



Gerald A. Reynolds

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June 8, 1999

FILED

JUN 9 1999

VIA OVERNIGHT MAIL

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

Missouri Public  
Service Commission

RE: Case No. EC-99-553

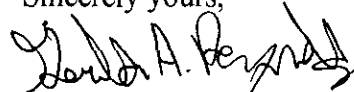
Dear Mr. Roberts:

In accordance with the Protective Order issued in this case, Kansas City Power & Light Company has enclosed for filing with the Commission in the above-referenced matter the following documents:

1. An original Answer and eight copies with the Highly Confidential portions removed;
2. A copy of those pages that have been designated as Highly Confidential. These pages have been sealed in the enclosed envelope marked "Highly Confidential."
3. Six copies of the complete Answer. These copies are for the Regulatory Law Judge and Commissioners and should be filed under seal.
4. A copy of the original Answer. Please time stamp one of the copies and return it to the company in the enclosed self-stamped envelope.

Please bring these filings to the attention of the Commission. Thank you for your attention to this matter.

Sincerely yours,

  
Gerald A. Reynolds

Enclosures

cc: Parties of Record  
Office of the Public

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED

JUN 9 1999

Missouri Public  
Service Commission

|                                    |   |                    |
|------------------------------------|---|--------------------|
| GST Steel Company,                 | ) |                    |
|                                    | ) |                    |
| Complainant,                       | ) |                    |
|                                    | ) |                    |
| v.                                 | ) | Case No. EC-99-553 |
|                                    | ) |                    |
| Kansas City Power & Light Company, | ) |                    |
|                                    | ) |                    |
| Respondent.                        | ) |                    |

ANSWER

COMES NOW Respondent, Kansas City Power & Light Company ("KCPL" or the "Company"), by and through its attorney, and makes the following response to the complaint filed in this action:

Contemporaneously with its Answer, KCPL is filing an appendix that contains Exhibit A.

1. KCPL admits so much of paragraph one that states that GST Steel Company ("GST") operates a steel manufacturing facility, that GST utilizes electric arc furnaces in its manufacturing process, and that GST operates a manufacturing facility at 7000 Roberts Road, Kansas City, MO 64125. KCPL lacks knowledge or sufficient information to form a belief about the remaining allegations contained in paragraph one and therefore leaves GST to its proof.

2. With respect to GST's Kansas City facility, KCPL admits so much of paragraph two that states GST purchases all of its electricity from KCPL pursuant to an Amended and Restated Power Supply Agreement ("Special Contract"); the Public Service Commission of the State of Missouri ("Commission") approved the Special Contract; GST has the right to

purchase its electricity pursuant to the Special Contract or a Commission-approved tariff. KCPL lacks knowledge or sufficient information to form a belief about the remaining allegations in paragraph two and therefore leaves GST to its proof.

3. With respect to GST's Kansas City facility, KCPL admits so much of paragraph three that states GST is not legally entitled to purchase electricity from another supplier, and that GST's rate is regulated by the Commission. KCPL denies the remaining allegations contained in paragraph three.

4. With respect to paragraph four, all the terms, obligations, conditions, and allocations of risk are contained within the Agreement. KCPL admits so much of paragraph four that states that the Agreement does not modify any obligation imposed on KCPL by Section 393.130.1, RSMo. KCPL denies the remaining allegations contained in paragraph four.

5. KCPL admits so much of paragraph five that states that in August, 1998, a ruptured steam line at Hawthorn Generating Station Unit No. 5 ("Hawthorn 5") caused an unplanned outage at said unit. KCPL denies the remaining allegations contained in paragraph five.

6. KCPL admits so much of paragraph six that states that during the month of September of 1998, planned outages (and at least one unplanned outage) occurred in its system. KCPL denies the remaining allegations contained in paragraph six.

7. KCPL admits so much of paragraph seven that states:

Every electrical corporation ... shall furnish and provide such service instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable. All charges made or demanded by any such ... electrical corporation ... for electricity ... or any service rendered or to be rendered shall be just and reasonable and not more than

allowed by law or by order or decision of the commission. Every unjust or unreasonable charge made or demanded for ... electricity ... or any such service, or in connection therewith, or in excess of that allowed by law or by order or decision of the commission is prohibited.<sup>1</sup>

KCPL denies the remaining allegations contained in paragraph seven.

8. KCPL admits so much of paragraph eight that states that an incident occurred at Hawthorn 5 that led to the immediate shutdown of said unit and that Hawthorn 5's boiler was destroyed ("Hawthorn Incident"). In addition, KCPL admits so much of paragraph eight that states that Hawthorn 5 is a coal-fired, baseload-generating unit. KCPL denies the remaining allegations contained in paragraph eight.

9. KCPL admits so much of paragraph nine that states that the Special Contract permits GST to pay a price based on KCPL's incremental cost of producing energy, or any available rate schedule. KCPL denies the remaining allegations contained in paragraph nine.

