

**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 Authorizing)
Construction Accounting Relating to its)
Electrical Operations)

File No. EU-2014-0255

**STAFF'S RESPONSE TO KANSAS CITY POWER & LIGHT COMPANY'S
PROPOSED PROCEDURAL SCHEDULE**

COMES NOW undersigned counsel of the Staff of the Missouri Public Service Commission and, on behalf of Staff, responds to *Kansas City Power & Light Company's Proposed Procedural Schedule* as follows:

1. On August 22, 2014, Kansas City Power & Light Company ("KCPL") filed a proposed procedural schedule.
2. Staff opposes KCPL's proposed procedural schedule both because a procedural schedule should not yet be established and because KCPL's proposed schedule is, without justification, too compressed.
3. KCPL is seeking in this case Commission authorization to use what it calls "construction accounting" to book its costs for the environmental upgrades to its La Cygne generating units. While it is not clear what KCPL means by the term "construction accounting," it is clear that KCPL is seeking authority at least to not begin accruing depreciation for the upgrades and to continue to accrue carrying costs (time value of money) at an allowance-for-funds-used-during-construction ("AFUDC") rate after the environmental upgrades become operational ("in-service," likely both will be "in-service" by June 1, 2015, and the first "in-service" as early as March of 2015) until the date the Commission approves new KCPL rates take effect (likely around

September 2015) in its noticed, but not yet pending, general rate increase case—Case No. ER-2014-0370. In other words, KCPL is seeking to obtain the financial benefits of both continuing to accrue carrying costs and also of deferring the accrual of depreciation.

4. Since KCPL has not yet filed its rate case in Case No. ER-2014-0370, at this time it is impossible to determine how long the periods will be between when the environmental upgrades for each La Cygne generating unit are “in-service” and the date when KCPL will have new rates in Case No. ER-2014-0370 that are based on KCPL’s cost of service that includes the costs of the environmental upgrades at both La Cygne generating units.

5. When those time periods are known the Commission, and the parties, will be better positioned to evaluate whether there is good cause¹ to allow KCPL to use special accounting treatment. No such good cause has been alleged or shown yet.

6. These time periods between rate cases are pertinent to the effects of accumulated deferred income tax, depreciation reserve, any available bonus depreciation, and any expired amortizations of past accounting authority orders to counterbalance any perceived harm to KCPL by the time between when it the environmental upgrades of the La Cygne generating units become operational and when KCPL begins recovering their costs in new rates. KCPL may have other cost reductions as well that also have a counterbalancing effect that should be considered. Generally, allowing a company to continue to book construction costs as if the construction was not completed (What is generally meant by the “continuation of

¹ 4 CSR 240-20.030(5) and 4 CSR 240-2.060 both prescribe “good cause” for granting relief from the accounting requirements of 4 CSR 240-20.030(1), and 4 CSR 240-2.060 also requires an applicant to provide “a complete justification setting out the good cause for granting the [relief].”

construction accounting” or, loosely, “construction accounting.”) increases a company’s rate base, but there are, and may be, additional matters (such as related deferred income taxes, expired amortization amounts) that should be viewed as offsets to the benefits to a company reaped by continuing to book construction costs as if the construction was not completed.

7. The issue of construction accounting does not have to be determined by the Commission on the timeline upon which KCPL has based its application. Construction accounting will only relate to how costs are determined in its rate case. If KCPL makes an early 4th quarter 2014 rate case filing, those rates won’t likely change before early September 2015. Therefore, KCPL’s request in this case does not have to be processed on the expedited schedule KCPL has suggested. Additionally, granting KCPL the relief it seeks here will not impact KCPL’s 2014 earnings. KCPL has not provided any justification for why it needs early approval of its request. The environmental upgrades at the La Cygne generating station will not be operational before the end of the first and possibly second quarters of 2015, so KCPL does not need to be able to use the accounting relief it is requesting before the in-service date of those plant additions in 2015. Thus, Staff requests that the Commission not decide whether KCPL needs accounting relief for the costs of the environmental upgrades at the La Cygne generating station until after KPCL files its general rate case.

8. If the Commission agrees with KCPL that it needs to make its decision in this case before KPCL files its rate case, thus requiring a procedural schedule, Staff requests that the Commission reject KCPL’s proposed procedural schedule because

the timing of the events in it is unrealistic and overly aggressive. KCPL's proposed procedural schedule follows:

- a. Rebuttal testimony-September 22, 2014
- b. Surrebuttal testimony-October 16, 2014
- c. Issue List-October 20, 2014
- d. Position statement-October 20, 2014
- e. Hearing-October 23 and 24, 2014

KCPL's proposed procedural schedule does not give Staff, or the other parties, sufficient time to perform full discovery on the issues that are germane to KCPL's request. KCPL's proposal would only allow the parties one additional round of discovery before they file rebuttal testimony. Assuming, *arguendo*, that KCPL timely provides its responses to data requests, rebuttal testimony, which preferably would include consideration of those responses, would be due before the responses were due. Additionally, Staff anticipates it will need to conduct at least two rounds of discovery (at least 40 days if data request responses are due in 20 days, assuming no delay for objections and no time to review responses before issuing follow-up requests), before filing any rebuttal or surrebuttal testimony.

9. Also, Staff witness Keith Majors who will prefile and testify at a hearing, if there is a hearing, is unavailable from October 16th-17th and 27th-31st due to prior personal obligations.

10. If the Commission decides not to wait until KPCL files its general rate case before addressing when and how to address KPCL's request for construction accounting, Staff recommends that the Commission adopt the following schedule:

- June 14, 2014- Application and Direct Testimony filed by the Company
- November 14, 2014 -Rebuttal Testimony
- December 10, 2014 -Surrebuttal Testimony
- December 12, 2014 - Issue List
- December 12, 2014 - Position Statement
- December 18 and 19th, 2014 - Hearing

WHEREFORE, Staff files this response to Kansas City Power & Light Company's Proposed Procedural Schedule.

Respectfully submitted,

/s/ Nathan Williams

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 26th day of August, 2014.

/s/ Nathan Williams