

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

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| In the Matter of the Application of Kansas |) | |
| City Power & Light Company for Approval |) | |
| to Make Certain Changes in its Charges |) | Case No. ER-2006-0314 |
| for Electric Service to Begin the |) | |
| Implementation of its Regulatory Plan |) | |

**MISSOURI DEPARTMENT OF NATURAL RESOURCES' PRE-HEARING
BRIEF**

COMES NOW the Missouri Department of Natural Resources and submits its pre-hearing brief. The MDNR has organized its pre-hearing brief according to the List of Issues filed by Staff on behalf of the parties.

Revenue Requirement:

Property Taxes:

Should property taxes be adjusted to reflect changes in tax jurisdiction assessment values, levy rates, in plant additions, and other factors during the test period, including both the update period and true-up period?

The MDNR does not have a position and did not submit testimony on this issue.

Pensions:

How should the expense and contributions relating to pension benefits for (1) Joint Partners and (2) the Supplemental Executive Retirement Plan (SERP) be accounted for in the tracking of the regulatory asset required by the Stipulation and Agreement in Case No. EO-2005-0329?

The MDNR does not have a position and did not submit testimony on this issue.

Should FAS 88 pension expenses be treated consistently with the KCPL application in this proceeding and its application for an AAO in Case No. EU-2006-0560?

The MDNR does not have a position and did not submit testimony on this issue.

Hawthorn 5:

Should the insurance recoveries and lawsuit settlements related to the Hawthorn 5 explosion in 1999 have been accounted for differently?

The MDNR does not have a position and did not submit testimony on this issue.

Is the AFUDC amount overstated as a result of the way that KCPL accounted for the insurance recoveries and lawsuit settlements related to the Hawthorn 5 explosion?

The MDNR does not have a position and did not submit testimony on this issue.

Is the gross plant value of Hawthorn 5 overstated as a result of the way that KCPL accounted for the insurance recoveries and lawsuit settlements related to the Hawthorn 5 explosion?

The MDNR does not have a position and did not submit testimony on this issue.

Should an adjustment be made to KCPL's books and records regarding the amount of AFUDC to fund the Hawthorn 5 reconstruction?

The MDNR does not have a position and did not submit testimony on this issue.

Ice Storm Costs:

What amount of the amortization of the costs associated with the 2002 ice storm should be included in rates?

The MDNR does not have a position and did not submit testimony on this issue.

EEI Dues:

What amount of EEI dues should be included in rates?

The MDNR does not have a position and did not submit testimony on this issue.

Severance Costs:

What amount, if any, of severance costs should be included in rates?

The MDNR does not have a position and did not submit testimony on this issue.

Fuel & Purchased Power Expense:

What is the appropriate level of on-system fuel and purchased power expense that KCPL should be allowed to recover in its rates?

The MDNR does not have a position and did not submit testimony on this issue.

What level of natural gas fuel price should be used in the production costs modeling that is used, along with appropriate fuel adders, to quantify the level of on-system fuel and purchased power expense that KCPL should be allowed to recover in its rates?

The MDNR does not have a position and did not submit testimony on this issue.

Surface Transportation Board Litigation:

Should the deferred expenses associated with the Surface Transportation Board rail rate complaint case that were incurred through June 30, 2006, be included in rate base?

The MDNR does not have a position and did not submit testimony on this issue.

SO2 Premiums:

How should SO2 premiums related to lower-sulfur coal be recorded for book and ratemaking purposes?

The MDNR does not have a position and did not submit testimony on this issue.

What parameters does the Commission-approved Stipulation & Agreement in Case No. EO-2005-0329 impose on the treatment of SO2 premiums in this case?

The MDNR does not have a position and did not submit testimony on this issue.

Injuries and Damages:

What is the appropriate amount of injuries and damages expense to include in rates?

The MDNR does not have a position and did not submit testimony on this issue.

Rate Case Expense:

What amount of rate case expenses should be included in rates?

The MDNR does not have a position and did not submit testimony on this issue.

Should rate case expense be normalized or deferred and amortized? If the latter, then what is the appropriate amortization period for the deferred rate case expense?

