

KANSAS CITY POWER & LIGHT COMPANY

1330 BALTIMORE AVENUE

P.O. BOX 679

KANSAS CITY, MISSOURI 64141

LAW DEPARTMENT
(816) 556-2785

January 12, 1987

File No. 0501-98

FILED

JAN 13 1987

Harvey G. Hubbs, Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

PUBLIC SERVICE COMMISSION

RE: Case No. HO-86-139;
Kansas City Power & Light Company

Dear Mr. Hubbs:

Enclosed for filing are the original and fourteen copies of Joint Report on early Prehearing Conference in this matter. The parties participating in the Joint Report have authorized me to sign and file it in their stead for administrative convenience.

Would you please bring this to the Commission attention.

Very truly yours,


Mark G. English

MGE:cb

Enc.

cc: All Parties of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

JAN 13 1987

PUBLIC SERVICE COMMISSION

In the matter of the investigation)
 of steam service rendered by Kansas) Case No. HO-86-139
 City Power & Light Company)

JOINT REPORT ON EARLY PREHEARING CONFERENCE

Pursuant to the Commission's August 25, 1986, Suspension Order and Notice of Proceedings, an early prehearing conference convened on October 1. The parties and entities seeking intervention present were: KCPL, Staff, Public Counsel, State of Missouri, Kansas City, Missouri, Jackson County, Missouri, The Kansas Power & Light Company and Kansas City Southern Industries, Inc., et al.

KCPL filed its direct testimony and supporting schedules on September 26, a week prior to the October 3 filing date ordered by the Commission, to allow the participants in the proceedings an opportunity to review KCPL's case prior to the early prehearing conference. The participants agreed to recess the early prehearing conference, and ultimately reconvened it at KCPL's Kansas City offices on October 30 to further discuss various issues and positions and to view the steam system.

At the early prehearing conference, the parties attempted to delineate the issues and determine if any areas of agreement exist among the parties, in compliance with paragraph ORDERED: 12. of the August 25 Order of the Commission. KCPL identified seven general issue areas arising out of the discussions:

- (1) the concept of phasing out the present steam distribution system and the provision of steam from Grand Avenue Station;
- (2) KCPL's proposed phase-out schedule;
- (3) the applicability of promotional practices regulations to KCPL's offering of electric on-site boilers or alternative electric heating equipment;
- (4) issues specific to the proposed rate increase, including test year and true up;
- (5) the applicability of steam heat rates to service provided by on-site boilers;
- (6) the applicability of electric space heating rates to electric service provided to the alternative electric heating equipment, and;
- (7) separation of the Steam Plan from the proposed rate increase and acceleration of hearings on the Steam Plan.

Following are the separate statements of the parties regarding their present positions in these proceedings, which may address none, some or all of the above seven issue areas. Since discovery has not yet been completed and testimony has not yet been filed by any party except KCPL, the parties' positions are subject to change, and none of the parties are therefore bound by the following separate statements. These statements are provided for the Commission's information regarding the present positions of the parties.

1. Kansas City Power & Light Company.

KCPL suggested that it would be in the best interests of its steam customers to have the hearings on the Steam Plan as quickly as possible, so they would be aware of the parties' positions and, perhaps, the Commission's decision on the Steam Plan. KCPL thus proposed to move up the filing and hearing dates on the Steam Plan to the earliest date that could be accommodated by the parties.

KCPL's position on the other six issue areas are as set forth in its September 26 filings, and has proposed that calendar 1985 be used as the test year and that no true-up be ordered.

2. Staff.

Staff opposes any bifurcation of these proceedings and would be unable to prepare adequately for any accelerated proceedings. Staff believes that the issue of approval of the steam plan is integrally related to the other issues presented in this case. Staff's investigation of KCPL's Application in this matter has only recently commenced. In addition, Staff has retained a consultant, HDR Techserv, Inc., to undertake significant areas of this investigation; the contract was awarded to HDR on October 31, 1986, the day after the early prehearing conference concluded. Staff's consultant will be involved in both the steam plan question and other issues; their contract was let on the basis of meeting a direct testimony filing date of February 2, 1987, and it would be impossible for them to be prepared to participate meaningfully in any accelerated proceedings.

