

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

The Office of the Public Counsel and)	
The Midwest Energy Consumers Group,)	
)	
Complainants,)	
)	
v.)	File No. EC-2019-0200
)	
KCP&L Greater Missouri Operations Company)	
)	
Respondent.)	

**KCP&L GREATER MISSOURI OPERATIONS COMPANY’S
STATEMENT OF POSITIONS**

COMES NOW KCP&L Greater Missouri Operations Company (“GMO” or the “Company”), by and through undersigned counsel, and hereby files the Company’s *Statement of Positions*, stating as follows:

1. Does the retirement of Sibley Units 1, 2, and 3 and common plant constitute an extraordinary event as interpreted by the Commission justifying the imposition of an AAO or other deferral mechanism to record a Regulatory Liability under the Uniform System of Accounts (“USoA”) in connection with GMO’s retirement of Sibley Units 1, 2 and 3 and common plant?

Company Position: No. The competent and substantial evidence in this proceeding will show that the retirement of the Sibley Units 1, 2, and 3 and common plant (“Sibley Plant”) is routine and not an “extraordinary event” according to the USoA definitions as interpreted by the Commission, and does not justify the imposition of an AAO or other deferral mechanism.

If the requests of the Office of the Public Counsel (“OPC”) and the Midwest Energy Consumers Group (“MECG”) are granted, a Regulatory Liability would be created under the USoA that could reduce GMO’s earnings by as much as 20% or more for the period of the AAO.

The Commission has never determined that the retirement of a power plant was an “extraordinary event” under the USoA that justified the imposition of an AAO or other deferral mechanism. Research has also indicated that no federal or state regulatory agency in the United States has previously found that the retirement of a power plant was an “extraordinary event” that justified the imposition of an AAO or other deferral mechanism. As far as GMO can determine, a decision to impose an AAO or other deferral mechanism for the Sibley Plant would be the first such deferral order in the entire country.

GMO’s plans to stop burning coal at the Sibley Plant were announced nearly five years ago, and its planned retirement for the end of 2018 was announced on June 2, 2017. GMO’s decision to retire the Sibley Plant was driven by economics, the IRP process, and a desire to operate as efficiently as possible to benefit GMO’s customers.

Company witnesses will show that retirement of generating assets is a recurring event happening virtually every day in the normal operations of a public utility. For example, during the five-year period from October 2013 through September 2018, GMO retired approximately \$90 Million of generating plant.

Generating units have previously been retired by GMO and its corporate predecessors and an AAO or other deferral accounting mechanisms were not established. In 1982, the Edmond Street plant was retired, and in 1987, the Ralph Green Units 1 and 2 were retired. The Commission did not determine these retirements were “extraordinary” or that such retirements warranted deferral accounting treatment.

More recently, GMO retired all of Sibley unit 1 except the boiler on June 30, 2017. The Commission did not determine that retirement to be extraordinary or that such

retirement warranted deferral accounting treatment. In fact, no party made any assertion that such retirement was extraordinary or that it warranted deferral accounting treatment.

GMO has also announced plans to retire Lake Road unit 4/6 before the end of 2019. GMO's retirement of this generating unit (like the Sibley retirement) resulted from the Integrated Resource Planning process which showed that it was in the best interests of the Company's customers to retire these units at this time.

In addition, GMO's sister utility has also retired a number of generating units recently. Kansas City Power & Light Company (KCP&L") retired Montrose unit 1 on April 16, 2016. The Commission did not determine that retirement to be extraordinary or that it warranted deferral accounting treatment. More recently, KCP&L retired Montrose units 2 and 3 on December 31, 2018. These retirements were also driven by results from the IRP process. While KCP&L is deferring depreciation expense for Montrose units 2, 3 and common plant since retirement in accordance with the Commission's Order Approving 2018 Rate Case Stipulations, no party made any assertion that such retirements were "extraordinary" or that they warranted deferral accounting treatment for the revenue and return on these assets or related non-fuel operations and maintenance costs, as requested by Complainants in this proceeding.

Moreover, the retirement of the Sibley Plant is consistent with the pattern of fossil fuel generating unit retirements occurring across the country. Mr. Chris Rogers, who was the Manager of Generating Facilities at the Commission Staff in the mid-1980s, testifies that the retirement of coal-fired power plants has become a frequent and usual event for electric utilities in the last ten years.

