

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

In the Matter of a Proposed Experimental Regulatory)
Plan of Kansas City Power & Light Company) Case No. EO-2005-0329

**STAFF’S, PUBLIC COUNSEL’S, MISSOURI DEPARTMENT OF NATURAL
RESOURCES’ AND PRAXAIR’S PROPOSED AMENDMENT OF
THE KCPL EXPERIMENTAL REGULATORY PLAN**

Comes now the Staff of the Missouri Public Service Commission (Staff) on behalf of itself, the Office of the Public Counsel (Public Counsel), the Missouri Department of Natural Resources (MDNR) and Praxair, Inc. (Praxair), and files their report to the Commission (Appendix A) after the Kansas Corporation Commission (KCC) issued its decision on Kansas City Power & Light Company’s (KCPL) Experimental Regulatory Plan on August 5, 2005. The instant filing is pursuant to “Ordered: 3.” of the Missouri Public Service Commission’s (Commission) July 28, 2005 Report And Order. In support, the Staff states as follows:

1. The Commission’s July 28, 2005 Report And Order reflects that there is a section in the Stipulation And Agreement filed on March 28, 2005, at pages 49-50, which allows the Signatory Parties seven (7) days from KCPL’s timely filing of the KCPL Experimental Regulatory Plan approved by the KCC to indicate whether they continue to support approval of the KCPL Experimental Regulatory Plan agreed upon in Missouri. If the terms of the KCPL Experimental Regulatory Plan approved by the KCC are not comparable to the terms agreed upon by KCPL in Missouri, KCPL has agreed that it will offer to the other Signatory Parties in Missouri and accept comparable terms to those agreed upon in Kansas and approved by the KCC. The KCC’s August 5, 2005 Order Approving Stipulation And Agreement in KCC Docket

No. 04-KCPE-1025-GIE did not vary any of the terms of the KCPL Experimental Regulatory Plan as presented in the Stipulation And Agreement filed with the KCC on April 27, 2005.

2. The Staff, Public Counsel, MDNR and Praxair based upon their review of the KCPL Experimental Regulatory Plan approved by the KCC propose the amendment of the KCPL Experimental Regulatory Plan approved by this Commission as indicated in Appendix A. The Staff, Public Counsel, MDNR and Praxair have reviewed the Motion For Rehearing filed by the Concerned Citizens of Platte County and the Sierra Club (Concerned Citizens/Sierra Club). Based on the Commission's approval of the KCPL Experimental Regulatory Plan, the amendments requested in the attached Appendix A and the Motion For Rehearing of Concerned Citizens/Sierra Club, the Staff, Public Counsel, MDNR and Praxair do not believe that any additional testimony or evidentiary hearings are required and that the Commission may approve the amendments requested in the attached Appendix A. The Staff, Public Counsel, MDNR and Praxair believe that the Commission should afford KCPL and Concerned Citizens/Sierra Club the opportunity to file a responsive pleading to the instant filing should each choose to do so.

Wherefore the Staff, on behalf of itself, Public Counsel, MDNR and Praxair, submits the attached Appendix A in response to "Ordered: 3." of the Missouri Public Service Commission's July 28, 2005 Report And Order.

Respectfully submitted,
DANA K. JOYCE
General Counsel

/s/Steven Dottheim

Steven Dottheim
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 12th day of August 2005.

/s/ Steven Dottheim

APPENDIX A

DIFFERENCES BETWEEN KANSAS KCPL EXPERIMENTAL REGULATORY PLAN (LANGUAGE IN KANSAS STIPULATION AND AGREEMENT) AND MISSOURI KCPL EXPERIMENTAL REGULATORY PLAN (LANGUAGE IN MISSOURI STIPULATION AND AGREEMENT) – LANGUAGE IN KANSAS KCPL EXPERIMENTAL REGULATORY PLAN DIFFERENT THAN LANGUAGE IN MISSOURI KCPL EXPERIMENTAL REGULATORY PLAN FOR WHICH STAFF, PUBLIC COUNSEL, MDNR AND PRAXAIR WOULD LIKE TO SEE AMENDMENT OF MISSOURI KCPL EXPERIMENTAL REGULATORY PLAN TO ADOPT COMPARABLE LANGUAGE AS INDICATED HEREINBELOW

(1) STAFF, PUBLIC COUNSEL, MDNR AND PRAXAIR WOULD LIKE TO SEE COMPARABLE LANGUAGE TO THE FOLLOWING LANGUAGE IN ANY STIPULATION AND AGREEMENT AND COMMISSION ORDER IN KCPL’S FINANCING PLAN DOCKET, CASE NO. EF-2005-0498 - **KS. S&A ¶ II.A.4, page 5:** “... KCPL will file with the Commission within ten days of the issuance of any debt securities occurring during the term of this Agreement, a report including the amount of debt securities issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, and use of proceeds. . . With regard to such debt, KCPL agrees that it will abide by the conditions set forth by the Federal Energy Regulatory Commission in its Order issued February 21, 2003, in Docket No. ES02-51-000. . .”

