

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

In the Matter of the Application of	)	
Kansas City Power & Light Company for	)	
the Issuance of an Order Authorizing Construction	)	Case No. EU-2014-0255
Accounting Relating to its Electrical Operations	)	

**KANSAS CITY POWER & LIGHT COMPANY’S POSITION STATEMENT**

COMES NOW Kansas City Power & Light Company (“KCP&L” or “Company”), the  
and pursuant to the *Order Setting Procedural Schedule And Discovery Telephone Conference*  
issued on September 30, 2014, hereby respectfully submits its *Position Statement* to the Missouri  
Public Service Commission (“Commission”).

**I. INTRODUCTION**

On June 12, 2014, KCP&L filed an application to continue construction accounting that  
would allow the Companies to undertake certain accounting procedures in connection with the  
La Cygne Environmental Project.

The Company’s application and supporting testimony describe the need to 1) authorize  
KCP&L to continue using construction accounting for the La Cygne Environmental Project for  
the period of time between when the Project becomes operational and when rate recovery begins  
for the associated costs; and 2) authorize KCP&L to defer and record as a regulatory asset (a)  
depreciation expense that would otherwise be recorded on the Company’s income statement  
when the La Cygne Environmental Project becomes operational, and (b) carrying costs  
(equivalent of AFUDC recorded during construction work in progress in the last month before  
La Cygne Unit 2 and common become operational) that would otherwise cease to be recorded  
when the La Cygne Environmental Project becomes operational. For the reasons stated herein,  
the Commission should approve the Company’s application as requested.

## **II. STATEMENT OF POSITION REGARDING LIST OF ISSUES**

**Issue 1: Should the Commission grant KCP&L's Application for an order allowing it to continue construction accounting—deferral of KCP&L's Missouri jurisdictional carrying costs and monthly depreciation expense calculated on the La Cygne plant additions from the time the La Cygne plant additions are placed in service until the date rates become effective in KCP&L's pending general rate case, Case No. ER-2014-0370—filed on June 12, 2014?**

### **KCP&L Position:**

Yes. As explained in the supporting testimony of Ronald Klote and Darrin Ives, every significant environmental retrofit undertaken by electric utilities in the past seven or eight years has received Commission authorization to use construction accounting.

The following facts support KCP&L's need and request for the continuation of construction accounting in this proceeding:

1. The La Cygne Environmental Project is necessary for KCP&L to meet governmentally-mandated emissions requirements;
2. The La Cygne Environmental Project will not enable KCP&L to supply additional kWhs or new customers;
3. The La Cygne Environmental Project will, upon the second phase going in-service in the second quarter of 2015 (the first phase is now expected to become operational in April of 2015), increase KCP&L's Missouri rate base by approximately 16% compared to the rate base used in KCP&L's last Missouri rate case; and
4. Since new rates last took effect in early 2013, KCP&L's actual Missouri-jurisdictional return on equity ("ROE") has fallen substantially short of the 9.7% ROE authorized by the Commission in Case No. ER-2012-0174, specifically
  - a. For 2013, KCP&L's actual Missouri-jurisdictional ROE was 6.5% (a shortfall of about \$33.8 million compared to KCP&L's Commission-authorized ROE);
  - b. For 2014, KCP&L expects its actual Missouri-jurisdictional ROE to be no better than 2013 performance (another earnings shortfall of at least \$34 million); and

c. For 2015, KCP&L does not expect improved earnings performance—compared to 2013 and 2014 – until after new rates take effect in late September of 2015.

For these reasons, the Commission should grant KCP&L’s application to continue construction accounting in this proceeding.

**Issue 2: If so, what conditions, changes in the calculation of construction accounting, or offsets to the amount deferred, if any, should be included in the order granting KCP&L’s Application?**

**KCP&L’s Position:**

KCP&L believes that the following conditions proposed by the Staff should be included in the order granting KCP&L’s Application:

1. Staff Condition 7) No additions to the base on which carrying costs or depreciation are calculated after the true-up in Case No. ER-2014-0370;
2. Staff Condition 8) No additional deferral after the effective date of rates in Case No. ER-2014-0370. (Rebuttal Testimony of Keith Majors, p. 35)

No other conditions, changes in the calculation of construction accounting, or offsets to the amount deferred proposed by other parties are necessary or appropriate to be included in the order granting the Company’s application.

**WHEREFORE,** KCP&L submits this *Position Statement* for the Commission’s consideration.

Respectfully submitted,

/s/ Robert J. Hack

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ATTORNEYS FOR KANSAS CITY POWER &  
LIGHT COMPANY

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 12<sup>th</sup> day of December, 2014, to all parties of record.

*/s/ Robert J. Hack*  
Robert J. Hack