

**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 the Issuance)	
Of an Accounting Authority Order Relating to)	File No. EU-2014-0077
Their Electrical Operations and for a Contingent)	
Waiver of the Notice Requirement of)	
4 CSR 240-4.020(2))	

EMPIRE’S STATEMENT OF POSITION

COMES NOW The Empire District Electric Company (Empire), and, as its Statement of Position, states as follows to the Missouri Public Service Commission (Commission):

Empire will respond to the individual issues contained in the Joint List of Issues, List of Witnesses, Order of Cross-Examination, and Order of Opening Statements, filed with the Commission on January 7, 2014, in the order those issues appear in that document.

Issue 1: What standards and /or factors should be considered in granting or denying an AAO in this proceeding?

Empire Position: The Commission should consider that the subject of this Application – increasing transmission costs related to infrastructure upgrade projects – is a very real concern for electric utilities. Transmission costs are currently being impacted by an unprecedented build out in order to expand and enhance the Southwest Power Pool (SPP) transmission network (as well as other networks). (Ives Sur., p. 4) SPP has approved a number of very large projects needed to facilitate economic power transactions for the region. Most of those projects are coming on line in the 2013-2017 timeframe, so we are now in a period of historically unprecedented escalation in transmission infrastructure cost. (Ives Sur., p. 9)

These are not typical transmission costs. (Id. at p. 4) The increase in these costs is significant and beyond the control of the individual utilities. This is especially harmful in an environment of flat or decreasing load. (Ives Sur., p. 5)

Regardless of whether the Commission grants an accounting authority order or takes some other approach, this is a situation that requires a Commission ratemaking solution. A significant and ever-increasing cost is difficult, if not impossible, to capture in a traditional, historic test year rate case. If the Commission does not address this issue, companies will be left “chasing their tail” and never have an opportunity to catch up.

Issue 2: Should KCP&L and GMO be authorized an AAO to defer and record in Account 182 of the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts (“USOA”) certain incremental transmission costs charged to them by the Southwest Power Pool (“SPP”) and other providers of transmission service above the level included in current base rates or defer and record in USOA Account 254 said transmission costs below the amount included in current base rates, with the calculation of the deferrals beginning with the effective date of rates in the Companies’ last general rate case proceedings, which was January 26, 2013, as proposed by KCP&L and GMO?

- a. Are there mitigating factors affecting the current operations and earnings levels of KCP&L and GMO that are relevant to the KCP&L and GMO request for AAOs?

Empire Position: Empire supports the grant of an AAO, or some other mechanism, to address the subject transmission costs.

Issue 3: Should KCP&L and GMO be authorized to include carrying costs based on the Companies’ latest approved weighted average cost of capital on the balances in this regulatory asset or regulatory liability of transmission costs as proposed by KCP&L and GMO?

Empire Position: Consideration of carrying costs is appropriate given the real and immediate cost to the utility.

Issue 4: Should KCP&L and GMO be authorized to defer such amounts in a separate regulatory asset or regulatory liability with the disposition to be determined in each Company’s next general rate case?

Empire Position: See Empire’s position as to Issues 1 and 2 above.

Issue 5: Should KCP&L and GMO be authorized trackers for their transmission costs in this proceeding rather than AAOs?

Empire Position: Empire supports the grant of trackers, or some other mechanism, to address the subject transmission costs.

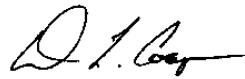
Issue 6: If the Commission grants KCP&L and/or GMO AAOs or trackers, should it also adopt all or any of the following conditions proposed by Staff and addressed by one or more of the other Parties?

1. That the deferral reflects both transmission revenues and expenses, and thereby be based upon the level of net transmission costs experienced by KCP&L and GMO.
2. That KCP&L and GMO provide to all parties in this case on a monthly basis copies of billings from SPP for all SPP rate schedules that contain charges and revenues that will be included in the deferral and report, per its general ledger, all expenses and revenues included in the deferral by month by FERC USOA account and KCP&L/GMO subaccount or minor account. KCP&L and GMO shall also provide, on no less than a quarterly basis, the internally generated reports it relies upon for management of its ongoing levels of transmission expenses and revenues. KCP&L and GMO shall also notify the Parties of any changes to its existing reporting or additional internal reporting instituted to manage its transmission revenues and expenses.
3. That KCP&L and GMO maintain an ongoing analysis and quantification of all benefits and savings associated with participation in SPP not otherwise passed on to retail customers between general rate proceedings.
4. That KCP&L and GMO maintain documentation of its efforts to minimize the level of costs deferred under any AAOs or trackers authorized for it.
5. That all ratemaking considerations regarding transmission revenue and expense amounts deferred by the Company pursuant to Commission authorization be reserved to the next KCP&L and GMO rate proceedings, including examination of the prudence of the revenues and expenses.
6. That an amortization to expense over a 60-month period of the amounts accumulated in any deferral commence on KCP&L's and GMO's books in the first full calendar month following Commission approval of the AAOs or trackers.
7. That deferrals addressed by the AAOs or trackers cease when KCP&L or GMO report it is earning at or in excess of its authorized ROE on a twelve-month rolling forward average basis in quarterly earnings "surveillance" reporting on an overall basis. Deferrals addressed by the AAOs or trackers begin again when KCP&L or GMO report it is below its authorized ROE on a twelve-month rolling forward average basis in quarterly earnings "surveillance" reporting on an overall basis.

Empire Position: Empire takes no position on this issue at this time, but reserves the right to take a position after evidence is adduced and the record is complete.

WHEREFORE, Empire prays that the Commission consider this Statement of Position and, thereafter, issue such orders as it shall find to be just and reasonable.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on January 14, 2014, to the following:

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