Staff, Public Counsel, MDNR and Praxair language for Case No. EF-2005-0498:

... KCPL will file with the Commission within ten (10) days of the issuance of any debt securities authorized pursuant to this proceeding, a report including the amount of debt securities issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, and use of proceeds. With regard to such debt, KCPL agrees that it will abide by the conditions and restrictions set forth by the Federal Energy Regulatory Commission in its Order issued February 21, 2003, in Docket No. ES02-51-000.

BACKGROUND INFORMATION: On February 21, 2003, the Federal Energy Regulatory Commission issued in Docket No. ES02-51-000 an Order Conditionally Granting Authorization To Issue Long-Term Unsecured Debt And Announcing New Policy On Conditioning Securities Authorizations. On September 6, 2002, Westar Energy, Inc. (Westar (formerly Western Resources, Inc.)) filed an application seeking authorization to issue long-term, unsecured debt in amount not to exceed \$650 million at any one time. (Westar’s pre-existing debt issuances were authorized by either the FERC or the KCC with no conditions set regarding whether the borrowings could be used for non-utility businesses or whether Westar’s assets could be used to secure the debt).

The FERC conditionally authorized Westar’s request to issue long-term, unsecured debt in an amount not to exceed \$650 million, subject to four conditions.¹ The FERC also specified four

¹ “First, the proceeds of the debt must be used solely for the purpose of retiring outstanding indebtedness, including accrued and unpaid interest due at maturity. Second, Westar is required to file quarterly informational status reports

additional restrictions on secured and unsecured debt that the FERC said would be applied to all future public utility issuances of secured and unsecured debt authorized by the FERC:

. . . First, public utilities seeking authorization to issue debt that is secured (i.e., backed) by utility assets must use the proceeds of the debt for utility purposes only. Second, with respect to such utility asset-secured debt issuances, if any utility assets that secure such debt issuances are divested or “spun off,” the debt must “follow” the asset and be divested or “spun off” as well.

Third, if assets financed with unsecured debt are divested or “spun off,” the associated unsecured debt must follow those assets. Specifically, if any of the proceeds from unsecured debt are used for non-utility purposes, the debt likewise must “follow” the non-utility assets and if the non-utility assets are divested or “spun off” then a proportionate share of debt must “follow” the associated non-utility assets by being divested or “spun off” as well. Last, with respect to unsecured debt used for utility purposes, if utility assets financed by unsecured debt are divested or “spun off” to another entity, then a proportionate share of the debt also must be divested or “spun off.”

(2) **KS. S&A ¶ II.A.5, page 6:** “KCPL further recognizes that any finding by the Commission that KCPL has failed to prudently manage its costs, continuously improve productivity, and maintain service quality during the Regulatory Plan five-year period will negate the obligation of the Signatory Parties parties to this Agreement other than KCPL (“non-KCPL parties”) contained in this section.”

Staff, Public Counsel, MDNR and Praxair language – page 19, first paragraph on page, new last sentence to be added:

. . . KCPL further recognizes that any finding by the Commission that KCPL has failed to prudently manage its costs, continuously improve productivity, and maintain service quality during the Regulatory Plan will negate the obligation of the non-KCPL Signatory Parties contained in this section.

“ . . . The non-KCPL parties reserve the right to recommend CIAC amounts in each rate case such that the CIAC amounts in aggregate do not exceed the expected cost savings from the amortization mechanism and the lower costs of capital resulting from the investment grade ratings.”

Staff, Public Counsel, MDNR and Praxair language – page 19, second paragraph on page, new last sentence to be added:

detailing its financial condition and the debt-reduction efforts within 30 days of the end of each calendar quarter. Third, Westar must file a Report of Securities Issued within 30 days after the sale or placement of the long-term, unsecured debt, as stated in the [FERC’s] regulations. [footnote omitted]. Finally Westar must also abide by the following restrictions on secured and unsecured debt.”

