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MEMORANDUM

Missouri Public Service Commission

TO: Missouri Public Service Commission Official Case File,
Case No. EO-2000-2, Kansas City Power & Light Company

FROM: David P. Broadwater, Financial Analysis Department *DB*

Recd 9-2-99 4:26 pm dn

R.E. Shallenbary 9-1-99
Director - Utility Services Division / Date

Steven Roth 9/2/99
General Counsel's Office / Date

SUBJECT: Staff's Recommendation for Approval of the Application of Kansas City Power & Light Company for a Successor Trustee for its Tax Qualified Nuclear Decommissioning Trust Fund, to Change its Trustee Fee Schedule, and to Modify its Amended and Restated Trust Agreement

DATE: September 1, 1999

On July 1, 1999, Kansas City Power & Light Company (KCPL) filed an Application pursuant to 4 CSR 240-2.060 and 4 CSR 240-20.070(4)(A) requesting the Missouri Public Service Commission (Commission) approve:

- a successor trustee for its tax qualified nuclear decommissioning trust fund,
- the trustee fee schedule of the successor trustee, which is different than the preceding fee schedule, and
- a modification to the Amended and Restated Trust Agreement.

KCPL is requesting that Bank of New York (BONY) be named as successor trustee of the tax qualified nuclear decommissioning trust, due to Bankers Trust's resignation as KCPL's Nuclear Decommissioning Trust Fund effective June 30,1999. Bankers Trust has agreed to extend the effective date of the resignation. Bankers Trust's stated the reason for resigning as trustee is that it does not believe it is making enough money for providing the specified service to the Company. Staff is recommending that the Commission approve the Company's choice of BONY as successor trustee based on Staff's review of the Company's criteria for selecting a trustee, which was as follows:

- Cost
- Experience in the management of nuclear decommissioning trust funds
- Commitment to nuclear decommissioning trust accounts
- Flexibility

- Speed
- Accuracy in accounting and reporting
- Performance in other business relationships with KCPL
- Comments received from nuclear decommissioning trust references

Staff also reviewed the Company's rationale in its Application for choosing BONY. The Application states "... that the Bank of New York should be approved as the successor trustee for the following reasons:

- The Bank of New York submitted the proposal with the lowest overall cost. Exhibit B illustrates the economics of the proposals received from the Bank of New York and Mellon bank at various portfolio sizes. The Bank of New York would currently be the lowest cost provider, with that advantage increasing as the Nuclear Decommissioning Trust Fund increases in value.
- The Bank of New York is one of the leading trust providers and has the expertise and experience to provide the required trust services and assume fiduciary responsibility for the Nuclear Decommissioning Trust fund. They have been providing master custody/master trust services for nuclear decommissioning trusts since 1986. They currently have twelve other nuclear decommissioning trust clients with over \$3 billion in assets. The Bank of New York's references were all complimentary as to their high level of service and responsiveness to customer's needs. In addition, it offers before and after-tax performance reporting which makes it possible to compare investment returns to benchmarks on a before and after-tax basis to ensure performance objectives are being met.
- Historically, The Bank of New York has been committed to KCPL's banking needs. This relationship will help insure that The Bank of New York will be committed to providing nuclear decommissioning trust services to the Company over the long-term.
- The Bank of New York's net worth exceeds the \$100 million net worth requirement imposed by the Federal Energy Regulatory Commission

KCPL is also requesting that the Commission approve the Trustee Fee Schedule. The Staff is recommending that the Commission approve the Trustee Fee Schedule. BONY is charging more than Bankers Trust was charging the Company, but as stated previously, Bankers Trust is resigning as trustee because it does not believe it is making enough money for providing the service to the Company. BONY was the lowest bidder to the Company's request for proposal to provide decommissioning trust services.

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In conclusion, the Staff finds no reason to believe that the proposed changes will result in any detriment to the public interest or to the ratepayers of Kansas City Power & Light Company. Therefore, the Staff recommends approval of this Application.

Copies: Director - Utility Operations Division
 Director - Utility Service Division
 General Counsel
 Manager - Financial Analysis Department
 Manager - Accounting Department
 Manager - Electric Department
 William G. Riggins – Kansas City Power & Light Company
 Office of the Public Counsel