

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

In the Matter of the Application of Kansas     )  
City Power & Light Company and KCP&L     )  
Greater Missouri Operations Company for     ) Case No.: EU-2012-0131  
the Issuance of an Accounting Authority     )  
Order Relating to their Electrical            )  
Operations

**APPLICATION OF KANSAS CITY POWER & LIGHT COMPANY AND  
KCP&L GREATER MISSOURI OPERATIONS COMPANY FOR AN  
ACCOUNTING AUTHORITY ORDER**

Pursuant to Mo. Rev. Stat. 386.250 and 393.140<sup>1</sup> and 4 CSR 240-2.060, Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”), collectively referred to as “Companies” and “Applicants,” hereby request that the Missouri Public Service Commission (“Commission”) issue an Accounting Authority Order (“AAO”) authorizing each Applicant: (i) to defer and record in Account 182 of the Uniform System of Accounts of the Federal Energy Regulatory Commission (“USOA”) certain incremental costs associated with the compliance with Missouri’s Renewable Energy Standard Law, section 393.1020, et seq., which establishes requirements for electric utilities to generate or purchase electricity generated from renewable energy resources (“Renewable Energy Standard”); (ii) to include carrying costs based on the Companies’ latest approved weighted average cost of capital on the balances in those regulatory assets; and (iii) to defer such amounts in a separate regulatory asset with the disposition to be determined in each companies next general rate cases.

1. KCP&L and GMO are corporations duly organized and existing under the laws of the State of Missouri and the State of Delaware, respectively. Applicants are duly authorized to conduct business in Missouri. Their principal office and place of business is located at 1200

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<sup>1</sup> Unless otherwise noted, all citations are to the Revised Statutes of Missouri (2010), as amended.

Main Street, Kansas City, Missouri 64105. Under operating authority granted by the Commission, the Applicants provide service in Missouri as electric utilities and also as a heating company (GMO only). Certified copies of KCP&L's Certificate of Good Standing were filed in Case No. EM-2000-753 and GMO's Certificate of Authority to do business as a foreign corporation was filed in Case No. EU-2002-1053, and those documents are incorporated herein by reference, as allowed by 4 CSR 240-2.060(1)(G).

2. Applicants are each an "electrical corporation," a "heating company" (GMO only), and a "public utility" as those terms are defined in section 386.020, RSMo. 2000; therefore, Applicants are subject to the jurisdiction and regulatory supervision of the Commission, as provided by law.

3. Applicants have no final, unsatisfied judgments or decisions against them from state or federal regulatory agencies or courts that involve customer service and that have occurred within the three years immediately preceding the filing of this application, except as stated in Appendix 1. Applicants also have no overdue Commission annual reports or assessment fees.

4. Pleadings, notices, orders, and other correspondence and communications related to this application should be sent to the undersigned counsel and also to:

Tim M. Rush  
Director, Regulatory Affairs  
Kansas City Power & Light Company  
1200 Main Street  
Kansas City, MO 64105  
Tel.: (816) 556-2344  
E-mail: tim.rush@kcpl.com

5. The Renewable Energy Standard rules were established commensurate with the Companies' last rate cases. The rules mandate the payment to Missouri retail customers of two

dollars per installed watt of new or expanded solar electric systems, a portfolio of electricity generated from renewable energy resources with a portion coming from solar and, at the option of the utility, a standard offer tariff for the purchase of renewable energy from the new or expanded solar electric systems. Additionally, the Companies are required to fund the administrative software and support for the management of the renewable energy credits (“RECs”) throughout the state. These costs have become significant and are continuing to increase as the state expands its footprint of solar applications. As a result, each Applicant is requesting an AAO to account for these costs until the Applicants next rate proceeding.

6. The Renewable Energy Standard, as set out in section 393.1030(3), RSMo, requires electric utilities to provide rebates of two dollars per installed watt to Missouri electric utility retail customers who install new or expanded solar electric systems that become operational after December 31, 2009. Applicants have paid rebates to its customers in the amount of \$1,682,424 for KCP&L and \$303,584 for GMO as of October 31, 2011. The Applicants estimate that 2012 payments will total approximately \$6 million for the two companies combined.

7. The Renewable Energy Standard also establishes a portfolio requirement for electricity generated from renewable energy resources which shall constitute the following portions of each electric utility’s sales:

- (1) No less than two percent for calendar years 2011 through 2013;
- (2) No less than five percent for calendar years 2014 through 2017;
- (3) No less than ten percent for calendar years 2018 through 2020; and
- (4) No less than fifteen percent in each calendar year beginning in 2021.

At least two percent of each portfolio requirement shall be derived from solar energy. The portfolio requirements shall apply to all power sold to Missouri consumers whether such power is self-generated or purchased from another source in or outside of this state. A utility may comply with the standard in whole or in part by purchasing RECs. Each kilowatt-hour of eligible energy generated in Missouri shall count as 1.25 kilowatt-hours for purposes of compliance. See section 393.1030(1). Through October 31, 2011, KCP&L has paid \$30,330 for solar RECs and \$164,258 for wind RECs while GMO has paid \$28,044 for solar RECs and has not purchased any wind RECs.

8. The Commission's rules implementing the Renewable Energy Standard allow a utility to offer a standard offer contract for the purchase of solar RECs. See 4 CSR 240-20.100 (4)(H)(2). Applicants are interested in having a standard offer if the costs of the standard offer can be recorded in an AAO. Applicants anticipate that a standard offer for the purchase of solar RECs would be established in separate tariff filings.

