

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

<b>In the Matter of the Application of Kansas</b>	)	
<b>City Power &amp; Light Company Regarding</b>	)	
<b>the Sale of Assets and Property Rights</b>	)	<b>Case No. EO-2010-0353</b>
<b>Located Near Spearville, Kansas</b>	)	

**APPLICATION**

Kansas City Power & Light Company (“KCP&L” or “Applicant”), pursuant to 4 CSR 240-2.060 and 4 CSR 240-3.110, as well as Paragraph 2 of the Order Regarding Application issued June 17, 2010 by the Missouri Public Service Commission (“Commission”), hereby submits its Application for authority to sell certain wind turbine generators and property rights near Spearville, Kansas. In support of its request, Applicant states as follows:

**I. APPLICANT**

1. Applicant is a Missouri corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. KCP&L is engaged in the generation, transmission, distribution, and sale of electricity in western Missouri and eastern Kansas, operating primarily in the Kansas City metropolitan area. KCP&L is an “electrical corporation” and “public utility,” as those terms are defined in Section 386.020 and, as such, is subject to the jurisdiction of the Commission as provided by law. KCP&L’s Certificate of Good Standing was filed in Case No. EM-2000-753 and is incorporated by reference.

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

Curtis D. Blanc  
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Tim M. Rush  
Director, Regulatory Affairs  
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3. Applicant has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates, which action, judgment, or decision has occurred within three years of the date of this Application.

4. Applicant has no overdue annual report or assessment fees.

## **II. REQUEST FOR AUTHORITY TO SELL ASSETS**

5. This Application seeks approval<sup>1</sup> by the Commission regarding the sale of 32 General Electric 1.5 MW wind turbine generators along with certain property rights in Ford County, Kansas to a third party. Without timely approval by the Commission, the current transaction will likely no longer be viable. However, even if KCP&L is unable to proceed with the current transaction, KCP&L continues to need a decision from the Commission indicating whether KCP&L may sell the property. Given current financial conditions, the turbines at issue will likely only get put to use in the near future if KCP&L sells them either to a wind developer as part of a power purchase agreement, as contemplated in the current transaction, or KCP&L sells them to a third party for its own use. In either case, KCP&L needs an approval from the

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<sup>1</sup> KCP&L makes this application pursuant to the Commission's June 17 Order and does not believe that Commission approval of the proposed transaction is authorized by statute. KCP&L does not waive its ability to contest the Commission's exercise of jurisdiction over the proposed transaction.

Commission to transfer the turbines or a finding from the Commission that such authorization is not necessary.

6. KCP&L owns 32 General Electric 1.5 MW wind turbine generators along with certain property rights in Ford County, Kansas. Neither the wind turbine generators nor the property and associated development rights comprising the project site have provided any service to KCP&L's customers at any time. The wind turbine generators have never been used and remain in weather-protected storage lying on the ground at the project site in Ford County, Kansas. Similarly, the property and other development rights have never been employed in the performance of KCP&L's duties to the public or anyone else. Moreover, neither the turbines, the property rights, nor any of the financing costs associated with KCP&L's ownership of these assets have ever been reflected in the Applicant's rates in either Missouri or Kansas. Pursuant to 4 CSR 240-3.110, a brief description of the property to be transferred is contained in Attachment No. 1 (HC) which is attached hereto and incorporated by reference. Drafts, which are subject to further negotiation, of the Asset Sale Agreement, Purchased Power Agreement ("PPA") and Buy Back Agreement are contained in Attachment No. 2 (HC). Applicant anticipates filing final agreements or a term sheet with the Commission by July 2, 2010. Applicant recognizes that the July 13, 2010 due date for Staff's recommendation was premised on Staff having ten days to review necessary information. Should the final agreements or a term sheet be filed after July 2, 2010, KCP&L agrees that Staff should have ten days to review this information. The due date for the Staff recommendation should then be modified accordingly.

7. The Commission must approve the proposed sale if it is not detrimental to the public interest. *See* 4 CSR § 240-3.110(1)(D). *See also State ex rel. Fee Fee Trunk Sewer v. Litz*, 596 S.W.2d 466, 468 (Mo. App. 1980) ("obvious purpose of [Section 393.190] is to ensure

the continuation of adequate service to the public served by the utility [and] Commission may not withhold its approval of the disposition of assets unless it can be shown that such disposition is detrimental to the public interest”) (citing *State ex. rel. City of St. Louis v. PSC*, 335 Mo. 448, 73 S.W.2d 393, 400 (Mo. banc 1934); *In re: Arkansas Power & Light Co.*, 1981 Mo. PSC LEXIS 60, at \*4 January 23, 1981 (“purpose of the statute is to protect Missouri consumers from the disposition of useful and necessary parts of a utility’s system by which Missouri residents receive their electricity”).

