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April 12, 2000

FILED³

APR 12 2000

HAND DELIVERED

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
Room 530
Truman State Office Building
Jefferson City Missouri 65101

Missouri Public
Service Commission

Re: **GST Steel Company v. Kansas City Power & Light Company**
Case No. EC99-553

Dear Secretary Roberts:


Enclosed for filing in the above-referenced case please find:

**An original and fourteen copies of GST's Position Statement
on the Issues**

Thank you in advance for your attention to this matter.

Sincerely,

LATHROP & GAGE L.C.

By: 
Paul S. DeFord

cc: All Parties of Record

PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

APR 12 2000

GS Technology Operating Company)
d/b/a GST Steel Company,)
)
Complainant)
)
v.)
)
Kansas City Power & Light Company,)
)
Respondent)

Missouri Public
Service Commission

Case No. EC-99-553

GST'S POSITION STATEMENT ON THE ISSUES

COME NOW GS Technologies Operating Company, Inc., d/b/a GST Steel Company ("GST"), states as follows with respect to the issues in this proceedings:

A. Have the charges imposed under the GST/KCPL Special Contract been "just and reasonable" over the period of the contract?

No. KCPL has included imprudently incurred replacement energy and other costs in its charges to GST under the Special Contract from the period August 1998 to the present. The excessive charges are directly tied to imprudent KCPL operation and management of its generation, transmission, and distribution facilities. Prior to August 1998, KCPL's charges to GST under the Special Contract were just and reasonable.

B. Does the Commission have the authority to order KCPL to pay GST insurance proceeds received by KCPL as a result of the explosion of the Hawthorn plant?

Yes. The Commission possesses authority pursuant to its general ratemaking powers to determine the proper disposition of those proceeds as between any or all KCPL customers and

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KCPL shareholders. The insurance proceeds covering replacement energy costs associated with the boiler explosion and destruction of the Hawthorn plant should be applied to offset such costs that KCPL has passed on to any KCPL rate payers. KCPL has not requested rate increases to pass such replacement energy costs on to tariffed customers; those customers are unaffected by the Hawthorn incident. KCPL has included such replacement energy costs in the prices charged to GST. GST makes a substantial contribution to KCPL's fixed costs through the charges included in the Special Contract. KCPL shareholders do not pay the cost of insurance premiums that have been reflected in rates.

C. Has KCPL properly accounted for the insurance proceeds that it has received as a result of the Hawthorn Incident?

Yes.

D. Does the Commission have the authority to order KCPL to recalculate GST's bills under the contract? If so, how should those bills be recalculated (i.e., by using KCPL's incremental costs as if Hawthorn continued to operate)? Is it reasonable and appropriate to do so?

Yes. The Commission possesses ample authority pursuant to its general ratemaking and supervisory powers, and RSMo 393.130(1) to determine if KCPL has overbilled GST and to quantify the extent of such overbilling. Given the nature of the pricing formula approved under the Special Contract, the most accurate method to accomplish this would be to recalculate GST's bills by using incremental costs as if Hawthorn 5 continued to operate at historic average levels and had not been destroyed by KCPL. This approach, which is reflected in the testimony of GST witness Brian Smith, is reasonable and appropriate.

E. Has KCPL operated and maintained its generation units in a reasonable and prudent manner?

No. Imprudent KCPL management and operating practices created a chain of events, within KCPL's exclusive control, that caused the boiler explosion and destruction of the Hawthorn generating plant. KCPL's actions and failures to act were unreasonable, imprudent, and unsafe. Further, for an extended period prior to the explosion, KCPL acted in an unreasonable and imprudent manner by failing to expend the capital and operating and maintenance dollars required to maintain safe and reliable performance from the steam electric generating units that it owns and controls. As a result, KCPL unreasonably and imprudently allowed the reliability and availability of its power plants to deteriorate.

F. Has KCPL operated and maintained its distribution and transmission facilities in a reasonable and prudent manner?

No. KCPL failed to replace defective equipment in a reasonable and timely manner. This caused unnecessary and unwarranted disruptions of electric service to GST.

G. Should the Commission order a formal Staff investigation into the operation and maintenance of KCPL's generation, transmission and distribution facilities?

Yes, but not within the context of this docket, and not in lieu of providing appropriate relief to GST.

H. Should the Commission delay any decision in this case pending the outcome of the Staff's independent and final report of the boiler explosion at Hawthorn 5?

No. The Commission has repeatedly, and properly, determined that KCPL's actions and practices concerning the boiler explosion and destruction of Hawthorn are "directly relevant to the issue of KCPL's charges to GST". There is sufficient and persuasive, in fact compelling,

evidence in this docket on this matter, and KCPL has been afforded ample opportunity to offer evidence to establish the prudence of its actions or to attempt to refute GST's claims. It is undisputed that the loss of Hawthorn results in higher costs to GST in virtually every hour of every day. GST will be significantly and adversely affected by any delay in a Commission decision on this issue."

Respectfully submitted,



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Dated: April 12, 2000

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, postage prepaid, to all counsel of record as shown on the following service list this 12th day of April, 2000.

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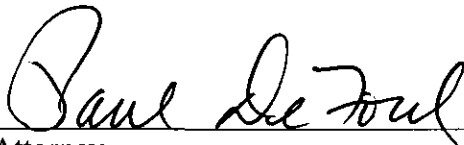
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