

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

**In the Matter of a Proposed Experimental Regulatory    )     Case No. EO-2005-0329**  
**Plan of Kansas City Power & Light Company            )**

**POSITION STATEMENT OF KANSAS CITY POWER & LIGHT COMPANY**

Comes now Kansas City Power & Light Company ("KCPL") in response to the Commission's May 6, 2005 Order Establishing Procedural Schedule directing that no later than June 2, 2005 the parties shall file their respective Position Statements, KCPL respectfully submits its Position Statement. Pursuant to the Commission's May 6, 2005 Order, the Staff on behalf of the parties to this proceeding filed on May 31, 2005 a List of Issues, Order of Witnesses to be heard each day and Order of Cross-examination. However, as explained in the Staff's filing on May 31, the listing of issues contained in the List of Issues is not to be considered as an agreement by any party that any particular listed issue is, in fact, a valid or relevant issue. Indeed, as explained below, KCPL believes that many of the issues listed in the List of Issues are largely extraneous to the essential issues that should be decided by the Commission in this case.

The essential issues that need to be decided by the Commission are as follows:

1. Should the Stipulation and Agreement filed on March 28, 2005 be approved?
2. Should KCPL's Regulatory Plan include the construction of a coal-fired generation unit at Iatan 2?

**INTRODUCTION**

1. On March 28, 2005, a Stipulation and Agreement ("the Stipulation") was filed with the Commission to recommend resolution of the complex issues associated with KCPL's future supply and pricing of electricity, and its related Experimental Regulatory Plan. The

Stipulation has been signed, to date, by the following parties: Kansas City Power & Light Company, the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel"), the Missouri Department of Natural Resources ("MDNR"), Praxair, Inc., Ford Motor Company, and the Missouri Industrial Energy Consumers ("MIEC"), Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), The Empire District Electric Company ("Empire"), and Aquila, Inc. ("Aquila").

2. The Stipulation includes a comprehensive plan designed to meet the growing demand for additional electricity in KCPL's service area while delivering significant economic and environmental benefits to the Kansas City area. From KCPL's perspective, the key benefits of the Stipulation and the Experimental Regulatory Plan include:

- **A long-term plan for affordable electricity** — avoiding increased reliance on high-cost, volatile fuels for generation by adding new high-efficiency coal-fired and wind-powered capacity. KCPL anticipates owning approximately 500 megawatts of a new, high-efficiency 800-900 megawatt coal plant on the existing Iatan plant site in Missouri. The agreement includes 100 megawatts of new wind generation planned in Kansas, with the potential to add an additional 100 megawatts at a future date after additional study of Missouri potential sites. This regulated generation will serve KCPL customers in both Missouri and Kansas;
- **Investment in the local economy** — adding jobs in the region. During the four years it will take to build the new coal plant, up to 1,000 jobs will be created at the peak of the construction activity, plus 50 to 100 permanent positions once the plant is finished. That translates into approximately \$300 million in direct payroll over the four-year period for the Kansas City region, as well as significant tax revenues;

- **Improved air quality in the Kansas City area** — investing approximately \$280 million in technologies to substantially reduce certain air emissions at existing power plants, ensuring KCPL meets or exceeds existing and anticipated federal air quality standards. Even with the addition of a new coal unit, on a system-wide basis under the plan, NO<sub>x</sub> emissions are projected to decline by 54%, SO<sub>2</sub> by 29%, particulate matter by 31% and mercury by 26% by 2011. The environmental initiatives outlined in the agreement are included in the regional air quality plan developed by the Mid-America Regional Council, which is taking a leadership role in keeping Kansas City's air clean and in compliance with anticipated tougher air quality standards;
- **Top tier reliability** — constructing, replacing and/or upgrading existing transmission and distribution facilities to accommodate new generation, and incorporating new technologies for faster diagnosis and repair of service interruptions;
- **Partnerships with customers to save energy and money** — implementing proposed efficiency and demand response programs that leverage new technologies to help customers more effectively use electricity. In addition, affordability programs will assist customers in managing their energy costs; and
- **Regulatory authority** — providing a roadmap for future rate cases, approving regulatory policies that are intended to maintain key credit financial ratios at levels consistent with investment grade ratings, and establishing other regulatory policies that will better match revenue with the cost of fuel and purchased power.

