

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

**In the Matter of the Application of Kansas)
City Power & Light Company for Approval) Docket No.: _____
to Make Certain Changes in its Charges for)
Electric Service to Begin the)
Implementation of Its Regulatory Plan.)**

APPLICATION

Kansas City Power & Light Company (“KCPL” or “Company”) files this Application with the State Corporation Commission of the State of Kansas (“Commission” or “KCC”) for the purpose of making changes to KCPL’s charges for electric service in accordance with K.S.A. 66-117 and K.A.R. 82-1-231. KCPL respectfully requests that the proposed rate changes become effective in accordance with the statute and regulation, and in support of such request, KCPL states the following:

1. KCPL is a vertically integrated electric public utility company under the jurisdiction of the Commission, that is engaged in the production, transmission, delivery and furnishing of power within the meaning of K.S.A. 66-104, in legally designated areas of Kansas. KCPL holds a certificate of convenience and authority issued by the Commission, authorizing KCPL to engage in such utility business. KCPL has previously filed with the Commission certified copies of its Articles of Incorporation under which it was organized and Certificate of Registration as a Foreign Corporation authorized to do business in Kansas, and all amendments thereto and restatements thereof, and the same are incorporated herein by reference.

2. With this Application, KCPL hopes to continue the collaborative process and take constructive steps toward fulfillment of the obligations and commitments that were made by

KCPL in Docket No. 04-KCPE-1025-GIE (the "1025 Docket") which recently culminated in the approval of a Stipulation and Agreement (the "Stipulation") by the Commission.

3. In the 1025 Docket, the Commission, KCPL and various other interested parties conducted an extensive investigation into the supply, delivery and pricing of electric service to be provided by KCPL into the future. The 1025 Docket resulted in a commitment by KCPL to make substantial investments in its electric infrastructure over the next five years, which will cost over \$1.3 billion, and which will enable KCPL to meet the projected future energy demands of KCPL's customers in an environmentally responsible manner, including the addition of wind-powered generation, the installation of pollution control equipment at existing power plants, the institution of programs designed to help conserve energy consumption (demand response and energy efficiency) and the construction of a new coal-fired power plant, all as contemplated in the resource plan (the "Resource Plan") that was attached as Appendix A to the Stipulation which was approved by the Commission in the 1025 Docket.¹

4. In accordance with the Stipulation that was approved in the 1025 Docket, KCPL committed to file this rate Application no later than February 1, 2006. The filing of this Application also complies with the Commission's Order in Docket No. 02-KCPE-840-RTS requiring KCPL to file a rate case on or before May 1, 2006.

5. KCPL agrees to extend the deadline for the Commission to enter a final order on this Application until December 10, 2006, in accordance with K.S.A. 66-117(c)(3) and with the

¹ The 1025 Docket was originally commenced on May 20, 2004, and it involved workshops, discovery, studies, modeling and discussions concerning historical peak loads, forecasted growth, various supply options, reliability issues, costs and financing, and other related topics. The process was complex and involved numerous interactions between KCPL and many organizations in Kansas and Missouri responsible for protecting utility ratepayers, the environment and the public interest. These organizations include the Citizens Utility Ratepayer Board ("CURB"), the Missouri Public Service Commission ("MPSC"), the Kansas Department of Health and Environment ("KDHE"), the Missouri Department of Natural Resources ("MDNR"), the Environmental Protection Agency ("EPA"), the United States Army Corps of Engineers ("COE") and the Mid-America Regional Council ("MARC"), among others.

Stipulation in the 1025 Docket. This Application will include new investment in plant that is anticipated to be in service by December 31, 2006, consistent with such extended deadline, as contemplated in the Stipulation.

6. This rate Application is the first in a series of rate applications that are contemplated in the Rate Plan (Appendix C of the Stipulation), in conjunction with KCPL's implementation of the Resource Plan.² Under the Rate Plan, KCPL will file as many as three, and at least one, additional rate Applications over the next four years, as described in Appendix C of the Stipulation.

7. Because the Resource Plan involves major capital expenditures by KCPL during an intensive period of construction over the next five years, the Rate Plan was structured to incrementally address the rate treatment for such additions and improvements. This initial rate Application pursuant to the Rate Plan will also reflect KCPL's investment in plant and equipment since the last time KCPL's rate base was adjusted.

8. The incremental series of rate cases will also ameliorate the inherent strain that is typically placed on bond ratings of utilities that undertake major capital outlays, such as those required by the Resource Plan. By taking appropriate steps to protect and maintain the investment grade rating of such bonds, which KCPL has worked diligently to establish, the Rate Plan attempts to preserve a lower cost of debt, which will thereby decrease the overall cost of service and result in lower customer rates than would otherwise occur over the useful life of the newly constructed improvements.

² The Stipulation refers collectively to the "Regulatory Plan" that is comprised of a Resource Plan set forth in Appendix A, the Demand Response, Efficiency and Affordability Programs set forth in Appendix B and the Rate Plan set forth in Appendix C. References to the "Regulatory Plan" within this Application shall have the same meaning.

