

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

In the Matter of Kansas City Power & Light)
Company’s Request for Authority to Implement) Case No. ER-2014-0370
A General Rate Increase for Electric Service)

**REPLY TO THE JOINT RESPONSE IN OPPOSITION
TO PROPOSED PROCEDURAL SCHEDULE AND
MOTION FOR RECONSIDERATION OF PROCEDURAL SCHEDULE**

COMES NOW Kansas City Power & Light Company (“KCP&L” or “Company”) and respectfully files this Reply to the *Joint Response In Opposition To Proposed Procedural Schedule* filed by the Missouri Office of the Public Counsel (“Public Counsel”), Sierra Club, Consumers Council of Missouri (“CCM”) and the Missouri Industrial Energy Consumers (“MIEC”) (collectively “Opposing Intervenors”) on December 10, 2014. KCP&L also requests that the Commission reconsider the procedural schedule that it ordered on December 12, 2014. In support, KCP&L states as follows:

I. Reply to Joint Response in Opposition

1. On December 3, 2014, KCP&L, Staff, MEGC, City of Kansas City, Missouri (“Kansas City”), Brightergy, LLC (“Brightergy”), Missouri Division of Energy (“DE”), IBEW Unions, Laclede Gas Company d/b/a Missouri Gas Energy and Midwest Energy Consumers Group (“MECG”) (collectively, the “Moving Parties”) filed a Proposed Procedural Schedule in this proceeding. The Proposed Procedural Schedule filed by the Moving Parties included the following Footnote 2 which clarifies their understanding regarding procedures related to the True-Up Period:

The Moving Parties intend and understand that the End of True-up Period is the date after which expenditures made by KCP&L are not eligible for consideration in this general rate case. The Moving Parties agree that this does not mean, however, that the La Cygne Environmental Project must meet in-service criteria by May 31, 2015. So long as KCP&L can establish in True-up Direct Testimony

that in-service criteria for the La Cygne Environmental Project have been met, and the Commission determines that the La Cygne Environmental Project is in-service, the Moving Parties agree that capital expenditures associated with the project recorded through May 31, 2015 – whether recorded at May 31, 2015 in plant-in-service or construction work in progress or retirement work in progress accounts – will be eligible for inclusion in rate base in this general rate case.

2. In their *Joint Response*, the Opposing Intervenors opposed the understanding described in Footnote 2 on the following grounds:

a) “. . . if the La Cygne upgrades are not in service by May 31, 2015, the setting of rates would violate the *matching principle* and, in turn, constitute single-issue ratemaking by basing costs on something other than a measurement of all costs and revenues at a single point in time.” (Joint Response, p. 2) (*original emphasis*)

b) “. . . basing rates on costs that were CWIP during the test year and update period could be considered a violation of § 393.135, RSMo.” (Joint Response, p. 4)

3. For the reasons stated herein, KCP&L asserts that the Opposing Parties’ concerns are misplaced.

4. Contrary to the position of the Opposing Intervenors, there is no violation of the matching principle as described in Footnote 2 because rates would be based on a measurement of costs and revenues as of the same date, the end of the True-Up Period (May 31, 2015). Under the matching principle, the utility’s expenditures must be matched with the revenue generated from the rates established in the case.¹ Under Footnote 2, the costs of the La Cygne Environmental Project will be matched in time with the Company’s revenues. No revenues or

¹ Timber Creek Sewer Company, SR-2010-0320 (March 30, 2011), pp 36-37.

costs² beyond the True-Up Period would be included, even if the La Cygne Environmental Project's in-service criteria are met after May 31, 2015. As a result, the Opposing Intervenors are incorrect in arguing that there would be a violation of the matching principle, or that the understanding described in Footnote 2 constitutes single-issue ratemaking. Revenues and costs would be properly matched as of the end of the True-Up Period.

5. Second, there would be no violation of § 393.135 RSMo, contrary to the argument of the Opposing Intervenors. No costs associated with the La Cygne Environmental Project would be included in rates unless and until the Commission has determined that the plant has met its in-service criteria and "is fully operational and used for service." § 393.135 RSMo. Under the procedures of Footnote 2, so long as KCP&L can establish in True-up Direct Testimony that in-service criteria for the La Cygne Environmental Project have been met, and the Commission determines that the plant is in-service, then the capital expenditures associated with the project recorded through May 31, 2015 (the end of the True-Up Period) would be eligible for inclusion in rate base in this general rate case. Contrary to the argument of the Opposing Intervenors, once the plant has met its in-service criteria, it is no longer considered Construction Work In Progress ("CWIP"), and it would be eligible for inclusion in rate base. The fact that the costs may have been recorded in a CWIP account during the test year or True-Up Period would have no consequence since the Commission will have found the plant to be in-service and fully operational and used for service before the costs are reflected in rates (the effective date of rates

² With the exception of construction accounting deferrals recorded pursuant to authorization requested in Case No. EU-2014-0255 which, assuming Commission approval of the *Second Non-Unanimous Stipulation and Agreement* filed therein on December 15, 2014, ". . . 1) the base La Cygne Environmental Project costs on which carrying costs are calculated for deferral purposes shall not increase after the amount determined at the true-up in Case No. ER-2014-0370, and 2) no additional deferrals shall be recorded for the La Cygne Environmental Project after the effective date of rates in Case No. ER-2014-0370." (Para. 3.c., p. 3, *Second Non-Unanimous Stipulation and Agreement*, Case No. ER-2014-0370). Because these deferrals directly relate to plant additions as of the end of the true-up period, there is no violation of the matching principle.

from this proceeding is expected to be September 29, 2015).³ Absent such a finding by the Commission, La Cygne Environmental Project costs will not be included in KCP&L's rates.

