

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

In the Matter of the Application of Kansas)	
City Power and Light Company for)	
Approval to Make Certain Changes in its)	Case No. ER-2006-0314
Charges for Electric Service to Begin the)	
Implementation of Its Regulatory Plan.)	

**KANSAS CITY POWER & LIGHT COMPANY'S
RESPONSE TO ORDER DIRECTING SCENARIOS**

Kansas City Power & Light Company ("KCPL" or "Company") states the following in response to the Commission's Order Directing Scenarios issued on December 12, 2006:

1. On December 12, 2006, the Commission issued its Order Directing Scenarios ("Order") directing the Staff with the assistance and cooperation of the parties to file a pleading no later than 11:00 AM on December 13, 2006, explaining the impact on the revenue requirement of each variable described in the Scenarios contained in the Order as well as the total revenue requirement for each scenario. The Order also provided all parties with the opportunity to respond to the Staff's filing by 5:00 PM on December 13, 2006.

2. Throughout the day on December 13, 2006, KCPL personnel had several conversations with Staff personnel regarding the development of the Staff Response to Order Directing Scenarios ("Staff Response"). KCPL also provided Staff with its analysis of the Scenarios. Notwithstanding the diligent efforts of Staff and KCPL to complete the analysis of the Scenarios in a timely manner, the parties were unable to conclude the analysis of the Scenarios by 11 AM on December 13, 2006. As of 6:30 AM on December 14, 2006, Staff had not filed a response to the Order. However, KCPL expects that Staff will file its analysis of these Scenarios in the very near future. Since KCPL was unable to file its Response to the Order Directing Scenarios until after its 5 PM deadline on December 13, 2006, KCPL requests leave of

the Commission to file this Response out of time for good cause shown. KCPL also understands that this case is on the Agenda for case discussion at 8 AM today, and it has endeavored to respond as quickly as possible.

3. Scenarios A3, A4, B3, B4, C3, C4, D3 and D4 were intended to reflect the level of off-system sales as suggested by Public Counsel. Public Counsel presented testimony that advocated the Commission's using the 50th percentile point – not the 25th percentile point proposed by KCPL – to set rates for off-system sales margins in this case. See Ex. 210 (Direct Testimony of Ralph C. Smith at 7-8, 32; Surrebuttal at 4-5). In its Initial Brief, Public Counsel stated: "In conclusion, setting the off-system sales revenue at the 50th percentile is fair to shareholders and fair to ratepayers." (Public Counsel Br. at 17). In its Reply Brief, Public Counsel again suggested that the Commission "set off system sales revenues at the 50th percentile." (Public Counsel Reply Br. at 8).

4. As explained below, the off-system sales revenues contained in Scenarios A3, A4, B3, B4, C3, C4, D3 and D4 do not reflect the true-up analysis contained in KCPL's true-up testimony and true-up workpapers that were provided to the parties on November 9, 2006, pursuant to the Commission's Order Setting Procedural Schedule. Instead of reflecting the September 30, 2006 true-up information, Scenarios A3, A4, B3, B4, C3, C4, D3 and D4 erroneously utilize the off-system sales figure of ** _____ ** at the 50th percentile for the June 30, 2006 period rather than the off-system sales figure of ** _____ ** at the 50th percentile for the September 30, 2006 true-up period.

5. Pursuant to the Commission's Order Setting Procedural Schedule issued on March 29, 2006, KCPL provided its True-Up Direct Testimony to the parties on November 7,

and its related True-Up proceeding workpapers on November 9, 2006. Recognizing the continuing decline of natural gas prices and its impact upon the level of off-system sales, as reflected in Mr. Schnitzer's true-up analysis, KCPL's True-Up workpapers contained the reduced off-system sales figures of ** _____ ** at the 50th percentile for the September 30, 2006. (KCPL Non-Firm Off-system Contribution Margin Scenarios And Continuous Approximation, Schedule 2).

6. Staff witness Steve Traxler also discussed the true-up information related to the off-system sales figures in his True-Up Rebuttal Testimony (Ex. 164HC, p. 12) where he stated:

"Q. Does KCPL witness Schnitzer's September 30, 2006 forecast for 2007 support the Staff's recommended level of Off-System Sales Margin?

A. Yes. Mr. Schnitzer's forecasted level for 2007 at the 50th percentile is in the range of \$** ____ ** to \$** ____ ** million. The level at the 50th percentile has an equal 50% probability of being higher or lower than the actual level for 2007. Mr. Schnitzer's forecasted level at the 50th percentile has been recommended by DOE witness James Dittmer and Public Counsel witness Ralph Smith. Mr. Schnitzer's forecasted level at the 50th percentile is only slightly less than the \$** ____ ** million Off-System Sales Margin recommended by the Staff."

7. The Direct True-Up Testimony of KCPL's Tim Rush presented the Company's view that rates for off-system sales margins be set at the 25% point of the probability analysis conducted by KCPL witness Michael Schnitzer. However, Mr. Rush's testimony did not present the expected amount of off-system sales that the Schnitzer analysis predicted would occur at the 50th percentile. See Ex. 54 (T. Rush True-Up Direct Testimony at 3 & Sch. 2 [p. 4 of 51]). The updated figures to September 30, 2006 with the 50th percentile point are a matter of record in the True-Up Rebuttal Testimony of Steve Traxler, however, as well as in the True-Up workpapers provided to the parties on November 9, 2006.

