

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

In the Matter of the Application of)
Kansas City Power & Light Company and KCP&L)
Greater Missouri Operations Company for the)
Issuance of an Accounting Authority Order relating) File No. EU-2014-
to their Electrical Operations and for a Contingent)
Waiver of the Notice Requirement of 4 CSR 240-)
4.020(2).)

APPLICATION FOR ACCOUNTING AUTHORITY ORDER

Pursuant to Mo. Rev. Stat. 386.250 and 393.140 and 4 CSR 240-2.060, Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (“GMO”) (collectively referred to as “Companies” and “Applicants”), hereby request that the Missouri Public Service Commission (“Commission”) issue an Accounting Authority Order (“AAO”) authorizing each applicant: (i) to defer and record in Account 182 of the Uniform System of Accounts of the Federal Energy Regulatory Commission (“USOA”) certain incremental costs associated with their transmission costs or record in USOA Account 254 the annual transmission costs below the amount included in current base rates; (ii) to include carrying costs based on the Companies’ latest approved weighted average cost of capital on the balances in this regulatory asset or regulatory liability; and (iii) to defer such amounts in a separate regulatory asset or regulatory liability with the disposition to be determined in each company’s next general rate cases.

1. KCP&L and GMO are corporations duly organized and existing under the laws of the State of Missouri and the State of Delaware, respectively. Applicants are duly authorized to transact business in the State of Missouri. Their principal office and place of business is located at 1200 Main Street, Kansas City, Missouri 64105. Under operating authority granted by the Commission, the Applicants provide service in Missouri as electric utilities and also as a heating

company (GMO only). Certified copies of KCP&L's Certificate of Good Standing were filed in Case No. EM-2000-753 and GMO's Certificate of Authority to do business as a foreign corporation was filed in Case No. EU-2002-1053, and those documents are incorporated herein by reference, as allowed by 4 CSR 240-2.060(1)(G).

2. KCP&L has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court that involve customer service or rates, which has occurred within three years of the date of this Application other than the following pending action: *Earth Island Institute d/b/a Renew Missouri, et al. v. Kansas City Power & Light Company*, Case No. EC-2013-0379 and *SunSmart Technologies, LLC v. Kansas City Power & Light Company*, Case No. EC-2014-0039. In addition, no annual report or assessment fees are overdue.

3. GMO has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court that involve customer service or rates, which has occurred within three years of the date of this Application other than the following pending action: *Ag Processing, Inc. a Cooperative v. KCP&L Greater Missouri Operations Company*, Case No. HC-2012-0259 and *Earth Island Institute d/b/a Renew Missouri, et al. v. KCP&L Greater Missouri Operations Company*, Case No. EC-2013-0380 (consolidated with Case No. EC-2013-0379). In addition, no annual report or assessment fees are overdue.

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

Darrin R. Ives
Vice President, Regulatory Affairs
Kansas City Power & Light Company
1200 Main Street
Kansas City, MO 64105
Phone: (816) 556-5255
darrin.ives@kcpl.com

Tim M. Rush
Director, Regulatory Affairs
Kansas City Power & Light Company
1200 Main Street
Kansas City, MO 64105
Phone: (816) 556-2344
tim.rush@kcpl.com

5. Data requests concerning this Application should be addressed to
Regulatory.Affairs@kcpl.com.

6. By this application, the Companies seek an AAO from the Commission authorizing them to undertake certain accounting procedures in connection with their electrical operations related to its transmission costs, and a waiver of the notice provisions of 4 CSR 240-4.020(2), if necessary.

7. The testimonies of three witnesses and schedules are filed in support of this application. The witnesses and the subject matter of their testimony are as follows:

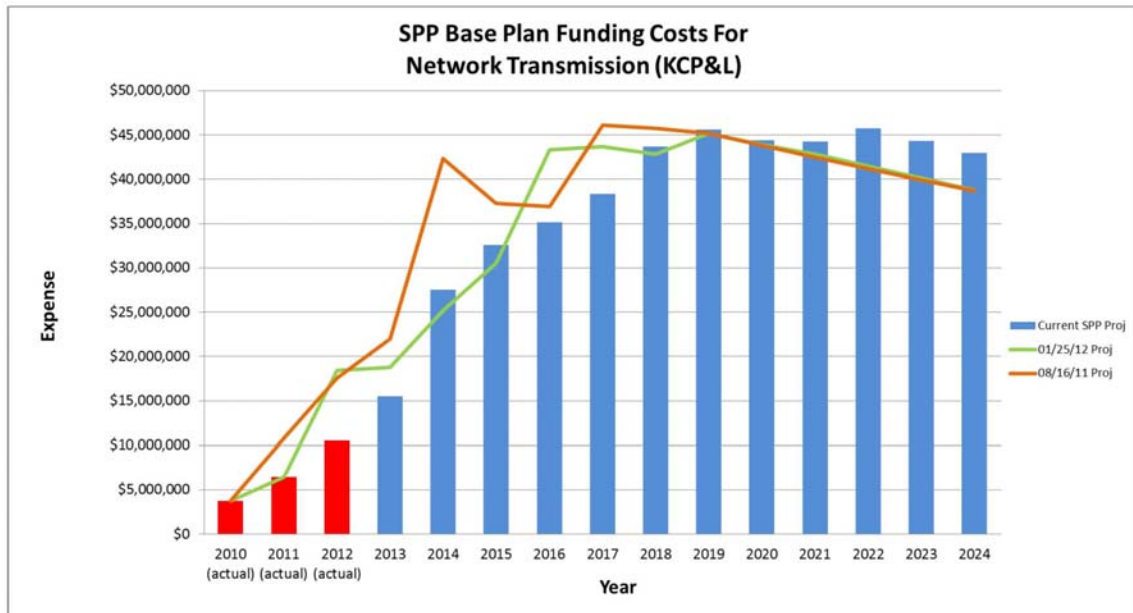
- Darrin Ives – Overview and AAO request;
- John Carlson – Transmission expense drivers and expectations; and
- Ryan Bresette – Accounting requirements for regulatory expense deferral.

I. Transmission Costs

8. The Companies request that the Commission authorize the use of a transmission AAO to ensure appropriate recovery of transmission costs as a result of charges from Southwest Power Pool (“SPP”) and other providers of transmission service. The Companies believe that these transmission costs are appropriate candidates for an AAO because they are material, expected to change significantly in the near future, and are primarily outside the control of the Companies.

9. Transmission costs can change significantly from year-to-year, and such costs are a material cost of service component. Historically, transmission costs have fluctuated due to load variations, both native and off-system. However, the Companies are currently experiencing increasing costs for SPP’s regional transmission upgrade projects and increasing SPP administrative fees. They expect these costs to continue to increase the Companies’ costs significantly. See Ives Direct at pp. 3-4.

10. The Direct Testimony of John Carlson includes tables that show rather dramatically how SPP Base Plan Transmission Costs allocated to KCP&L and GMO have been rising and projections from SPP show that these costs will continue to increase through 2022. See Carlson Direct at pp. 9-10 and Schedule JRC-1 and JRC-2.



123

¹ Projections for Current SPP Proj time series taken from: July 8 2013 ATRR Forecast All Upgrades for Posting.xlsx, Maintained by SPP Engineering, Posted July 8, 2013, <http://www.spp.org/publications/July%208,%202013%20ATRR%20Forecast%20All%20Upgrades.zip>

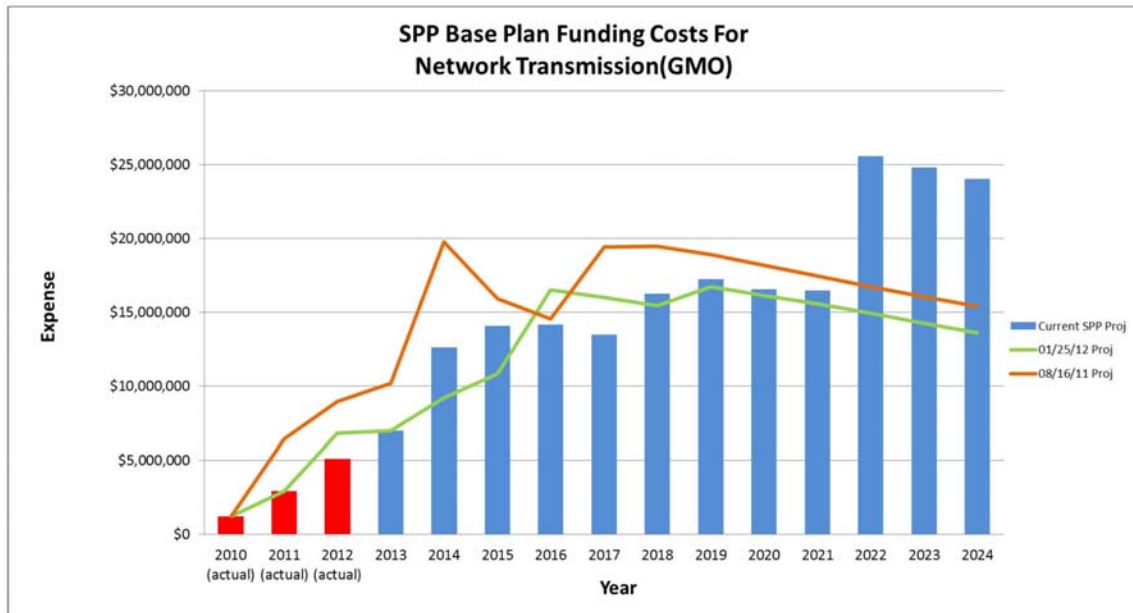
² Projections for 01/25/12 time series taken from: SPP 10 Year Cost Allocation Forecast Jan 2012 for Posting to RTWG REV 6.xlsx, Maintained by SPP Engineering, Posted January 24, 2012, <http://www.spp.org/publications/201220January20ATRR20Forecast11.zip>

³ Projections for 08/16/11 time series taken from: SPP ATRR All Totals Results August 16 2011 REV 1.xlsx, Maintained by SPP Engineering.