The MDNR does not have a position and did not submit testimony on this issue.

Should the costs deferred for future amortization be included in rate base?

The MDNR does not have a position and did not submit testimony on this issue.

Corporate Projects and Strategic Initiatives:

Should the costs of the LED-LDI and CORPDP-KCPL projects, which are being deferred and amortized over 5 years, be included in rate base?

The MDNR does not have a position and did not submit testimony on this issue.

Bad Debts:

Should the bad debt percentage be applied to reflect the total revenues, including any rate increase in Missouri jurisdictional retail revenues awarded in this proceeding?

The MDNR does not have a position and did not submit testimony on this issue.

Payroll, Including A&G Salaries:

How should annualized payroll costs of Great Plains Energy Services (GPES) employees be allocated to KCPL?

The MDNR does not have a position and did not submit testimony on this issue.

What is the proper method to be used in determining the allocation or assignment of A&G salaries to be capitalized or expenses?

The MDNR does not have a position and did not submit testimony on this issue.

Other Benefits:

What amount of other benefits should be included in rates?

The MDNR does not have a position and did not submit testimony on this issue.

Maintenance Expense:

Should an adjustment be made to normalize test year maintenance for production and distribution expenses? If so, how?

The MDNR does not have a position and did not submit testimony on this issue.

Incentive Compensation:

What amount, if any, of incentive compensation should be included in rates?

The MDNR does not have a position and did not submit testimony on this issue.

Decommissioning Expense:

Should decommissioning expense be reduced to reflect the amount of annual accruals expected under a 60-year license?

The MDNR does not have a position and did not submit testimony on this issue.

True-Up:

What elements of Cost of Service and Rate Base should be updated in the September True Up?

The MDNR does not have a position and did not submit testimony on this issue.

Regulatory Plan Additional Amortizations:

What amount of Regulatory Plan additional amortizations should be allowed to maintain KCPL's credit rating? Should a "gross up" for taxes be added to this amount? If so, what amount is appropriate?

The MDNR does not have a position and did not submit testimony on this issue.

What risk factor should be used in calculating the Regulatory Plan additional amortizations for off-balance sheet purchased power agreements?

The MDNR does not have a position and did not submit testimony on this issue.

Over what period of time should the Regulatory Plan additional amortizations be treated as an offset to rate base?

The MDNR does not have a position and did not submit testimony on this issue

Should the capital structure be synchronized with the investment in Missouri jurisdictional electric operations? How should that be accomplished?

The MDNR does not have a position and did not submit testimony on this issue.

Should an amount be added to Missouri jurisdictional rate base to reflect additional investments related to Missouri jurisdictional electric operations?

The MDNR does not have a position and did not submit testimony on this issue.

Weather Normalization/Customer Growth:

What methodology should be used to compute Large Power class kWh sales and revenues?

The MDNR does not have a position and did not submit testimony on this issue.

Jurisdictional Allocations:

What is the appropriate allocation factor to use for allocating generation and transmission costs among jurisdictions?

The MDNR does not have a position and did not submit testimony on this issue.

How should A&G expenses be allocated to the Missouri retail, Kansas retail and FERC wholesale jurisdictions?

The MDNR does not have a position and did not submit testimony on this issue.

Off-system Sales:

What level of off-system sales margin should be included in determining KCPL's cost of service?

The MDNR does not have a position and did not submit testimony on this issue.

How should the off-system sales margin be allocated to the Missouri retail, Kansas retail and FERC wholesale jurisdictions?

The MDNR does not have a position and did not submit testimony on this issue.

What parameters does the Commission-approved Stipulation & Agreement in Case No. EO-2005-0329 impose on the treatment of off-system sales revenue in this case?

The MDNR does not have a position and did not submit testimony on this issue.

Should KCPL's customers receive the benefit of all margins of off-system sales or should it be shared between customers and shareholders? Should a mechanism be adopted to ensure that the benefit is received by the appropriate party of parties? If so, what mechanism?

The MDNR does not have a position and did not submit testimony on this issue.

Depreciation:

What are the appropriate depreciation rates to be used in establishing rates in this proceeding?

