

**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 Accounting Authority ) Case No. EU-2012-0130  
Order relating to its Electrical Operations and )  
for a Contingent Waiver of the Notice Requirement )  
of 4 CSR 240-4.020(2) )

**APPLICATION FOR ACCOUNTING AUTHORITY ORDER**

Kansas City Power & Light Company (“KCP&L” or the “Company”), pursuant to Sections 386.250<sup>1</sup> and 393.140 and 4 CSR 240-2.060, applies for the issuance of an Accounting Authority Order (“AAO”) authorizing it to make certain accounting entries regarding two proposed regulatory assets relating to its electrical operations that were disrupted by the 2011 Missouri River flood (“Missouri River flooding”) and for a contingent waiver of the notice requirement of 4 CSR 240-4.020(2). In support of its Application, KCP&L respectfully states as follows:

1. KCP&L is a Missouri corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. KCP&L is primarily engaged in generation, transmission, distribution and sale of electricity in western Missouri and eastern Kansas. KCP&L is an “electrical corporation” and a “public utility” subject to the jurisdiction, supervision, and control of the Commission under Chapters 386 and 393.

2. KCP&L’s Certificate of Good Standing was filed in Case No. EF-2002-315 and is incorporated herein by reference in accordance with 4 CSR 240-2.060(1)(G).

3. KCP&L is a wholly-owned subsidiary of Great Plains Energy Incorporated (“GPE”), and is a co-owner, with certain other parties including KCP&L Greater Missouri Operations Company (“GMO”), also a subsidiary of GPE, of the Iatan 1 and the Iatan 2 coal-

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<sup>1</sup> Unless otherwise noted, all citations are to the Revised Statutes of Missouri (2010), as amended.

fired power plants located at the Iatan Generating Station (“Iatan”) in Platte County, Missouri. KCP&L operates Iatan. KCP&L also is a co-owner and operator of the LaCygne 1 and LaCygne 2 coal-fired power plants located at the LaCygne Generating Station near LaCygne, Kansas. KCP&L owns the coal-fired Hawthorn 5 power plant located at the Hawthorn Generating Station in Kansas City, Missouri and the Montrose 1, 2 and 3 power plant units located near Clinton, Missouri.

4. KCP&L has no 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 the Application, except for the following: *Briarcliff Development Company v. Kansas City Power & Light Company*, Case No. EC-2011-0383. KCP&L has no annual reports or regulatory assessment fees that are overdue in Missouri.

5. In addition to serving counsel named below, all correspondence, pleadings, notices, orders, decisions, and communications regarding this proceeding should be sent to:

Tim M. Rush  
Director, Regulatory Affairs  
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6. By this Application, KCP&L seeks an AAO from the Commission authorizing it to undertake certain accounting procedures in connection with its electrical operations related to the extraordinary, unanticipated, and unusually severe Missouri River flooding, and a waiver of the notice provisions of 4 CSR 240-4.020(2), if necessary.

7. Specifically, KCP&L is requesting deferral of the added costs attributable to the Missouri River flooding and the constraints placed on KCP&L's electric generation due to the limited availability of coal to produce electricity that has caused a significant increase in fuel costs to serve retail customers and a loss of off-system sales margins. KCP&L is different from other investor-owned electric utilities in Missouri in that it does not have a fuel adjustment clause that would have provided for a mechanism to recover a majority of these increased costs.

