

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

In the Matter of the Application of Kansas City)
Power & Light Company for Approval to Make)
Certain Changes in its Charges for Electric) Case No. ER-2010-0355
Service to Continue the Implementation of Its)
Regulatory Plan)

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for) Case No. ER-2010-0356
Approval to Make Certain Changes in its Charges)
for Electric Service)

**NOTICE OF KANSAS CITY POWER & LIGHT CO.
REGARDING ADVANCED COAL TAX CREDITS**

Kansas City Power & Light Co. (KCP&L) provides the following information to the Commission regarding the Advanced Coal Tax Credits pertaining to Iatan 2.

1. The Commission issued a Report and Order directing KCP&L and KCP&L Greater Missouri Operations Co. (GMO) to apply to the Internal Revenue Service (IRS) for an amendment of the August 19, 2010 Memorandum of Understanding (MOU) that had reallocated Advanced Coal Project Credits between KCP&L and Empire District Electric Co. ("Empire"). This Report and Order was issued in both of these cases on March 16, 2011.

2. KCP&L and GMO filed an Application for Rehearing and Request for Clarification on March 25, to which Staff submitted a response on March 29. The Commission issued its Order of March 30, 2011, granting clarification of the March 16 Report and Order.

3. In its March 30 Order Granting Clarification, the Commission directed KCP&L in Ordered Paragraph 7 to "advise the Commission of the outcome of its request that the Internal Revenue Service modify and amend the Memorandum of Understanding."

4. Pursuant to the Commission's directive, KCP&L's outside tax counsel requested on April 5, 2011 that the IRS modify the August 2010 MOU between KCP&L and the IRS, and permit KCP&L's \$107,287,500 in advanced coal tax credits to be shared between KCP&L and GMO in the amounts of \$80,725,000 and \$26,562,500, respectively. See Exhibit 1.

5. On September 8, 2011, KCP&L's outside tax counsel received the attached letter from the IRS dated August 24, 2011, stating that the IRS declined to modify the Memorandum of Understanding. See Exhibit 2. KCP&L received the IRS letter on Monday, September 12 and forwarded it to members of Staff that same day.

6. The IRS stated in Exhibit 2 that it "should not be a party to the private dispute between the two companies." As the Commission noted in its Report and Order of March 16, 2011, the dispute between KCP&L and Empire was resolved by virtue of the revised August 19, 2010 Memorandum of Understanding that had modified the original 2008 MOU between the IRS and KCP&L regarding the advanced coal tax credits. There is no dispute between KCP&L and GMO to which the IRS is being asked to become a party.

7. KCP&L does not have a clear understanding of the reason why the IRS declined KCP&L's request. Therefore, KCP&L intends to accept the invitation of the IRS, contained in the final paragraph of its August 24, 2011 letter, to communicate with their representatives if KCP&L has questions. KCP&L will explain that its goal in seeking a modification to the MOU is to carry out the directives of this Commission.

8. KCP&L will keep the Commission and Staff advised of further developments in this regard.

/s/ Karl Zobrist

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Attorneys for Kansas City Power & Light Co.

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the above and foregoing was served upon counsel of record on this 20th day of September, 2011.

/s/ Karl Zobrist

Karl Zobrist

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C O U N S E L O R S A T L A W

Gary B. Wilcox
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April 5, 2011

VIA FACSIMILE AND FEDERAL EXPRESS

Internal Revenue Service
1919 Smith Street
Stop 1000-HOU
Houston, TX 77002

Attn: Janet Gordon, Executive Assistant (Technical), Natural Resources and Construction

Re: Request to Modify Memorandum of Understanding and Certification Letter
Involving Kansas City Power & Light Company (EIN: 44-0308720)

Dear Ms. Gordon:

Pursuant to our telephone conversation on March 21, 2011, we are requesting that the Memorandum of Understanding ("MOU") between the Commissioner of Internal Revenue ("Commissioner") and Kansas City Power & Light Company ("KCPL") agreed to by the Commissioner on August 19, 2010 and delivered to KCPL on September 9, 2010, as well as the certification letter issued by the Commissioner and delivered to KCPL on September 9, 2010 regarding the Iatan 2 Project, be modified and superseded in order to reallocate KCPL's share of the qualifying advanced coal project credit for the Iatan 2 Project in the amounts of \$80,725,000 for KCPL and \$26,562,500 for KCP&L Greater Missouri Operations Company ("GMO"). This request is being made pursuant to ordered paragraph 2 of the Missouri Public Service Commission's *Report and Order Directing KCPL and GMO to Apply to the IRS to Revise the Memorandum of Understanding Regarding the Advanced Coal Tax Credits for Iatan* issued March 16, 2011 (the "Missouri Order," attached hereto), which orders, "No later than April 5, 2011, GMO and KCPL shall apply, at the shareholders' expense, to the Internal Revenue Service for an amendment of the Memorandum of Understanding that would allow KCP&L Greater Missouri Operations Company to obtain a share of the Section 48A tax credits for Iatan 2, Section 48A tax credits equal to \$26,500,000."

EXHIBIT 1

Internal Revenue Service
April 5, 2011
Page 2

Morgan Lewis
COUNSELORS AT LAW

The MOU relates to KCPL's October 30, 2007, application to the Internal Revenue Service for certification of the Iatan 2 Project under the qualifying advanced coal project program described in Notice 2007-52. A copy of that MOU is enclosed.

As I indicated during our call, our request will not implicate the separate Memorandum of Understanding between the Commissioner and The Empire District Electric Company ("Empire") or the certification letter issued to Empire regarding the Iatan 2 Project, which also were delivered to Empire on September 9, 2010 in connection with the modifications to KCPL's MOU and certification letter. That is because the Missouri Order affects only the \$107,287,500 amount that was previously allocated to KCPL pursuant to the 2010 modifications.

We anticipate furnishing you with drafts of the following for your consideration:

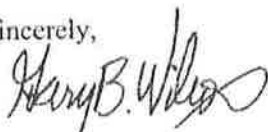
1. Amended MOU between Commissioner and KCPL;
2. MOU between Commissioner and GMO;
3. New certification letter issued to KCPL; and
4. Certification letter issued to GMO.

Attached are Forms 2848, Power of Attorney for both KCPL and GMO.

I understand that you will be forwarding our request to Marc Bernabo, who will be contacting me. I look forward to hearing from Marc.

Thank you very much for your prompt attention to this matter.

Sincerely,



Gary B. Wilcox

Enclosures



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Large Business and
International Division

AUG 24 2011

Mr. Gary B. Wilcox
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue NW
Washington, DC 20004

Dear Mr. Wilcox:

This letter advises you of our decision regarding your request in your letter dated April 5, 2011, to modify the Memorandum of Understanding between the Commissioner of Internal Revenue Service and Kansas City Power & Light Company executed August 19, 2010.

The Service declines to modify the Memorandum of Understanding. The Service should not be a party to the private dispute between the two companies. Therefore, the Memorandum of Understanding executed August 19, 2010, remains in effect.

If you have any questions, you may contact me or Marc Bemabo, Project Manager, at 713-209-3958.

Sincerely,

A handwritten signature in cursive script that reads "Cheryl P. Claybough".

Cheryl P. Claybough
Acting Industry Director
Natural Resources and Construction

EXHIBIT 2

FAX Transmission Cover Sheet

Date: 9/8/2011

To: Mr. Gary B. Wilcox Mail Stop: _____

Address/Organization: _____

FAX Number: (202) 739-3001 Office Phone: (202) 739-5509

From: Marc Bernabo Mail Stop: _____

Address/Organization: _____

FAX Number: 713-209-3723 Office Phone: 713-209-3958

Number of pages:

Including cover sheet

Please visit us on the intranet at <http://publish.no.irs.gov> to obtain information about every nationally numbered product published by the Internal Revenue Service. If you are not an IRS employee, visit the IRS homepage at www.irs.gov to obtain current information about the IRS and its service.

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