

FISCHER & DORITY
PROFESSIONAL CORPORATION

James M. Fischer
Larry W. DORITY

Attorneys at Law
Regulatory & Governmental Consultants

101 West McCarty, Suite 215
Jefferson City, MO 65101
Telephone: (573) 636-6758
Fax: (573) 636-0383

June 1, 2000

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 3660
Jefferson City, Missouri 65102

FILED²
JUN 1 2000
Missouri Public
Service Commission

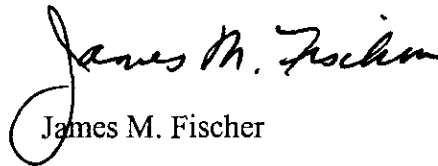
RE: In the Matter of the Application of Kansas City Power & Light Company for an Order Authorizing The Transfer of Certain Electric Generation Assets Used to Provide Electric Service to Customers in Missouri and Other Relief Associated with Kansas City Power & Light Company's Plan to Restructure Itself into a Holding Company, Competitive Generation Company, Regulated Utility Company, and Unregulated Subsidiary, Case No. EM-2000-753.

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are an original and eight (8) copies of Kansas City Power & Light Company's Response To Public Counsel's Motion To Reject Application As Deficient. A copy of the foregoing documents have been hand-delivered or mailed this date to parties of record.

Thank you for your attention to this matter.

Sincerely,


James M. Fischer

/jr
Enclosures

cc: Dana K. Joyce
Martha Hogerty

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

FILED²
JUN 1 2000

Missouri Public
Service Commission

In the Matter of the Application of Kansas City)
Power & Light Company for an Order Authorizing)
The Transfer of Certain Electric Generation Assets)
Used to Provide Electric Service to Customers)
in Missouri and Other Relief Associated with)
Kansas City Power & Light Company's Plan to)
Restructure Itself into a Holding Company,)
Competitive Generation Company, Regulated)
Utility Company, and Unregulated Subsidiary.)

Case No. EM-2000-753

**KANSAS CITY POWER & LIGHT COMPANY'S RESPONSE
TO PUBLIC COUNSEL'S MOTION TO REJECT
APPLICATION AS DEFICIENT**

COMES NOW Kansas City Power & Light Company ("KCPL"), by and through counsel, and pursuant to 4 CSR 240-2.080, respectfully responds to the Motion To Reject Application As Deficient filed by the Office of the Public Counsel ("Public Counsel") and the Staff Response filed by the Commission Staff ("Staff") on May 25, 2000:

1. On May 15, 2000, KCPL filed its Application which requests, *inter alia*, authority to restructure itself into a holding company, competitive generation company, regulated utility company, and an unregulated subsidiary. KCPL proposes that workshops and technical conferences be convened to address, and hopefully resolve, the issues raised by the Application. The Application also proposes a phased process for filing testimony and related exhibits over several months to address these issues. The following are the major components of each filing proposed by KCPL:

Phase I – Organizational Filing

KCPL will file testimony and exhibits regarding the following on August 15, 2000:

- A complete description of the organizational structure of the companies. This description will include all existing major functions currently performed, and describe any additional functions required for operation of the separate businesses. This information will demonstrate that each business has access to the services required to maintain or enhance customer service, reliability and reasonable prices.
- Form of merger agreement between KCPL and HoldingCo's subsidiary to form KCPL Delivery.

Phase II – Accounting Filing

KCPL will file testimony and exhibits regarding the following on October 16, 2000:

- A detailed description of the assets to be allocated to each business, along with the corresponding book value.
- Form of agreement to transfer assets from KCPL Delivery to KCPL Power.
- A functional separation of KCPL's current revenue requirement.
- A description of the accounting system along with a cost allocation manual describing how costs will be directly assigned and allocated to individual businesses.
- Forms of agreement for affiliate transactions, internal affiliate procedures, and any necessary requests for waivers or determinations under affiliate transaction regulations.

