

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 27th day of
June, 2012.

In The Matter of the Application of Kansas City)	
Power & Light Company and KCP&L Greater)	
Missouri Operations Company for the Issuance)	File No. EO-2012-0340
of a Depreciation Authority Order relating to)	
their Electrical Operations)	

ORDER GRANTING APPLICATION

Issue Date: June 27, 2012

Effective Date: July 7, 2012

The Missouri Public Service Commission is granting the *Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for a Depreciation Authority Order* ("application") and issuing this order in accordance with Staff's corrected recommendation.

A. Procedure

Kansas City Power & Light Company ("KCPL") and KCP&L Greater Missouri Operations Company ("GMO") (together, "applicants") filed the application.¹ The application seeks an order setting depreciation rates for certain accounts. That relief is available under following statutes.

¹ On April 12, 2012.

The commission shall:

* * *

(4) . . . , in its discretion, prescribe, by order, forms of accounts, records and memoranda to be kept by [applicants.²]

In Commission practice, such an order is called an accounting authority order. Also:

1. The commission shall have power, after hearing, to require [applicants] to carry a proper and adequate depreciation account in accordance with such rules, regulations and forms of account as the commission may prescribe.

2. The commission may, from time to time, ascertain and determine and by order fix the proper and adequate rates of depreciation of the several classes of property of [applicants. An applicant] shall conform its depreciation accounts to the rates so ascertained, determined and fixed, and shall set aside the moneys so provided for out of earnings and carry the same in a depreciation fund and expend such fund only for such purposes and under such rules and regulations, both as to original expenditure and subsequent replacement, as the commission may prescribe. The income from investments of moneys in such fund shall likewise be carried in such fund.³]

In Commission practice, that species of accounting authority order is called a depreciation authority order.

Staff filed its recommendation⁴ and a correction⁵ (together, “corrected recommendation”) in favor of the application. Applicants filed a reply on June 20, 2012,

² Section 393.140, RSMo 2000.

³ Section 393.240.1, RSMo 2000.

⁴ *Staff's Recommendation to Issue Depreciation Authority Order and Accounting Authority Order*, filed on May 30, 2012.

⁵ *Correction to Staff's Recommendation to Issue Depreciation Authority Order and Accounting Authority Order*, filed on May 31, 2012.

agreeing with the corrected recommendation, so the Commission will deem the application amended. The Commission received no other filings.⁶

Even when a statute provides an order “after hearing,” no law requires an evidentiary hearing on an unopposed application, and no person has sought one in this action, so⁷ this action is not a contested case⁸ and the Commission need not separately set forth its findings of fact.

B. Merits

The application addresses accounts, in which applicants have recorded expenses without a depreciation rate. Depreciation rates for other accounts are subject to the determinations in File Nos. ER-2010-0335⁹ and ER-2010-0356¹⁰ but those orders issued before the recent construction of Iatan 2 and other construction projects. For those projects, in a future general rate action, applicants will seek to recover depreciation expenses. But this order does not bind the Commission to any rate-making treatment as to any item, does not restrict any person from making any argument on that issue, and does not have any impact on the rates that customers pay for service.

⁶ The Office of the Public Counsel, though a party to this action under 4 CSR 240-2.010(11), has exercised its discretion not to participate in this action.

⁷ *State ex rel. Rex Deffenderfer Ent., Inc. v. Public Serv. Comm’n*, 776 S.W.2d 494, 496 (Mo. App., W.D. 1989).

⁸ Section 536.010(4), RSMo Supp. 2010.

⁹ *In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of Its Regulatory Plan*, Report and Order issued on April 12, 2011, page 3.

¹⁰ *In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service*, Report and Order issued on May 4, 2011, page 9.

*1. KCPL Account 346
“Other Production – Miscellaneous Power Plant Equip.”*

Expenses in this account include miscellaneous equipment in and about the power generating plants devoted to general station use and not properly includible in any other accounts. Analogizing to a similar account addressed in File No. ER-2010-0355, applicants and Staff agree that the depreciation rate for Account 346 should be 2.27%. Therefore, the Commission will order the depreciation rate for Account 346 at 2.27%.

*2. KCPL and GMO Account 30310
“Misc. Intangible – Iatan Hwy & Bridge”.*

The expense in this account relates to replacement of a railroad overpass on State HWY 45/273 south of the Iatan facility. The overpass is the property of the State of Missouri. The State of Missouri received the amount as a contribution toward removing the old overpass and building a new overpass with ramps and associated road connections. Applicants request that the Commission set a depreciation rate for this account based on a rate equal to the composite 47.7-year remaining life of Iatan 2, as in File Nos. ER-2010-0355 and ER-2010-0356. Applicants and Staff agree that 47.7 years is the correct period and that the life rate is 2.10%.¹¹

Staff raises two issues in its recommendation. The expense relates to real property belonging to someone other than applicants. Therefore, in lieu of depreciation, amortization is the appropriate treatment. Also, the payment already made covers removal of the old overpass so applicants have no future liability for removal. In their reply, applicants agree.

¹¹ The applicants are currently amortizing this investment at 0.61% for removal cost and 2.46% for life.

Therefore, the Commission will order that the removal cost of the old overpass and the original cost of the new overpass 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.

C. Ruling

Therefore, the Commission will grant the application. The Commission will issue accounting authority orders as set forth in the ordered paragraphs. The unopposed resolution of this action constitutes good cause for this order's effective date to be less than 30 days from this order's issuance date.¹²

THE COMMISSION ORDERS THAT:

1. *The Application of Kansas City Power & Light Company ["KCPL"] and KCP&L Greater Missouri Operations Company ["GMO"] for a Depreciation Authority Order is granted as amended.*

2. KCPL Account 346. The Commission issues its depreciation authority order as follows. The depreciation rate shall be 2.27%. This account shall include various pieces of equipment not properly assignable to other specified accounts.

3. KCPL and GMO Accounts 30310. The Commission issues its accounting authority order as follows. The amortization period shall be 47.7 years with a 2.10% annual accrual, for an annual amortization of approximately \$41,800 for KCPL and \$22,700 for GMO. This account shall consist of the respective portions of the total project cost for the replacement of the HWY 45/273 railroad overpass, including costs

¹² Section 386.490.2, S.B. 48, 96th Gen. Assem., 2nd Reg. Sess.

for both the removal of the old overpass and construction of the new overpass, and shall not include projected cost of removal for the new bridge.

4. This order does not determine any rate-making treatment for any item.

5. Any depreciation rate established in this order is subject to re-determination under the next depreciation study.

6. This order shall become effective on July 7, 2012.

7. This file shall close on July 8, 2012.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'S. Reed', is positioned above the printed name of the Secretary.

Steven C. Reed
Secretary

(S E A L)

Gunn, Chm., Jarrett, Kenney, and
Stoll, CC., concur.

Jordan, Senior Regulatory Law Judge