**I. Missouri River Flooding.**

8. According to the National Weather Service, the combination of an estimated 212% of normal snowpack in the Rocky Mountains and nearly a year's worth of rainfall in the upper basin of the Missouri River in the last half of May 2011 resulted in flooding of epic proportions along that river in the summer of 2011.<sup>2</sup> The flood devastated homes, businesses, and many square miles of farmland in Montana, North Dakota, South Dakota, Iowa, Nebraska, Missouri and Kansas.<sup>3</sup> The May 2011 runoff into the Missouri River Basin above Sioux City, IA was the third highest single monthly runoff since the U.S. Army Corps of Engineers began keeping detailed records in 1898. The June runoff was about 30% greater than May and set the new record for the past 113 years. The May and June combined runoff totaled 24.3 million acre feet ("maf") and was just short of the normal annual runoff of 24.8 maf.<sup>4</sup>

9. The U.S. Army Corps of Engineers, which has jurisdiction over the upper Missouri River Basin, responded to this crisis in June 2011 by releasing a record flow of 160,000 cubic feet per second ("cfs") of water from the Gavin's Point Dam, located west of Yankton,

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<sup>2</sup> The Impact of the Fukushima Accident on the U.S. Nuclear Energy Industry, Nuclear Energy Institute White Paper at 8, Nov. 2011, <http://www.nei.org>.

<sup>3</sup> Id.

<sup>4</sup> U.S. Army Corps of Engineers. (2011, July 11). Corps: June 2011 was highest single month of runoff into Missouri River basin. (PDF file) Accessed November 21, 2011, <http://www.nwo.usace.army.mil/html/pa/pahm/NewsReleases11/NR070911.pdf>.

South Dakota on the Nebraska-South Dakota border. While this action released pressure on the upper Missouri, it caused massive flows into the lower Missouri River system. The previous record release level was 70,000 cfs.<sup>5</sup>

10. During the months of June and July 2011, Missouri River floodwaters swept into Iatan, causing nonessential employees to be evacuated from the power plant,<sup>6</sup> and boats were purchased to ferry employees to the station.<sup>7</sup> KCP&L personnel installed almost 10 miles of sand bags, added several extra pumps to keep water out of the plant, poured concrete lids on manhole covers to keep water from entering the facilities, and incurred overtime expenses for the extra time that it took for employees to get to work. KCP&L also incurred additional diesel fuel costs to support transportation and pumps used for these purposes, as well as to deliver chemicals to the Station.

11. Missouri River flooding also caused major disruptions in the delivery of coal to KCP&L's power plants. The flooding of the Missouri River prompted the Burlington Northern Santa Fe Railway ("BNSF") to declare on June 6, 2011 a Force Majeure condition under which it was excused from its commitment to deliver coal to KCP&L's plants.<sup>8</sup> On June 26, the flooding forced BNSF to close its tracks from St. Joseph to Kansas City.<sup>9</sup> BNSF crews were forced to build a new 150-foot bridge to raise the rail line used to deliver coal to Iatan by several feet, as

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<sup>5</sup> Press Release #PA-2011-38, U.S. Army Corps of Engineers Press Release, June 1, 2011. See also Nathan Johnson, Corps To Up Releases To 160,000 cfs, Yankton Daily Press & Dakotan, June 22, 2011.

<sup>6</sup> KCP&L's Iatan Power Plant Partially Evacuated, KMBC.com, June 29, 2011, <http://www.kmbc.com/news/28396205/detail.html>.

<sup>7</sup> Steve Everly, Floodwaters Continue to Rise Near KCP&L Power Plants, Kansas City Star, July 5, 2011.

<sup>8</sup> BNSF Notification of Force Majeure, Email from Larry C. Meyne, Director of Coal Marketing, BNSF Railway Co. to KCP&L's Eric Peterson, et al. (June 23, 2011) (on file with Company).