9. KCPL and its customers have benefited greatly from prudent management practices that have avoided many of the difficulties experienced by other regulated energy companies during the last decade. Such practices have enabled KCPL to maintain its debt at investment grade level since its last rate adjustment, and even prior to that time, which has significantly benefited customers whose cost of service has included a lower cost of financing KCPL's operations.

10. This accomplishment, however, will become increasingly challenging to maintain as KCPL implements the Regulatory Plan, while at the same time facing the ongoing challenges of volatile energy markets for off-system sales and purchases, higher fuel prices, rising costs of debt, increased coordination of regional transmission facilities, escalating labor and pension costs, as well as many other challenges. This is particularly true in light of the fact that customer rates have not been increased since 1988 and have actually decreased during that same time period.

11. Fortunately, in the 1025 Docket the Commission had the foresight to address many of the emerging issues and challenges affecting the supply, delivery and pricing of KCPL's electric service into the future. During this proceeding, KCPL hopes and intends to continue the collaborative, cooperative process that was promoted by the Commission in the 1025 Docket. KCPL is confident that the Commission and other parties to this docket will conclude that the best way for KCPL to meet the challenges of providing sufficient and efficient electric service in the future is to have rates that are fair and that recognize that KCPL is undertaking responsible steps to implement the Regulatory Plan that was approved in the 1025 Docket.

12. This Application and the attached schedules and testimony filed on behalf of KCPL in this proceeding reflect not only historical data and analyses concerning KCPL's

operations, based on a 2005 calendar test year,³ they also lay the foundation for implementing the Regulatory Plan, in accordance with the 1025 Docket, which requires responsible and complex forward planning.

13. Among the forward-looking features of the proposed tariffs that are being submitted by KCPL in this Application is new investment in plant that is anticipated to be in service by December 31, 2006, as contemplated by the Stipulation that was approved by the Commission in the 1025 Docket.⁴ These new investments in plant are in addition to various investments in generation capacity that have been made by KCPL in recent years, as described in the direct testimony of KCPL witnesses Dana Crawford, Chris Giles and John Grimwade.

14. KCPL's rates were last adjusted in Docket No. 02-KCPE-840-RTS by an Order of the Commission that was issued on May 24, 2002, which resulted in a decrease of \$12.4 million in KCPL's retail jurisdictional rates in Kansas. Since that time, KCPL has undertaken substantial additional investment in rate base. KCPL's costs of operation, maintenance and fuel have also increased. In particular, fuel, transportation and pension costs have increased. These additional investments in plant and expenses have resulted in a revenue deficiency.

15. In 2006, pursuant to the Resources Plan, KCPL is adding 100 MW of wind-powered generation and additional investment in distribution and transmission facilities for automation and asset management.

16. The schedules filed with this Application establish a gross revenue deficiency of \$42,270,000, based upon normalized operating results for the 12 months ending December 31, 2005, adjusted for known and measurable changes in revenues, operating and maintenance

³ KCPL has initially filed test year data with nine (9) month actual and three (3) month budget data updated to reflect known and measurable changes.

expenses, cost of capital and taxes, and other adjustments referred to herein. This represents a rate increase of approximately 10.56% based on test year revenue of approximately \$400 million.

17. KCPL is requesting a minimum return on equity ("ROE") of 11.5% based upon a capital structure of 53.81% equity in this rate Application. The proposed ROE is described in the direct testimony of KCPL witnesses Terry Bassham, Sam Hadaway and Chris Giles.

18. As more fully discussed in the testimony of Mr. Bassham, KCPL requests Commission approval of the following accounting as part of this rate proceeding:

A. Wolf Creek Decommissioning Trust Fund Accrual. It is not evident how the Internal Revenue Service will implement revised Section 468A of the Internal Revenue Code regarding favorable tax treatment of tax-qualified nuclear decommissioning trust funds. As a result, the Company requests that the Commission use the same language in the order in this rate proceeding approving the decommissioning funding level that was required prior to the changes to Section 468A. The required language prior to the changes to Section 468A included a statement in an order of the state commission (1) approving the schedule of decommissioning cost accruals; (2) finding that the decommissioning cost accruals were included in cost of service and were included in rates for ratemaking purposes; and (3) finding that the earnings rate assumed for the trust takes into consideration the tax rate change and the removal of the investment restrictions resulting from the Energy Policy Act of 1992.

B. Pensions. KCPL requests that the Commission reaffirm its approval of the regulatory asset or liability which the Company records for the annual difference in

⁴ The inclusion of such investment is consistent with KCPL's agreement to extend the deadline for a Commission final order on this Application until December 10, 2006, as previously noted.

Statement of Financial Accounting Standards No. 87 (“FAS 87”) pension expense recorded for financial reporting purposes and the amount of FAS 87 pension expense calculated for ratemaking purposes, as addressed in Appendix C.E of the Stipulation. The Stipulation provided no rate base recognition for this regulatory asset or liability. As indicated in the Stipulation, any difference between the two methods is merely a timing difference that will eventually be recovered, or refunded, through rates under the method used in setting rates over the life of the pension plans.

