

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

In the Matter of the Application of Kansas City)
Power & Light Company for Approval to)
Make Certain Changes in its Charges for)
Electric Service to Implement its Regulatory)
Plan.)

Case No. ER-2007-0291

LIST OF ISSUES, ORDER OF WITNESSES AND ORDER OF CROSS-EXAMINATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and states:

1. On February 1, 2007, Kansas City Power & Light Company filed with the Commission tariff sheets designed to implement a general electric rate increase for service it provides to its Missouri customers in and about Kansas City, Missouri. The Commission opened Case No. ER-2007-0291 to address that filing.

2. On April 5, 2007, the Commission issued an *Order Setting Procedural Schedule* in which it stated the parties are to agree on a list of issues to be filed by the Staff and that “[a]ny issue not included in the issues list will be presumed to not require determination by the Commission.” In its order the Commission also stated that each party is to file a list of witnesses to appear on each day of the hearing, the order in which they are called, and that the parties are to file a joint pleading proposing the order in which witnesses are to be cross-examined. In the ordered schedule, as proposed by the parties, the Commission set September 18, 2007, as the filing date for the “list of issues, order of witnesses [and] order of cross-examination.”

3. On September 18, 2007, the Staff filed a motion seeking additional time to file the list of issues, order of witnesses and order of cross-examination, and on September 19, 2007, the Commission granted that request extending the filing date to September 21, 2007.

4. The Parties to this proceeding are: Kansas City Power & Light Company, the Missouri Public Service Commission Staff, the Office of the Public Counsel, The Empire District Electric Company, Missouri Department of Natural Resources, Ford Motor Company, United States Department of Energy--National Nuclear Security Administration, Praxair, Inc., Pershing Road Development Company, LLC, Trigen-Kansas City Energy Corporation, City of Kansas City, Missouri Gas Energy, Missouri Industrial Energy Consumers, Missouri Joint Municipal Electric Utility Commission, and Aquila, Inc.

5. In its April 5, 2007, *Order Setting Procedural Schedule* the Commission, at the parties' request, waived the requirements of Commission Rule 4 CSR 240-2.080(21) regarding the format of the list of issues.

6. The parties agree the listing of issues below is not an agreement by any party that any particular listed issue is, in fact, a valid or relevant issue. Indeed, in their position statements, some parties may state that they consider a particular listed issue to not be a valid issue. This "non-binding" listing of issues is not to be construed as impairing any party's ability to argue about any of these issues or related matters, or to restrict the scope of its response to arguments made by other parties.

7. Following is the list of issues the Staff has assembled for this case. The Staff believes the list includes all contested issues and properly identifies them.

LIST OF ISSUES

REVENUE REQUIREMENT

Rate of Return

1. Return on Common Equity: What return on common equity should be used for determining KCPL's rate of return?

- a. Is KCPL's decreased risk due to the Kansas City Power & Light Company Experimental Regulatory Plan the Commission approved in Case No. EO-2005-0329 a factor that reduces the return on common equity otherwise appropriate for KCPL?
 - b. Is KCPL's increased risk due to its large construction undertakings a factor that increases the return on common equity otherwise appropriate for KCPL?
 - c. If so, what is the impact of these factors?
2. Capital Structure: What capital structure should be used for determining KCPL's rate of return?

Expense Issues

3. Hawthorn 5 Subrogation Proceeds: Should subrogation proceeds KCPL received in 2006 concerning the 1999 Hawthorn 5 boiler explosion litigation be included in cost of service for setting KCPL's rates?
 - a. If so, should the five-year amortization period proposed by Staff be adopted?
4. Long-term Incentive Compensation: Should the costs of KCPL's and GPE's long-term incentive compensation plans be included in cost of service for setting KCPL's rates?
5. Short-term Executive Compensation: Should part of the costs of KCPL's and GPE's short-term executive compensation plans be excluded from cost of service for setting KCPL's rates?
6. Talent Assessment Program Employee Severance Cost: Should the severance and other associated costs of KCPL employees terminated under KCPL's talent assessment program be included in cost of service for setting KCPL's rates?
 - a. If so, should the costs be recognized in cost of service using KCPL's proposed deferral and amortization to expense over five years?
7. Employee Severance Cost: Should the severance costs of KCPL employees terminated for reasons other than KCPL's talent assessment program be included in cost of service for setting KCPL's rates?
 - a. If so, is it appropriate to include a three-year average of those costs?
8. Cost of Removal Income Tax: Should the tax timing difference for cost of removal be reflected under normalization accounting or flow-through accounting for pre-1981 vintage property for purposes of determining income tax expense in KCPL's cost of service for this case?