<sup>9</sup> Weather Interruptions and Flood Recovery, BNSF Railway, June 28, 2011, <http://www.bnsf.com/customers/weather-interruptions/>. See also Steve Everly, Floodwaters Continue to Rise Near KCP&L Power Plants, Kansas City Star (July 5, 2011).

the high water covered the rail lines and roads leading into the plant.<sup>10</sup> The BNSF Force Majeure lasted until September 13, 2011<sup>11</sup> and severely disrupted the delivery of coal to Iatan, LaCygne 1 and 2, and Hawthorn 5. After the flood BNSF described it as the most severe in its recent history because of the length of time significant portions of its network were out of service.<sup>12</sup>

12. On June 19, 2011, the Kansas City Southern Railway (“KCS”) declared a Force Majeure condition after the BNSF refused to accept empty trains returning from the LaCygne Generating Station as a result of Missouri River floodwaters affecting BNSF rail operations north of Kansas City. KCS provides coal to LaCygne 1 and 2 and Hawthorn 5, service to which was halted, interrupted, and delayed from mid-June until Force Majeure conditions expired on September 14, 2011.<sup>13</sup>

13. On June 29, 2011, the Union Pacific Railroad (“Union Pacific”) also declared a Force Majeure condition due to Missouri River flooding.<sup>14</sup> Train operations were halted and/or restricted in corridors from the Powder River Basin in Wyoming, where the Company purchases about 98% of its coal, and required re-routes and staging of trains in Nebraska, Iowa, Kansas, and Missouri.<sup>15</sup> The Union Pacific Force Majeure lasted until September 26, 2011<sup>16</sup> and slowed

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<sup>10</sup> William Seay, Power Plant in Iatan Makes Changes to Stay Open During Flood, Nexstar Broadcasting, Inc., July 28, 2011. See also KCPL Scales Back Iatan’s Power Production, KMBC.com, July 28, 2011, <http://www.kmbc.com/news/28697461/detail.html>.

<sup>11</sup> BNSF Notification of Cessation of Force Majeure, Email from Larry C. Meyne, Director of Coal Marketing, BNSF Railway Co. to KCP&L’s Eric Peterson, et al. (Sept. 15, 2011) (on file with Company).

<sup>12</sup> BNSF Railway, *RAILWAY, The Employee Magazine of Team BNSF*, Summer 2011 (PDF file) Accessed November 21, 2011, [http://www.bnsf.com/employees/communications/railway-magazine/pdf/summer\\_2011.pdf](http://www.bnsf.com/employees/communications/railway-magazine/pdf/summer_2011.pdf)

<sup>13</sup> Letters of Darin Selby, Assistant Vice President - Coal, Kansas City Southern Railway to KCP&L’s Abby Herl (June 23 and Sept. 30, 2011) (on file with Company).

<sup>14</sup> Union Pacific Railroad Declaration of Force Majeure Condition, Letter of Douglas J. Glass, Vice President & General Manager, Energy, sent to KCP&L and other Shippers (July 7, 2011) (on file with Company).

<sup>15</sup> Id.

<sup>16</sup> Union Pacific Railroad Notification of Cessation of Force Majeure, Letter of Douglas J. Glass, Vice President & General Manager, Energy, sent to KCP&L and other Shippers (Oct. 3, 2011) (on file with Company).

the delivery of coal to the Montrose Power Plant. This also affected GMO's Sibley and Lake Road power plants.

14. In response to the declarations of Force Majeure, KCP&L implemented coal conservation measures to preserve and ration its existing coal resources. Daily coal conservation efforts began at Iatan 1 on July 2, 2011, Iatan 2 on July 3, 2011,<sup>17</sup> LaCygne 1 and 2 on July 2, 2011, and Hawthorn 5 on July 16, 2011. There were days when units were allowed to go to higher load because of plant operating requirements, offset for unit outages, and to support fuel unloading operations. KCP&L officially concluded coal conservation at the end of the day on October 12, 2011. Throughout the coal conservation, KCP&L was in constant contact with the Staff of the MPSC informing them of changes to coal deliveries, limitations place on the coal generating units and general discussions concerning the flood.

15. Even with coal conservation in effect, KCP&L consumed almost 70% of its coal inventory during the flood of 2011. At Iatan it consumed over 80% of its inventory. Had the Company not engaged in coal conservation, it would have run out of coal at the Hawthorn, Iatan, and LaCygne generating stations. One of the first steps in coal conservation is to limit or curtail off-system sales. If KCP&L had not engaged in coal conservation by limiting off-system sales it would have been without coal at Hawthorn, Iatan, and LaCygne for many days.

