

MEMORANDUM

FILED

TO: Missouri Public Service Commission Official Case File
Case No. EM-97-305, Kansas City Power & Light Company

APR 7 1997

FROM: Jim Ketter, Energy Department *K*
Bill Harris, Accounting Department *Bill Harris*
Paul Adam, Depreciation Department *PA*

MISSOURI
PUBLIC SERVICE COMMISSION

Sam Eldhammer 4-4-97
Utility Operations Division/Date

Kenneth L. Radema 4/4/97
Utility Services Division/Date

Steven D. [unclear] 4/7/97
General Counsel's Office/Date

SUBJECT : Staff Recommendation For Approval To Sell Facilities To City of Kansas City

DATE: March 31, 1997

On February 6, 1997, Kansas City Power & Light Company (KCPL or Company) filed an APPLICATION requesting Commission approval of the sale to the City of Kansas City (City), Missouri of its existing street lighting system located within the City. On February 26, 1997 an AMENDMENT TO APPLICATION was filed to include a copy of the Streetlight Agreement (Agreement) between KCPL and the City.

The property to be sold consists of the entire street lighting system located within the City and serves that customer exclusively. The Company's cost of service and revenues associated with these facilities have been accounted for separately and are reflected in Commission approved tariff rates for KCPL's municipal street lighting service. The street lighting facilities have been included in rate base since their inception (from 1947 through 1996).

After extensive negotiations, the Company and the City agreed to a sale price of \$21.5 million, which closely approximated the net book value of the plant at September 30, 1996 (\$20.6 million). The original cost of the plant to be sold is \$31,666,538.52, with accumulated depreciation (at the date of sale) of \$11,805,945.38, leaving a net book value of \$19,860,593.14 as of May 31, 1997. The Company plans to record the \$1,639,406.86 difference between the sale price and the net book value of the plant by recording this transaction below the line, benefitting the stockholders. This accounting is consistent with established Commission policy and the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts, but this does not preclude future rate making alternatives.

The City is the only ratepayer affected by this transaction. The remaining ratepayers are reasonably compensated for the facilities and the proposed sale will not be detrimental to KCPL's financial position. The City will take over responsibility for safe operation and maintenance upon transfer of the facilities pursuant to the Agreement.

The Company has filed and the Commission has approved, effective March 30, 1997, an Off-

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Peak Lighting Service schedule to provide electric service for municipal-owned street lighting facilities. This schedule provides the energy rates for lights owned by a municipality and used only during non-daylight hours.

The Staff has reviewed this APPLICATION and recommends approval. The Staff recommends that the Commission specify in its order that the Company submit to Staff copies of all journal entries made in connection with this sale at the time plant is retired. Staff also recommends that the Commission reserve the right to consider the ratemaking treatment for this transaction in subsequent rate proceedings.

copies: Director - Utility Operations Division
Director - Policy and Planning Division
Director - Utility Services Division
General Counsel
Manager - Accounting Department
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