

**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 Accounting Relating to its)
Electrical Operations)

File No. EU-2014-0255

**PUBLIC COUNSEL’S RESPONSE TO KANSAS CITY POWER & LIGHT
COMPANY’S PROPOSED PROCEDURAL SCHEDULE**

COMES NOW the Office of the Public Counsel (“OPC” or “Public Counsel”) and responds to *Kansas City Power & Light Company’s Proposed Procedural Schedule* as follows:

1. On August 22, 2014, Kansas City Power & Light Company (“KCPL”) filed a proposed procedural schedule. For the reasons explained more fully below, Public Counsel opposes a procedural schedule in this case.

2. In June of 2014, KCPL filed an application with the Missouri Public Service Commission (“Commission”) seeking authorization to undertake certain accounting procedures in connection with its La Cygne environmental project. Specifically, the Company requests approval to use “Construction Accounting” to defer carrying costs and depreciation expense calculated on the La Cygne plant addition from the time the plant is placed in service until the date that rates become effective in the Company’s next rate case. Essentially, KCPL seeks to obtain the financial benefits of both continuing to accrue carrying costs and also of deferring the accrual of depreciation, when they otherwise would not. The environmental project is scheduled to be “in-service” by June 1, 2015. This date is significant, as Section 393.135 RSMo. prohibits an electric utility from charging ratepayers for plant before it is used for service, stating:

Any charge made or demanded by an electrical corporation for service, or in connection therewith, which is based on the costs of construction in progress upon any existing or new facility of the electrical corporation, or any other cost

associated with owning, operating, maintaining, or financing any property before it is fully operational and used for service, is unjust and unreasonable, and is prohibited. Section 393.135 RSMo.

Naturally, the Company should file its rate case at a time that would ensure the La Cygne plant additions are fully operational and used for service in time to be audited within the test-year or true-up period. The timing of construction projects and filing date of rate cases are instances when “[t]he company has a lawful right to manage its own affairs and conduct its business in any way it may choose, provided that in so doing it does not injuriously affect the public.”¹ Here, the circumstances surrounding this request make proceeding as KCPL proposes illogical and injurious to the public.

3. In a separate filing, Case No. ER-2014-0370, KCPL submitted its *Notice of Intended Case Filing* on June 25, 2014.² Presently, the Company has not filed its rate case. Because KCPL has noticed - but not yet filed - its rate case at this time it is impossible to determine how long the periods will be between when the environmental upgrades for the La Cygne generating unit are “in-service” and the date when KCPL will have new rates resulting from Case No. ER-2014-0370. The Company’s suggestion that “it is not possible for rate recovery to commence with the in-service date of the project” mischaracterizes the present circumstances.³ Certainly, recovery of the new La Cygne plant upgrades in rates is dependent on the timing of when KCPL files its case. Ultimately, however, KCPL has the ability to file its case at a time when the completed project can be considered by the Commission when setting rates.

4. If the Company files on October 1st or earlier, the effective date for new rates would be around September 1, 2015, meaning all the costs of the environmental upgrade would not likely be included in the true-up period of the rate case. Thus, in that scenario and with this

¹ *State ex rel. City of St. Joseph v. Public Service Commission*, 325 Mo. 209, 223, 30 S.W.2d 8, 14 (banc 1930).

² *Notice of Intended Case Filing*, June 25, 2014, Case No. ER-2014-0370.

³ *Application*, p. 2.

special accounting, the Company would maintain the costs related to the upgrade in a deferred “Construction accounting” account until its *next* rate case, which could be years. In its request the Company seeks approval to both accumulate carrying costs and defer depreciation expense in account 182.3 for that indeterminate period. Considering the impending rate case, the Company’s proposal unnecessarily creates a timing mismatch of revenues and expenses, unjustly burdening ratepayers.

5. However, if the Company were to delay the filing of its rate case until October 31 or later, the rate case schedule could allow for a later true-up date. This would allow parties to examine and audit the costs for the La Cygne project essentially up to its “in-service” date for inclusion in the new rates that would result from KCPL’s noticed, but not yet pending, rate case. Public Counsel opposes KCPL’s proposed procedural schedule because KCPL’s construction accounting request is so intimately tied to the pending rate case that it should not be treated separately.

6. Public Counsel agrees with the Staff of the Missouri Public Service Commission (“Staff”) that the Company’s suggested timeline for a procedural schedule is needlessly expedited and should be rejected. Until the date the plant is “in-service” and the date of effective rates from the upcoming rate case are known, the Company’s requested accounting treatment is premature.

7. Moreover, no procedural schedule is warranted. The Commission has adopted accounting rules pursuant to Commission Rule 4 CSR 240-20.030(1). For good cause shown, the Commission may grant a variance or waiver from the accounting rules.⁴ In its application, the Company asks permission to deviate from these accounting rules without stating reasons why

⁴ 4 CSR 240-20.030(5)(allowing the Commission to waive or grant a variance from the accounting requirements “... for good cause shown[.]”); 4 CSR 240-2.060(4)(B) (requiring the application for variance or waiver from a Commission Rule to contain “...a complete justification setting out the good cause...”).

good cause exists. Here, the Company has not shown, nor can they, good cause for the departure from the Commission's accounting rules. In contrast, though not their burden, Staff and OPC have shown good cause why a departure from the accounting rules is unnecessary and inappropriate. Thus, not only should the Commission reject the proposed procedural schedule, but the entire application should be rejected as deficient.

WHEREFORE, Public Counsel submits this response in opposition to Kansas City Power & Light Company's Proposed Procedural Schedule.

Respectfully,

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CERTIFICATE OF SERVICE

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