

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

In the Matter of the Application of Kansas City)	
Power & Light Company for an Accounting)	
Authority Order Allowing the Company to)	Case No. _____
Record and Preserve Asset Retirement)	
Obligation Costs Consistent With Statement of)	
Financial Accounting Standard No. 143 and)	
Motion for Expedited Treatment.)	

**APPLICATION AND MOTION
FOR EXPEDITED TREATMENT**

COMES NOW Kansas City Power & Light Company ("KCPL") by and through its counsel and pursuant to 4 CSR 240-2.060 and 4 CSR 240-2.080(16), applies for the issuance of an accounting authority order ("AAO") authorizing it to place Asset Retirement Obligations ("ARO") costs in regulatory deferred accounts so that the current regulatory treatment for and recovery of these costs will not be altered due to KCPL adopting Statement of Financial Accounting Standard No. 143 ("SFAS 143) and for expedited treatment of KCPL's application. In support of its application and motion, KCPL alleges and states:

1. KCPL is a corporation organized and existing under and by virtue of the laws of the State of Missouri, with its principal office at 1201 Walnut, Kansas City, Missouri 64106-2124. KCPL's Certificate of Good Standing was provided in Case No. EF-2002-315 and is incorporated herein by reference.

2. KCPL holds Certificates of Convenience and Necessity from the Commission to transact business as an electric public utility in certain areas of the State of Missouri and is

principally engaged in the generation, transmission, distribution and sale of electric power and energy.

3. Communications in this matter should be addressed to:

Tim M. Rush
Director Regulatory Affairs
Kansas City Power & Light Company
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Kansas City, Missouri 64106-2124
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4. KCPL has heretofore filed with this Commission a certified copy of the Articles of Consolidation under which it was organized and of all amendments thereto.

5. KCPL has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court, which involve customer service or rates, which has occurred within three (3) years of the date of the Application, except as identified on Exhibit 1 hereto. No annual report or assessment fees are overdue.

6. KCPL requests an order approving this Accounting Authority Application by February 2, 2004 to facilitate timely submittal of KCPL's 2003 Form 10-K to the Securities and Exchange Commission ("SEC").

SFAS 143, Accounting for Asset Retirement Obligations

7. In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS 143 – Statement 143, Accounting for Asset Retirement Obligations. Adoption of SFAS 143 is mandatory and effective for fiscal years beginning after June 15, 2002. SFAS 143 sets forth the way public companies recognize and measure legal retirement obligations that result from the acquisition, construction and normal operation of tangible long-lived assets. Prior to SFAS 143, there was no comprehensive guidance on how legal retirement obligations should be recorded under Generally Accepted Accounting Principles (“GAAP”). For purposes of SFAS 143, a legal enforceable retirement obligation can result from:

- (a) A government action, such as a law, statute or ordinance,
- (b) An agreement between entities, such as a written or oral contract, or
- (c) Application of the doctrine of promissory estoppel.

8. Once it is determined that an obligation falls within the scope of SFAS 143, the liability must be measured at fair value, with fair value being the amount that an entity would be required to pay to settle the ARO in an active market. An entity shall recognize the fair value of a liability for an ARO in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the ARO is incurred, the liability shall be recognized when a reasonable estimate of fair value can be calculated using valuation techniques such as the expected present value method. The offset to establishment of the initial ARO is a cost that is capitalized as part of the related asset carrying cost, which is depreciated over the related asset’s life.

9. For periods subsequent to the initial measurement, entities are required to recognize changes in the liability resulting from the passage of time and from revisions in the

timing or amount of estimated cash flows. Changes resulting from the passage of time (*i.e.*, increases in the present value, referred to in SFAS 143 as “accretion”) will increase the carrying amount of the liability and will be recognized as an operating cost.

10. Due to the lack of an active market for settling ARO’s, most entities, including KCPL used the expected present value method to determine the ARO liability and offsetting asset. Under the expected present value method, entities must incorporate assumptions into their cash flows that are consistent with assumptions considered by third parties. Such third party or market assumptions include the following:

- (a) The costs that a third party would incur in performing the tasks necessary to retire the asset,
- (b) Other amounts that a third party would normally include such as inflation, overhead, equipment charges, profit margin and advances in technology,
- (c) The extent that a third party’s costs or timing would differ due to different scenarios and relative probability, and
- (d) The market risk premium that a third party would require in return for taking on risks (similar to contingency factor).

11. Subsequent to the adoption of SFAS 143 by KCPL, the SEC Staff concluded that continuing to accrue removal costs as a component of depreciation would be contrary to GAAP. The SEC Staff has indicated that continued accrual of removal costs other than those that relate to a legal obligation would only be acceptable if it were accrued as a regulatory asset or liability. The SEC Staff has indicated that it will require restatement after implementation of SFAS 143 for any registrant that continues accruing non-legal obligations except as a regulatory asset or liability.

12. Paragraphs 19 through 21 of SFAS 143 indicate that, if the conditions of Statement of Financial Accounting Standard No. 71, Accounting for the Effects of Certain Types of Regulations (SFAS 71) are met, a regulatory asset or liability should be recorded to recognize differences between asset retirement costs recorded under SFAS 143 and legal or other asset retirement costs recognized for ratemaking purposes. Therefore, pursuant to SEC Staff conclusions, rate regulated entities are required to quantify the amount of previously accumulated asset retirement costs for other than legal obligations and reclassify those differences as regulatory assets or liabilities.