3. On April 11, 2005, KCPL filed the Direct Testimony of Chris B. Giles, Michael W. Cline, John R. Grimwade, Susan K. Nathan (to be adopted at the hearing by George Phillips), William P. Herdegen, William Edward Blunk, and Lori A. Wright that explain in more detail the

various elements of the Stipulation, including the Experimental Regulatory Plan. Based upon this competent and substantial evidence, KCPL would respectfully request that the Commission approve the Stipulation and Agreement as filed on March 28, 2005.

### **KCPL's Position Statement On Listed Issues**

Although KCPL believes that many of the listed issues are not essential or necessarily relevant to this proceeding, KCPL will nevertheless provide its position on the issues in the order listed in the List of Issues filed on May 31, 2005:

#### **Issue No. 1**

What relief is KCPL and/or the other Signatory Parties to the Stipulation and Agreement in Case No. EO-2005-0329, filed on March 28, 2005, seeking by the filing of the Stipulation and Agreement?

#### **KCPL POSITION:**

**As stated in the Stipulation and Agreement on page 57, "the Signatory Parties request that the Commission approve this Agreement to be effective by May 15, 2005, if possible." Obviously, the May 15, 2005 approval will not be met, but KCPL respectfully requests that the Commission approve the Stipulation in a timely manner that does not delay the issuance of requests for bids for Iatan 2 on August 1, 2005.**

#### **Issue No. 2**

1. Has the jurisdiction of the Commission been invoked by KCPL and/or the other Signatory Parties, when no application has been filed by any of the Signatory Parties, no authority, statutory or other, has been cited in the Stipulation And Agreement seeking to invoke

the Commission's jurisdiction, and no statement has been made of the legal significance of an approval of the Stipulation and Agreement by the Commission?

**KCPL POSITION:**

**Yes. As explained in the Stipulation and Agreement at page 3, KCPL has clearly invoked the jurisdiction of the Commission to review and approve its Experimental Regulatory Plan. On May 6, 2004, KCPL filed its Application To Establish Investigatory Docket And Workshop Process Regarding Kansas City Power & Light Company in Case No. EO-2004-0577. The KCPL Application cited 4 CSR 240-2.060 and Sections 386.250, 393.140, RSMo 2000 as authority for the requested relief.**

**In its Application, KCPL requested that the Commission issue an order (a) opening an investigatory docket regarding the future supply and pricing of the electric service provided by KCPL; and (b) authorizing the use of the Commission's workshop process to address certain issues related to the future supply and pricing of electricity for KCPL and its customers, and any other issues impacting KCPL that may arise from discussion among the interested parties.**

**On May 25, 2004, the Commission issued an Order Directing Notice And Setting Intervention Deadline in Case No. EO-2004-0577.**

**Several interested parties, including the Missouri Department of Natural Resources ("MDNR"), Aquila, Inc. d/b/a Aquila Networks, Aquila Networks-MPS and Aquila Networks – L&P ("Aquila"), The Empire District Electric Company ("Empire"), the City of Kansas City, Missouri ("Kansas City"), Concerned Citizens of Platte County ("Citizens"), Praxair, Inc. ("Praxair"), the Missouri Industrial Energy Consumers ("MIEC") and the Missouri Joint Municipal Electric Utility Commission ("MJMEUC")**

filed applications to intervene in Case No. EO-2004-0577. Subsequently, the Missouri Energy Group ("MEG"), the Sierra Club ("Sierra Club"), AmerenUE ("Ameren"), Jackson County, Missouri ("Jackson County") participated in the workshops conducted in Case No. EW-2004-0596.