In fact, Mr. Rogers explains that it would be extraordinary if GMO were not retiring the Sibley Plant's 50-plus year-old coal units. Federal and state regulatory policy changes, technological and operational developments, and consumer demand for renewable energy have resulted in a significant transformation of the economics that affect the business of generating electricity. As a result, coal plants across the United States have been retired more frequently and in the ordinary course of business.

Two of Mr. Rogers' charts dramatically demonstrate the pattern of retirements in the United States. The first chart shows the trend in all fossil generating unit retirements from 1970 to 2019. As shown in this slide, there is a dramatic increase in the number of fossil fuel units being retired in the last decade:

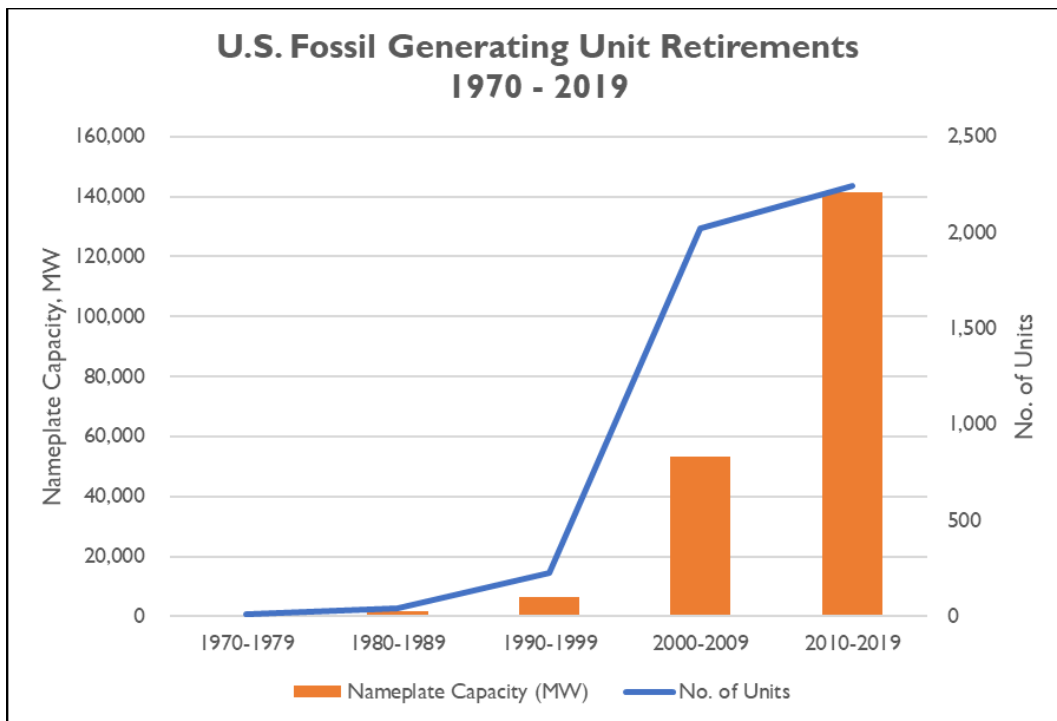


Figure 1 – U.S. Fossil-Fueled Generating Unit Retirements (1970 – 2019)

The second chart shows the trend in coal-fired generating unit retirements. The rate of coal-fired plant retirements has accelerated during the last decade compared to the prior 40 years. 543 coal-fired generating units with a combined capacity of 76,526 MW retired

since the beginning of 2010. That was more than double the 238 coal units retired from 2000 through 2009 and about 7 times the capacity (10,958 MW) for that decade. For the three decades from 1970 through 1999, only 34 coal units totaling 2,248 MW retired. In nearly 50 years since 1969, a total of 815 coal-fired units have retired, with 543 units or two-thirds of the total having retired during the last 9 years.