## **II. KCP&L Expenditures and Losses.**

### **A. Incremental Non-Fuel Costs Incurred Primarily at Iatan.**

16. As a result of the Missouri River flooding, KCP&L incurred a number of non-fuel costs such as sandbagging, raising equipment, staging back-up equipment, adding pumps to keep water out of plants, and ensuring system stability, with most of the costs incurred at Iatan.

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<sup>17</sup> Initiation of conservation efforts were staggered between Iatan Units 1 and 2 due to logistical issues with transporting employees through flooded conditions surrounding the Iatan facility.

17. These incremental non-fuel flood costs totaled \$1,412,290 (Missouri jurisdictional) as of October 31, 2011. This amount will be revised once final costs are determined.

**B. Losses Related to Increased Fuel and Purchased Power Expenses for Retail Load.**

18. Missouri River flooding and disruptions in coal deliveries also caused KCP&L to scale back power production, resulting in 132,978 MWh of lost generation for the Company's Missouri retail load. As a result, KCP&L incurred increased fuel and purchased power costs for its retail customers.

19. While there was a reduction in fuel and variable operation and maintenance ("O&M") costs at the BNSF-served facilities (Iatan 1 and 2, LaCygne 1 and 2, and Hawthorn 5), there was also a countervailing increase in purchased power, fuel and O&M costs for KCP&L's other generating units.

20. These increased generation costs would not have been incurred if retail load could have been met with the BNSF-served facilities. However, during the Missouri River flooding and resulting disruptions in coal deliveries, KCP&L relied on a larger proportion of non-coal generation to meet retail load. Consequently, KCP&L incurred unusual and extraordinary increased generation costs.

21. As an additional direct result of the limited ability of these BNSF-served facilities to generate electricity during the Missouri River flooding, KCP&L was forced to purchase more expensive power in the wholesale market which resulted in unusual and extraordinary expenses being incurred. KCP&L's unexpected purchased power expenses from June through October 12, 2011 represent purchases for both capacity and energy.

22. As of October 31, 2011, KCP&L's Missouri native load fuel and purchased power costs were \*\* [REDACTED] \*\* higher than would have occurred had it not experienced the flood conditions which limited the availability of the coal generation. This amount will be revised once costs are finalized. The impact was calculated by comparing the hourly system costs that occurred during the period July 2 through October 12 to the system costs that would have occurred for the units that would have run absent the flood impact.

23. KCP&L is requesting authority to defer its incremental non-fuel flood costs and its increased fuel and purchased power costs for retail load in a regulatory asset to be set up upon approval of this AAO, with its disposition to be determined in the Company's next general rate case.

**C. Losses Related to Reduced Off-System Sales.**

24. This reduction in coal-fired base load generation further resulted in 799,309 MWh being unavailable for the Missouri-jurisdictional portion of the Company's off-system sales ("OSS"). Consequently, OSS revenue less OSS energy costs ("OSS margin") during the third quarter of 2011 and for the period of October 1-12, 2011 were significantly lower (\*\* [REDACTED] \*\* Missouri jurisdictional) than would have been the case absent coal conservation. This amount will be revised once the final OSS margin impact is determined.

25. The computation of the OSS amount and the amount attributable to retail load were determined based on modeling methodology, which compares costs and OSS revenues that occurred to costs and OSS revenues that would have occurred absent the flood impacts.

26. The Commission's April 12, 2011 Report and Order in KCP&L's last rate case required that KCP&L track its OSS margins and return to ratepayers any excess margins over a



set threshold, with the Company retaining margins up to that threshold amount.<sup>18</sup> The OSS margins included in the last rate case did not reflect the magnitude of a risk as extraordinary as the Missouri River flooding with its resultant coal conservation measures.