- a. If normalization accounting is occurring or adopted, is an amortization required for prior benefits resulting from the use of flow-through accounting subsequent to 1979?
 - i. If so, what time period should be used for the amortization?
- 9. Organization Membership Dues: What level of membership dues KCPL paid to organizations should be included in cost of service for setting KCPL's rates?
- 10. Advertising Costs: What level of KCPL's advertising costs should be included in KCPL's cost of service for setting KCPL's rates?
- 11. Washington Employee Costs: Should any level of costs associated with KCPL's Washington, D.C. employee who represents KCPL in federal matters be included in KCPL's cost of service for setting KCPL's rates?
 - a. If not, what level of costs should be excluded in addition to those currently recorded by that employee as excluded lobbying costs.
- 12. KCPL Supplemental Executive Retirement Pension (SERP) costs: What level of SERP costs should be included in KCPL's cost of service for setting KCPL's rates?
- 13. Meal Expenses: What level of local meal expense should be included in KCPL's cost of service for setting KCPL's rates?
- 14. Off-system sales margin:
 - a. Should KCPL's rates continue to be set at the 25th percentile of non-firm off-system sales margin as projected in this case for 2008 as proposed by KCPL, and accepted by the Staff, or at the 40th percentile as proposed by Public Counsel?
 - b. Should interest be calculated and flowed to ratepayers on the off-system sales margin that exceeds the off-system sales margin level the Commission approved to be recovered in rates in Case No. EO-2006-0314?
- 15. Department of Energy Nuclear Fuel Overcharge Refund: Should the Department of Energy Nuclear Fuel Overcharge Refunds for 1986 through 1993 KCPL received during the test year in this case be included in KCPL's cost of service for setting KCPL's rates?
 - a. If so, should the five-year amortization period proposed by Staff be adopted?
- 16. Research and Development Tax Credits: Should research and development tax credits related to amended income tax returns for years 2000 to 2004 be deferred and amortized in KCPL's cost of service for setting KCPL's rates, if received in the future?

- a. If so, at what level?
 - b. Should costs KCPL incurred to obtain the tax credits be included in KCPL's cost of service? If so, at what level?
- 17. Bad Debt Expense: What bad debt expense factor should be applied to both adjusted and pro-forma revenues to determine the level of bad debt expense to be included in cost of service?
- 18. Wolf Creek Refueling Outage Costs: Should the Commission order KCPL to reflect Wolf Creek refueling outage costs under the defer-and-amortize method adopted by KCPL in 2006 in accordance with a new accounting pronouncement or order KCPL to maintain its accounting for regulatory purposes under the prior accrue-in advance method?
 - a. If the accrue-in-advance method is ordered, what projected cost level should be established for purposes of both the accrual allowed in cost of service and for the tracking mechanism proposed by Staff?

Rate Base Issues

- 19. Rate Case Expense: Should KCPL's rate case expense deferred for future amortization in accordance with the Commission's order in Case No. ER-2006-0314 be included in KCPL's rate base?
- 20. Surface Transportation Board Litigation Expenses: Should KCPL's surface transportation board litigation expenses deferred for future amortization in accordance with the Commission's order in Case No. ER-2006-0314 be included in KCPL's rate base?

CLASS COST OF SERVICE / RATE DESIGN

- 21. Effect of Case No. EO-2005-0329 Stipulation and Agreement on Inter-class Shifts: Does the Stipulation and Agreement incorporating the KCPL Experimental Regulatory Plan that the Commission approved in Case No. EO-2005-0329 allow the signatories to the Stipulation and Agreement to propose inter-class revenue shifts in this case?
 - a. If so, should any inter-class revenue shifts be implemented in this case?

22. Large Power Service Rate Design:

- a. Does the Stipulation and Agreement incorporating the KCPL Experimental Regulatory Plan that the Commission approved in Case No. EO-2005-0329 allow the signatories to the Stipulation and Agreement to make rate design modifications within the Large Power Service rate schedule?
- b. If so, what are the appropriate demand and energy charges for the Large Power Service rate schedule?