10. KCPL admits so much of paragraph ten as states that Staff has initiated an investigation of the Hawthorn Incident. KCPL denies the remaining allegations contained in paragraph ten.

11. KCPL denies the allegations contained in paragraph eleven.

12. KCPL denies the allegations contained in paragraph twelve.

13. KCPL denies the allegations contained in paragraph thirteen.

14. KCPL denies the allegations contained in paragraph fourteen.

15. KCPL admits that the SPP Generation Outage Report documents KCPL's outages. KCPL denies the remaining allegations.

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<sup>1</sup> Section 393.130.1, RSMo.

16. KCPL admits so much of paragraph sixteen that states that its public filings reflect KCPL's maintenance expenses for the years 1992 through 1998. KCPL denies the remaining allegations contained in paragraph 16.

17. KCPL admits so much of paragraph seventeen that states that its public filings reflect transaction costs relating to KCPL's unconsummated merger with Utilicorp and pending merger with Western Resources, Inc. KCPL denies the remaining allegations contained in paragraph seventeen.

18. KCPL denies the allegations contained in paragraph eighteen.

19. KCPL denies that its reserve declined from 14% in 1995 to 6% in 1998. KCPL admits the remaining allegations.

20. KCPL denies that its maintenance of its facilities is inadequate. KCPL admits that it has addressed any equipment problems as soon as they were identified, and offered to assist GST improve the reliability of facilities owned by GST. KCPL lacks knowledge or sufficient information to form a belief about the remaining allegations contained in paragraph twenty and therefore leaves GST to its proof.

21. KCPL admits so much of paragraph twenty-one that states KCPL has addressed any equipment problems as soon as they were identified, and offered to assist GST improve the reliability of facilities owned by GST. KCPL denies the remaining allegation contained in paragraph 21.

22. KCPL admits so much of paragraph twenty-two that states KCPL informed GST that the Hawthorn outage probably would result in an increase in KCPL's incremental costs and that these increased costs would be reflected in GST's rate provided it elected not to take service under an available rate schedule. KCPL denies that the Agreement prevents

year ended December 31, 1998 ("10-K"), its "average wire rod selling prices declined 17% from the fourth quarter of 1997 to the fourth quarter of 1998. See 10 K, at 16. A copy of GS Technologies' 10K is attached hereto as Exhibit A. Record levels of imported steel products, by countries such as Japan and Indonesia, have caused these declining prices. Id. It is unlikely that the pricing pressures resulting from imported steel products will ease until the Asian economic crisis subsides. Id., at 24.

39. In addition to fierce competition from foreign manufacturers of steel products, GS Technologies has recently entered into an unprofitable joint venture. According to its 10K, GS Technologies' Direct Reduced Iron joint venture has resulted in multi-million dollar losses. Id., at 16.

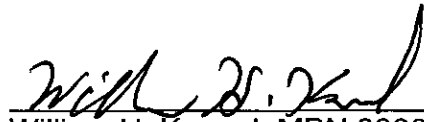
40. A recent strike at GST resulted in a \$21.9 million loss in pre-tax earnings, while a strike at GS Technologies' South Carolina facility cost the company approximately \$6.8 million in pre-tax earnings. See 10K, at 18. GST also suffered an undisclosed amount of earnings losses due to a strike at its Florida facility. See 10 K, at 16.

41. In light of these events, it is understandable why GST is not interested in just and reasonable rates. However, GST's dire financial condition cannot justify requiring KCPL's shareholders and ratepayers to subsidize GST's steel products.

WHEREFORE, KCPL prays that the Commission:

- a) deny each and every claim for relief presented by GST and dismiss its Complaint; or in the alternative
- b) limit the scope of this docket to whether the Special Contract results in just and reasonable rates; and
- c) provide such other and further relief as the Commission may deem just.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "William H. Koegel", is written over a horizontal line.

William H. Koegel MBN 33382  
Gerald A. Reynolds, CTBN 407871  
1201 Walnut Street  
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and

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Attorneys for Kansas City Power & Light Company

## CERTIFICATE OF SERVICE

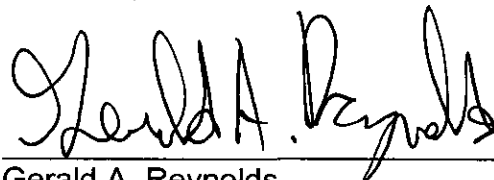
I hereby certify that a copy of the foregoing response was served via first class mail, postage prepaid, on this 8<sup>th</sup> day of June, 1999, upon:

Office of the Public Counsel  
P. O. Box 7800  
Jefferson City, MO 65102

General Counsel  
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Peter J.P. Brickfield  
Peter J. Mattheis  
Christopher C. O'Hara  
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Washington, DC 20007

A handwritten signature in black ink, appearing to read "Gerald A. Reynolds", is written over a horizontal line.

Gerald A. Reynolds