Schedule JRC-1

11. Base Plan Transmission Costs allocated to KCP&L were approximately \$10.5 million for the calendar year 2012, and they are projected to increase through 2019 and peak at over \$45.7 million in 2022. This equates to an approximate 16% increase per year from 2012 – 2022.

12. Base Plan Transmission Costs allocated to GMO were \$5.1 million for the calendar year 2012, and are projected to increase to \$14.2 million in 2016, and peak at over \$25.6 million in 2022. This equates to an approximate 16% increase per year from 2012 – 2022. These projections reflect both zonal and region-wide components of the costs of SPP-approved projects and the increases are primarily driven by the region-wide components.



123

¹ Projections for Current SPP Proj time series taken from: July 8 2013 ATRR Forecast All Upgrades for Posting.xlsx, Maintained by SPP Engineering, Posted July 8, 2013,

<http://www.spp.org/publications/July%208%202013%20ATRR%20Forecast%20All%20Upgrades.zip>

² Projections for 01/25/12 time series taken from: SPP 10 Year Cost Allocation Forecast Jan 2012 for Posting to RTWG REV 6.xlsx, Maintained by SPP Engineering, Posted January 24, 2012, <http://www.spp.org/publications/201220January20ATRR20Forecast11.zip>

³ Projections for 08/16/11 time series taken from : SPP ATRR All Totals Results August 16 2011 REV 1.xlsx, Maintained by SPP Engineering.

Schedule JRC-2

13. The Companies propose that transmission costs, as defined in this AAO application, be deferred and reviewed for recovery in the Companies' next rate proceeding. The Companies would book its actual transmission charges to expense and compare this amount to the amount included in base rates. Any amount over base rates would be recorded as a regulatory asset in Account 182.3. Any actual amount below those established in base rates would be recorded as a regulatory liability in Account 254. Any regulatory asset or liability will include carrying costs based on the Companies' latest approved weighted average cost of capital on the balances. See Ives Direct at pp. 2-3.

14. In the last KCP&L and GMO rate cases, Case Nos. ER-2012-0174 and ER-2012-0175, the Companies requested the authority to implement a transmission tracker mechanism. However, the Commission declined to adopt the Companies' transmission tracker proposal.¹ Instead, the Report and Order specifically found that the Companies' request for a transmission tracker "is moot because the Commission can grant no practical relief. No practical relief is possible because Applicants can already 'track' transmission cost increases under the plain language of the only authority that any party cites for a tracker." See Report and Order at 29. The Report and Order went on to interpret the USOA as indicating that no Commission order is needed to defer the transmission costs, assuming they are more than 5% of income, when it states: "If the projected transmission increases prove to be more than five percent of income, they will be subject to deferral without the Commission's order." See Report and Order at 32.

15. As the Companies' explained in their *Motion For Rehearing and/or Clarification* filed on January 18, 2013 in Case Nos. ER-2012-0174 and ER-2012-0175, the Commission erroneously linked General Instruction No. 7 with the appropriate USOA authority cited for establishment of regulatory assets and regulatory liabilities, the account definitions of accounts 182.3 and 254, respectively, which are provided in the USOA and provided in Appendix C to the Commission's Report and Order. The Commission erred when it stated at page 29 of the Report and Order that "Whether a utility may defer an item is the subject of General Instruction No. 7." This statement is inconsistent with the USOA. As explained in the Direct Testimony of Darrin Ives, and supported by witness Ryan Bresette, the correct application of General Instruction No. 7 is that it provides for relocation on a

¹ In contrast, the Commission allowed Ameren Missouri to pass through similar transmission costs between rate cases utilizing Ameren Missouri's Fuel Adjustment Clause ("FAC") mechanism. See Report and Order, pp. 83-91, Re Union Electric Company d/b/a Ameren Missouri, Case No. ER-2012-0166 (Dec. 12, 2012). KCP&L does not have an FAC mechanism and therefore this option is not available to it.

company's income statement of items considered extraordinary. Nowhere in General Instruction No. 7 does it provide for the deferral of income statement activity to the Balance Sheet. Deferral to the Balance Sheet is addressed only, and appropriately, in the USOA under the descriptions of Accounts 182.3 and 254. The USOA does not link General Instruction No. 7 and the descriptions of Accounts 182.3 and 254. Because of its inaccurate linkage of these sections of the USOA, the Commission erred in deciding that "If the projected transmission increases prove to be more than five percent of income, they will be subject to deferral without the Commission's order."

