

**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)	Case No. EU-2014-0255
Accounting Relating to its Electrical Operations)	

APPLICATION

COMES NOW Kansas City Power & Light Company (“KCP&L” or the “Company”), pursuant to Sections 386.250¹ and 393.140 and 4 CSR 240-2.060, and hereby applies for the issuance of an order that would allow KCP&L to treat the La Cygne environmental project under “Construction Accounting”, as more fully described herein, until the effective date of the rates approved in KCP&L’s rate case in which the La Cygne environmental project is included in rates. In support of its Application, KCP&L respectfully states as follows:

1. Applicant’s legal name is Kansas City Power & Light Company. KCP&L is a Missouri corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. KCP&L is primarily engaged in generation, transmission, distribution and sale of electricity in western Missouri and eastern Kansas. KCP&L is an “electrical corporation” and a “public utility” subject to the jurisdiction, supervision, and control of the Commission under Chapters 386 and 393.

2. KCP&L’s Certificate of Good Standing was filed in Case No. EF-2002-315 and is incorporated herein by reference in accordance with 4 CSR 240-2.060(1)(G).

3. KCP&L is a co-owner and operator of the La Cygne 1 and La Cygne 2 coal-fired power plants located at the La Cygne Generating Station near La Cygne, Kansas.

¹ Unless otherwise noted, all citations are to the Revised Statutes of Missouri (2010), as amended.

4. KCP&L has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court, which involve customer service or rates, which action, judgment, or decision has occurred within three (3) years of the date of the Application. KCP&L has no annual reports or regulatory assessment fees that are overdue in Missouri.

5. In addition to serving counsel named below, all correspondence, pleadings, notices, orders, decisions, and communications regarding this proceeding should be sent to:

Tim M. Rush
Director, Regulatory Affairs
Kansas City Power & Light Company
1200 Main Street
Kansas City, MO 64105
Phone: (816) 556-2344
tim.rush@kcpl.com

6. Data requests concerning this Application should be addressed to Regulatory.Affairs@kcpl.com.

7. By this Application, KCP&L seeks authorization from the Commission to undertake certain accounting procedures in connection with its La Cygne environmental project. The La Cygne environmental project consists of installation of wet scrubbers, baghouses and a common dual-flue chimney for both La Cygne Units 1 and 2, and a selective catalytic reduction (“SCR”) system, low-nitrogen oxide (“NOx”) burners (“LNBS”), and an over-fire air (“OFA”) system for La Cygne Unit 2. The La Cygne environmental project is necessary for KCP&L to comply with environmental regulations. The Company reached an agreement with the Kansas Department of Health and Environment (“KDHE”) which ultimately became a part of the Kansas Regional Haze Rule State Implementation Plan submitted by KDHE to the Environmental Protection Agency (“EPA”) for approval. As a result of that agreement with environmental regulators, KCP&L must have in place best available retrofit technology (“BART”)

environmental equipment on La Cygne Units 1 and 2 on or before June 1, 2015 or the units will not be in compliance and will be shut down until the equipment is installed and in-service.

8. Specifically, KCP&L is requesting approval for the use of Construction Accounting associated with its La Cygne plant addition. Construction Accounting would include the deferral of Missouri jurisdictional carrying costs calculated on the La Cygne plant addition from the time the La Cygne plant investment is placed in service until the date rates become effective in the Company's next general rate case. In addition, all Missouri jurisdiction monthly depreciation expense on the La Cygne environmental project from the date the La Cygne plant addition is placed in service until the date rates become effective in the Company's next general rate case.

9. The Commission has the authority to prescribe by order the accounts in which particular outlays and receipts shall be entered, charged or credited. Section 393.140(8), RSMo.

I. Construction Accounting

10. As described in the accompanying direct testimony of Company witness Ronald A. Klote, and provided for in Accounts 419.1 and 432 of the Uniform System of Accounts, Allowance For Funds Used During Construction ("AFUDC"), as computed in accordance with the formula prescribed in Electric Plant Instruction 3(17)² in the Federal Energy Regulatory Commission Rules, would cease to accrue on the date that the La Cygne environmental project achieves its in-service criteria, unless the Commission authorizes an alternative accounting treatment. In addition, absent alternative Commission-authorized accounting treatment, on the in-service date, depreciation expense related to the project would begin to accrue on KCP&L's books.

² 18 CFR part 101.

