, 1200 Main, Kansas City, Missouri 64106. GMO is primarily engaged in the business of generating, transmitting, distributing, and selling electric energy in portions of western Missouri. GMO is an electrical corporation and public

utility as defined in Mo. Rev. Stat. § 386.020 (2000). GMO provided its Amended Certificate of Authority of a Foreign Corporation in Case No. EN-2009-0164 which is incorporated herein by reference.

2. GMO has no pending action or final unsatisfied judgments or decisions against it 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. No annual report or assessment fees are overdue.

3. Pleadings, notices, orders and other correspondence and communications concerning this Application should be addressed to the undersigned counsel and:

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CONSTRUCTION ACCOUNTING

4. “Construction Accounting”, as used in this Application, is defined as: “Construction Accounting will be the same treatment for expenditures and credits consistent with the treatment for Iatan 2 prior to Iatan 2’s commercial in service operation date. Construction Accounting will include treatment for test power and its valuation consistent with the treatment of such power prior to Iatan 2’s commercial in service operation date with the exception that such power valuation will include off-system sales. The AFUDC rate that will be used during this period will be consistent with the AFUDC rate calculation in Paragraph III.B. 1 .g. of the KCPL Experimental Alternative Regulatory Plan, as amended by the July 26, 2005

Response To Order Directing Filing of the Signatory Parties in Case No. EO-2005-0329, [i.e., a 2.5% or 250 basis point reduction in the equity portion of the AFUDC rate (or a construction accounting equity cost rate of 7.7%)]. *See* July 28, 2005 *Report And Order* in Case No. EO-2005-0329, page 18. The amortization of the amounts deferred under this Construction Accounting method will be determined by the Commission in the 2010- 11 Rate Case.”

5. “Fully operational and used for service” as used in this Application is defined as: “Full compliance with criteria which must be met respecting any facility or property in order for any electrical corporation to make or demand any charge for service, or in connection therewith, which is based on (a) the costs of construction in progress upon any existing or new facility of the electrical corporation, or (b) any other cost associated with owning, operating, maintaining, or financing any property; Section 393.135 RSMo. 2000. *See, e.g.,* KCP&L’s Experimental Regulatory Plan, Appendix H In-Service Test Criteria, Case No. EO-2005-0329.”

COMMISSION AUTHORITY

6. The Commission has the authority to prescribe by order the accounts in which particular outlays and receipts shall be entered, charged or credited. Section 393.140(8), RSMo.

CONSTRUCTION ACCOUNTING FOR IATAN 2 AND COMMON PLANT

7. GMO is a co-owner of the Iatan 2 Generation Station located near Weston, Missouri (“Iatan 2”) along with Kansas City Power & Light Company (“KCP&L”), The Empire District Electric Company (“Empire”), Kansas Electric Power Cooperative (“KEPCO”), and the Missouri Joint Municipal Electrical Utility Commission (“MJMEUC”). Iatan 2 is currently under construction with a projected in-service date in the second half of quarter of 2010. As

provided for in Accounts 419.1 and 432 of the Uniform System of Accounts, Allowance For Funds Used During Construction (“AFUDC”), as computed in accordance with the formula prescribed in Electric Plant Instruction 3(17)¹ in the Federal Energy Regulatory Commission Rules, would cease to accrue on the date that Iatan 2 achieves its in-service criteria, unless the Commission authorizes an alternative accounting treatment. In addition, on the in-service date, power from the Iatan 2 plant would no longer be treated as “test power”, and depreciation expense related to Iatan 2 would begin to accrue on the books of the Applicant.

8. A Non-Unanimous Stipulation and Agreement is pending in File No. ER-2010-0356 in which the Signatory Parties agreed as follows:

Construction Accounting – The Signatory Parties agree that GMO should be allowed to treat the Iatan 2 project under “Construction Accounting” to the effective date of new rates in the 2010-11 Rate Case. Construction Accounting will be the same treatment for expenditures and credits consistent with the treatment for Iatan 2 prior to Iatan 2’s commercial in service operation date. Construction Accounting will include treatment for test power and its valuation consistent with the treatment of such power prior to Iatan 2’s commercial in service operation date with the exception that such power valuation will include off-system sales. The AFUDC rate that will be used during this period will be consistent with the AFUDC rate calculation in Paragraph III.B. 1 .g. of the KCPL Experimental Alternative Regulatory Plan, as amended by the July 26, 2005 Response To Order Directing Filing of the Signatory Parties in Case No. EO-2005-0329, [i.e., a 2.5% or 250 basis point reduction in the equity portion of the AFUDC rate (or a construction accounting equity cost rate of 7.7%)]. *See* July 28, 2005 *Report And Order* in Case No. EO-2005-0329, page 18. The amortization of the amounts deferred under this Construction Accounting method will be determined by the Commission in the 2010- 11 Rate Case. The non-GMO Signatory Parties reserve the right to contest amounts deferred under this Paragraph, not Construction Accounting itself, in the event that any non-GMO Signatory Party contends imprudence, unreasonableness, or no benefit to customers of costs relating to the construction of Iatan 2. Such challenge would be limited to the amount of cost deferred related to the