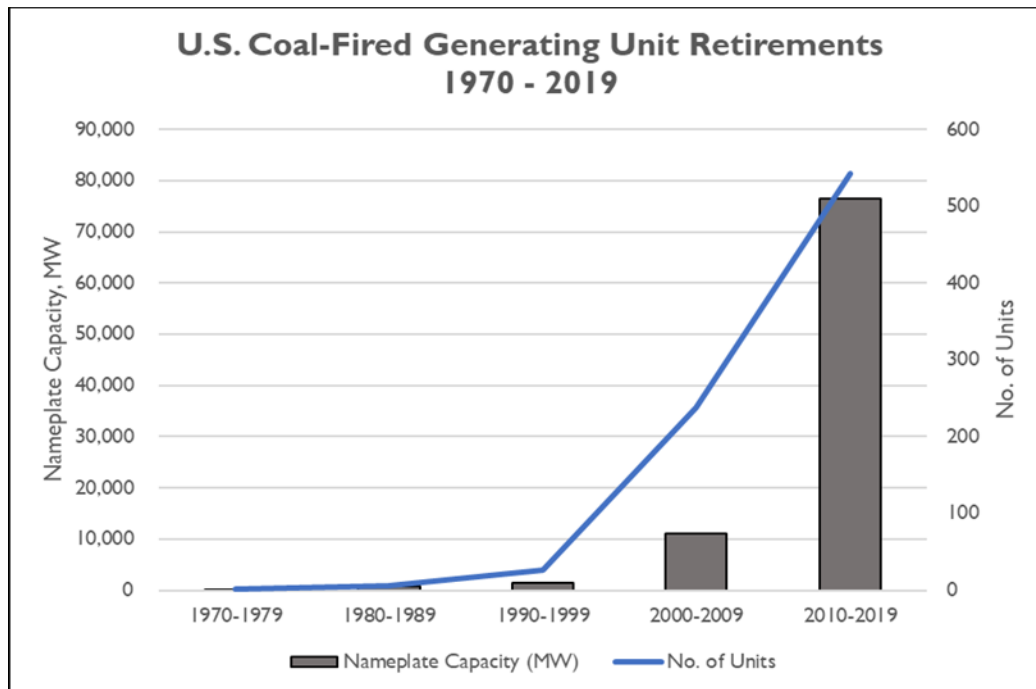


Figure 2 – U.S. Coal-Fired Generating Unit Retirements (1970-2019)

Clearly, this evidence shows that there is nothing extraordinary, unusual, unique or infrequent about the retirement of coal-fired generating units in the United States today, and Sibley’s retirement is no exception.

Finally, the Commission should not find that the planned retirement of the Sibley Plant was extraordinary or justified the imposition of an AAO or other deferral mechanism in the form of a Regulatory Liability because such an order would have a serious negative impact on the Company’s earnings. The recording of amounts under the USoA to a Regulatory Liability account on GMO’s balance sheet would reduce its achieved earnings

or net income by the magnitude of the amounts so recorded. In other words, under the USoA accounting rules, GMO's earnings or net income will be decreased by the total amount of the deferral directly as a result of the Commission's order. Based on the OPC and MCEG requests, this could be as much as a 20% or more reduction in net income.

If the Commission adopted either the OPC or MCEG recommendations, GMO's achieved earnings would be expected to fall from 8.42% to either 5.69% (OPC) or 6.32% (MCEG). By comparison, in GMO's 2018 rate case MCEG had recommended an ROE of 9.3% which is significantly higher than GMO would be expected to achieve using MCEG's recommended position in this case.

By any measure, the estimated financial impacts upon GMO from these recommendations would be extremely significant and damaging to GMO. They would be viewed by investors very negatively, and would be expected to compromise GMO's ability to obtain capital on reasonable terms. A decision by the Commission to adopt these recommendations could also impact other Missouri regulated public utilities since the investment community would likely question the fairness of Missouri regulation.

For these reasons, the Commission should not find that the retirement of the Sibley Plant was an extraordinary event under the USoA definitions that justifies the imposition of an AAO or other deferral mechanism.

2. If the Commission determines that an AAO or other deferral accounting mechanism should be ordered in connection with GMO's retirement of Sibley Units 1, 2 and 3 and common plant, how should amounts to be recorded to the Regulatory Liability be quantified?

Company Position: It is the Company's position that the Complainants have failed to meet their burden of proof to demonstrate that any amounts should be recorded to the Regulatory Liability.

The Complainants have taken inconsistent positions in quantifying the impact of their recommendations in this case. The competent and substantial evidence demonstrates that the requests of OPC and MECG are vague, inaccurate and overstated. In any event, there is insufficient information in the record to accurately quantify the amount that should be recorded to the Regulatory Liability account related to the retirement of the Sibley Plant since there was no baseline established during GMO's last rate case related to the operations of the Sibley Plant.

Respectfully submitted,

/s/ Robert J. Hack

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Attorneys for Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been electronically mailed this 22nd day of July 2019, to all counsel of record in this proceeding.

/s/ Robert J. Hack

Robert J. Hack