BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Exploration of a Joint Proceeding with the Kansas Corporation Commission to Investigate the Off-System Sales Allocation Methods of Kansas City Power & Light Company	)	**Case No. EO-2012-0020**

KANSAS CITY POWER & LIGHT COMPANY'S RESPONSE TO COMMISSION ORDER

COMES NOW Kansas City Power & Light Company ("KCP&L" or "Company") and for its response to Order Directing Filing filed on July 22, 2011 in the above-referenced case states as follows:

1. KCP&L appreciates the Missouri Commission opening this docket and believes that this is the right forum for the examination of allocation issues between the Company's Missouri and Kansas jurisdictions.

2. The Commission's Order in this docket correctly identifies issues with the jurisdictional allocation of KCP&L's cost of service which results in the over-allocation of off-system sales margins ("margins") and an under-allocation of demand related costs.

3. KCP&L has raised the issue of the different treatment by the Missouri and Kansas Commissions regarding the allocation of margins, and the resulting adverse financial impacts, in separate rate cases at both Commissions. While the Company does not believe that the different allocation methods employed create a significant disincentive for off-system sales by KCP&L, the Company hopes that this proceeding will result in consistent treatment in both jurisdictions.

4. Prior to 2006, KCP&L's Kansas and Missouri jurisdictions both allocated margins on the basis of the capacity allocator. This consistent basis assured a full and complete allocation between Missouri and Kansas. In 2006, KCP&L filed rate requests in Kansas Docket No. 06-KCPE-828-RTS ("828 Docket") and Missouri Case No. ER-2006-0314 ("314 Case") that included a change to an Unused Energy allocator ("UE1"). This method, which increased the allocation of margins to Kansas, resulted in a lower Kansas revenue requirement and was approved in the 828 Docket. The Missouri Commission rejected the UE1 allocator and chose to use an energy allocator in the 314 Case. Since these cases, each state has utilized different allocators resulting in KCP&L allocating about 105% of its margins to Kansas and Missouri. Thus, KCP&L gave back more margins than it has earned and therefore does not have an opportunity to earn its allowed return.

5. Allocation inconsistencies impact KCP&L on another front. Both the Missouri and Kansas Commissions agree that the allocation of capacity-related power supply costs such as production plant and reserve, and related production operations costs, be based on coincident peak ("CP") demand. However, the Commissions differ on the appropriate basis for the CP demand factor. Missouri maintains that a coincident demand based on four peak months is appropriate, whereas Kansas requires use of a 12 month CP allocator. A 4CP demand factor results in a lower allocation of costs to Missouri. A 12CP demand factor results in a lower allocation of costs to Kansas. Thus, the use of a Missouri 4CP and a Kansas 12CP demand factor results in the under-allocation of KCP&L costs, which once again denies KCP&L an opportunity to earn its allowed return.

6. KCP&L suggests that the Commission convene a prehearing conference so that the parties can discuss the best way to proceed with these multi-state allocation issues.

Respectfully submitted,

/s/ Roger W. Steiner ________________________

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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 8th day of August, 2011, to all counsel of record.

/s/ Roger W. Steiner ________________________

Roger W. Steiner