16. Since the Commission declined to grant the Companies' a transmission tracker in the last rate cases, the Companies now believe it is necessary for them to request an AAO if they are to defer transmission costs for review in the next rate case.

III. Accounting Authority Orders

17. The Commission adopted 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, the Companies are required to keep all of their 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 including deferrals to regulatory asset or regulatory liabilities may be appropriate when deemed appropriate by regulatory authorizations.

18. Mr. Ives Direct Testimony on p. 9 discusses the fact of how essential it is that public utilities obtain prior approval before the company has the ability to establish trackers in regulatory asset account 182.3 or regulatory liability account 254. In fact, the USOA account

definition for regulatory asset account 182.3 and regulatory liability account 254 states the following:

[182.3 Other Regulatory Assets]: This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies.

[254 Other Regulatory Liabilities]: This account shall include the amounts of regulatory liabilities, not includible in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies.

19. The above-described expenditures (i.e. transmission costs) are extraordinary, unusual to the test period established in the last rate case, and significant. The extraordinary nature of these costs lies in the fact that due to the significant and “extraordinary” expansion of SPP base plan funded projects that is occurring and will occur and be billed in the years to come. The cost levels that are being charged to the company related to these projects is and will be having a very big impact on its ability to recover prudently incurred costs. Furthermore, permitting the Companies to defer all transmission expenses is consistent with the Commission’s prior granting of AAOs for “extraordinary and significant items”.

20. Because the magnitude of the transmission cost increases are extraordinary and are comparable to other events for which deferrals have previously been authorized, the Companies seek an order from the Commission authorizing it to defer and record to the USOA account 182.3, Other Regulatory Assets, or USOA account 254, Other Regulatory Liabilities, transmission expenses over/under amounts included in rates. Absent the Commission’s authorization of an AAO, the Companies will be deprived of an opportunity to fully recover these expenses through rates.

IV. Contingent Request For Waiver

21. 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 the Companies do 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 is filing this application soon as possible after the updated transmission costs were available.. The Companies also note that these costs are ongoing. 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), the Companies requests a waiver of the sixty (60) day notice requirement for good cause shown pursuant to 4 CSR 240-4.020(2)(B).

V. Proposed Case Management Timeline

22. The Applicants respectfully request that the Regulatory Law Judge, the Staff of the Commission, the Office of the Public Counsel, and any intervening parties consider the following timeline as a procedural schedule is developed for this case:

October 7	Prehearing Conference
October 21	Staff and Intervenor Rebuttal Testimony
October 29	Settlement Conference
November 4	Surrebuttal Testimony
November 5	List of Issues, Order of Cross-examination and Order of Opening Statements
November 7-8	Evidentiary Hearings
November 18	Initial Post Hearing Briefs
November 28	Reply Briefs

WHEREFORE, Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company respectfully request that the Commission issue an Accounting Authority Order authorizing them to account for and record on its books a regulatory asset or regulatory liability related to the rapidly increasing transmission costs associated with SPP projects, waiving the notice requirement of 4 CSR 240-4.020(2), if necessary, and granting such other relief as is appropriate.

/s/ James M. Fischer

James M. Fischer MBN 27543
Fischer & Dority, PC
101 Madison, Suite 400
Jefferson City, MO 65101
Phone: (573) 636-6758
Fax: (573) 636-0383
jfischerpc@aol.com

Roger W. Steiner MBN 39586
Corporate Counsel
Kansas City Power & Light Company
1200 Main Street
Kansas City, MO 64105
Phone: (816) 556-2314
Fax: (816) 556-2787
Roger.Steiner@kcpl.com

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 Application has been hand-delivered, emailed or mailed, postage prepaid, this 20th day of September, 2013 to the Office of the General Counsel and the Office of the Public Counsel.


/s/ James M. Fischer

James M. Fischer

VERIFICATION

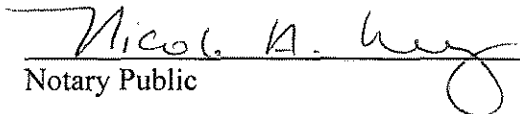
STATE OF MISSOURI)
) SS.
COUNTY OF JACKSON)

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



Darrin R. Ives
Vice President – Regulatory Affairs
Kansas City Power & Light Company

SUBSCRIBED AND SWORN TO before me this 20th day of September, 2013.



Notary Public

My Commission Expires: Feb. 4, 2015

NICOLE A. WEHRY Notary Public - Notary Seal State of Missouri Commissioned for Jackson County My Commission Expires: February 04, 2015 Commission Number: 11391200
