

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

In the Matter of the Application of Kansas City)	
Power & Light Company for an Accounting)	
Authority Order Regarding Accounting for)	<u>Case No. EU-2006-0560</u>
Pension Benefits Recorded Under Statement)	
of Financial Accounting Standards No. 88)	

RESPONSE TO ORDER DIRECTING FILING

COMES NOW the Office of the Public Counsel and for its Response to Order Directing Filing states as follows:

1. On June 30, 2006, Kansas City Power & Light Company filed an application for an accounting authority order (AAO). KCPL requests an order from the Commission authorizing KCPL to set up a regulatory asset or liability, in Account 182.3 or 254 as appropriate, to track the difference in Financial Accounting Standards (FAS) 88 pension expense recorded for financial purposes and the level of FAS 88 pension expense built into rates, effective January 1, 2006, and to include such amounts in rate base and amortize such difference over five years in its next rate case. KCPL states that neither this regulatory asset nor any related amortization is included in the current rate case, ER-2006-0314.

2. On August 24, 2006, the Commission issued an order in which it set October 23, 2006 as the deadline for Staff and Public Counsel to file recommendations regarding KCPL's application.

3. Public Counsel opposes KCPL's request. AAOs, as the Commission has consistently held, are only to be used for expenses that are material, extraordinary, and non-recurring. The expenses for which KCPL seeks an AAO are not material, as that term is used in

accounting. Neither are they extraordinary and nonrecurring. Pensions are a normal, on-going cost of business.

4. FAS 88 became effective in December 1985, **after** KCPL filed its last Missouri rate case. There was no mention of pensions, and no indication of the level of pension expense allowed in rates. Thus there is no reason to believe that KCPL is not recovering an adequate level of pension expense in its current rates, and KCPL has provided no evidence that it is not. Furthermore, the regulatory does not guarantee a utility recovery of every specific cost that it incurs. If rates are not adequate, a utility may file a general rate case and seek a general rate increase. It is only in very rare instances, such as ice storms, that a utility is allowed to defer and recover isolated costs without an examination of all relevant factors in the context of a rate case. KCPL's application in this case does not even allege that current circumstances with respect to FAS 88 create the sort of extraordinary need that the Commission requires for the granting of an AAO.

5. Allowing KCPL to defer and recover these expenses in its next rate case would simply allow KCPL to increase current earnings and get cash over the next five years from its customers. And inclusion of the deferral in rate base would require future customers to provide a return on and a return of past expenses.

6. No change in accounting standards or any other significant event occurred on January 1, 2006 with respect to pensions that would trigger a need for extraordinary rate treatment in the form of an AAO.

WHEREFORE, Public Counsel respectfully submits its Response to Order Directing Filing and requests that the Commission deny the request of Kansas City Power & Light Company for an accounting authority order.

Respectfully submitted,

OFFICE OF THE Public Counsel

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 23rd day of October 2006:

/s/ Lewis R. Mills, Jr.
