

**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 a Depreciation Authority       )  
Order Relating to their Electrical Operations    )

**File No. EO-2012-0340**

**STAFF'S RECOMMENDATION TO ISSUE  
DEPRECIATION AUTHORITY ORDER AND ACCOUNTING AUTHORITY ORDER**

**COMES NOW** the Staff ("Staff") of the Missouri Public Service Commission ("Commission"), by and through Counsel, and for its Recommendation states:

1. On April 12, 2012, Kansas City Power & Light Company (KCPL) and KCP&L Greater Missouri Operations Company (GMO) filed their Application requesting that the Commission issue a Depreciation Authority Order authorizing each to depreciate certain accounts with a specific depreciation rate.

2. In its attached memorandum ("Appendix A"), Staff recommends that the Commission issue a Depreciation Authority Order (DAO) and an Accounting Authority Order (AAO) including the following:

1. An AAO providing for an amortization period of 47.7 years for accounts 30310 for both KCPL and GMO, resulting in a 2.10% annual accrual. This account consists of the respective portions of the total project cost of the replacement of the HWY 45/273 bridge over a railroad, including both construction of the new bridge and the removal cost of the old bridge. This does not include projected cost of removal for the new bridge.
2. A DAO setting a depreciation rate of 2.27% for KCPL account 246, Other Production – Miscellaneous Power Plant Equipment. This account includes various pieces of equipment not properly assignable to other specified accounts.

**WHEREFORE**, Staff requests that the Commission accept its Recommendation.

Respectfully submitted,

**/s/ Sarah Kliethermes**

Sarah L. Kliethermes  
Senior Counsel  
Missouri Bar No. 60024

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 30<sup>th</sup> day of May, 2012.

**/s/ Sarah Kliethermes**

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
Case No. EO-2012-0340, Kansas City Power & Light Company  
and KCP&L Greater Missouri Operations Company

**FROM:** Arthur Rice – Engineering and Management Services Unit

/s/ Arthur Rice 05/30/12  
Engineering and Management  
Services Unit / Date

/s/ Sarah Kliethermes 05/30/12  
Staff Counsel's Office / Date

**SUBJECT:** Staff's Recommendation to Approve the Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company's Request for Commission Authority to Assign Depreciation Rates and Amortization Periods

**DATE:** May 29, 2012

### Summary:

On April 12, 2012, Kansas City Power & Light Company ("KCPL") and KCP&L Greater Missouri Operations Company ("GMO") filed an Application with the Missouri Public Service Commission ("Commission") requesting the Commission issue a Depreciation Authority Order (DAO) to (1) assign a depreciation rate to both KCPL and GMO account 30310 (Miscellaneous Intangible – Iatan Highway and Bridge), and (2) assign a depreciation rate to KCPL account 346 (Other Production – Miscellaneous Power Plant Equipment). These accounts currently do not have either ordered depreciation rates or ordered amortization periods.

### Recommendation:

Staff recommends the Commission issue a DAO and an Accounting Authority Order (AAO) including the following,

1. An AAO providing for an amortization period of 47.7 years for accounts 30310 for both KCPL and GMO, resulting in a 2.10% annual accrual. This account consists of the respective portions of the total project cost of the replacement of a HWY 45/273 bridge over a railroad, including both construction of the new bridge and the removal cost of the old bridge. This does not include projected future cost of removal for the new bridge.
2. A DAO setting a depreciation rate of 2.27% for KCPL account 346, Other Production – Miscellaneous Power Plant Equipment. This account includes various pieces of equipment not properly assignable to other specified accounts.

#### **A. Intangible Account For a State Highway Bridge Replacement**

KCPL and GMO Account 30310 is entitled “Misc. Intangible – Iatan Hwy & Bridge”. The dollars (approximately \$4,840,000) recorded in the KCPL and GMO accounts in 2011 was paid to the State of Missouri as a portion of the funds required to replace a bridge on State HWY 45/273 south of the Iatan facility. Staff contacted the Missouri Department of Transportation (MoDot) in regards to this bridge replacement, which is actually an overpass over a railroad. The dollars recorded in the KCPL and GMO accounts are a portion of the total cost to build a new overpass with ramps and associated road connections as well as removal of the old overpass. KCPL reported the total project cost of \$5,942,856 was shared by all Iatan owners, with the KCPL Missouri jurisdictional portion of approximately \$1,993,000 and GMO portion of \$1,082,000.

