

**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)	<u>Case No. EU-2014-0255</u>
Authorizing Construction Accounting)	
Relating to its Electrical Operations)	

STAFF’S POSITION STATEMENTS

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and states its positions on the listed issues as follows:

Issue 1: Should the Commission grant KCP&L’s Application for an order allowing it to continue construction accounting—deferral of KCP&L’s Missouri jurisdictional carrying costs and monthly depreciation expense calculated on the La Cygne plant additions from the time the La Cygne plant additions are placed in service until the date rates become effective in KCP&L’s pending general rate case, Case No. ER-2014-0370—filed on June 12, 2014?

Staff’s position: Yes, if the Commission grants all of the relief KCP&L and Staff agreed to in their Non-Unanimous Stipulation and Agreement filed in this case on December 12, 2014.

However, if the Commission does not grant all of the relief sought in that Non-Unanimous Stipulation and Agreement, then Staff recommends that the reject KCP&L’s request to continue construction accounting for the La Cygne plant additions for the reasons following:

- 1) The expenses KCP&L seeks to defer do not meet the Commission’s standards for deferral in that they are not extraordinary, unique and unusual, and are not non-recurring;

- 2) The expenses KCP&L seeks to defer have not actually occurred, and will not occur until the second quarter of 2015; therefore, the materiality of the requested deferral cannot be accurately evaluated at this time;
- 3) KCP&L has had levels of investment similar to the amount of the LaCygne plant additions in the recent past without the use of construction accounting;
- 4) KCP&L's LaCygne plant additions investment does not rise to the level of most other investments that have been granted construction accounting by the Commission; and
- 5) The construction accounting costs for the LaCygne plant additions have not been adequately determined by KCP&L in its proposal filed in this case. There are several offsets that should be considered that would reduce KCP&L's calculations.

Issue 2: If so, what conditions, changes in the calculation of construction accounting, or offsets to the amount deferred, if any, should be included in the order granting KCP&L's Application?

Staff's position: If the Commission does not grant all of the relief KCP&L and Staff agreed to in their Non-Unanimous Stipulation and Agreement filed in this case on December 12, 2014, but finds it should grant KCP&L construction accounting for the La Cygne plant additions, then Staff recommends that the Commission make the following changes to how KCP&L proposes to determine the amounts deferred and include offsets to them as follows:

Determination of amounts deferred

- 1) Offset the base on which carrying costs are calculated by the additional non-environmental LaCygne depreciation reserve from the true-up date through the effective date of new general rates;
- 2) Offset the base on which carrying costs are calculated by the monthly depreciation expense deferral recorded to the regulatory asset;

- 3) Offset the base on which carrying costs are calculated by the accumulated deferred income taxes created by the LaCygne plant additions;
- 4) Offset the base on which carrying costs are calculated by the accumulated deferred income taxes created by the monthly regulatory asset deferral;
- 5) Use actual depreciation and carrying costs based on the actual unadjusted allowance for funds used during construction (AFUDC) rate, less Staff's adjustment to the equity rate, with an estimate based on actuals for amounts calculated after the true-up in Case No. ER-2014-0370;
- 6) For the calculation of the AFUDC rate, a 250 basis point (2.50%) reduction should be assumed in the cost rate of common equity component of the AFUDC rate;
- 7) No additions to the base on which carrying costs or depreciation are calculated after the true-up in Case No. ER-2014-0370;
- 8) No additional deferrals after the effective date of rates in Case No. ER-2014-0370;

Offsets

- 9) The amount of over collected expired and / or expiring amortizations of other regulatory assets; and
- 10) The amount currently collected in rates for the Department of Energy (DOE) Nuclear Waste Fund fees, which have been reduced to \$0 addressed in Case No. EU-2015-0094.

WHEREFORE, Staff files its positions on the listed issues.

Respectfully submitted,

/s/ Nathan Williams

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all parties of record this 12th day of December, 2014.

/s/ Nathan Williams