KCPL requests that the Commission reaffirm its approval of the regulatory asset or liability the Company records for the annual difference in FAS 87 pension expense calculated for ratemaking purposes and the level of pension expense built into rates for that period, as addressed in Appendix C.E of the Stipulation which provided rate base recognition for this regulatory asset or liability.

Unlike FAS 87, which allows for the delayed recognition in net periodic pension cost of certain gains and losses, FAS 88 requires immediate recognition of certain gains and losses arising from settlements and curtailments of defined benefit plans. KCPL requests Commission approval to set up a regulatory asset or liability to track the difference in FAS 88 pension expense recorded for financial reporting purposes. The regulatory asset or liability would be applied as of the first day of the calendar year in which the rate and order are issued in this case and would be included in rate base and amortized over five (5) years at the next rate case.

19. The proposed revenues in this Application are just and reasonable, and necessary to assure continuing, adequate, efficient and reliable utility service, and to maintain the financial

integrity of KCPL during the upcoming period of major construction to implement the Regulatory Plan, as approved by the Commission in the 1025 Docket.

20. KCPL has also filed a class cost of service study and proposed rate design to be determined in this proceeding.

21. The testimony of 22 witnesses, and schedules required by K.A.R. 82-1-231, are filed in support of this Application. The names of the witnesses and the subject of each witness' testimony are as follows:

<u>Witness</u>	<u>Subject Matter</u>
William H. Downey	Overview and Policy
Chris B. Giles	Overview and Summary of KCPL's Regulatory Plan and Rate Request
Terry Bassham	Financial
John R. Marshall	Delivery Business Plan Asset Management Plan
F. Dana Crawford	Generation Business Plan In-Service Criteria for Certain Existing Plant Maintenance Normalization
John R. Grimwade	Resource Plan Update on Wind Project, Environmental Upgrades, and Iatan Unit 2 In-Service Criteria for Wind Project, Environmental Upgrades, and Iatan Unit 2
Tim M. Rush	Minimum Filing Requirements Class Cost of Service Study Tariffs Rules and Regulations
Don A. Frerking	Revenue Requirement Schedules Wolf Creek Decommissioning

Lori A. Wright	Accounting Adjustments Pensions
Philip M. Burrignt	Taxes
Wm. Edward Blunk	Fuel Costs Fuel Inventory SO ₂ Emission Allowance Plan
Susan K. Nathan	Affordability, Energy Efficiency and Demand Response Programs Critical Peak Pricing Credit Card and Debit Card Payments
Burton L. Crawford	Prudence of Capital Investments in Plant Fuel Expense Purchased Power
Michael M. Schnitzer	Risk from Off-System Sales
Samuel C. Hadaway	Return on Equity/Capital Structure
Robert J. Camfield	KCPL Performance and Productivity
Michael W. Cline	Financial Modeling Accounts Receivables
Lawrence H. Dolci	Homeland Security
George M. McCollister	Weather Normalization and Customer Annualization
Lois J. Liechti	Class Cost of Service Study Retail Revenues
Christine M. Davidson	Cash Working Capital
Laura Becker	Load Research

22. KCPL has attempted to keep the amount of confidential material in this filing to a minimum. In accordance with K.S.A. 66-1233, certain information relating to homeland security measures has been filed as confidential. Also, certain highly confidential information has been

redacted from the public version of the testimony, schedules and exhibits pursuant to K.S.A. 66-1220a. The confidential information included in this application falls into four broad categories: (a) information concerning KCPL's activities in wholesale power markets; (b) information concerning KCPL's activities in SO₂ emission allowance markets; (c) highly sensitive financial information; and (d) highly sensitive, forward-looking information concerning KCPL's strategic plans. The public disclosure of such information would adversely impact the financial interests of KCPL. KCPL is filing a Motion For Protective Order simultaneously with the filing of this Application.

WHEREFORE, KCPL respectfully requests that the Commission approve the proposed rate schedules and tariffs for electric service, order that they become effective as proposed, approve the accounting requested herein, and grant such other and further relief as it deems just and reasonable.

Respectfully submitted,



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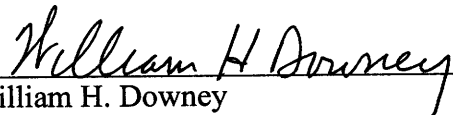
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**ATTORNEYS FOR
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VERIFICATION

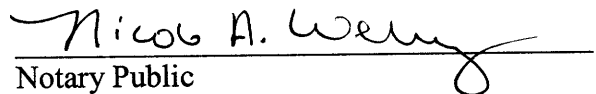
State of Missouri)
) **ss:**
County of Jackson)

William H. Downey, being duly sworn upon his oath deposes and says that he is Chief Executive Officer and President, of Kansas City Power & Light Company; that he is familiar with the foregoing Application; and that the statements therein are true and correct to the best of his knowledge and belief.



William H. Downey
Chief Executive Officer and President
Kansas City Power & Light Company

SUBSCRIBED AND SWORN to before me this 30th day of January 2006.



Notary Public

My Appointment Expires

NICOLE A. WEHRY
Notary Public - Notary Seal
STATE OF MISSOURI
Jackson County
My Commission Expires: Feb. 4, 2007