

**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 a Depreciation	)	<u>File No. EO-2015-0088</u>
Authority Order Relating to their	)	
Electrical Operations	)	

**STAFF’S RECOMMENDATION TO GRANT IN PART AND DENY IN PART  
KANSAS CITY POWER & LIGHT COMPANY’S REQUEST FOR  
SPECIFIC DEPRECIATION RATES FOR NEW PLANT ACCOUNTS**

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

1. On October 3, 2014, Kansas City Power & Light Company (“KCPL”) filed its Application requesting that the Commission fix depreciation rates for three new plant accounts for which it has not previously ordered depreciation rates.

2. Section 393.240.2, RSMo, 2000 grants the Commission the authority to “ascertain and determine and by order fix the proper and adequate rates of depreciation of the several classes of property of [electrical corporations].”

3. Staff recommends the Commission accept KCPL’s requested depreciation rates for the solar and energy storage equipment accounts, but due to the reasons set forth in its attached memorandum (“Appendix A”), Staff recommends an alternate depreciation rate for the wind account.

**WHEREFORE**, Staff requests that the Commission accept its Recommendation to fix the following depreciation rates:

- a. 4.82% for Account 344.01 – Other Production – Solar
- b. 5.00% for Account 346.02 – Miscellaneous Power Plant Equipment – Wind
- c. 11.76% for Account 363.00 – Distribution – Energy Storage Equipment

Respectfully submitted,

**/s/ Marcella Mueth**

Marcella L. Mueth  
Assistant Staff Counsel  
Missouri Bar No. 66098

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Missouri Public Service Commission  
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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 22nd day of October, 2014.

**/s/ Marcella Mueth**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. EO-2015-0088, Kansas City Power & Light Company

FROM: Arthur W. Rice, Utility Regulatory Engineer  
Engineering and Management Services Unit

/s/ Arthur W. Rice 10/22/14  
EMSU / Date

/s/ Marcella L. Mueth 10/22/14  
Staff Counsel's Office / Date

SUBJECT: Staff's Recommendation to Grant in Part and Deny in Part Kansas City Power & Light Company's Request for Commission Authority to Assign Specific Depreciation Rates to Newly Created Plant Accounts.

DATE: October 22, 2014

### Summary:

On October 3, 2014, Kansas City Power & Light Company ("KCPL") filed an Application with the Missouri Public Service Commission ("Commission") requesting the Commission issue a Depreciation Authority Order (DAO) assigning depreciation rates to three new plant accounts as follows:

1. 4.82% for Account 344.01- Other Production – Solar
2. 7.15% for Account 346.02- Miscellaneous Power Plant Equipment – Wind
3. 11.76% for Account 363.00- Distribution – Energy Storage Equipment

These accounts currently do not have either ordered depreciation rates or ordered amortization periods.

### Recommendation:

Staff recommends the Commission issue a DAO including the following:

1. 4.82% for Account 344.01- Other Production – Solar
2. 5.00% for Account 346.02- Miscellaneous Power Plant Equipment – Wind
3. 11.76% for Account 363.00- Distribution – Energy Storage Equipment

Note: Staff's recommendation is in agreement with KCPL's depreciation rate request for item numbers 1 and 3, but not item 2.

### Analysis:

An updated depreciation study was conducted by KCPL's consultant, Gannett Fleming for submission as direct testimony in KCPL's planned rate case expected to be filed later this month,

designated as Case No. ER-2014-0370 (the 2015 rate case). During the preparation of this study, the consultant discovered plant assets recently placed in service that conformed to Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) plant accounts that currently do not have a Commission ordered depreciation rate assigned.

The consultant separated these assets into the three new accounts described above, and recommended a depreciation rate for those new accounts.

The depreciation study was conducted using a history of plant additions and retirements through the end of 2013. Subsequent to December 31, 2013, a review by KCPL of the plant recorded in these accounts resulted in a transfer of approximately 80% of the plant and equipment recorded in Account 346.02 (item 2 above) to different "Other Production" accounts. Thus the depreciation study results do not represent the type of equipment currently recorded in Account 346.02.

As reported by Aron Branson of KCPL, the only asset remaining in Account 346.02 is lifting equipment for wind generator parts, (a crane). This equipment is typical of power operated construction equipment which typically exhibits a **positive** net salvage. KCPL's request to use the rates recommended in the depreciation study resulted in a **negative** 17% net salvage applied to this account. Even though power operated equipment typically has a positive net salvage, an old specialty crane for lifting wind mill parts would most likely cost as much to disassemble and haul to a new site as it is worth, leaving a **0%** net salvage.

Staff recommends a depreciation rate of 5.00 % for Account 346.02, based on a 20 year average service life and a 0% net salvage. Staff recommends the Commission accept the Company's DAO requested rate for the other two accounts, that is 4.82% for account 344.01 and 11.76% for Account 363.00

### **Conclusion:**

Staff recommends the Commission issue a DAO including the following:

1. 4.82% for Account 344.01- Other Production – Solar
2. 5.00% for Account 346.02- Miscellaneous Power Plant Equipment – Wind
3. 11.76% for Account 363.00- Distribution – Energy Storage Equipment

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**OF THE STATE OF MISSOURI**

In the Matter of the Application of Kansas )  
City Power & Light Company for the ) File No. EO-2015-0088  
Issuance of an Depreciation Authority Order )  
Relating to Its Electrical Operations )

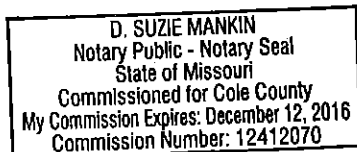
**AFFIDAVIT OF ARTHUR W. RICE, P.E.**

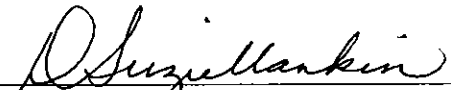
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Arthur W. Rice, P.E., 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.

  
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ARTHUR W. RICE, P.E.

Subscribed and sworn to before me this 22<sup>nd</sup> day of October, 2014.



  
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Notary Public