

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 30th day of March, 2011.

In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of Its Regulatory Plan)
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File No. ER-2010-0355

In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service)
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File No. ER-2010-0356

ORDER GRANTING CLARIFICATION OF REPORT AND ORDER DIRECTING KCPL AND GMO TO APPLY TO THE IRS TO REVISE THE MEMORANDUM OF UNDERSTANDING REGARDING THE ADVANCED COAL TAX CREDITS FOR IATAN

Issue Date: March 30, 2011

Effective Date: April 5, 2011

On March 16, 2011, the Commission issued its Report and Order Directing KCPL and GMO to Apply to the IRS to Revise the Memorandum of Understanding Regarding the Advanced Coal Tax Credits for Iatan (Report and Order). The Staff of the Missouri Public Service Commission filed a Motion to Clarify Report and Order¹ requesting that the Commission make three points of clarification. In addition, Kansas City Power & Light Company (KCPL) and KCP&L Greater Missouri Operations Company (GMO) filed an application for rehearing and motion for clarification² regarding similar points as Staff and requesting rehearing.

¹ Filed March 18, 2011.

² Filed March 25, 2011.

The first point is a rounding error by the Commission at ordered paragraph 2 of the Report and Order. The Commission uses the rounded figure of \$26,500,000 when it should use \$26,562,500. With this order the Commission will correct that error.

Second, Staff suggests that the Commission had intended³ to include a provision requiring KCPL to provide its application to the Internal Revenue Service for reallocation of the Section 48A tax credits to Staff for review before the application is made. KCPL reports that it has contacted the IRS in preparation for making the request and indicates that there is no formal “application.” KCPL, however, is not opposed to providing the letter requesting the reallocation to Staff for its review prior to sending it to the IRS. The Commission will clarify its Report and Order to include this requirement.

Staff’s third point is requesting clarification of the Commission’s ordered paragraph 3 which indicates that if the IRS does not agree to alter the Memorandum of Understanding (MOU), then the Commission will “impute” credits to GMO. Staff requests the Commission clarify when this imputation will occur. KCPL also asks for rehearing or clarification of this point. KCPL, however, believes that the entire paragraph should be removed from the order as it will cause a normalization violation which the Commission’s order clearly indicates it wishes to avoid. KCPL also requests that the Commission clarify the Commission’s intent that if KCPL is unsuccessful in getting a modification of the MOU, then the Commission intends for a ratable portion of the \$26,562,500 calculated on the basis of the book life of latan 2 assets to be included as a reduction of cost of service in a future GMO rate proceeding. In addition, KCPL requests guidance from the Commission as to whether its credits will be reduced by a

³ Staff points to a conversation between Commissioner Davis and Mr. Zobrist (Transcript p. 3902) and the testimony of Paul Harrison (Ex. KCP&L-223, p. 20 and Ex. GMO-222, p. 22).

like amount. Finally, KCPL requests that the Commission delete the word “imputed” and replace it with the word “allocated” in Finding of Fact 24 to clarify this intent.

KCPL is correct in that the Commission’s intent is to avoid a normalization error. KCP&L is also correct that this Commission and future Commissions are not prohibited in future rate cases from considering the ratemaking treatment afforded to future events. Thus, with this order the Commission clarifies that KCPL’s understanding of the Commission’s intent is correct. The Commission did not intend to “impute” the tax credits. The Commission’s intent was to make it clear that KCPL has created an inequity for GMO customers and the Commission intends for GMO’s customers to be made whole. Thus, the Commission is directing KCPL to request the IRS to alter the MOU. If that alteration does not occur, then the Commission will consider the ratemaking treatment to afford the tax credit in a future rate case. Therefore, the Commission will clarify its Report and Order by removing ordered paragraph 3 and replacing the word “imputed” in Finding of Fact 24.

KCPL also requests rehearing of the Commission’s Report and Order. KCPL raises no new issues for the Commission’s consideration and the Commission denies rehearing.

THE COMMISSION ORDERS THAT:

1. The application for rehearing of the Report and Order Directing KCPL and GMO to Apply to the IRS to Revise the Memorandum of Understanding Regarding the Advanced Coal Tax Credits for Iatan is denied.
2. Ordered paragraph 2 of the Report and Order Directing KCPL and GMO to Apply to the IRS to Revise the Memorandum of Understanding Regarding the

Advanced Coal Tax Credits for Iatan is corrected by replacing "\$26,500,000" with "\$26,562,500."

3. Finding of Fact 24 of the Report and Order Directing KCPL and GMO to Apply to the IRS to Revise the Memorandum of Understanding Regarding the Advanced Coal Tax Credits for Iatan is clarified by replacing the word "imputed" with the word "allocated."

4. The Report and Order Directing KCPL and GMO to Apply to the IRS to Revise the Memorandum of Understanding Regarding the Advanced Coal Tax Credits for Iatan is further clarified by deleting ordered paragraph 3.

5. Kansas City Power & Light Company shall present its letter and other information being presented to the IRS as a request for amendment of the Memorandum of Understanding to the Staff of the Commission for its review prior to sending it to the Internal Revenue Service.

6. The Staff of the Commission shall advise the Commission if it is unsatisfied with the request set out in paragraph 5.

7. Kansas City Power & Light Company shall advise the Commission of the outcome of its request that the Internal Revenue Service modify and amend the Memorandum of Understanding.

8. This order shall become effective on April 5, 2011.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'S. Reed', written in a cursive style.

Steven C. Reed
Secretary

(S E A L)

Gunn, Chm., Clayton, Davis,
Jarrett, and Kenney, CC., concur.

Dippell, Deputy Chief Regulatory Law Judge