On June 3, 2004, the Commission issued an Order Establishing Case which granted KCPL's Application to Establish Investigatory Docket and Workshop Process Regarding Kansas City Power & Light Company, filed by KCPL on May 6, 2004, and established an informal, investigatory case designated as Case No. EW-2004-0596. In the June 3, 2004, Order, the parties which filed to intervene in Case No. EO-2004-0577 were also made participants in Case No. EW-2004-0596.

On July 1, 2004, the Commission issued its Notice Closing Case in Case No. EO-2004-0577 which formally closed that proceeding. In the Order Closing Case, the Commission stated:

"The Commission agrees that it is time to close this case. It appears that the general discussion has led to the specific give-and-take of settlement-style negotiations. If KCPL develops a regulatory plan (with or without consensus) for which it wants Commission approval, it can request that approval in a new case." (Order Closing Case, pp. 1-2)

On March 28, 2005, the Signatory Parties, including the Staff, Public Counsel, Missouri Department of Natural Resources, Praxair, Inc. Missouri Industrial Energy Consumers, Ford Motor Company, Aquila, Inc. d/b/a Aquila Networks, Aquila Networks-MPS and Aquila Networks-L&P, The Empire District Electric Company, Missouri Joint

**Municipa Electric Utility Commission, and KCPL, submitted the Stipulation And Agreement "to the Missouri Public Service Commission ("Commission") for its consideration and approval this Stipulation and Agreement ("Agreement")." (Stipulation And Agreement, p. 1).**

**Clearly, KCPL and the other Signatory Parties have invoked the jurisdiction of the Commission to review and approve the Stipulation And Agreement in this proceeding.**

2. Could KCPL, or any of the other Signatory Parties, cure any flaw in the filing of the Stipulation and Agreement by now filing an application which meets the requirements of Commission rules?

**KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant question that needs to be decided by the Commission. KCPL believes that there are no flaws that need to be cured.**

3. Should the Commission approve the Stipulation and Agreement without KCPL and/or the other Signatory Parties curing any flaw in the filing of the Stipulation and Agreement?

**KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant question that needs to be decided by the Commission. To the extent that some party wishes to argue that there may be a technical flaw in the drafting of the Stipulation And Agreement, KCPL would simply note that 4 CSR 240-2.015 allows the Commission to waive any rule. Given the**

**procedural history of this case, KCPL believes such a finding would be inappropriate, unnecessary and amount to "form over substance."**

### **Issue No. 3**

Is Case No. EO-2005-0329 a "contested case," and if it is not, has KCPL or any of the other the Signatory Parties to the Stipulation And Agreement invoked the jurisdiction of the Commission by not proceeding in a contested case proceeding?

### **KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant question that needs to be decided by the Commission. Section 536.010(2) defines "contested case" as "a proceeding before an agency in which legal rights, duties or privileges of specific parties are required by law to be determined after hearing." In this case, a hearing will be held, and all parties will be afforded the due process rights attendant with a full and fair hearing. It is largely an academic matter whether this case meets the definition of Section 536.010(2).**

### **Issue No. 4**

What would be the legal and precedential effect on the Commission of the Commission approving the Stipulation and Agreement in this case? Would the Commission's approval constitute a determination by the Commission that:

- (i) the Stipulation and Agreement is just and reasonable;
- (ii) the Stipulation and Agreement is among the Signatory Parties and the Commission does not approve any of the contents of the Stipulation and Agreement;



- (iii) the Commission acknowledges the Agreement is among Signatory Parties and the Commission does not approve any of the contents of the Stipulation and Agreement; or
- (iv) the Stipulation and Agreement is in the public interest?

**KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant issue that needs to be decided in this proceeding. KCPL strongly believes that the Stipulation And Agreement is in the public interest and should be approved by the Commission.**

**Issue No. 5**

1. Is the Stipulation and Agreement a contract among the Signatory Parties and what is its legal effect before and on the Commission; e.g., does the Commission have the authority to approve a contract among the Signatory Parties which binds the parties to specific regulatory action to which the Commission cannot be bound?

**KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant question that needs to be decided by the Commission. As the Commission is well aware, the Commission routinely approves Stipulations and Agreements among parties before it. As explained in the Stipulation And Agreement at pages 53-54, "When approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Signatory Parties hereto. . . . This Agreement does not constitute a contract with the Commission. Acceptance of this Agreement by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego, during the Regulatory Plan, the use of discovery, investigative or other power which the Commission presently has..."**

2. Is it within the Commission's statutory authority to approve this Stipulation and Agreement for an "Experimental Regulatory Plan" for the construction of electric plant, such as Iatan 2?

**KCPL POSITION:**

**Yes. The Commission clearly has the statutory authority to approve this Stipulation and Agreement for an Experimental Regulatory Plan that includes the construction of Iatan 2 under its broad authority pursuant to Section 393.130.1 and 393.140(5), as well as Sections 386.250(7) and 386.610.**

**Issue No. 6**

1. Can facts and information that the Signatory Parties have agreed were presented to them in Case No. EW-2004-0596, a non-contested case outside of the record in this case, and not presented to the Commission, be considered by the Commission in Case No. EO-2005-0329 as competent and substantial evidence as to whether the Commission should approve the Stipulation and Agreement?

**KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant question that needs to be decided by the Commission. The Signatory Parties are not requesting that the Commission rely upon the information discussed in Case No. EW-2004-0596 as the basis for approving the Stipulation And Agreement in this proceeding. The Commission should approve the Stipulation And Agreement based upon the competent and substantial evidence submitted in the record in this proceeding.**

2. Are conclusions of the Signatory Parties in the Stipulation and Agreement regarding matters these parties considered in Case No. EW-2004-0596, a non-contested case outside of the record in the present case, competent and substantial evidence which the Commission may consider in support of the Stipulation and Agreement filed in this case?

**KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant question that needs to be decided by the Commission. The Signatory Parties are not requesting that the Commission rely upon the information discussed in Case No. EW-2004-0596 as the basis for approving the Stipulation And Agreement in this proceeding. The Commission should approve the Stipulation And Agreement based upon the competent and substantial evidence submitted in the record in this proceeding.**

3. Must the evidence that the Commission consider in support of the Stipulation and Agreement be limited to competent and substantial evidence presented at the hearing, or otherwise, in the record in this case, Case No. EO-2005-0329?

**KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant question that needs to be decided by the Commission. The Signatory Parties are not requesting that the Commission rely upon the information discussed in Case No. EW-2004-0596 as the basis for approving the Stipulation And Agreement in this proceeding. The Commission should approve the Stipulation And Agreement based upon the competent and substantial evidence submitted in the record in this proceeding.**

4. Are the various components of the Stipulation And Agreement, such as the provision for additional amortizations, supported by competent and substantial evidence in Case No. EO-2005-0329?

**KCPL POSITION:**

**Yes. See pre-filed Direct Testimony of the various KCPL witnesses.**

5. KCPL has filed direct testimony and schedules in Case No. EO-2005-0329 and an evidentiary hearing has been scheduled for June 6-8, 2005. May this testimony and the evidentiary hearing scheduled for June 6-8, 2005 provide competent and substantial evidence for the Commission to approve the Stipulation and Agreement filed on March 28, 2005?

**KCPL POSITION:**

**Yes. The testimony in this proceeding provides competent and substantial evidence for the Commission to approve the Stipulation And Agreement filed on March 28, 2005.**

**Issue No. 7**

1. Do the various provisions of the Stipulation and Agreement, such as those relating to the prudence of various KCPL decisions concerning the construction of Iatan 2, place on ratepayers some of the risk that KCPL has the obligation to assume due to its assumption of the obligation to provide electric service as a public utility; if the Stipulation and Agreement does shift such risk, what would be the effect of the Commission approving such Stipulation And Agreement; and does the Commission have the authority to approve such a Stipulation and Agreement?