23. General Service All-electric tariffs and general service separately-metered space-heating tariff provisions:

- a. Should KCPL's general service all-electric tariff rates and separately-metered space heating rates be increased more (i.e., by a greater percentage) than KCPL's corresponding standard general application rates and if so, by how much more?
- b. Should KCPL's general service all-electric tariffs and separately-metered space heating rates be phased-out, and if so, over what period?
- c. Should the availability of KCPL's general service all-electric tariffs and separately-metered space heating rates be restricted to those qualifying customers commercial and industrial physical locations being served under such all-electric tariffs or separately-metered space heating rates as of the date used for the billing determinants used in this case (or as an alternative, the operation of law date of this case) and should such rates only be available to such customers for so long as they continuously remain on that rate schedule (i.e., the all-electric or separately-metered space heating rate schedule they are on as of such date)?
- d.
 - i. Should the Commission require KCPL, as soon as possible but not later than its next rate case, to present complete cost of service and/or cost-effectiveness studies and analyses of KCPL's general service all-electric tariffs and separately-metered space heating rates and, consistent with the findings of such studies and analyses, allow KCPL the opportunity at that time to present its preferred phase-out plan for the remaining commercial and industrial customers served under the all-electric tariffs and separately-metered space heating rates?
 - ii. In the event that KCPL does not file such cost of service and/or cost-effectiveness studies before or as part of its next rate case, should the Commission require KCPL to impute the revenues associated with the discounted rates in the all-electric general

- service tariffs and separately-metered space heating provisions of its tariffs and impute revenues equal to KCPL's cost of administering these discounted rates as part of its next rate case?
- e. Should the Commission require KCPL to (a) investigate and determine whether the commercial and industrial customers currently served under the general service all-electric tariffs and the separately-metered space heating provisions of the standard general service tariffs continue to meet the eligibility requirements for those discounted rates; (b) remove from the discounted rates those customers which KCPL's investigation determines are no longer eligible for such discounted rates; and (c) monitor and police the eligibility requirements of those customers receiving such discounted rates for reporting in KCPL's direct testimony in its next rate case filing?
 - f. Should the Commission approve KCPL's proposal to rename its general service "All-Electric" tariffs as "Space Heating" tariffs?

KCPL Experimental Regulatory Plan Additional Amortization

24. KCPL Experimental Regulatory Plan Additional Amortization: What, if any, additional amortization is required by KCPL's Experimental Regulatory Plan approved by the Commission in Case No. EO-2005-0329?

ORDER OF WITNESSES AND ORDER OF CROSS-EXAMINATION

8. In its *Order Setting Procedural Schedule*, as requested by the parties, the Commission scheduled the evidentiary hearings in this case for October 1-5, 9-12, 2007.

Following is the hearing schedule the parties' propose:

ORDER OF ISSUES AND WITNESSES

Following are known witness conflict dates:

Barnes (Staff) (Unavail. Oct. 1, 3 and 12)
 Pyatte (Staff) (Unavail. Oct 1)
 Robertson (OPC) (Unavail. Oct. 9-12)
 Meisenheimer (OPC) (Unavail. Oct. 1)
 Brubaker (Praxair, Ford, MIEC) (Unavail. Oct. 5, 11 & 12)
 Herz (Trigen-KC) (Unavail. Oct. 2)
 Schnitzer (KCPL) (Unavail. Oct. 4, 5, 10-12)
 Hadaway (KCPL) (Unavail. Oct. 9-12)
 Cheatum (KCPL) (Unavail. Oct. 2 and 12)
 Hardesty (KCPL) (Unavail. Oct. 4 and 5)
 Herdegen (KCPL) (Unavail. Oct. 3-5)
 Spielberger (KCPL) (Unavail. Oct. 12)

Rush (KCPL) (Unavail. Oct. 12)

Monday, October 1, 2007 8:30 a.m.

**Make Entries of Appearance
Take Up Outstanding Matters**

Opening Statements

KCPL
Staff
Public Counsel
Ford Motor Company
MIEC
Praxair
Pershing Road Development Company
Trigen-Kansas City
DOE-NNSA
DNR
Kansas City
MJMEUC
Empire
Aquila
MGE

Overview of Case / Issues

Giles (KCPL)
Traxler (Staff)

Hawthorn 5 Subrogation Proceeds (Issue 3)

Giles (KCPL)
Dittmer (DOE-NNSA)
Hyneman (Staff)

**Long-term Incentive Compensation &
Short-term Executive Compensation (Issues 4 & 5)**

Halloran (KCPL)
Dittmer (DOE-NNSA)
Traxler (Staff)

Tuesday, October 2, 2007 8:30 a.m.

Rate of Return

Return on Common Equity (Issue 1)

Capital Structure (Issue 2)

Hadaway (KCPL)

Cline (KCPL)

Barnes (Staff) (Unavail. Oct. 1, 3 and 12)

Trippensee (OPC)

Gorman (OPC)

Wednesday, October 3, 2007 8:30 a.m.

Talent Assessment Program Employee Severance Cost &

Employee Severance Cost (Issues 6 & 7)

Cheatum (KCPL)

Hyneman (Staff)

Off-system sales margin (Issue 14)

Giles (KCPL)

Robertson (OPC) (Unavail. Oct. 9-12)

Traxler (Staff)

Cost of Removal Income Tax (Issue 8)

Hardesty (KCPL)

Steve Traxler (Staff)

Thursday, October 4, 2007 8:30 a.m.