9. The Companies are required by the Commission to have RECs accounted for in NYSE Blue's North American Renewable Registry including facility registration, REC creation, transfer, and retirement. The Commission can use NYSE Blue to monitor compliance. KCP&L and GMO have incurred compliance costs of \$116,185 and \$14,501, respectively, through October 31, 2011.

10. Statement of Financial Accounting Standard No. 71 and the USOA allow Applicants to defer extraordinary operations and maintenance expenses, like those related to the Renewable Energy Standard program, if the Commission specifically authorizes such accounting treatment. Accordingly, Applicants request that the Commission issue an AAO authorizing each Company to defer and record in USOA Account 182, as a regulatory asset, the additional,

incremental operating costs incurred as a result of the Renewable Energy Standard. These costs include the costs of the solar rebates, the costs of renewable energy credits, the costs of the standard offer and other Renewable Energy Standard compliance costs. Applicants' further request authorization to include carrying costs based on the Companies' latest approved weighted average cost of capital on the balance in those regulatory assets. Finally, Applicants request that the regulatory asset costs for these deferrals be accumulated through the effective date of new rates in the Applicants' next general rate cases with the disposition to be determined in those rate cases.

11. The Commission, pursuant to section 393.140, RSMo, has promulgated Commission Rule 4 CSR 240-40.030, which prescribes the use of the USOA adopted by the Federal Energy Regulatory Commission. The USOA provides for the deferred treatment of extraordinary costs. An application for an AAO contains a single factual issue -- whether the costs, which are asked to be deferred, are extraordinary in nature. *In the matter of the application of Missouri Public Service*, 1 Mo.P.S.C.3d 200, 203-204 (1991). "By seeking a Commission decision [regarding the issuance of an AAO] the utility would be removing the issue of whether the item is extraordinary from the next rate case. All other issues would still remain, including, but not limited to, the prudence of any expenditures, the amount of recovery, if any, whether carrying costs should be recovered, and if there are any offsets to recovery." *Id.* The Commission has previously authorized AAOs for the deferral of extraordinary costs. An AAO allows Applicants to amortize these extraordinary expenses; otherwise, financial accounting rules would require them to record the expenses in the period in which the expenses were incurred.

12. Granting the AAO requested herein will not impact customer rates. Although an AAO puts Applicants in a position where they can, in future rate proceedings, request recovery in rates of all or a portion of their Renewable Energy Standard costs, a Commission order authorizing an AAO carries with it no guarantee that such rate recovery will be allowed. An AAO simply ensures that, by amortizing these costs over an extended period, Applicants will avoid distorting their financial results. In future general rate case proceedings, Applicants anticipate they will seek recovery of these costs.

13. The AAOs requested in this application will be generally consistent with the accounting treatment afforded Ameren Missouri in File No.ER-2011-0028. The Commission granted Ameren Missouri an AAO for solar rebate costs that it incurred.

14. WHEREFORE, for the reasons stated above, Applicants request that the Commission grant Applicants' application and:

a) issue an AAO to each Applicant authorizing each Applicant: (i) to record all incremental operating expenses associated with the cost of solar rebates, the cost to purchase RECs, the cost of the standard offer and other related costs incurred as result of compliance with the Renewable Energy Standard in USOA Account 182; (2) to include carrying costs based on the Companies' latest approved weighted average cost of capital on the balances in those regulatory assets; and (iii) to defer such amounts in a separate regulatory asset with the disposition to be determined in the Company's next general rate cases; and

b) provide the Applicants such other relief that the Commission believes is necessary and appropriate and that is not inconsistent with the AAOs requested in this application.

Respectfully submitted,

/s/ Roger W. Steiner

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ATTORNEY FOR KANSAS CITY POWER &  
LIGHT COMPANY AND KCP&L GREATER  
MISSOURI OPERATIONS COMPANY

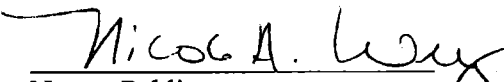
VERIFICATION

STATE OF MISSOURI     )  
                                      ) ss.  
COUNTY OF JACKSON    )

Darrin R. Ives, being first duly sworn, on his oath and in his capacity as Senior Director, Regulatory Affairs, states that he is authorized to execute this Application on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company, and has knowledge of the matters stated in this Application, and that said matters are true and correct to the best of his knowledge, information and belief.

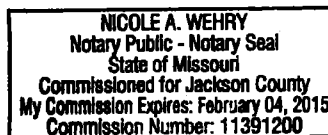
  
Darrin R. Ives

Subscribed and sworn to before me this 30<sup>th</sup> day of December 2011.

  
Notary Public

My commission expires:

Feb. 4, 2015





**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Application was served either by electronic mail or by first class mail, postage prepaid, on this 30<sup>th</sup> day of December 2011, upon:

General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
200 Madison St., Suite 800  
Jefferson City, MO 65102

Steven Reed  
Missouri Public Service Commission  
P.O. Box 360  
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Lewis Mills  
Office of the Public Counsel  
P.O. Box 2230  
200 Madison St., Suite 650  
Jefferson City, MO 65102

/s/ Roger W. Steiner

Roger W. Steiner, MBN 39586

## Appendix 1

### Pending Actions or Final Unsatisfied Judgments or Decisions

The following is a listing of Applicants' pending actions 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 (3) years of the date of this application:

#### Kansas City Power & Light Company-Customer Complaints in Missouri

*Briarcliff Development Company v. Kansas City Power & Light Company*, Case No. EC-2011-0383.

#### KCP&L Greater Missouri Operations Company-Customer Complaints in Missouri.

*Eddie Shepherd v. KCP&L Greater Missouri Operations Company*, Case No. EC-2011-0373.