**KCPL POSITION:**

**KCPL believes that this "issue" is not an essential or relevant question that needs to be decided by the Commission. KCPL does not believe that the various provisions of the Stipulation And Agreement have shifted any risk to ratepayers. The Commission will continue to have jurisdiction over the rates and conditions of providing electric service to KCPL's customers.**

**Issue No. 8**

1. Is the \$17 million of additional amortizations to maintain financial ratios provided for in Section III B.1. I, page 18 of the Stipulation and Agreement, supported in the record before the Commission, and whether it is lawful for the Commission to allow an amortization expense that is unsupported by any cost to be amortized in the case?

**KCPL POSITION:**

**Yes. See the Direct Testimony of Chris Giles at pages 15-19, and the Direct Testimony of Michael W. Cline. It is lawful for the Commission to approve the proposed amortizations in this case like it has done in previous KCPL proceedings. As the Stipulation And Agreement notes at page 18, "KCPL, Staff, Public Counsel and other Signatory Parties may propose that these amortizations be directed toward specific plant accounts. Any such accumulated amortizations will be used as an offset to rate base, in future rate proceedings of KCPL or its successors."**

2. Does Section 393.135 RSMo prohibit the additional amortizations to maintain financial ratios provided for in Section III B.1. I, page 18 of the Stipulation and Agreement, which permits additional amortizations in the event of revenue short falls that would cause KCPL's bond rating to fall below investment grade?

**KCPL POSITION:**

**No. Section 393.135 RSMo does not prohibit the additional amortizations discussed in the Stipulation And Agreement. See Staff Suggestions In Support Of Stipulation And Agreement, pages 12-19.**

3. Do the additional amortizations provided for in the Stipulation and Agreement cause present ratepayers to pay higher rates and future ratepayers to pay lower rates, causing an intergenerational subsidy which may result in undue discrimination?

**KCPL POSITION:**

**No. The Stipulation And Agreement will result in "just and reasonable rates" throughout the term of the Regulatory Plan since the Commission will continue to have jurisdiction over the rates, terms, and conditions of providing electric service to KCPL's customers.**

4. Is it proper or sound regulatory policy for the Commission to approve such additional amortizations, and on what basis?

**KCPL POSITION:**

**Yes. See Direct Testimony of Chris Giles and Michael Cline**

## **Issue No. 9**

Does Section IIIB.1.o of the Stipulation and Agreement, respecting the Resource Plan modification process, place the Commission, the Commission Staff or the other KCPL non-signatory parties in the position of managing or being requested to manage KCPL; and if it does so, does it do so contrary to statute or case law?

### **KCPL POSITION:**

**No. KCPL will continue to manage its electric operations throughout the term of the Regulatory Plan. However, KCPL is agreeing to continue a collaborative effort to consider changes to its Resource Plan. Such a collaborative approach is not unreasonable or unlawful.**

**The Stipulation And Agreement includes a provision that requires KCPL to actively monitor the need for and economics of all elements of its Resource Plan. If KCPL determines that its Resource Plan should be modified because of changed factors or circumstances, then KCPL will notify all Signatory Parties in writing. If any Signatory Party has concerns regarding KCPL's new proposed Resource Plan, it will notify KCPL and all Signatory Parties in writing within thirty (30) days of KCPL's written notification to the Signatory Parties. Upon receipt of any such written notification from a Signatory Party, KCPL will schedule a meeting where the participants will make a good faith effort to reach consensus on how the Resource Plan should be modified. In the event that the dispute cannot be resolved among the interested Signatory Parties, then the matter will be brought to the Commission for its determination. This approach is reasonable and lawful.**

#### **Issue No. 10**

Is it proper and lawful for the Commission to approve the Stipulation and Agreement which itself involves terms and conditions regarding the construction of utility generation and environmental enhancements in the future?

