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June 28, 1999

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Director, Administration

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Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

FILED

JUN 28 1999

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No.EC-99-553 - Kansas City Power & Light Company

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of **STAFF'S RESPONSE TO GST'S MOTION FOR INTERIM RELIEF AND EXPEDITED HEARINGS.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Lera L. Shemwell
Assistant General Counsel
(573) 751-7431
(573) 751-9285 (Fax)

LLS/wf
Enclosure
cc: Counsel of Record

FILED

Missouri Public
Service Commission

Case No. EC-99-553

3. On June 18, 1999, GST submitted a request for additional expedited proceedings to address, among other things, how GST's electric supply cost should be calculated under its

special contract¹ with KCPL and how any insurance proceeds for replacement power purchases as a result of the Hawthorn explosion should be applied.

4. In its request for interim relief and expedited procedures, GST proposes a July 12, 1999 hearing with oral testimony rather than prefiled testimony. Outlines of testimony to be given would be filed three (3) days before the hearing. GST provides no details respecting the procedures that it is proposing. Staff believes that GST's proposed procedural schedule is unrealistic. Staff suggests that if GST's proposal were to be adopted, even with the limited number of issues, it is unlikely that the hearing could be concluded in fewer than three days without pre-filed testimony, as the hearing could easily require two days with prefiled testimony. Staff anticipates that the lack of prefiled testimony will result in long recesses at the hearing as parties attempt to address the live testimony.

5. Even with the expedited proceedings, with a mid-July hearing, it is unlikely that GST could expect to have a decision on its request before the last of July. This does not really address or solve GST's asserted need for expediency.

6. As an alternative to the interim proceeding suggested by GST, Staff suggests that there are at least three options, any of which might meet the needs of the Parties and preclude the need for an expedited hearing. All three options are designed to make certain that KCPL receives cash payments for the power that it provides, while providing certainty for GST's operations this summer prior to the ultimate resolution of its May 11, 1999 filing. These suggestions are intended as interim measures only, and not intended to alter the Special Contract under which KCPL and GST operate. All three suggestions include the provision for an accounting, or true-up, after the Commission decision in the case in chief, to determine the exact

¹ An Amended and Restated Power Supply Agreement was executed on August 12, 1994 and approved by this Commission. The contract rates that GST pays to KCPL are based in part on the incremental cost of power of the KCPL system.

amount that GST owes for electric service for the months July through September 1999. An interest provision could be added to the provisions of any agreement.

Suggestion 1 –This suggestion creates greater certainty for GST while assuring cash flow to KCPL by creating an upper and lower range for GST's per kilowatt hour payments for this summer. This is accomplished by determining a ceiling cost for the maximum that GST will pay per kilowatt hour (kwh) for the months of July through September (e.g., 10¢/kwh), and a minimum amount that GST will pay KCPL (e.g., 3.4 ¢/kwh) in lieu of the actual amounts KCPL will charge under the contract.

This Suggestion provides KCPL with cash flow for the electric power that it supplies. When the incremental cost of power is lower than the "floor," KCPL will receive more than they would under the current contract. If the incremental cost exceeds the "ceiling" amount, GST will pay only the ceiling amount. This provides GST with some certainty regarding its power costs during the July through September time period and during the pendency of this proceeding.

These amounts will be collected in the interim, subject to the final determination of GST's proceeding by the Commission. The final determination of the appropriate revenue to be collected from GST for electrical service will be made after the scheduled December 1999 hearing. An accounting, similar to the accounting done annually for an "even pay" customer, will be performed after the Commission decision in this Complaint case.

Suggestion 2 – GST alleges that it will suffer harm in the form of high replacement power costs because of deficiencies in KCPL's maintenance and other operations and the resultant explosion at Hawthorn 5. Until a decision is reached in this proceeding, GST could pay for its electric service as if the Hawthorn 5 boiler were still in service rather than the incremental cost of power, unless and until a limit of \$5,000,000 is reached. This would only occur during

the months of July through September, and for other months GST would continue to pay under the provisions of the current Special Contract.

This suggestion anticipates that KCPL will receive an insurance payment to cover at least some of the replacement power supply costs. Since that amount is limited to a total of \$5,000,000, the amount GST cannot exceed in calculating the difference between Hawthorn 5 being in service and the cost of replacement power is \$5,000,000 on an accumulated basis.

GST will pay these amounts on an interim basis subject to the final determination of the Commission of GST's case in chief. If the \$5,000,000 cap is reached, then GST would pay under the terms of its Special Contract or exercise its option to pay pursuant to KCPL's other tariffed rates and charges.

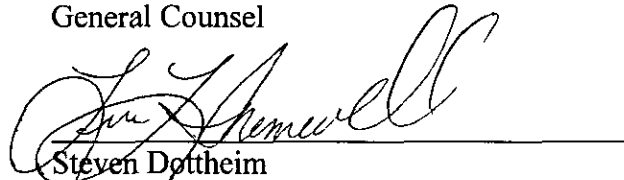
After Commission decision in this proceeding, there will be an accounting as in Suggestion 1 and a determination as to the total amount owed by which party for electric power. This suggestion is not intended to indicate in any way that GST is entitled to the entire benefit of any applicable replacement power insurance, but is intended to mitigate any replacement power cost to GST in excess of the cost had Hawthorn 5 been in service until there can be a resolution to the issues in this case.

Suggestion 3 – GST will pay per kwh for the months of July through September 1999 the same rate it paid for energy for the months of July through September 1998. Depending on a variety of factors, including weather, this amount may be more or less than GST actually owes for power for July through September 1999. The difference between this amount and the amount KCPL could charge under the Special Contract will be interim subject to the final determination of the Commission of GST's case in chief. There will be an accounting based upon that decision to determine if GST owes KCPL money or whether KCPL owes GST money.

7. Staff, or a mutually acceptable third party, can mediate between GST and KCPL to reach agreement provided that: 1) the Commission decides to adopt this approach instead of an expedited hearing; 2) GST and KCPL agree to proceed in this manner and negotiate and adopt one of these suggestions no later than July 6, 1999; and 3) the Office of the Public Counsel is heard on this matter.

Respectfully submitted,

DANA K. JOYCE
General Counsel

A handwritten signature in cursive script, appearing to read "Steven Dottheim", is written over a horizontal line.

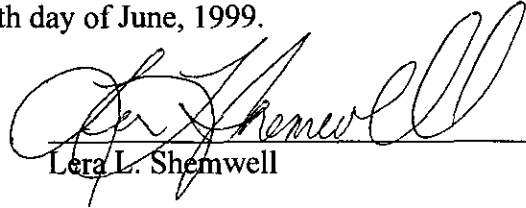
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the service list below this 28th day of June, 1999.


Lera L. Shemwell

Service List For
Case No. EC-99-553
Revised: June 28, 1999

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