Phase III – Financial Filing

KCPL will file testimony and exhibits regarding the following on December 18, 2000:

- Market analysis defining the relevant market and assessing, among other items, 1) transmission capacity, 2) current and proposed generation, and 3) sales and market prices.
- A proposed bidding process and timeframe for KCPL Delivery to use in procuring energy and capacity for retail load on a competitive basis.
- A proposed form of Power Supply Agreement between KCPL Power and KCPL Delivery.
- An evaluation of generation asset valuation and the effects it may have, if any, on the Power Supply Agreement.
- Whether there is a need to review and address the provision and pricing of transmission and ancillary services.
- A proposed mechanism designed to provide a strong incentive for KCPL Delivery to acquire the most reliable and economical capacity and energy available.
- The expected capitalization for each company and estimated transaction and implementation costs, including refinancing costs. Plans describing the refinancing process necessary to implement the restructuring.

- An assessment of any tax implications associated with the restructuring.
- To the extent possible, a financial analysis quantifying customer benefits associated with the restructuring.

Phase IV – Retail Filing

KCPL will file testimony and exhibits regarding the following on March 19, 2001:

- A proposed mechanism designed to provide a strong incentive for KCPL Delivery to manage distribution services in the most reliable and economical manner reasonably possible.
- Any necessary changes to KCPL's current tariffs.
- Any Code of Conduct provisions related to KCPL's restructuring as an exempt holding company.
- An assessment of the implications of the Company's restructuring for retail competition in Missouri.

2. In order to discuss the proposed procedures with the Commission Staff, Office of the Public Counsel, and Intervenors in the proceeding, KCPL requested that the Commission immediately schedule an Early Prehearing Conference as soon as possible following the expiration of the intervention deadline. The Early Prehearing Conference will permit KCPL and all parties to discuss a procedural schedule and the related procedures that will be used in this case.

3. On May 25, 2000, Public Counsel filed its Motion To Reject Application as Deficient. Public Counsel objected to the Application since there are some exhibits that will be late-filed following the proposed workshops and technical conferences. In addition, Public Counsel opposes KCPL's request for a waiver of the filing requirements associated with applications for a certificate of convenience and necessity (4 CSR 240-2.060(4)(A)-(E)) and applications for a change of electrical supplier (4 CSR 240-2.060(15)). Apparently, Public Counsel does not believe that KCPL's proposal to restructure itself into a holding company, competitive generation company, regulated utility company, and an unregulated subsidiary is

sufficiently definite for Public Counsel to adequately respond. KCPL believes that Public Counsel's concerns are misplaced.

4. On May 25, 2000, the Commission Staff also filed its Staff Response to KCPL's Application and requested that the Commission set an Early Prehearing Conference for a time following the intervention period and require the parties to file their responses to the Company's Application within fourteen days following the Early Prehearing Conference. Staff also noted that the filing of KCPL's Application may set in motion "a process of considerable intensity and complexity." (Staff Response, p. 2) Therefore, the Staff requested that the Commission refrain from taking substantive or procedural action regarding KCPL's Application until after the parties have an opportunity to attend the Early Prehearing Conference and otherwise respond to KCPL's Application.

5. KCPL generally supports Staff's approach to this matter. At the Early Prehearing Conference, KCPL will discuss in more detail with the Staff, Public Counsel and Intervenor the proposed procedures for resolving the complex issues that may be raised by the Company's Application. In particular, KCPL intends to discuss its proposal to use collaborative procedures, including the filing of testimony in phases, conducting workshops and technical conferences, resolving issues by stipulation and agreement, and evidentiary hearings, if necessary. Given the complexity of the process of restructuring an electrical corporation, as requested by KCPL, KCPL believes that this collaborative process is much more likely to be productive in resolving the complex and inter-related issues than the traditional adversarial approach where the Company files its proposal and its entire direct case before there is an opportunity to discuss the issues with the Staff, Public Counsel and Intervenor. KCPL believes a more cooperative, collaborative, and phased approach is more likely to result in agreements among all the

interested stakeholders that will significantly narrow the issues that must be ultimately resolved by the Commission.