#### **KCPL POSITION:**

**Yes. It is proper and lawful for the Commission to approve the Stipulation And Agreement in this case. Such approval would be consistent with the Commission's powers under Section 393.130.1, as well as Section 393.140(3) and (5).**

#### **Issue No. 11**

1. What effect would Commission approval of the Stipulation and Agreement have on any of the future rate cases scheduled to be filed by KCPL beginning in 2006 as contained in the Stipulation and Agreement?

2. Can the Commission in this case make any findings which would bind it, customers of KCPL, the Staff, the Public Counsel or any other affected entity in ratemaking treatment of any issues necessary to arrive at the determination of just and reasonable rates in future rate cases?

#### **KCPL POSITION:**

**The Stipulation And Agreement contains a roadmap for the filing of rates cases throughout the term of the Regulatory Plan. See Stipulation And Agreement, pages 29-44. As discussed herein, the Stipulation And Agreement is an agreement among the Signatory Parties, and not a contract with the Commission. The Commission will determine just and reasonable rates in future rate cases.**



## **Issue No.12**

In asking the Commission to approve the Stipulation and Agreement, are the Signatory Parties asking that:

- (i) the Commission agree that the construction of Iatan 2 and the environmental enhancements, i.e., these proposed additions to infrastructure, are prudent and in the public interest?
- (ii) the Commission find that the entire Stipulation and Agreement is just and reasonable?
- (iii) the Commission approve the Stipulation and Agreement among the Signatory Parties without approving any of the specific contents of the Stipulation and Agreement?

### **KCPL POSITION:**

As stated in the Stipulation and Agreement on page 57, "the Signatory Parties request that the Commission approve this Agreement to be effective by May 15, 2005, if possible." Under the terms of the Stipulation And Agreement, "[t]he Signatory Parties agree that under the unique circumstances respecting KCPL, the capital investment package described in Paragraph III.B.4 and the customer programs described in Paragraph III.B.5 constitute major elements of a reasonable and adequate resource plan at the time the Signatory Parties entered into this Agreement." (Stipulation And Agreement, pp. 6-7). KCPL believes that the approval of the Stipulation And Agreement by the Commission is in the public interest. While KCPL requests that the Regulatory Pan contained in the Stipulation And Agreement be approved, the Commission retains the power to review the amounts that KCPL spends to implement the Plan, and to determine in the future Rate Proceedings (described on pages 29-44 of the Stipulation) what amounts should be included in rates.

### **Issue No. 13**

The suspension period agreed to in Case No. EO-99-365 for the Commission's Chapter 22 resource planning rules (4 CSR 240-22.010 to 4 CSR 240.080) for each electrical corporation is scheduled to end. As a result, each electrical corporation will again be required by Chapter 22 to file consistent with the requirements of Chapter 22. KCPL is scheduled to file by July 5, 2006. KCPL may request that the Commission again suspend Chapter 22 as it applies to it or may request variances from specific provisions of Chapter 22. Should the Commission suspend hearings in this case and its consideration of the Stipulation and Agreement until after KCPL has complied with the required Commission Rule Chapter 22 filing to be made by KCPL on July 5, 2006?

### **KCPL POSITION:**

**No.**

### **Issue No. 14**

If Senate Bill 179 (S.B. 179) becomes law, what is the effect, if any, of S.B. 179 on Case No. EO-2005-0329? What is the effect of S.B. 179 on a subsequent Commission case respecting the Stipulation and Agreement should KCPL refile the Stipulation and Agreement when S.B. 179 becomes law?

### **KCPL POSITION:**

**It will have no effect. Under the terms of the Stipulation And Agreement, "KCPL agrees that, prior to June 1, 2015, it will not seek to utilize any mechanism authorized in current legislation known as 'SB 179' or other change in state law that would allow riders**

**or surcharges or changes in rates outside of a general rate case based upon a consideration of less than all relevant factors." (Stipulation And Agreement, p. 7)**

**Issue No. 15**

Does KCPL need additional generation capacity by 2010 to serve native system load or is KCPL seeking to build Iatan 2 in order to make off system sales?