27. As a result of the flood's impact on KCP&L's 2011 margins, it is likely that KCP&L will not reach the Missouri threshold level for the period May 2011 through April 2012, as set by the Commission, thereby resulting in a significant financial detriment to the Company.

28. Therefore, KCP&L requests that the Commission authorize the Company to set up a regulatory asset at the April 2012 end of the OSS margin tracker accumulation period to which the Company would defer the lesser of the impact of the flood on OSS margins calculated in the Company's Coal Conservation Study (\*\*[REDACTED]\*\*), as attached hereto as Exhibit A) or the actual shortfall for the accumulation period (in other words, the actual margins versus the amounts included in base rates).

### **III. Total Losses.**

29. The OSS margin and retail load fuel and purchased power impacts are reflected in Exhibit A, with Columns A-D representing:

- (1) The decrease in coal units' fuel and variable O&M expenses attributable to the reduced use of the coal units because of coal conservation efforts (Column A), plus;
- (2) The decrease in off-system sales revenue caused by the reduced availability of coal generation because of coal conservation efforts (Column B), plus;
- (3) The increase in purchased power expense (energy and capacity) for retail load (Column C), plus;

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<sup>18</sup> Report and Order at p. 141, Case No. ER-2010-0355 (Apr. 12, 2011).

- (4) The increase in Other Generation costs (units not impacted by coal conservation) for retail load (Column D), equals;
- (5) Total KCP&L impact on fuel and purchased power costs for retail load and OSS margins.

30. In total, KCP&L suffered system losses in Missouri of \*\* [REDACTED] \*\*, consisting of:

- (1) Incremental non-fuel costs of \$1,412,290;
- (2) Incremental retail load fuel and purchased power costs of \*\* [REDACTED] \*\*; and,
- (3) Reduced OSS margins of \*\* [REDACTED] \*\*.

These amounts will be revised once final costs are determined.

31. Therefore, KCP&L is requesting the Commission to authorize KCP&L to defer such amounts in two regulatory assets related to: (1) the incremental non-fuel costs of \$1,412,290 and the incremental retail load fuel and purchased power costs of \*\* [REDACTED] \*\* (to be set up upon approval of this AAO, with such amounts revised once final costs are determined); and (2) the lesser of the \*\* [REDACTED] \*\* impact of the flood on OSS margins (such amount revised once the final margin impact is determined) or the actual shortfall for the accumulation period (to be set up at the April 2012 end of the OSS margin tracker accumulation period).

#### **IV. Accounting Authority Orders.**

32. The Commission adopted the Uniform System of Accounts (“USOA”) prescribed by the Federal Energy Regulatory Commission in exercise of its authority to set uniform methods of keeping accounts, records, and books for electrical corporations. See 4 CSR 240-20.030. As an electric company subject to the Commission’s jurisdiction, KCP&L is required to keep all its accounts in conformity with the USOA. Id. The USOA requires that a company’s

net income reflect all items of profit or loss occurring during the period, but recognizes that special accounting treatment, what this Commission refers to as an AAO, may be appropriate when accounting for extraordinary items of profit or loss.

33. The USOA indicates that an extraordinary item for which special accounting treatment would be appropriate is “of unusual nature and infrequent occurrence.” Furthermore, “they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future.” 18 CFR part 101 (1992), General Instruction 7.

34. The above-described expenditures and losses are extraordinary, unusual, and significant. Furthermore, permitting KCP&L to defer all expenses and losses related to the Missouri River flooding is consistent with the Commission’s prior granting of AAOs for “extraordinary items” as defined in the USOA. Indeed, the Commission has a history of approving deferral and subsequent amortization and recovery through rates of incremental expenses associated with extraordinary casualty losses such as fires, floods, ice, and wind storm damage.