6. The Company understands that it is not presently known whether the La Cygne Environmental Project will meet its in-service criteria before or after May 31, 2015 and that, as such, this is not a matter ripe for Commission determination. Nevertheless, KCP&L believes that it is important to explain that the procedures contemplated by Footnote 2 do not violate either the matching principle or § 393.135 RSMo.

II. Motion for Reconsideration

7. On December 12, 2014, the RLJ issued an order by delegation that set a procedural schedule in the above captioned case. This order was issued less than ten (10) days after the filing of Joint Intervenors' Joint Response in Opposition to Proposed Procedural Schedule and before KCP&L replied to that opposition. Because 4 CSR 240-2.080(13) provides for a ten-day response period, KCP&L hereby requests that the Commission accept this pleading and re-consider the procedural schedule.

8. The order does not adopt the conditional procedural schedule that was proposed by the Moving Parties which allowed for flexibility if delays developed in the construction of the La Cygne Environmental Project.⁴ The RLJ's order indicated that because this disputed issue was presently hypothetical, the Commission would not rule on the issue at this time.

³ For these same reasons, the Opposing Intervenors' citation to State ex rel. Southwestern Bell Telephone Co. v. PSC, 645 S.W.2d 44 (Mo App. 1982) does not provide the Commission any guidance in the current situation. Unlike Southwestern Bell, KCP&L is not seeking to add additional plant costs incurred beyond the true-up date to its rate base. As indicated earlier, no costs incurred past the true-up period would be included in rates pursuant to the understanding described in Footnote 2 in the Moving Parties proposed procedural schedule.

⁴ The La Cygne Environmental Project is a \$1.23 billion environmental retrofit of two large generating units initially placed in-service in the 1970's that has been under construction now for several years. One of the recommended in-service criteria requires 120 hours (5 days) of continuous operation at or below certain emissions levels for PM10, SO2 and NOx. (See, Bell Direct, Sch. RNB-9). If the applicable emissions level is exceeded during that testing, the 120-hour test must start over. In light of these circumstances, providing the opportunity for a 30- or 60-day delay if necessary to meet in-service criteria is reasonable.

9. The Company agrees that a delay in the La Cygne Environmental Project necessitating extension of the procedural schedule has not occurred, and that it is not presently known whether such a delay will occur. Nevertheless, KCP&L believes it is reasonable to include in the procedural schedule a contingency plan in the event such a delay occurs. The Company therefore proposes that the Commission add the date of May 1, 2015 to the procedural schedule as the date by which the Company must request that the Commission approve use of either the 30- or 60-day alternative procedural schedule included in the procedural schedule proposed by the Moving Parties.

10. As explained in the response above, this extension does not violate either the matching principle or Section 393.135 RSMo. In addition, by including the May 1 date in the procedural schedule, the Commission can ensure that witnesses are aware of the potential of later hearing dates should an alternate procedural schedule be requested by the Company and approved by the Commission. For this reason, the Company also requests that the Commission reserve the hearing rooms for all of the hearing dates in the Moving Parties proposed schedule.

11. KCP&L believes this approach is reasonable for a number of reasons. First, it does not require the Commission to decide a hypothetical issue, but simply establishes a deadline (May 1, 2015) after which the Company may not request an extension of the procedural schedule for delays in the La Cygne Environmental Project. If the Company makes such a request by May 1, 2015, the Commission can decide whether to grant it at that time. Second, it preserves adequate hearing time in the event the Commission approves a request by KCP&L for either a 30- or 60-day delay. Third, it provides a potential opportunity to address rate recovery of the La Cygne Environmental Project – a capital project representing an increase to KCP&L’s Missouri jurisdictional rate base of approximately 16% and a significant driver of this rate case – in the

event that a 30- or 60-day extension is necessary for the La Cygne Environmental Project to meet in-service criteria in this case. The recourse suggested by the Opposing Intervenors, that is, requiring KCP&L to file another rate case – and therefore requiring KCP&L, the parties and the Commission to incur all of the costs associated with doing so – when a 30- or 60-day extension would suffice is a wasteful alternative.

12. Should the Commission have questions concerning the proposed procedural schedule or this motion for reconsideration, KCP&L would be pleased to appear before the Commission to explain the proposed procedural schedule and answer any questions the Commission may have.

13. Counsel for KCP&L has apprised counsel for Staff of the contents of this pleading who has authorized the Company to represent that Staff does not oppose the relief requested by KCP&L herein.

WHEREFORE, for the reasons stated herein, KCP&L respectfully requests that the Commission:

- 1) reject the arguments of the Opposing Intervenors,
- 2) grant reconsideration,
- 3) add to the current procedural schedule the date of May 1, 2015 as the deadline after which the Commission will not consider a KCP&L request Commission approval for either a 30- or 60-day extension of the schedule, and
- 4) reserve the alternative conditional hearing dates originally proposed by the Moving Parties on December 3, 2014 in the event KCP&L requests and the Commission approves either a 30- or 60-day extension.

Respectfully submitted,

/s/ Robert J. Hack

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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 19th day of December, 2014, to all parties of record.

/s/ Robert J. Hack

Robert J. Hack