11. The La Cygne environmental project is scheduled to be in-service by June 1, 2015, but because certain work associated with the regulatory process must be accomplished³ before new rates including the cost of the La Cygne environmental project can take effect, it is not possible for rate recovery to commence with the in-service date of the project. Although KCP&L desires to minimize the amount of time between the in-service date of the La Cygne environmental project and when rate recovery begins, KCP&L estimates that it will likely take no less than four (4) months after the La Cygne environmental project's in-service date for new rates which include the cost of the La Cygne environmental project to become effective.

12. Absent Commission authorization to make use of construction accounting as requested herein, KCP&L estimates that it will be unable to recover carrying costs and depreciation expense amounting to approximately \$1.8 million per month between the in-service date of the La Cygne environmental project and when rate recovery begins. The Company expects that the impact of not recovering La Cygne environmental carrying costs and depreciation expense of this magnitude will be amplified by the fact that it will have a rate case on file and already be in an earnings-deficient situation on the in-service date of the La Cygne environmental project.

13. To avoid this significantly harmful earnings situation in connection with the Company's plant additions at La Cygne to comply with environmental regulations, KCP&L requests that the Commission authorize it to use construction accounting beginning on the in-service date of the La Cygne environmental project until new rates including the cost of the La Cygne environmental project become effective. Specifically, for that period of time the

³ This work includes but is not limited to: 1) audit work to verify that the La Cygne environmental project meets appropriate in-service criteria, 2) audit work to verify costs associated with the La Cygne environmental project, 3) preparation of regulatory filings (testimony, etc.), 4) the possible need to hold hearings, 5) deliberation by the Commission and preparation of a Commission order, 6) calculation of new rates, and 7) preparation, review and approval of revised tariff sheets.

Company seeks to record as a regulatory asset 1) carrying costs on the La Cygne environmental project which will be calculated by applying on a monthly basis a carrying cost rate to La Cygne environmental project plant additions placed in-service. The carrying costs will be deferred to regulatory asset account 182.3 from the date the plant additions are placed in service until the date the plant additions are included in rates.; and 2) depreciation expense on the La Cygne environmental project will be deferred to regulatory asset account 182.3 from the date the La Cygne environmental project plant additions are placed in-service to the date the plant additions are included in rates.

14. The construction accounting treatment requested herein by the Company is not unprecedented. Similar treatment has occurred in a number of prior cases, including Case Nos. EO-2005-0329, ER-2009-0089, EO-2010-0262 and ER-2010-0036.⁴

WHEREFORE, KCP&L respectfully requests that the Commission authorize it to use construction accounting as described in paragraph 12 herein for the La Cygne environmental project and granting such other relief as is appropriate.

⁴ The Company recognizes that in most of these cases, the use of construction accounting treatment was authorized by the Commission as a result of settlements and Stipulations and Agreements that were specifically not precedential. KCP&L does not cite those cases as precedent that requires approval of the authorization requested by the Company here, but simply to make the Commission aware that the Company is not requesting to use a brand new untested mechanism but instead seeks to use an approach with which the Commission and its Staff have some familiarity.

Respectfully submitted,

/s/ Robert J. Hack

Robert J. Hack, MBN 36496

Lead Regulatory Counsel

Phone: (816) 556-2791

E-mail: rob.hack@kcpl.com

Roger W. Steiner, MBN 39586

Phone: (816) 556-2314

E-mail: roger.steiner@kcpl.com

Corporate Counsel

Kansas City Power & Light Company

1200 Main – 16th Floor

Kansas City, Missouri 64105

Fax: (816) 556-2787

Attorneys for Kansas City Power & Light Company

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing Application has been hand-delivered, emailed or mailed, postage prepaid, this 12th day of June, 2014 to the Office of the General Counsel and the Office of the Public Counsel.

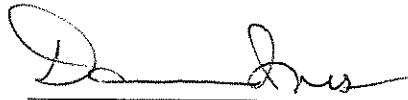
/s/ Robert J. Hack

Robert J. Hack

VERIFICATION

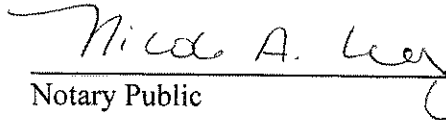
STATE OF MISSOURI)
) SS.
COUNTY OF JACKSON)

I, Darrin Ives, having been duly sworn upon my oath, state that I am Vice President – Regulatory Affairs of Kansas City Power & Light Company (“KCP&L”), that I am authorized to make this verification on behalf of KCP&L, and that the matters stated in the foregoing Application are true and correct to the best of my information, knowledge, and belief.



Darrin Ives
Vice President – Regulatory Affairs
Kansas City Power & Light Company

SUBSCRIBED AND SWORN TO before me by Darrin Ives on this 12th day of June, 2014.



Notary Public

My Commission Expires: Feb. 4, 2015