Asset Retirement Obligations

13. KCPL's only significant ARO pertains to its 47% ownership share of Wolf Creek Nuclear Generating Station (Wolf Creek). Through reviews completed in the first quarter of 2003, KCPL determined its beginning ARO and the related asset and the net cumulative impact as of January 1, 2003. The ongoing amounts of depreciation and accretion expense were also determined.

14. Since the SEC is requiring public utilities to isolate the cost of removal arising from other than legal obligations from accumulated depreciation, KCPL's costs of removal booked to Account 108 (Accumulated Provision for Depreciation of Electric Utility Plant) arising from other than legal obligations must be recorded as a regulatory asset or liability for year-end 2003.

Decommissioning Cost Estimates

15. KCPL is required by Missouri statute and Commission Order to file decommissioning cost estimates and to seek specific funding for its respective 47% ownership

share of Wolf Creek. KCPL filed a nuclear decommissioning cost estimate in Case No. EO-2003-0081 and this estimate was accepted by the Commission.

16. SFAS 143 requires the assumption that the liability is settled with a third party profit and is calculated including a market risk premium, even though an entity has no intent to settle the liability in this manner and in most cases there is no market for such settlement. The decommissioning estimate filed by KCPL was based on assumptions that the decommissioning would be performed by third parties. However, under SFAS 143, KCPL was required to increase the estimate to include a market risk premium. Use of the market risk assumption could result in overstating costs during the life of an asset such as a nuclear plant, with an offsetting gain to be recognized upon completion of decommissioning consistent with the cost estimate provided by KCPL. KCPL does not believe that SFAS 143 provides better estimates of the decommissioning cost estimate or the funding already approved by the Commission or incorporated into rates.

17. SFAS 143 does not affect the total cost of decommissioning currently provided for by the Commission in Case No. EO-2003-0081. However, the adoption and application of SFAS 143 requires KCPL to identify its Wolf Creek-related retirement obligations, as well as all other legal asset retirement obligations, on its balance sheet and to account for annual depreciation expense and accretions related to the asset retirement obligations for purposes of financial accounting only. Approval of this request will not impact rates or the Company's income statement. Decommissioning costs and the costs of other legal retirement obligations will continue to be provided for in accordance with Missouri statutes and Commission oversight.

18. Since the requested AAO has no effect on the cost of decommissioning Wolf Creek (including any related negative salvage costs), granting of the AAO will have no effect on the manner in which decommissioning-related costs or costs of other asset retirement obligations

are recovered in KCPL's rates. KCPL respectfully requests that the Commission's order granting any AAO in this proceeding so state.

Cost of Removal

19. KCPL has recorded in its Account 108, Accumulated Provision for Depreciation of Electric Utility Plant, the estimated cost of removal, through the net salvage component of depreciation rates adopted in the previous depreciation studies approved by the Commission. The estimated costs of removal included in such studies did not include future estimated costs of removal that would arise from legal retirement obligations.

20. Calculating and isolating the cost of removal component included in Account 108 and establishing a regulatory asset or liability on the balance sheet is merely balance sheet geography. Recording cost of removal separated from the reserve for depreciation has no impact on the depreciation rates approved by the Commission or the depreciation expense recorded by KCPL.

21. Since the requested AAO has no effect on the cost of depreciation expense (including any cost of removal), granting of the AAO will have no effect on the manner in which depreciation expenses and cost of removal are recovered in KCPL's rates. KCPL respectfully requests that the Commission's order granting any AAO in this proceeding so state.

WHEREFORE, KCPL respectfully requests the Commission to issue an Order:

A. Authorizing the Company to place in deferred regulatory accounts all impacts associated with adopting SFAS 143, Accounting for Asset Retirement Obligations, including any difference in its income statement caused by adopting SFAS 143,

B. Stating that adopting SFAS 143 and the granting of the requested AAO is not intended to affect the manner in which Wolf Creek decommissioning-related costs and costs of removal are recovered in KCPL's rates, and

C. Granting such other and further relief as may be appropriate.

Respectfully submitted,

/s/ Michael A. Rump

Michael A. Rump MoBar 39080

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Attorney for

Kansas City Power & Light Company

VERIFICATION

State of Missouri)
)
County of Jackson) Ss:

Michael A. Rump, being first duly sworn upon his oath, deposes and states that he is one of the attorneys for Kansas City Power & Light Company, that he has read and is familiar with the foregoing application and that the statements therein are true and correct to the best of his knowledge, information and belief.

/s/ Michael A. Rump
Michael A. Rump

Subscribed and sworn to before me this 16th day of January 2004.

/s/ Carol Sivils
Notary Public

My Commission Expires:

CAROL SIVILS
Notary Public – Notary Seal
STATE OF MISSOURI
Clay County
My Commission Expires: June 15, 2007

EXHIBIT 1

The following is a list of Applicant's 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:

1. GS Technology Operating Company, Inc., doing business as GST Steel Company v. KCPL: Case No. EC-99-553. Formal Complaint filed by GST concerning special contract.
2. Edward K. Moses, Sr. v. KCPL: Case No. EC-2003-0508. Formal Complaint filed by Edward K. Moses, Sr. concerning reconnection of electric service.