8. In the Stipulation And Agreement approved in Case No. EO-2005-0329, p.30, the Signatory Parties agreed to the following provision related to the true-up in this case:

a. **RATE FILING # 1 (2006 RATE CASE)**

5. (i) Schedule. Rate schedules with an effective date of January 1, 2007 will be filed with the Commission on February 1, 2006. The test year will be based upon a historic test year ending December 31, 2005, (initially filed with nine (9) months actual and three (3) months budget data), with updates for known and measurable changes, as of June 30, 2006, and with a true-up through September 30, 2006. On or about October 21, 2006, KCPL will file in a true-up proceeding a reconciliation as of September 30, 2006. The specific list of items to be included in the true-up proceeding shall be mutually agreed upon between KCPL and the Signatory Parties, or ordered by the Commission during the course of the rate case. However, the Signatory Parties anticipate that the true-up items will include, but not necessarily be limited to, revenues including off-system sales, fuel prices and purchased power costs, payroll and payroll related benefits, plant-in-service, property taxes, depreciation and other items typically included in true-up proceedings before the Commission. (emphasis added)

In its Prehearing Brief, Public Counsel stated: "Public Counsel suggests that the above list is the mandatory starting point for the elements to be included in the true-up." (Public Counsel Prehearing Br. at 3).

9. In arriving at its decisions in this proceeding, KCPL strongly believes that Commission should use the correct updated true-up off-system sales figures, including the updated figure of ** _____ ** for 50th percentile point for the September 30, 2006 true-up period, if the Commission decides to adopt the position that the 50th percentile point is the appropriate point on the probability continuum to use for setting rates in this case.

10. Appendix A to this pleading is a one-page Summary of Scenarios (KCPL True-Up Reconciliation As Of 9-30-2006 ROE Scenarios) prepared by KCPL which summarizes the various ROE Scenarios and related variable contained in the Order Directing Scenarios issued on December 12, 2006.

WHEREFORE, Kansas City Power & Light Company respectfully requests that the Commission accept this pleading out of time for good cause shown, and utilize the appropriate true-up information in its decision of the Off-system Sales issue in this case.

Respectfully submitted,

/s/ James M. Fischer

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CERTIFICATE OF SERVICE

I do hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 14th day of December, 2006.

/s/ James M. Fischer

James M. Fischer

ER-2006-0314
KCPLTRUE-UP RECONCILIATION AS OF 9-30-2006
ROE SCENARIOS

Variables in Scenarios								
	1	2	3 *	4 *	5	6	7	8
SCENARIO A 10% ROE								
REV INC RELATED TO EARNINGS	14,834,884	10,068,737	663,168	(4,102,979)	(408,578)	(5,174,725)	(6,970,998)	(11,737,145)
REV INC RELATED TO AMORTIZATION	36,123,047	36,049,127	36,123,047	36,049,127	36,123,047	36,049,127	36,123,047	36,049,127
TOTAL REVENUE INCREASE	50,957,931	46,117,864	36,786,215	31,946,148	35,714,469	30,874,402	29,152,049	24,311,982
SCENARIO B 10.5% ROE								
REV INC RELATED TO EARNINGS	20,433,170	15,660,318	6,261,454	1,488,602	5,189,708	416,856	(1,372,712)	(6,145,564)
REV INC RELATED TO AMORTIZATION	30,524,731	30,457,517	30,524,731	30,457,517	30,524,731	30,457,517	30,524,731	30,457,517
TOTAL REVENUE INCREASE	50,957,901	46,117,835	36,786,185	31,946,119	35,714,439	30,874,373	29,152,019	24,311,953
SCENARIO C 11% ROE								
REV INC RELATED TO EARNINGS	26,031,457	21,251,899	11,859,740	7,080,182	10,787,994	6,008,436	4,225,575	(553,983)
REV INC RELATED TO AMORTIZATION	24,926,416	24,865,907	24,926,416	24,865,907	24,926,416	24,865,907	24,926,416	24,865,907
TOTAL REVENUE INCREASE	50,957,873	46,117,806	36,786,156	31,946,089	35,714,410	30,874,343	29,151,991	24,311,924
SCENARIO D 11.25% ROE								
REV INC RELATED TO EARNINGS	28,726,928	23,944,141	14,555,212	9,772,425	13,483,466	8,700,679	6,921,046	2,138,260
REV INC RELATED TO AMORTIZATION	22,230,930	22,173,650	22,230,930	22,173,650	22,230,930	22,173,650	22,230,930	22,173,650
TOTAL REVENUE INCREASE	50,957,858	46,117,791	36,786,142	31,946,075	35,714,396	30,874,329	29,151,976	24,311,910

* Variables in Scenarios 3 and 4 are based on Off-system sales levels at the 50th percentile level as of September 30, 2006 true-up.