

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

In the Matter of the Construction Audit and)
Prudence Review of Environmental Upgrades)
To Iatan 1 and Iatan Common Plant, Including All)
Additions Necessary for These Facilities to)
Operate.)

Case No. EO-2010-0259

**KANSAS CITY POWER & LIGHT COMPANY'S AND GMO'S RESPONSE TO
CLARIFY RELIEF BEING REQUESTED FROM THE ON-THE-RECORD
PROCEEDING**

COME NOW Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) (collectively the “Companies”), by and through counsel, and file their response to clarify the relief being requested from the on-the-record proceeding. In order to clarify their position, the Companies respectfully state as follows:

1. On March 22, 2010, the Companies filed their (1) Response to Order Establishing Investigatory Docket and Setting On-The-Record Proceeding; and (2) Response To Staff Motion To Open Construction Audit And Prudence Review Investigation Case (“Companies’ Response”). The Companies’ Response was filed in part in response to the Commission’s March 15, 2010, Order Establishing Investigatory Docket And Setting On-the-Record Proceeding in which the Commission has wisely, on its own motion, scheduled an on-the-record proceeding for the purpose of inquiring into the status of the construction audit and the current dispute between the Companies and Staff regarding that status.

2. Based upon the discussions held at the Commissioners’ Agenda Meeting on March 24, 2010, the Companies are concerned they may not have not succinctly articulated the specific relief they are seeking from the Commission at this juncture of the proceedings. The Companies apologize for this lack of clarity, and respectfully offer the following additional comments.

3. The Companies are not seeking a wholesale end to the Staff's review of expenditures related to Iatan 1 and the common plant necessary to operate it. The Companies are instead simply looking for confirmation that the decisional prudence aspect of Staff's construction audit ended with its December 31, 2009 reports, as directed by the Commission in its June 10, 2009 Orders in Case Nos. ER-2009-0089 and ER-2009-0090. Staff's inquiries into rate case issues such as AFUDC calculations and allocation issues between Iatan 1 and Iatan 2 would not be affected by the Companies' request. Nor would Staff's review of invoices related to Iatan 1 and common plant that were not available at the end of 2009. Those issues would be addressed in the Companies' upcoming rate cases. The Commission, moreover, continues to have jurisdiction over the Companies' rates, including the level of Iatan 1 costs reflected in those rates. The Companies do not seek to limit the Commission's jurisdictional authority or statutory responsibility in any way. The Companies' request is specifically limited to the decisional prudence portion of Staff's review.

4. The Commission's June 10, 2009 Orders directed Staff to complete its construction audit and prudence review and file the specific rationale for each and every recommended disallowance by December 31, 2009. Staff filed the results of its construction audit and prudence review on December 31, 2009, as directed. However, Staff appears to now be requesting that the Commission grant it additional time (perhaps to some time beyond the next KCP&L and GMO rate cases) to continue its construction audit and prudence review of Iatan 1 and common plant. It is this Staff request that the Companies believe is improper and unreasonable, and should be denied by the Commission.

5. The Companies, in order to support their request for relief and if allowed by the Commission, intend to present witnesses whose testimony will provide evidence as to the following:

a) Continuing the uncertainty associated with the prudence review of the Companies' investments in Iatan 1 and common plant beyond the time frame ordered by the Commission in its June 10, 2009 Orders has the potential to increase the Companies' cost of capital, to the detriment of the Companies and their customers.

b) Despite the Staff's repeated allegations, the Companies have not engaged in any dilatory or unreasonable practices in responding to discovery during the prudence audit. The Staff suggests that the Companies violated the Great Plains Energy Code of Ethical Business Conduct by not cooperating with, or frustrating the Staff's audit by withholding information. Staff's March 9 Reply, at pp. 10-11. The Companies take such allegations very seriously and believe they should be given an opportunity to provide responsive evidence.

c) The Companies' cost control system adequately tracks the costs of the projects, and is consistent with accepted industry standards.

d) The Companies long ago provided Staff with access to all relevant personnel and information necessary to reach conclusions on the prudence of decisions made about Iatan 1 and common plant necessary to operate Iatan 1.

e) Staff appears to be conducting a financial audit of the Companies rather than a prudence review of the construction decisions made related to Iatan 1 and common plant. For example, Staff's recent audit activities have largely focused on expense reports of officers of the Companies, and mileage charges reimbursements for employees working at the Iatan construction project. In fact, of the most recent 400 data requests issued by Staff in this

“construction audit,” more than 100 (or in excess of 25%) have dealt with expense reports of KCP&L employees. More than 50 data requests pertain to how KCP&L employees are reimbursed for mileage. Only a dozen or so of those 400 data requests (or only 3%) pertain to expenditures by Alstom, Kiewit or Burns & McDonnell, the principal vendors responsible for the construction of Iatan 1, Iatan 2 and the common plant necessary to operate those units.

WHEREFORE, the Companies respectfully request that the Commission accept this filing as clarification of their request for relief in this matter, and respectfully request that the Commission convene a two-day hearing to investigate this matter with the opportunity for the parties to present witnesses and engage in cross-examination of opposing witnesses. At the conclusion of the hearing, the Companies request that the Commission issue an Order precluding Staff from proposing additional prudence disallowances in addition to those prudence disallowances that are already contained in its *Staff’s Report Regarding Construction Audit And Prudence Review Of Environmental Upgrades To Iatan 1 and Iatan Common Plant* filed in Case Nos. ER-2009-0089 and ER-2009-0090 on December 31, 2009 in this or any future rate proceeding.

Respectfully submitted,

/s/ James M. Fischer

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ATTORNEYS FOR KCP&L AND GMO

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served either by electronic mail or by first class mail, postage prepaid, on this 25th day of March 2010 to counsel for all parties of record.

/s/ James M. Fischer

James M. Fischer