35. Because the magnitude of the Missouri River flooding is extraordinary and is comparable to other events for which deferrals have previously been authorized, KCP&L seeks an order from the Commission authorizing it to defer and record to the USOA Account 182.3, Other Regulatory Assets, the expenses and losses related to the Missouri River flooding. The Commission should authorize KCP&L to defer costs relating to its electrical operations that were disrupted by the 2011 Missouri River flooding in two proposed regulatory assets, with their disposition to be determined in the Company’s next general rate case. This accounting procedure is essential to enable KCP&L to maintain its financial condition. Absent the

Commission's authorization of an AAO, KCP&L will be deprived of an opportunity to fully recover these expenses and losses through rates.

36. Because of the financial impact of the incremental flood costs on 2011 operations, KCP&L requests the Commission authorize the non-fuel O&M/retail load fuel and purchased power regulatory asset as soon as reasonably practical.

**V. Contingent Request For Waiver.**

37. AAO applications are often processed based on a company filing and a written recommendation by the Commission Staff and/or the Office of Public Counsel; however, some applications have resulted in a hearing. While KCP&L does not know whether this filing is likely to become a contested case subject to the notice of filing requirement of 4 CSR 240-4.020(2), it did file a Notice of Intended Case filing on October 31, 2011. While the 60-day period ends on December 30, 2011, KCP&L is filing this Application as soon as possible after the costs associated with the unprecedented Missouri River flooding could reasonably be quantified. KCP&L also notes that these costs are ongoing and therefore does not believe this Application should be delayed any longer. Accordingly, should the Commission conclude that the filing of this Application is likely to be a contested case and subject to the notice of filing requirement of 4 CSR 240-4.020(2), KCP&L requests a waiver of the 12 days remaining in the 60-day notice requirement for good cause shown pursuant to 4 CSR 240-4020(2)(B).

WHEREFORE, KCP&L respectfully requests that the Commission issue an Accounting Authority Order authorizing it to account for and record on its books two regulatory assets related to (a) the incremental non-fuel costs and the incremental retail load fuel and purchased power costs and (b) the impact of the flood on OSS margins, waiving the notice requirement of 4 CSR 240-4.020(2), if necessary, and granting such other relief as is appropriate.

/s/ Karl Zobrist

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**CERTIFICATE OF SERVICE**


I do hereby certify that a true and correct copy of the foregoing Application has been hand-delivered, emailed or mailed, postage prepaid, this 19<sup>th</sup> day of December, 2011 to the Office of the General Counsel and the Office of the Public Counsel.

/s/ Roger W. Steiner  
Roger W. Steiner

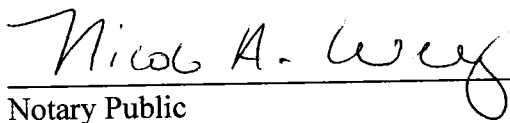
**VERIFICATION**

STATE OF MISSOURI     )  
  )  
COUNTY OF JACKSON    )     SS.

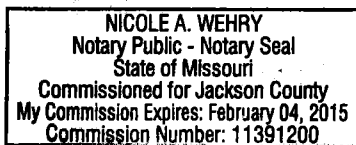
I, Darrin Ives, having been duly sworn upon my oath, state that I am Senior Director-Regulatory of Kansas City Power & Light Company ("KCP&L"), that I am authorized to make this verification on behalf of KCP&L, and that the matters stated in the foregoing Application are true and correct to the best of my information, knowledge, and belief.

  
\_\_\_\_\_  
Darrin Ives  
Senior Director-Regulatory  
Kansas City Power & Light Company

SUBSCRIBED AND SWORN TO before me by Darrin Ives on this 19<sup>th</sup> day of December, 2011.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: Feb. 4, 2015



**EXHIBIT A**

**Coal Conservation Study**

**EXHIBIT A**

**THIS DOCUMENT CONTAINS  
HIGHLY CONFIDENTIAL  
INFORMATION NOT AVAILABLE  
TO THE PUBLIC**