KCPL and GMO request that the Commission set a depreciation rate for this account based on a rate equal to the composite remaining life of Iatan 2 that was used to set the depreciation rates related to Iatan 2 ordered in File Nos. ER-2010-0355 and ER-2010-0356. While the companies nominally requested a depreciation rate be established for this account, as real property physically owned by another party the dollars in this account are not properly depreciable. Instead, Staff recommends that an amortization period be assigned to this account.

The companies’ requested depreciation rate is based on a life span of 47.7 years, which ordinarily would accrue at a rate of 2.10% annually. Staff agrees that 47.7 years is a reasonable amortization period for recording of amortization expense, however, Staff does not agree with the current rate of accruals the companies are recording for this investment, which is not 2.10%. In response to a data request the companies indicated that they are currently amortizing this investment at a rate of 2.46% for life and at 0.61% for cost of removal. Staff disagrees with the current amortization accrual rate in use for two reasons. First, the life rate for 47.7 years is 2.10%, not 2.46%. Second, there is no expected future cost of removal liability for KCPL or GMO for this State-owned highway bridge.

The total project includes the installation of the new bridge plus the removal of the old bridge. The original cost of the new bridge and the removal cost of the old bridge should be included in the 47.7 year (47 years and 9 months amortization) at 2.10%, equivalent to an annual amortization of approximately \$41,800 for KCPL and \$22,700 for GMO. The amortization accruals stop when the total accruals for the Missouri jurisdictional portion in the KCPL or GMO amortization equal their respective original total cost.

#### **B. Assigning a depreciation rate to a FERC USOA account that currently has no Commission-ordered rate.**

KCPL account 34600 is entitled “Other Production – Miscellaneous Power Plant Equip.”. Equipment in this account includes miscellaneous equipment in and about the power generating

plants devoted to general station use and not properly includible in any other accounts. Such equipment includes a forklift magnetic sweeper attachment, gas detector, thermal imaging camera, and temperature calibrator. The costs recorded in account 346 are similar to those recorded in account 316 (Stm Prod - Misc. Power Plant Equipment); therefore, KCP&L requests that the depreciation rate for Account 346 be authorized at 2.27%, the same depreciation rate authorized for account 316 in File No. ER-2010-0355.

Staff reviewed a detailed listing provided by KCPL in response to a data request showing plant and equipment recorded in accounts 316 and 346. Staff found the equipment types recorded in the two accounts to be similar, and agrees with KCPL that assigning a depreciation rate of 2.27% for account 346 is a reasonable expectation of the retirement rate for this account based on the information available at this time. All of the equipment recorded in account 346 has original install or transfer-in dates of 2011 or 2012, with a total April 2012 balance of \$66,636.41

Based on the contents of the relevant accounts at this time, Staff agrees with the current rate of accruals the Company is recording for account 346, which is a rate of 2.27%.

**Conclusion:**

Staff recommends the granting of an AAO and DAO as described under the “Recommendation” section, above. Although the relief granted in the AAO and DAO put the Applicants in a position where they can, in future rate proceedings, request depreciation and amortization expense recovery in rates, a Commission order authorizing a depreciation rate and amortization period carries with it no guarantee that such rate recovery will be allowed. Granting the AAO and DAO as recommended by Staff will not impact current customer rates, and applicants must seek recovery of these costs in general rate case proceedings.

**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 Depreciation Authority Order Relating to their  
Electrical Operations

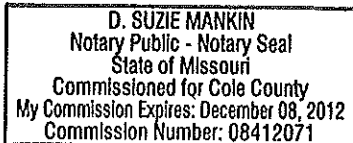
AFFIDAVIT OF ARTHUR W. RICE, PE


[illegible]

Arthur W. Rice, PE, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.

Arthur W. Rice PE

Subscribed and sworn to before me this 29<sup>th</sup> day of May, 2012.



  
Notary Public