

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

In the Matter of the Application of Kansas)
City Power & Light Company for Authority)
to Sell Approximately Three Miles of a 69)
kV Transmission Line to the City of)
Independence, Missouri.)

Case No. EO-2012-0354

**STAFF RECOMMENDATION TO APPROVE
APPLICATION, WITH CONDITION**

COMES NOW, the Staff of the Missouri Public Service Commission and for its
Recommendation to Approve Application with Condition, states as follows:

1. On April 20, 2012, Kansas City Power & Light Company ("KCPL") filed an
Application with the Commission seeking authorization to sell approximately three miles
of a 69 kV three-phase transmission line to the City of Independence, Missouri
("Independence" or "City"). The line is currently used to provide transmission service to
the City so that the City can serve a load pocket it cannot access through its
own system.

2. On April 23, 2012, the Commission issued its *Order Directing Notice and
Order Directing Filing* which directed the Staff of the Commission to file a
recommendation regarding approval of the application or a preliminary response to the
application. This filing is intended to comply with that *Order*.

3. The statute governing sales of regulated utility property is Section 393.190
RSMo (2000). Section 393.190.1 RSMo requires that:

No...electrical corporation, ... shall hereafter sell, assign, lease, transfer,
mortgage or otherwise dispose of or encumber the whole or any part of its
franchise, works or system, necessary or useful in the performance of its
duties to the public, ... with any other corporation, person or public utility,

without having first secured from the commission an order authorizing it so to do...

The Statute further requires:

Any person seeking any order under this subsection authorizing the sale ... direct or indirect, of any gas corporation, electrical corporation, water corporation, or sewer corporation, shall, at the time of application for any such order, file with the commission a statement, in such form, manner and detail as the commission shall require, as to what, if any, impact such sale...will have on the tax revenues of the political subdivisions in which any structures, facilities or equipment of the corporations involved in such disposition are located.

4. Rules 4 CSR 340-2.060 and 4 CSR 240-3.110 contain the requirements for an electric utility application seeking authority to sell its assets. Of note here is the requirement of Rule 4 CSR 240-3.110(1)(D) that an application state the reasons the proposed sale of the assets is “not detrimental to the public interest”; and of (F) that the application contain a statement of “the impact, if any, the sale...will have on the tax revenues of the political subdivisions in which any structures, facilities or equipment of the companies involved in that sale are located.”

5. Staff has had the opportunity to review KCPL’s *Application* and finds that the information contained therein complies with the requirements of the statute and Commission rules listed above.

6. As stated in Staff’s Recommendation, attached hereto as Appendix A, Staff recommends that the Commission approve this transmission line sale, with the condition that KCPL record the net proceeds from the sale as salvage to the individual FERC USOA accumulated depreciation reserve accounts, recording salvage in proportion to the original cost of plant sold from each transmission account. With that condition, Staff believes the sale is not detrimental to the public interest.

Furthermore, Staff notes that the proposed sale will have little impact upon the tax revenues of the political subdivision in which the transmission line is located.

WHEREFORE, Staff respectfully requests that the Commission grant KCPL the authority to sell the relevant transmission assets, as conditioned above.

Respectfully submitted,

/s/ Meghan McClowry

Meghan E. McClowry
Legal Counsel
Missouri Bar No. 63070

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-6651 (Telephone)
(573) 751-9285 (Fax)
Meghan.mcclowry@psc.mo.gov

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 30th day of May, 2012.

/s/ Meghan McClowry

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EO-2012-0354, Kansas City Power & Light Company
and KCP&L Greater Missouri Operations Company

FROM: Arthur Rice – Engineering and Management Services Unit

/s/ Arthur Rice 05/30/12
Engineering and Management
Services Unit / Date

/s/ Meghan McClowry 05/30/12
Staff Counsel's Office / Date

SUBJECT: Staff's Recommendation to Approve the Kansas City Power & Light Company's Request for Commission Authority to Sell Approximately Three Miles of a 69 kV Three Phase Transmission Line to the City of Independence, Missouri

DATE: May 29, 2012

Summary:

On April 20, 2012, Kansas City Power & Light Company ("KCPL") filed an Application with the Missouri Public Service Commission ("Commission") requesting the Commission issue an Order authorizing KCPL to transfer certain specified transmission assets to the City of Independence, Missouri ("Independence" or "City"). This transmission line is used to provide transmission service to Independence so that the City can serve a load pocket that it cannot access through its own system. Independence is the only KCPL customer served by this section of transmission line.

Recommendation:

Staff recommends the Commission issue an Order authorizing the sale subject to the following condition:

KCPL will record the net proceeds from this sale as salvage to the individual FERC USOA accumulated depreciation reserves accounts, recording salvage in proportion to the original cost of plant sold from each transmission account.

Effect of Recommendation:

The effect of this recommendation is that due to the treatment of the sale proceeds as salvage, no rate making treatment occurs with this sale. Rate making considerations will be included in KCPL's pending rate case, Case No. ER-2012-0174, as a reduction to rate base. The expected reduction in rate base is \$266,989.63 less any closing costs, as shown in the chart below, which Staff created using information from the Company.

Company Provided Sales Price, Original Cost and Depreciation Reserves:

In response to data requests, the Company provided information as follows:

<u>FERC USOA Plant Account</u>	<u>355 Poles and Fixtures</u>	<u>356 Overhead and Conductors</u>	<u>Total</u>
Original Cost of Equipment Sold	\$164,321.44	\$20,424.00	\$184,745.44
Accumulated Depreciation	\$113,811.07	\$20,424.00	\$134,235.07
Undepreciated Amount	\$50,510.37	\$0.00	\$50,510.37

The sale price for the specified transmission assets are \$317,500. This sale amount less any closing cost will be recorded as salvage. The net book value is \$50,510.37. The reduction in rate base will be the difference between the net book value and the sale price, which is \$266,989.63 less any closing costs.

Conclusion and Recommendation:

Staff recommends the Commission grant KCPL the authority to sell these transmission line assets. The sale will reduce KCPL's rate base by \$266,989.63 (less any closing costs), reflect a gain to KCPL rate payers of \$82,244.19 (less any closing costs) over the original installed cost, and only affects the physical electrical service of the buyer.

Staff has reviewed this Application and, for the following reason, is of the opinion that granting this Application would not be detrimental to the public interest, if the certain condition is met:

1. That the Commission condition its authorization on KCPL recording the net proceeds from the sale as salvage to the individual FERC USOA accumulated depreciation reserves accounts, recording salvage in proportion to the original cost of plant sold from each transmission account.

OF THE STATE OF MISSOURI

In the Matter of the Application of)
 Kansas City Power & Light Company for) Case No. EO-2012-0354
 Authority to Sell Approximately Three Miles)
 of a 69 kV Transmission Line to the City of)
 Independence, Missouri)

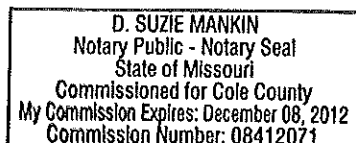
AFFIDAVIT OF ARTHUR W. RICE, PE


STATE OF MISSOURI)
)
COUNTY OF COLE) SS.

Arthur W. Rice, PE, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.

Arthur W. Rice PE
Arthur W. Rice, PE

Subscribed and sworn to before me this 29th day of May, 2012.




Notary Public