

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

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

Case No. ER-2006-0314

**STAFF'S STATUS REPORT**

**COMES NOW** the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and for its Status Report in the above-styled proceeding, respectfully states as follows:

1. On November 1, 2006, the Commission issued an order directing the Staff to file, no later than November 8, 2006, either stipulations in settlement of various issues or "a status report that lists what issues have settled among what parties, and that indicates when the Commission can expect filed stipulations."

2. At the present time, the Staff anticipates that three issue categories will be settled among various parties; *i.e.*, a) Class Cost-Of-Service And Rate Design Issues, b) Pensions, and c) Regulatory Plan Additional Amortizations. These are discussed below.

**CLASS COST OF SERVICE AND RATE DESIGN ISSUES:**

3. The following issues listed in the October 6, 2006 List Of Issues filing have settled:

**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?

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

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

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

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?

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?

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?

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

Should revenue adjustments be phased-in over multiple years?

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

How should any increase in the revenue requirement be implemented?

**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?

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

4. The agreement resolving class cost-of-service and rate design issues includes all issues in that category except those issues listed under the subheading, "Availability of General Service Space-Heating Rate Discounts" in the aforementioned List Of Issues. This agreement,

which will be filed on November 9, 2006, will be joined by Kansas City Power & Light Company (“KCPL”), the Staff, the Office of the Public Counsel, Praxair, Inc., the US Department of Energy Kansas City, Wal-Mart Stores East, LP, and Ford Motor Company and Missouri Industrial Energy Consumers.

**PENSIONS:**

5. An agreement on pensions is currently being drafted to resolve the following issues appearing in the October 6, 2006 List Of Issues:

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?

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?

6. The Staff anticipates that, at a minimum, KCPL and the Staff will be signatories to an agreement on pensions, and is hopeful that Public Counsel will join. The Staff expects that the agreement will be filed no later than November 14, 2006.

**REGULATORY PLAN ADDITIONAL AMORTIZATIONS:**

7. The one issue that is certain to remain to be decided is: Should a 50% or 10% risk factor be used to calculate the debt equivalent value for off-balance sheet obligations for purchased power contracts in determining the level of KCPL’s Regulatory Plan Additional Amortizations?

8. In addition to the gross-up for taxes issue, other additional amortizations issues have been resolved. It is believed that agreement has been reached on certain language that may cause one other party to join in the Stipulation And Agreement that did not join in the Nonunanimous Stipulation And Agreement in the other pending case involving Regulatory Plan

Amortizations, Case No. ER-2006-0315, the rate increase case of The Empire District Electric Company. However, based upon discussions between the Staff and KCPL resulting from the true-up filings on November 7, 2006, the Staff believes that not all issues thought resolved may be resolved. The Staff will further advise the Commission as soon as it knows more.

9. In order for the parties to provide the Commission with the actual additional amortizations amount, the Commission will need to provide the parties scenarios or some other indication as to how the Commission is deciding the other issues in the case. The actual additional amortizations amount is calculated as a result of the revenue requirement effect of the other decisions made by the Commission respecting each contested issue in the case.

10. The Staff anticipates that an agreement concerning the additional amortizations issues that have been resolved will be filed by November 17, 2006.

**WHEREFORE**, the Staff respectfully submits its Status Report concerning anticipated agreements in the above-styled proceeding.

Respectfully submitted,

/s/ Dennis L. Frey

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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 8<sup>th</sup> day of November 2006.

/s/ Dennis L. Frey