**KCPL POSITION:**

**Based upon the competent and substantial evidence in this proceeding, it is clear that KCPL needs additional generation capacity by 2010 to serve its native system load. To the extent it has the capability of also making off system sales, it may do so. Under the terms of the Stipulation And Agreement, "KCPL agrees that off-system energy and capacity sales revenue and related costs will continue to be treated above the line for ratemaking purposes. KCPL specifically agrees not to propose any adjustment that would remove any portion of its off-system sales from its revenue requirement determination in any rate case, and KCPL agrees that it will not argue that these revenues and associated expenses should be excluded from the ratemaking process." (Stipulation And Agreement, p. 22)**

**Issue No. 16**

What is the applicable definition of the standard "in the public interest" respecting Commission consideration of whether to grant approval of the Stipulation and Agreement; e.g., who is the "public" that is to be considered and what is the scope of the "public interest" to be considered by the Commission?

## **KCPL POSITION:**

Section 386.610 states in part: “. . . The provisions of this chapter shall be liberally construed with a view to the public welfare, efficient facilities and substantial justice between patrons and public utilities.” According to the PSC Mission Statement contained in the 2004 Annual Report of the Missouri Public Service Commission at page 2, the Commission’s mission includes the following:

**"We will:**

**-ensure that Missourians receive safe and reliable utility services at just, reasonably and affordable rates;**

**-support economic development through either traditional rate of return regulation or competition, as required by law;**

**\* \* \***

**-provide the public the information they need to make educated utility choices;**

**-provide an efficient regulatory process that is responsive to all parties, and perform our duties ethically and professionally."**

**In addition, case law has discussed the "public interest" standard at length, and KCPL intends to include appropriate citations on this subject in its brief.**

## **Issue No. 17**

If KCPL needs additional generation capacity by 2010, does KCPL have an appropriate alternative to its generation needs for 2010, and a reasonable period of time thereafter, which does not require the construction of additional generation capacity? If KCPL needs additional generation capacity by 2010, and a reasonable period of time thereafter, is there an alternative to

the technology that will be used for Iatan 2, such as integrated gasification combined cycle (IGCC), that would be prudent and in the public interest for KCPL to use?

**KCPL POSITION:**

**KCPL needs additional generation capacity by 2010. KCPL's Resource Plan is described in the Direct Testimony of Chris Giles and John Grimwade. KCPL does not believe that there is any reasonable and commercially viable alternative that would not require the construction of additional generation capacity to meet the needs of its customers for 2010. As explained in the Testimony of John R. Grimwade at pages 13-14, KCPL has been following a number of developing technologies including IGCC. There are very few operating IGCC units in the world and none have been developed above 300 MW. The cost of an IGCC unit is projected to be 20%-30% higher than the cost of a similar sized pulverized coal unit. While KCPL views IGCC development as potentially promising new technology, it is not a commercially viable option for consideration for addressing near term base load requirements.**

**Issue No. 18**

If KCPL needs additional generation capacity by 2010, does KCPL have an appropriate alternative to its generation needs for 2010, and a reasonable period of time thereafter, that is less costly in direct costs than Iatan 2, and is KCPL required by statute or case law to choose the alternative that is the least costly in direct costs, e.g., is any alternative chosen by KCPL, other than the alternative that has the least cost in direct costs, imprudent and/or not in the public interest? Should KCPL's analysis consider potential new environmental regulations, such as a

CO<sub>2</sub> tax, and has KCPL appropriately considered in its analysis potential new environmental regulations?