The MDNR does not have a position and did not submit testimony on this issue.

Cost of Capital:

What is the appropriate capital structure?

The MDNR does not have a position and did not submit testimony on this issue.

What is the appropriate return on common equity (ROE)?

The MDNR does not have a position and did not submit testimony on this issue.

Should ROE be adjusted either upwards or downwards to reflect increased or decreased risk or company performance? If so, what adjustment should be made?

The MDNR does not have a position and did not submit testimony on this issue.

Class Cost-of-Service and Rate Design:

Class Cost-of-Service:

On what basis should distribution costs be allocated to classes? Should the allocation of primary distribution costs include any customer-related component? What type of demand should be used to allocate the cost of distribution substations and distribution lines?

The MDNR does not have a position and did not submit testimony on this issue.

On what basis should production capacity and transmission costs be allocated to classes?

The MDNR does not have a position and did not submit testimony on this issue.

What is the appropriate method to use for allocating margins on off-system sales among Missouri retail customer classes? (MIEC)

The MDNR does not have a position and did not submit testimony on this issue.

Do KCP&L's computation of coincident peak demands and class peak demands properly recognize line losses?

The MDNR does not have a position and did not submit testimony on this issue.

To what extent, if any, are current rates for each customer class generating revenues that are greater or less than the cost of service for that customer class?

The MDNR does not have a position and did not submit testimony on this issue.

What is the appropriate basis for allocating Administrative and General Expense Account Numbers 920, 922, 923, 930.2, and 931 among Missouri retail customer classes?

The MDNR does not have a position and did not submit testimony on this issue.

Should revenue adjustments among classes be implemented in order to better align class revenues to class cost-of-service? If so, what percentage increase or decrease should be assigned to each customer class?

The MDNR does not have a position and did not submit testimony on this issue.

Should class revenue adjustments be implemented even if no increase or decrease in revenue requirement is granted?

The MDNR does not have a position and did not submit testimony on this issue.

Should revenue adjustments be phased-in over multiple years?

The MDNR does not have a position and did not submit testimony on this issue.

Should revenue adjustments among the non-residential classes be applied uniformly or non-uniformly?

The MDNR does not have a position and did not submit testimony on this issue.

How should any increase in the revenue requirement be implemented?

The MDNR does not have a position and did not submit testimony on this issue.

Rate Design:

Should a comprehensive analysis of KCPL's class cost-of-service issues and rate design be conducted after the conclusion of the regulatory plan and the in-service date of Iatan 2? Should the cost-basis of general service all-electric rates be included in this analysis?

The MDNR does not have a position and did not submit testimony on this issue.

Should KCPL's proposed changes to the General Service customer charge be implemented?

The MDNR does not have a position and did not submit testimony on this issue.

Availability of General Service Space-Heating Rate Discounts:

In this case, should the qualification provision of the existing general service all-electric rate schedules be expanded as proposed by KCPL, and the all-electric winter energy rate increased an additional 5%, to make rate discounts available to existing and future customers who are not all-electric customers?

The MDNR does not have a position and did not submit testimony on this issue.

Should the existing general service all-electric rate schedules and the separately metered space heating provisions of KCPL's standard general service tariffs be (1) eliminated; or (2) restricted to existing customers only until there is a comprehensive class cost of service study and/or cost-effectiveness study which analyzes and supports such tariffs and provisions as well as KCPL's Affordability, Energy Efficiency and Demand Response programs?

The MDNR does not have a position and did not submit testimony on this issue.

Customer Programs:

Weatherization Program:

Should the weatherization program be modified so that KCPL's Call Center will refer customers to the program?

The MDNR believes and has submitted testimony in support of the modification. Having the Call Center refer customers to the program is an efficient use of KCPL resources and would promote savings both for the company and its customers. Should LIHEAP recipients be directed to the weatherization program and be required to participate in it?

The MDNR believes and has submitted testimony supporting the idea of directing LIHEAP recipients to the weatherization programs and requiring them to participate in it if the services are available and offered. While the LIHEAP provides immediate assistance to low-income Missouri residents, the weatherization program will have a longer term impact both in terms of energy efficiency and helping the LIHEAP recipients meet future energy needs and pay future energy bills. Should KCPL participate in an “Energy Conservation Program” that will provide consultation, weatherization materials and installation? If so, should the cost of the program to be underwritten by KCPL and charged to the customer?