¹ 18 CFR part 101.

quantification of imprudence, unreasonableness, or no benefit to customers claimed by the challenging party.

Fully Operational and Used for Service – full compliance with criteria which must be met respecting any facility or property in order for any electrical corporation to make or demand any charge for service, or in connection therewith, which is based on (a) the costs of construction in progress upon any existing or new facility of the electrical corporation, or (b) any other cost associated with owning, operating, maintaining, or financing any property; Section 393.135 RSMo. 2000. *See, e.g.*, KCP&L’s Experimental Regulatory Plan, Appendix H In-Service Test Criteria, Case No. EO-2005-0329.

9. The Commission has authorized KCP&L and Empire to treat the Iatan 2 project under “Construction Accounting” to the effective date of the new rates in the KCP&L and Empire rate cases in which Iatan 2 will be proposed to be included in the rate bases of these companies.²

10. GMO respectfully requests that it be allowed to utilize “construction accounting”, as defined herein and in the Non-Unanimous Stipulation and Agreement approved in File No. ER-2010-0356, for GMO’s investment in Iatan 2-related costs from the in-service date of Iatan 2 until the effective date of the rates in the GMO rate case in which its share of the Iatan 2 costs will be proposed to be included in its rate base (i.e. File No. ER-2010-0356). Such accounting treatment would be consistent with the treatment already approved by the Commission for KCP&L and Empire, and would mitigate the adverse financial consequences on GMO if AFUDC on the Iatan 2 plant is terminated and depreciation were to start on the in-service date of Iatan 2, prior to the inclusion of Iatan 2 costs in rates. In addition, such “construction

² *Report & Order*, p. 31, and *Order Approving Amendments To Experimental Regulatory Plan*, Re a Proposed Regulatory Plan of Kansas City Power & Light Company, Case No. EO-2005-0329 (July 28, 2005 and August 23, 2005, respectively); *Order Approving Stipulation And Agreement*, Re Empire District Electric Company’s Application For Approval Of an Experimental Regulatory Plan Related to a Multicompany Plan to Build a Second Electric Generating Unit at the Existing Iatan Station near Weston, MO, Case No. EO-2005-0263 (August 2, 2005).

accounting” would allow GMO’s share of the power from Iatan 2 to continue to be treated as “test power,” and would be used as an offset against the rate base associated with Iatan 2. The depreciation expense would not begin to accrue on the Applicant’s books until the effective date of the rates approved in the 2010-11 GMO rate case in which it proposes to include Iatan 2 in rate base.

11. GMO requests approval of this application as soon as possible. There will be no negative effect on GMO’s customers or the general public if the Commission acts by the date requested herein. This motion is being filed as soon as it reasonably could have been under the circumstances.

WHEREFORE, for the foregoing reasons, GMO respectfully requests that the Commission grant it the authority to utilize “construction accounting”, as discussed herein, from the in-service date of Iatan 2 until the effective date of the rates in the 2010-11 GMO rate case in which it will propose to include Iatan 2 costs in rate base, as more fully described herein.

Respectfully submitted,

/s/ James M. Fischer

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**ATTORNEYS FOR
KCP&L GREATER MISSOURI OPERATIONS
COMPANY**

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 5th day of August, 2010, to all counsel of record.

/s/ James M. Fischer

James M. Fischer

AFFIDAVIT

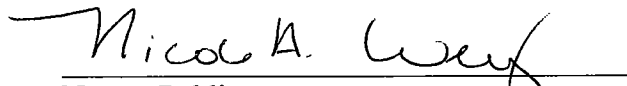
State of Missouri)
) ss
County of Jackson)

I, Tim M. Rush, having been duly sworn upon my oath, state that I am the 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 Greater Missouri Operations Company, and that the matters and things stated in the foregoing application and appendices thereto are true and correct to the best of my information, knowledge and belief.



Tim M. Rush

Subscribed and sworn before me this 5th day of August, 2010.



Notary Public