Staff agrees that the issues delineated by KCPL are the most likely issues that will be at issue among the parties to this case

(particularly Company and Staff). It is too early in Staff's audit process to specifically identify the precise position that will be taken by the Staff in each of these areas. In addition, there may be other issues identified by the Staff in the course of its audit which are not included on the list at this time. Staff intends to address all contested areas in its prefiled testimony and will provide a more specific delineation of its position on issues in the Hearing Memorandum to be submitted in this case.

Staff's position regarding test year and true up was stated in its recommendation filed in this docket on November 3, 1986. Staff recommends use of calendar year 1985 updated for known and measurable changes and does not anticipate the need for a true up.

3. Public Counsel.

Insofar as Public Counsel's clients have no direct interest at stake in this matter, its role will primarily be that of an interested observer. With regard to the issues of bifurcation and acceleration, Public Counsel adopts the position taken by Staff and opposes the Company's proposal to bifurcate and accelerate these proceedings. Furthermore, from a practical standpoint, it may be too late in the proceedings to make this determination and still have it be of any benefit to the Company and its interested customers.

Public Counsel does not, per se, oppose the phase-out of the Company's steam service central station, nor does it, per se, oppose the phase-out schedule. Public Counsel's only concern with respect to these items is that present and future losses incurred in the steam service operations should not be recovered in any way through the electric service rates for other customers.

Public Counsel adopts Staff's test year proposal and Staff's position with regard to a true-up in this case. Public Counsel plans to make further inquiry into the issues of promotional practices, the rate increase in general, and the applicability of the steam and space heating rates to the electric boilers; however, at this early date, Public Counsel is not in a position to articulate a definitive position on these questions.

4. Kansas Power & Light Company.

KPL is opposed to acceleration or bifurcation of the hearings. The steam plan can only be considered in conjunction with the effect upon customers and necessarily involves consideration of the rate issues. At this time, KPL takes no position with the concept of phasing out the present steam distribution system or the proposed phase-out schedule. KCPL's offer of electric on-site boilers or alternative electric heating equipment raises issues under the Commission's Promotional Practices Rules which must be addressed and resolved in this proceeding. KPL does not at this time have a position with respect to the proposed rate increase, test year, or true-up. The proposed application of steam heat rates to service provided by on-site boilers and the applicability of electric space heating rates to electric service provided to the alternative electric heating equipment raise questions of promotional practices and potential discrimination between customers of the same class which must be resolved by the Commission. Uniform rules should apply to all jurisdictional utilities.

5. Kansas City Southern Industries, Inc., et al. (Customer Intervenor).

The first issue area involves the proposed acceleration and bifurcation of hearings. At both the prehearing conference on October 1 and the continuation of that conference on October 30, 1986, the Customer Intervenor spoke in favor of this position, and continued to support this position. The Customer Intervenor have previously announced their support for the conversion plan, and we believe that it will be more economical and expeditious to bifurcate the hearing and initially address the issue of whether the plan is to be approved, turning to the rate issues only if this issue is answered in the affirmative.

Insofar as the next issue is concerned, i.e., the concept of phasing out the present steam distribution system and the provision of steam from Grand Avenue Station, as the Customer Intervenor understand it, this is at the heart of the conversion

issue, and as previously noted, the Customer Intervenor are in support of the conversion plan.

As to the proposed phase-out schedule, as part of the proposed conversion plan, the Customer Intervenor have previously announced their position in favor of the conversion plan.

As to the fourth issue, KCPL's offering of electric on-site boilers or alternative electric heating equipment, the Customer Intervenor have no position at this time.

As to the issues relative to the test year and true-up, as the Customer Intervenor indicated in their letter addressed to the Public Service Commission, they are amenable to whatever adjustments are finally determined by the Public Service Commission's staff in this regard.

As to the remaining two issues, the applicability of steam heat rates to service provided by on-site boilers and the applicability of electric space heating rates to electric service provided to the alternative electric heating equipment, in that both these issues relate to the rate issue, the Customer Intervenor have not as of this date formulated a position relative to these matters.

6. Jackson County.

A. ACCELERATION AND BIFURCATION OF HEARINGS.

Jackson County sees no reason to accelerate the hearings, especially the rate proceeding. Under normal circumstances, the Commission would have 10 months from January 1, 1987, to decide the rate case. The rate matter should be treated no differently than any other rate matter with rates proposed to become effective on January 1, 1987. The six month pre-filing of tariffs by KCP&L should not move up such review dates, especially since the Commission in the Wolf Creek Rate Case stated at p. 236 of the Report and Order that KCP&L "shall not file steam tariffs until 1987."