The MDNR objects to the inclusion of this issue and asserts that its is not properly before the Commission in this case. Mr. Dias has not filed any testimony in this case. Consequently there is nothing before the Commission explaining Mr. Dias’ proposed issue, or providing other parties with the necessary details to assess Mr. Dias’ proposals. Further, the MDNR implements the low-income weatherization program in Missouri. As part of that, MDNR contracts with local agencies to provide those services. The MDNR program and those of the local agencies, including the city of Kansas City’s program,

follow federal guidelines imposed by the federal government in exchange for receiving federal assistance for the programs. Nothing in what Mr. Dias has provided suggests the program he supports will follow those guidelines and in fact suggests the opposite.

Without competent and substantial evidence to support and explain the “Energy Conservation Program” proposed by Mr. Dias, this Commission should not approve it.

WHEREFORE, the MDNR submits its pre-hearing brief.

Respectfully submitted,

JEREMIAH W. (JAY) NIXON

/s/ Shelley A. Woods
SHELLEY A. WOODS
Assistant Attorney General
MBE #33525
P. O. Box 899
Jefferson City, MO 65102
Telephone (573) 751-8795
TELEFAX No. (573) 751-8464
shelley.woods@ago.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was mailed, postage pre-paid via US Mail, on this 12th day of October, 2006, to:

General Counsel’s Office
P.O. Box 360
200 Madison Street, Suite 800
Jefferson City, MO 65102

Lewis R. Mills, Jr.
P.O. Box 2230
200 Madison Street, Suite 650
Jefferson City, MO 65102

John Coffman
AARP
871 Tuxedo Boulevard
St. Louis, MO 63119

Mark Comley
City of Kansas City, Missouri
601 Monroe Street, Suite 301
P.O. Box 537
Jefferson City, MO 65102-0537

Dean Cooper
The Empire District Electric Company
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102

Jane Williams
James Richard Waers
IBEW Local Union 412, 1464, & 1613
753 State Avenue, Suite 475
Kansas City, KS 66101

Larry Dority
James Fischer
Kansas City Power & Light Company
101 Madison, Suite 400
Jefferson City, MO 65101

Edward Downey
Wal-Mart Stores East, LP
221 Bolivar Street, Suite 101
Jefferson City, MO 65101

Stu Conrad
Praxair, Inc.
3100 Broadway, Suite 1209
Kansas City, MO 64111

Diana Carter
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102

Jeremiah Finnegan
County of Jackson, Missouri
1209 Penntower Office Center
3100 Broadway
Kansas City, MO 64111

Diana Vuylsteke
Bryan Cave
211 North Broadway
St. Louis, MO 63102

Curtis Blanc
William Riggins
Kansas City Power & Light Company
1201 Walnut
Kansas City, MO 64141

Staci Schorgl
Robert Thompson
Wal-Mart Stores East, LP
3500 One Kansas City Place
1200 Main Street
Kansas City, MO 64105

Grace Wung
Gregory Lawrence
28 State Street
Boston, MA 02109-1775

Charles Stewart
Jeffrey Keevil
Trigen-Kansas City Energy Corporation
4603 John Garry Drive, Suite 11
Columbia, MO 65203

Paul Phillips
USDOE NNSA Kansas City Plant
1000 Independence Avenue S.W.
Washington, DC 20585

W. Bill Dias
8358 Drury Circle
Kansas City, MO 64132

Stephanie Bogart
US Department of Energy NNSA
Kansas City Plant
P.O. Box 410202
Kansas City, MO 64141-0202

Karl Zobrist
Kansas City Power & Light Company
4520 Main Street, Suite 1100
Kansas City, MO 64111

David Woodsmall
Praxair, Inc.
428 E. Capitol Ave., Suite 300
Jefferson City, MO 65102

/s/ Shelley A. Woods
SHELLEY A. WOODS
Assistant Attorney General