

KANSAS

CORPORATION COMMISSION

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KCC APPROVES KCP&L'S FIVE YEAR PLAN *Supply, Delivery and Pricing of Electric Service*

TOPEKA, Kansas, August 5, 2005 – The Kansas Corporation Commission (KCC) has issued an order approving a Stipulation and Agreement under which Kansas City Power & Light (KCP&L) commits to invest approximately \$1.2 billion in the construction of a new power generation plant, environmental upgrades to existing generation facilities and energy efficiency programs for consumers. The Agreement was reached through a collaborative process and agreed to by KCP&L, KCC Staff, and interveners, Kansas Hospital Association and Sprint, and submitted to the Commission on April 27, 2005.

Under the Agreement KCP&L will:

- Construct a new 500 MW (megawatt) coal-fired generation plant, Iatan 2, at the existing Iatan generation site located near Weston, Missouri, at a cost of \$734 million, to be completed by June 2010;
- Construct 100 MW of wind power generation, at a cost of \$130 million, to be completed by the end of 2006, with the possibility of adding an additional 100 MW of wind generation in 2008;
- Provide environmental upgrades at its Iatan 1 and LaCygne 1 plants, at a cost of \$271 million, to be completed by the end of 2010;
- Construct additional transmission and distribution facilities at a cost of \$42 million;
- Develop consumer programs targeting demand side management and energy efficiency programs at a cost of \$42.3 million. (Specific programs are subject to the Commission's approval.)

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- File a rate case February 1, 2006, so the KCC can assure rates are currently fair and reasonable. KCP&L may file subsequent rate cases each year during the five year plan. The Agreement specifies that KCP&L also will be allowed an Energy Cost Adjustment on customer bills, a mechanism for the recovery of fuel and purchased power costs. These are costs over which the KCC has no control and on which KCP&L doesn't earn a profit.

In addition to agreements on other accounting issues, the agreement allows KCP&L to collect from its customers "Contributions in Aid of Construction" if approved by the Commission in the rate cases covered by the agreement. This is intended to enable the company to maintain its "investment grade" credit rating during a time of high capital expenditures called for under the plan, thereby reducing the cost of debt necessary to finance the construction. Over the life of the plan this and other related provisions should lower the cost of the improvements to utility ratepayers.

Although the specific dollar impact of the plan is unknown at this time, a rate increase to fund this proposal is estimated to be a total of 15 – 20 %, or around 3 – 4 % annually during the five-year plan period. No rate change can occur without KCP&L filing a request with the Commission. If the filing occurs, notice of the proposed rate adjustment will be provided to KCP&L customers and an opportunity to provide comment will be granted. The Commission maintains complete jurisdictional authority throughout the Agreement period to protect the public interest and assure fair and reasonable rates.

KCP&L initiated these proceedings on May 18, 2004, when it filed an application with the KCC to investigate the future supply, delivery and pricing of the electric service it provides in Kansas.

Release No. 13-2005
Docket No. 04-KCPE-1025-GIE