Jackson County favors a bifurcated hearing, inasmuch as the rate case is dependent greatly on what occurs with KCP&L's plan to eliminate its duty to provide steam service and at the same time

bleed the system of its customer base so that no other entity would even consider the purchase of the system and operate it in the future either as is or as a combination fossil fuel and trash-to-energy system in a manner similar to what is happening in St. Louis with Union Electric's Ashley Plant.

B. THE CONCEPT OF PHASING OUT THE PRESENT STEAM DISTRIBUTION SYSTEM.

Jackson County is opposed to KCP&L's plan to emasculate the steam system by the offer of unlawfully discriminatory promotional practices. In an effort to get rid of a steam system which it does not want (nor want anyone else to have) and to sell some of its electrical glut, KCP&L has devised a clever promotional scheme. At the risk of looking a gift horse in the mouth, Jackson County is opposed to the give-away of hundreds of thousands of dollars of on-site steam boilers and electrical space heating equipment. Like the Trojan Horse, the scheme looks too good to be true, and, like the Trojan Horse, it is too good to be true.

Steam heat customers are easy prey. The future of steam heat has been in question for years. Now, KCP&L says it is going out-of-business as a steam utility. Certainly, the offer of free electric boilers and free electrical space heating equipment looks inviting to present steam heat customers. However, such is not the only alternative.

If KCP&L wants out of the steam business, so be it. But it should not be encouraged to take all its customers with it through slick, clearly unlawful, discriminatory promotional practices, which are being paid for by KCP&L's electric customers, other steam heat customers or both.

C. THE PROPOSED PHASE OUT SCHEDULE.

Jackson County does not object to a five year phase out of KCP&L's operations as a steam heat utility. What it opposes is the method utilized. It is clear that KCP&L is not concerned about the interests of the steam heat customers. KCP&L's proposal calls for an end of district steam heat for Kansas City. It is patently obvious that KCP&L wants to sell off its glut of

electricity and at the same time eliminate potential competition, i.e., a district steam heat system fueled by trash and fossil fuels operated by an entity other than KCP&L.

D. KCP&L'S OFFER OF ELECTRIC ON-SITE BOILERS OR ALTERNATIVE ELECTRIC SPACE HEATING EQUIPMENT.

A steam heat utility is prohibited by both the common law and Section 393.130, R.S.Mo. Supp. from unlawfully discriminating against or in favor of any person, corporation or locality. KCP&L's promotional practices proposed in this case clearly violate such law prohibiting arbitrary discrimination.

E. ISSUES SPECIFIC TO THE PROPOSED RATE INCREASES.

Jackson County proposes that calendar year 1986 be used as a test year and favors a true-up.

In addition, Jackson County wishes to remind the parties of the statement of the Commission at page 236 of the Report and Order in KCP&L's Wolf Creek rate case that:

" . . . the Commission is not committed to a 100 percent allocation of embedded plant to steam service. The Commission is willing to explore alternative pricing strategies."

Thus, alternative pricing strategies not based on 100% allocation of embedded plant to steam service should be explored in this case.

F. THE APPLICABILITY OF STEAM HEAT RATES TO SERVICE PROVIDED BY ON-SITE BOILERS.

Jackson County is of the opinion that charging steam heat rates for on-site boilers which are fueled by electricity is unlawful discrimination prohibited by Section 393.130, R.S.Mo. Supp.

G. THE APPLICABILITY OF ELECTRIC SPACE HEATING RATES TO ELECTRIC SERVICE PROVIDED TO THE ALTERNATIVE ELECTRIC HEATING EQUIPMENT.

Jackson County has no objection to the electric space heating rates applying to such electric service, if such rates are provided to other electric customers with similar equipment under similar circumstances and conditions. However, Jackson County does object to the provision of such equipment to steam heat customers at no cost as proposed by KCP&L. As stated hereinabove, such promotional practice is unlawful discrimination.

Respectfully submitted:

Kansas City Power & Light Company

By Mark D. English

Office of Public Counsel

By Carol Byland by Mark D. English

Kansas City Southern Industries,
Inc., et al.

By D. Gene Smith by Mark D. English

Staff of the Missouri Public
Service Commission

By Mary Ann Young by Mark D. English

The Kansas Power & Light
Company

By David Claycomb by Mark D. English

Jackson County, Missouri

By J. D. Fournegay by Mark D. English