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December 14, 1989

NEXT DAY DELIVERY

FILED
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PUBLIC SERVICE COMMISSION

Harvey Hubbs, Secretary
Missouri Public Service Commission
301 West High
Jefferson City, MO 65101

Re: Response of The Kansas Power and Light Company to Staff's Recommendations in Case Nos. HM-90-4 and HA-90-5

Dear Mr. Hubbs:

On December 5, 1989, the Commission issued a notice stating that a hearing would be held in the above referenced dockets at 10:00 a.m. on Tuesday, December 19, 1989. The purpose of the hearing is to consider the Kansas City Power and Light Company's (KCPL) application for authority to sell its downtown Kansas City, Missouri, steam system to Trigen-Kansas City District Energy Corporation (Trigen) and Trigen's application for a certificate of convenience and necessity authorizing it to own and operate the steam system and for approval of rates, rules, and regulations applying to steam heat service.

By letter dated December 8, 1989, Staff Counsel transmitted to the parties in this docket Staff's recommendations on the various issues raised by the applications of Trigen and KCPL. In its letter, Staff advised the parties to submit their comments or response to Staff's recommendations prior to the December 19, 1989, hearing date.

Pursuant to Staff's letter, The Kansas Power and Light Company (KPL) wishes to advise the Commission that it supports the two options recommended by Staff in its cover memorandum. Based on its limited review of the filings made by Trigen, KPL has identified several aspects of Trigen's proposed rates, rules, and regulations that should be either rejected or modified by the Commission. Of particular concern to KPL are Trigen's proposals to:

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1. Provide contract service to large process steam users on an unregulated basis (*See* First Revised Sheet No. 4 of 5; Section III);

2. Make customers who do not take substantially all of the space heating requirement from the Company subject to unspecified additional charges pursuant to separate calculations of the annual base amount (*See* First Revised Sheet No. 4 of 5; Section IV);

3. Eliminate Trigen's obligation to serve customers who take a portion of their steam or heating requirements from other sources and fail to agree to a "negotiated adjustment" to the rate schedule normally applicable to full service customers (*See* General Rules and Regulations, Section 3.7);

4. Prohibit customers from connecting to other sources of steam or heat supply without prior notice to and written approval from the Company (*See* General Rules and Regulations, Section 4.2);

5. Apply the annual base charge only to those customers who take steam primarily for space heating needs and to exempt process users entirely from any responsibility for such charges (*See* Revised Sheet No. 2 of 5, Section II.A.).

The provisions identified above, if authorized, would afford Trigen a distinct and unfair competitive advantage. By prohibiting space heating customers from taking a portion of their heating requirements from other sources (at least without the approval of Trigen or the payment of additional and unspecified charges), the tariff provisions proposed by Trigen could be used to preclude other energy providers, including KPL, from competing for a portion of the heating load served by Trigen. At the same time, Trigen's proposal to provide service to large process users on an unregulated basis would provide Trigen with a degree of competitive flexibility in attracting new load that is not currently enjoyed by other regulated utilities.

In light of these considerations, KPL recommends that the Commission adopt Staff's proposal that the Commission grant Trigen's application for a certificate of public convenience and necessity utilizing KCPL's existing tariff rate schedules and General Terms and Conditions and rejecting Trigen's request regarding the provision of contract service to customers on an unregulated basis. In the alternative, KPL urges the Comission

to adopt the second option proposed by Staff under which Trigen would be permitted to place its rates, rules, and regulations into effect on an interim basis, subject to the scheduling of a hearing to consider Trigen's request to provide service on an unregulated basis as well as the propriety of the various tariff provisions delineated above. Finally, in the event the Commission nevertheless chooses to approve Trigen's proposed rates, rules, and regulations, as filed, KPL requests that the Commission clarify that it will afford KPL the authority to serve customers under the same terms and conditions as that granted Trigen.

Thank you for bring this letter to the attention of the appropriate Commission personnel.

Sincerely,

Michael C. Pendergast

Michael C. Pendergast
Regulatory Affairs Attorney

MCP:dlh

xc: All Parties