**KCPL POSITION:**

**KCPL's resource plan results in the lowest present value revenue requirement (PVRR) for KCPL's customers. Under base case assumptions, the addition of a 500 MW share of a pulverized coal-fired generating unit resulted in the lowest PVRR. Furthermore, the modeling showed that the optimal timing of this addition would be during the 2010 to 2012 timeframe. As explained in the Testimony of John R. Grimwade at page 10, environmental uncertainties were modeled as a combination of both emissions limitations and emissions allowance prices. Under either the high or low environmental regulation scenarios, the coal addition strategy remains the preferred addition strategy. In addition, KCPL studied the imposition of legislation requiring more stringent carbon dioxide reductions. The expected scenario with stringent carbon dioxide reductions would include expected high natural gas prices due to this increased demand. Under a high natural gas price scenario with carbon dioxide reductions, KCPL's analysis showed that the coal addition strategy would be the preferred alternative. KCPL's analysis on these issues has been provided to Staff and other interested parties.**

**Issue No. 19**

If KCPL needs additional generation capacity by 2010, does KCPL have an appropriate alternative to its generation needs for 2010, and a reasonable period of time thereafter, that has less of an environmental effect than Iatan 2, and is KCPL required by statute or case law to choose the alternative that has the least environmental effect, e.g., is any alternative chosen by

KCPL, other than the alternative that has the least environmental effect, imprudent and/or not in the public interest?

**KCPL POSITION:**

**After the implementation of KCPL's Resource Plan, the air quality in the Kansas City area will improve. KCPL will be investing approximately \$280 million in technologies to substantially reduce certain air emissions at existing power plants, ensuring KCPL meets or exceeds existing and anticipated federal air quality standards. Even with the addition of a new coal unit, on a system-wide basis under the plan, NO<sub>x</sub> emissions are projected to decline by 54%, SO<sub>2</sub> by 29%, particulate matter by 31% and mercury by 26% by 2011. The environmental initiatives outlined in the Stipulation And Agreement are included in the regional air quality plan developed by the Mid-America Regional Council, which is taking a leadership role in keeping Kansas City's air clean and in compliance with anticipated tougher air quality standards. KCPL believes its Resource Plan is in the public interest from an environmental standpoint.**

**Issue No. 20**

If KCPL needs additional generation capacity by 2010, does KCPL have an appropriate alternative to its generation needs for 2010, and a reasonable period of time thereafter, that has less of a human health effect than Iatan 2, and is KCPL required by statute or case law to choose the alternative that has the least human health effect, e.g., is any alternative chosen by KCPL, other than the alternative that has the least human health effect, imprudent and/or not in the public interest?

**KCPL POSITION:**

**See KCPL's response to Issue No. 19.**

**Issue No. 21**

If an electrical corporation has a certificate of convenience and necessity to construct electric plant or the electric plant is to be constructed in the certificated service area of the electric utility and the electrical corporation has received all necessary environmental and health related permits to construct and operate the electric plant, does the Commission have jurisdiction to consider the environmental and health related issues raised by any party opposed to the construction of the electric plant?

**KCPL POSITION:**

**While the Commission generally has broad jurisdiction over electrical corporations, including the provision of safe and adequate service, its jurisdiction does not extend to air pollution issues, which are specifically addressed in Chapter 643, the Missouri Air Conservation Law, which Section 640.010.3 dedicates to the jurisdiction of MDNR. In addition, the Commission's jurisdiction does not extend to the “environmental control and the conservation and management of natural resources” which is dedicated to the Director of the Missouri Department of Natural Resources (MNDNR) under Section 640.010.**

**Issue No. 22**

Is KCPL's proposed experimental regulatory plan reasonable and consistent with KCPL's current marketing practices?



**KCPL POSITION:**

**KCPL's proposed experimental regulatory plan is reasonable, as explained in KCPL's pre-filed direct testimony of KCPL's seven (7) witnesses. KCPL believes that its "current marketing practices" are beyond the scope of this proceeding and should not be considered by the Commission in this case.**

**WHEREFORE,** Kansas City Power & Light Company, in compliance with the Commission's May 6, 2005 Order Establishing Procedural Schedule, respectfully submits its Position Statement in this proceeding.

Respectfully submitted,

/s/ James M. Fischer

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**Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or e-mailed to all counsel of record 2nd day of June, 2005.

/s/ James M. Fischer

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