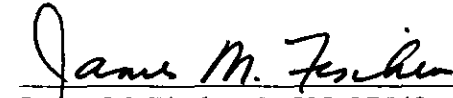
6. KCPL would also note that there would not be workshops and technical conferences in each phase of the proceeding until after KCPL has filed its testimony and exhibits regarding the issues in each phase. For example, KCPL will initially file its testimony and exhibits related to the Phase I—Organization Filing on August 15, 2000. Public Counsel will have the opportunity to review the testimony and exhibits regarding KCPL's organizational issues prior to attending the workshops or technical conferences. Hopefully, this process will give the Public Counsel the specificity that it desires to respond to the Company's proposal. After issues in Phase I are addressed, the parties will proceed to address issues related to the Phase II—Accounting Filing. KCPL proposes to file its testimony and exhibits related to these accounting issues on October 16, 2000. The remaining phases will be addressed in a similar manner.

7. With regard to the late-filing of exhibits attached to the Application, KCPL would note that it is not uncommon for the Commission to accept the late-filing of exhibits after the Application has been filed. Unlike in a traditional merger transaction in which there has been an "arms-length" negotiation between independent parties that has resulted in a Proposed Plan and Agreement of Corporate Merger and Consolidation, no such negotiation has occurred herein, and no such documents presently exist. Balance sheets and pro forma income statements can be developed only after the organizational, accounting, and financial issues have been addressed. By utilizing the phased approach proposed by KCPL, there will be an opportunity to develop the necessary agreements and supporting exhibits as the process is completed. KCPL does not understand why Public Counsel believes that every such document needs to be developed before Public Counsel is willing to discuss the issues with the Company,

Staff, and Intervenors. In addition, although KCPL has attempted to comply with the Commission's rules, to the greatest extent practicable, KCPL also believes that the Commission's rules were not necessarily designed to address a comprehensive restructuring of an electrical corporation, as proposed by KCPL herein. For example, while there may be technically a different legal entity that will be the distribution company, there will not be a "change of supplier" in the traditional sense contemplated by 4 CSR 240-2.060(15). Similarly, while a different legal entity will serve KCPL's existing service territory, the requirements of 4 CSR 240-2.060(4)(A)-(E) regarding the obtaining of a new certificate of convenience and necessity (i.e. feasibility study, descriptions of locations of transmission lines, governmental franchises, etc.) do not seem to be helpful or relevant to the Company's restructuring proposal. For this reason, KCPL has requested that these technical requirements contained in the rules be waived.

WHEREFORE, for the reasons stated herein, Kansas City Power & Light Company respectfully requests that the Commission deny Public Counsel's Motion to Reject Application as Deficient, and proceed to schedule an Early Prehearing Conference as requested by KCPL and the Commission Staff.

Respectfully submitted,



James M. Fischer, MBN 27543
Fischer & Dority, P.C.
101 West McCarty, Suite 215
Jefferson City, Missouri 65101
Telephone: (573) 636-6758
Facsimile: (573) 636-0383
E-mail: jfischerpc@aol.com

And

William G. Riggins, MBN 42501
General Counsel
Deborah R. Swank MBN 40762
Staff Attorney
Kansas City Power & Light Company
1201 Walnut, 20th Floor
P. O. Box 418679
Kansas City, Missouri 64141-9679
Telephone: (816) 556-2645
Facsimile: (816) 556-2787
E-mail: wgr5424@kcpl.com

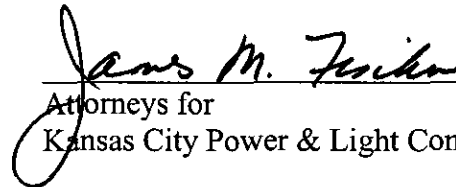
**ATTORNEYS FOR
KANSAS CITY POWER & LIGHT COMPANY**

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was mailed, via U. S. Mail, postage prepaid, or hand-delivered to the following counsel of record on this 1st day of June, 2000:

Dana Joyce
General Counsel
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

Martha Hogerty
Public Counsel
Office of the Public Counsel
P. O. Box 7800
Jefferson City, Missouri 65102-0250


Attorneys for
Kansas City Power & Light Company