

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

In the Matter of the Application of Kansas City)
Power & Light Company for Authorization to)
Manage its Sulfur Dioxide (SO₂) Emission)
Allowance Inventory.)

File No. EO-2012-0147

STAFF'S RECOMMENDATION TO GRANT MOTION

COMES NOW the Staff of the Missouri Public Service Commission and, in response to the Commission's November 14, 2011, *Order Directing Notice, Setting Deadline for Responses and Directing Staff Recommendation*, for *Staff's Recommendation to Grant Motion* states:

1. Kansas City Power & Light Company filed a motion on November 10, 2011, requesting the Commission to expand the authority the Commission had given it in Case No. EO-2000-357 to manage its sulfur dioxide (SO₂) emissions allowances to include management of its NO_x emissions allowances.

2. In its motion, KCPL explained the Commission had given it authority "to manage its inventory of sulfur dioxide ("SO₂") emissions allowances, which were issued under the Federal Clean Air Act and administered by the United States Environmental Protection Agency ("EPA")" by "sell[ing] and trad[ing] SO₂ allowances subject to certain restrictions." KCPL stated it "was required to keep detailed records of each transaction, and file an annual report with the Commission enumerating all of its transactions," and that "[t]he prudence of any allowance transaction was subject to review and adjustment as part of any audit and/or examination in a future rate case." It noted that SO₂ emissions allowances were then addressed in the experimental regulatory plan it negotiated for constructing Iatan 2 that the Commission approved in Case No. EO-2005-0329.

3. Much of KCPL's motion is word-for-word identical to the motion Union Electric Company d/b/a Ameren Missouri filed on October 19, 2011, in Case No. EO-98-401. As KCPL does here, with that motion Ameren Missouri requested expedited treatment and represented it had contacted the Commission's Staff and others and was authorized to represent they supported the motion. Without a Staff recommendation, on October 26, 2011, the Commission granted Ameren Missouri the authority it requested.

4. Unlike Ameren Missouri, KCPL does not have a fuel adjustment clause, and its motion does not include language pertaining to one; instead KCPL states it will record sales proceeds in FERC Account 254, and represents they will be flowed to its customers over an amortization period to be determined in its next rate case, with the unamortized balance to be used as an offset to ratebase. KCPL also does not include in its motion certain representations Ameren Missouri did include. Unlike Ameren Missouri, KCPL does not represent it has been contacted by potential purchasers of NO_x emissions allowances, that as time passes the number of potential purchasers is reduced, or that it filed its motion as soon as reasonably possible after it determined the new EPA rules on NO_x emissions allowances were likely to take effect on January 1, 2012.

5. Again, as KCPL has stated in its motion, because it will provide KCPL with an opportunity to obtain remuneration for the Clean Air Interstate Rule NO_x emissions allowances, it represents will have no value after early March 2012, which will inure to the benefit of its retail customers, Staff supports the motion and recommends the Commission grant it, including the following conditions to which KCPL has agreed:

- KCPL shall record proceeds from the sale of Clean Air Interstate Rule NO_x emissions allowances in FERC account 254, to be flowed to customers over an

amortization period to be determined in the next rate case with the unamortized balance to be used as an offset to ratebase;

- KCPL shall maintain detailed records of each Clean Air Interstate Rule NO_x emissions allowances transaction, and provide an annual report similar to the report that it is currently providing for its SO₂ emissions allowances transactions; and
- KCPL shall file an annual report with the Commission enumerating all of its Clean Air Interstate Rule NO_x emissions allowances transactions.
- The prudence of any Clean Air Interstate Rule NO_x emissions allowances transaction shall be subject to review and adjustment as part of any audit and/or examination in a future rate case.

WHEREFORE, the Staff of the Missouri Public Service Commission recommends that the Commission grant Kansas City Power & Light Company's motion, subject to the conditions set forth above.

Respectfully submitted,

/s/ Nathan Williams

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 18th day of November 2011.

/ Nathan Williams