Organization Membership Dues (Issue 9)

Weisensee (KCPL)

Vesely (Staff)

Advertising Costs (Issue 10)

Spielberger (KCPL)

Vesely (Staff)

Washington Employee Costs (Issue 11)

Weisensee (KCPL)

Hyneman (Staff)

KCPL Supplemental Executive Retirement Pension (SERP) Costs (Issue 12)

Weisensee (KCPL)

Hyneman (Staff)

Meal Expenses (Issue 13)
Weisensee (KCPL)
Hyneman (Staff)

Department of Energy Nuclear Fuel Overcharge Refund (Issue 15)
Giles (KCPL)
Hyneman (Staff)

Research and Development Tax Credits (Issue 16)
Giles (KCPL)
Dittmer (DOE-NNSA)
Traxler (Staff)

Friday, October 5, 2007 8:30 a.m.

Bad Dept Expense (Issue 17)
Weisensee (KCPL)
Vesely (Staff)

Wolf Creek Refueling Outage Costs (Issue 18)
Weisensee (KCPL)
Hyneman (Staff)

Rate Case Expense (Issue 19)
Weisensee (KCPL)
Hyneman (Staff)

Surface Transportation Board Litigation Expenses (Issue 20)
Weisensee (KCPL)
Hyneman (Staff)

Tuesday, October 9, 2007 8:30 a.m.

Effect of Case No. EO-2005-0329 Stipulation and Agreement on Inter-class Shifts and Large Power Service Rate Design (Issues 21 and 22, including subparts)
Rush (KCPL)
Meisenheimer (OPC) (Unavail. Oct. 1)
Trippensee (OPC)
Price (DOE-NNSA)
Watkins (Staff)
Pyatte (Staff) (Unavail. Oct 1)
Brubaker (Praxair, Ford, MIEC) (Unavail. Oct. 5, 11 & 12)

Wednesday, October 10, 2007 8:30 a.m.

General Service All-electric tariffs and general service separately-metered space-heating tariff provisions (Issue 23, including subparts)

Rush (KCPL)

Watkins (Staff)

Herz (Trigen-KC) (Unavail. Oct. 2)

Thursday, October 11, 2007 8:30 a.m.

Issues and witnesses not heard earlier

KCPL Experimental Regulatory Plan Additional Amortization (Issue 24)

Cline (KCPL)

Trippensee (OPC)

Friday, October 12, 2007 8:30 a.m.

Issues and witnesses not heard earlier

ORDER OF CROSS-EXAMINATION

While for specific issues a different order of cross-examination may be more appropriate, generally, the order of cross-examination, based on adversity, is the following:

KCPL witnesses

MGE, Aquila, Empire, MJMEUC, Kansas City, Pershing Road Development Company, DNR, DOE-NNSA, Trigen-Kansas City, Ford Motor Company, MIEC, Praxair, Public Counsel, Staff

Staff witnesses

MGE, Aquila, Empire, MJMEUC, Kansas City, Pershing Road Development Company, DNR, Trigen-Kansas City, Ford Motor Company, MIEC, Praxair, Public Counsel, DOE-NNSA, KCPL

Public Counsel witnesses

MGE, Aquila, Empire, MJMEUC, Kansas City, Pershing Road Development Company, DNR, Trigen-Kansas City, Ford Motor Company, MIEC, Praxair, Staff, DOE-NNSA, KCPL

Praxair, Ford and MIEC witness

MGE, Aquila, Empire, MJMEUC, Kansas City, Pershing Road Development Company, DNR, Trigen-Kansas City, DOE-NNSA, Staff, Public Counsel, KCPL

DOE-NNSA witnesses

MGE, Aquila, Empire, MJMEUC, Kansas City, Pershing Road Development Company, DNR, Trigen-Kansas City, Ford Motor Company, MIEC, Praxair, Staff, Public Counsel, KCPL

Trigen-Kansas City witness

MGE, Aquila, Empire, MJMEUC, Kansas City, Pershing Road Development Company, DNR, DOE-NNSA, Ford Motor Company, MIEC, Praxair, Public Counsel, Staff, KCPL

WHEREFORE, the Staff submits the foregoing list of issues, order of witnesses and order of cross-examination in response to the Commission's April 5, 2007, *Order Setting Procedural Schedule* and September 19, 2007, order granting the Staff's request for leave to file them Friday, September 21, 2007.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
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Missouri Bar No. 35512

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 21st day of September 2007.

/s/ Nathan Williams