8. The proposed sale will cause no detriment to the public interest since the assets have never been used to serve the public. KCP&L has a duty to provide electric utility services to its Missouri-based customers and the sale of the wind turbine generators and property rights will not affect that duty. Although KCP&L acquired the wind turbine generators and property rights in anticipation of being able to own and operate such assets, based upon the current economic environment, it is in the best interest of KCP&L, its customers and the public for the Applicant to transfer ownership of the assets to a third party and purchase the energy produced by the assets through a PPA. In this way, KCP&L will be able to facilitate the development of a 100 MW wind generation plant, while at the same time maintain financial flexibility to ensure that it maintains adequate credit capacity to respond to any unforeseen events, such as severe weather damage to its system, without jeopardizing its credit rating.

9. While a superficial analysis of buy or build options may indicate that KCP&L ownership and operation of the wind turbine generators is the least cost option, such analysis does not take into account the financing realities facing the Applicant. KCP&L views the sale of the 32 turbines and property rights and the use of a PPA as the most desirable alternative in light of its current credit profile and challenges in raising equity capital on attractive terms. The

unattractiveness of issuing equity requires the Company to finance new capital projects with internally generated funds, debt, alternative arrangements or some combination of all three. As KCP&L evaluates these various alternatives, the need to maintain or improve its credit profile is a very strong concern. Despite recent positive actions by Moody's and Standard & Poor's to shift KCP&L's outlook from Negative to Stable, both agencies have pointed to a need for KCP&L to improve credit ratios to levels more in line with the current rating in the near-term. Given constraints on the ability to issue additional equity and the adverse impact on solvency and coverage ratios, funding the 100 MW wind project in 2010 entirely with debt would reduce KCP&L's ability to withstand an adverse credit event to a highly undesirable level. A decline in KCP&L's credit rating could have a material adverse impact on the company's ability to access debt capital on attractive terms and result in higher customer rates.

10. At the same time, the cash provided by the sale would benefit KCP&L's ratios (increased Funds from Operations, reduced short-term debt and related interest) and credit profile. Moreover, the third party purchaser of the assets will bear all the operational risk associated with ownership instead of KCP&L and ultimately its customers.

11. The proposed sale of the wind turbine generators and property rights should have no impact upon the tax revenues of the political subdivision in which the assets are located.

WHEREFORE, Kansas City Power & Light Company respectfully requests that the Commission approve, on as timely a basis as possible, the sale of the 32 wind turbine generators and the property rights in Ford County, Kansas and grant other such relief as may be warranted, or in the alternative, decline to assert jurisdiction over the proposed transaction, as requested in the Company's Application and Motion For Expedited Treatment filed on May 28, 2010.

Respectfully submitted,

/s/ Roger W. Steiner

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**Attorneys for Kansas City Power & Light 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 23rd day of June, 2010, to all counsel of record.


*/s/ Roger W. Steiner*

Roger W. Steiner

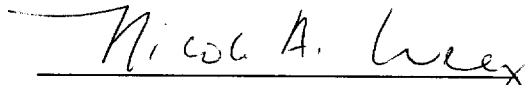
**VERIFICATION**

STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF JACKSON    )

I, Curtis D. Blanc, being duly sworn according to law, state that I am authorized to make this verification on behalf of Kansas City Power & Light Company as Senior Director, Regulatory Affairs, and that the facts set forth above are true and correct to the best of my knowledge, information and belief.

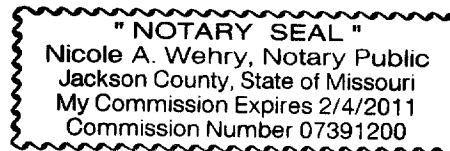
  
Curtis D. Blanc

Subscribed and sworn to before me this 23 day of June, 2010.

  
Notary Public

My commission expires:

Feb 4 2011





**ATTACHMENT NO. 1 and  
ATTACHMENT NO. 2**

**THESE DOCUMENTS CONTAIN  
HIGHLY CONFIDENTIAL  
INFORMATION NOT AVAILABLE  
TO THE PUBLIC**