. . . The non-KCPL Signatory Parties reserve the right to recommend “Additional Amortizations To Maintain Financial Ratios” amounts in each rate case such that these amounts in aggregate do not exceed the expected cost savings from the amortization mechanism and the lower costs of capital resulting from the investment grade ratings.

KS. S&A ¶ II.A.5, page 7: “. . . However, no CIAC amounts will be booked after June 1, 2010. The accumulated CIAC amounts will be treated as increases to the depreciation reserve and be deducted from rate base in any future KCPL rate proceedings, beginning with the 2009 case. . . .”

Staff, Public Counsel, MDNR and Praxair language – page 19, second paragraph on page, new third to last sentence to be added:

. . . The accumulated “Additional Amortizations To Maintain Financial Ratios” amounts will be treated as increases to the depreciation reserve and be deducted from rate base in any future KCPL rate proceedings, beginning with the first rate case after the 2006 Rate Case. . . .

(3) KS. S&A ¶ II.B.3., II.B.3.g) and II.B.3.j) pages 10-11: “. . . KCPL will on its own or upon request of any non-KCPL parties re-assess the reasonableness and adequacy of the Resource Plan if changed circumstances arise that may impact the reasonableness and adequacy of the Resource Plan during the initial and ongoing implementation of the primary elements of the Resources Plan. Such ~~factors and changes in~~ circumstances would include, but not be limited to:

“j) material changes in the projected rates and costs to ratepayers resulting from the Resource Plan.”

Staff, Public Counsel, MDNR and Praxair language – page 26, top of the page:

(xiv) material changes in the projected rates and costs to ratepayers resulting from the Resource Plan.

Staff, Public Counsel, MDNR and Praxair language – page 26, first full paragraph, new first sentence to be added:

KCPL will on its own or upon request of any non-KCPL parties re-assess the reasonableness and adequacy of the Resource Plan if changed circumstances arise that may impact the reasonableness and adequacy of the Resource Plan during the initial and ongoing implementation of the primary elements of the Resource Plan.

KS. S&A ¶ II.B.3., page 11: “If KCPL’s senior management determines that its Resource Plan should be modified because changed factors or circumstances have impacted the reasonableness and adequacy of the Resource Plan, then it shall file notice with the Commission and notify all Signatory Parties in writing within ~~forty five (45) ten~~ days of any

such determination. . . . Any agreement concerning modification of the resource plan shall be filed with the Commission for approval. . . .”

Staff, Public Counsel, MDNR and Praxair language – page 26, first full paragraph, revised sentence:

If KCPL determines that its Resource Plan should be modified because changed factors or circumstances have impacted the reasonableness and adequacy of the Resource Plan, then it shall file notice with the Commission and notify all Signatory Parties in writing within ten (10) days of any such determination. . . .

Staff, Public Counsel, MDNR and Praxair language – page 26, second paragraph, new last sentence to be added:

. . . Any agreement concerning modification of the resource plan shall be filed with the Commission.

(4) **KS. S&A ¶ II.B.5, page 12:** “Future Resource Plans. In order to provide more assurance that future generation or power supply, including Demand Side Management resources, are acquired at the most reasonable cost and to establish a benchmark of reasonable costs, KCPL agrees that its process for considering or acquiring future resources in addition to those contemplated by this Resource Plan shall include the issuance of a Request for Proposal (RFP) for the supply of such resource by competitive bid. KCPL agrees to consult with Staff in the design and content of the RFP before it is issued.”

Staff, Public Counsel, MDNR and Praxair language – page 27, new paragraph to be added after first full paragraph:

In order to provide more assurance that future generation or power supply, including Demand Side Management resources, are acquired at the most reasonable cost and to establish a benchmark of reasonable costs, KCPL agrees that its process for considering or acquiring future resources in addition to those contemplated by this Resource Plan shall include the issuance of a Request for Proposal (RFP) for the supply of such resource by competitive bid. KCPL agrees to consult with the Staff and Public Counsel in the design and content of the RFP before it is issued.

(5) **KS. Appendix A, Resource Plan, page 1:** “Coal-Fired Generation: . . . KCPL contemplates the possibility of building a railroad bridge for coal deliveries to the Iatan site. The bridge will not be considered a part of the Resource Plan contained in this agreement. Should KCPL build the bridge, parties reserve the right to take any position on the revenue required related to the bridge in a future rate case. KCPL will consult with Staff regarding its negotiations for coal delivery arrangements and the need for the bridge before making a decision regarding the bridge.”

Staff, Public Counsel, MDNR and Praxair language – page 45, new bullet point to be added after the first bullet point on the page:

KCPL contemplates the possibility of building a railroad bridge for coal deliveries to the Iatan site. The bridge will not be considered a part of the Resource Plan contained in this Agreement. Should KCPL build the bridge, the Signatory Parties reserve the right to take any position on the revenue requirement related to the bridge in a future rate case. KCPL will consult with the Staff and Public Counsel regarding its negotiations for coal delivery arrangements and the need for the bridge before making a decision regarding the bridge.

“Wind-Power Generation: The second 100 MW investment in new wind generation will not be considered a part of the Resource Plan unless and until a detailed evaluation supports proceeding with its construction and it receives Commission approval. . . . As part of the evaluation of the wind generation, KCPL will issue a Request for Proposal (RFP) for a twenty-year purchase power agreement (PPA) for wind generation from independent third parties on a cost per kilowatt-hour basis, which includes any expected tax credits.”

Staff, Public Counsel, MDNR and Praxair language – page 45, new second sentence in bullet point for wind generation:

As part of the determination respecting proceeding with the construction of the second 100 MW investment in new wind generation, KCPL will issue a Request for Proposal (RFP) for a twenty-year (20-year) purchase power agreement (PPA) for wind generation from independent third parties on a cost per kilowatt-hour basis, which includes any expected tax credits.

(6) **KS. Appendix A-1, Asset Management Plan, chart, page 1.** Also, Missouri Appendix D-5: The chart “Proposed Capital Expenditure Level Increases” shows total company dollars.

(7) **KS. Appendix C, Rate Plan, F. Customer Programs, page 6:** “In calendar years 2005 through 2009, KCPL commits to implement the Demand Response, Efficiency and Affordability programs detailed in Appendix B, subject to the continuing review and prior approval of the Commission on a program-by-program basis. No program will be implemented until such approval has been obtained. . . .”

Staff, Public Counsel, MDNR and Praxair language – page 46, new first paragraph to be added at the beginning of III.B.5:

In calendar years 2005 through 2009, KCPL commits to implement Demand Response, Efficiency and Affordability programs, subject to the continuing review and prior approval of the Commission on a program-by-program basis. No program will be implemented until such Commission approval has been obtained through the tariff filing process.

(8) LANGUAGE ALREADY ADDRESSED IN JULY 28, 2005 COMMISSION REPORT AND ORDER - **KS. Appendix C, Rate Plan, G. AFUDC, Construction Accounting And In-Service Criteria, page 7:**

“1. AFUDC. With regard to the AFUDC rate applicable to Iatan 2, KCPL agrees to a 2.5% or 250 basis point reduction in the equity portion of the rate. KCPL shall use this 250 basis point reduction in the equity portion of the rate. KCPL shall use this 250 basis point reduction in the AFUDC rate from the effective date of the rates determined in the first rate case (anticipated to be January 1, 2007) and in all subsequent calculations of AFUDC on Iatan 2 until the in-service date of Iatan 2. KCPL shall submit a report to Staff at the beginning of each calendar year during this plan of the AFUDC rates it will use and the calculation thereof.”

(9) **KS. Appendix C, Rate Plan, I. Other Conditions, 3. Deregulation, page 8:**

“KCPL recognizes that if generation assets are deregulated in the future, it is at risk for recovery of stranded costs related to the acquisition of the new generation. Furthermore, KCPL acknowledges that ratepayers would be entitled to a greater share of a gain on the disposition of the new generation upon deregulation due to possible implementation of the CIAC mechanism.”

Staff, Public Counsel, MDNR and Praxair language – page 29, new paragraph to be added after first full paragraph in III.B.5:

KCPL recognizes that if generation assets are deregulated in the future, it is at risk for recovery of stranded costs related to the acquisition of the new generation. Furthermore, KCPL acknowledges that ratepayers would be entitled to a greater share of a gain on the disposition of the new generation upon deregulation due to possible implementation of the “Additional Amortizations To Maintain Financial Ratios” mechanism.

(10) **KS. Appendix C, Rate Plan, I. Other Conditions, 7. Costs of Debt:**

“For purposes of determining the cost of debt in the rate proceedings during the plan, the lower of the actual cost of debt or the cost of debt for an investment grade rating will be used.”

Staff, Public Counsel, MDNR and Praxair language – page 29, second new paragraph to be added after first full paragraph in III.B.5:

For purposes of determining the cost of debt in the rate proceedings during this Agreement, the lower of the actual cost of debt or the cost of debt for an investment grade rating will be used.