



June 25, 2009

The Honorable [Member from Kansas/Missouri]
U.S. House of Representatives
Washington, D.C. 20015

Dear Representative:

On behalf of the 3,300 employees of Kansas City Power & Light, we are writing to ask you to **vote against H.R. 2454**, the American Clean Energy Security Act of 2009. As currently drafted, H.R. 2454 could result in **rate increases for our customers in Missouri and Kansas of up to or greater than 50 percent by 2012**. Rather than risk imposing extreme electric rate increases on Missouri and Kansas residents, we advocate further deliberation in order to produce a bill that will result in the same reduction of carbon emissions by 2050, while preserving an adequate amount of time for the utility industry to transition to lower carbon forms of energy.

KCP&L supports national policy changes aimed at the long-term reduction of carbon emissions. In addition, we fully support planning for and moving towards a cleaner and sustainable energy future. As part of our Comprehensive Energy Plan, developed in 2005, we agreed to offset the carbon emissions from our new super-efficient coal-fired power plant. In an agreement that the Sierra Club called, “a groundbreaking agreement that can serve as a model for environmental groups and utilities working together,” we agreed to build 400 megawatts of wind energy and 300 megawatts of energy efficiency by the end of 2012.

H.R. 2454 has many important provisions that are intended to increase the production of cleaner energy and bring about greater energy efficiency. However, we are particularly concerned about certain provisions in Title III that would establish a “cap-and-trade” program to reduce greenhouse gas emissions and will focus our comments in this letter on that area. We believe such a program, because of serious shortcomings in the provisions allocating emissions “allowances,” runs a significantly high risk of imposing unacceptably high electricity costs on our customers. This comes during a time when families are struggling to make ends meet and businesses are laying off workers to cut costs.

Title III would establish annual limits (a “cap”) on the emission of greenhouse gases (GHGs) and this cap would decline over time. Utilities can meet this declining cap by retiring, repowering, replacing or retrofitting existing fossil fuel-fired generating units or changing their business operations. Starting in 2012, utilities like KCP&L



must acquire an emission “allowance” to offset each ton of carbon dioxide produced to make power that cannot be reduced or eliminated through the methods spelled out above.

H.R. 2454 attempts to ameliorate the impact of the cap-and-trade system on electricity rates through a process of allocating allowances to local distribution companies (LDCs) that sell electricity directly to consumers. KCP&L strongly believes the allocation of allowances to LDCs is the best method of mitigating costs to consumers. This will help prevent ratepayers from taking a “double hit” – paying for the cost of a company to convert its generation fleet to low- or zero-emitting technology and paying the cost of the utility to purchase allowances in an auction market.

There are several major flaws in H.R. 2454’s cap-and-trade scheme that will lead to significantly higher electric rates unless corrected:

- The bill does not make a complete allocation of all the allowances the utility industry and KCP&L in particular will need for compliance. We estimate that KCP&L will be short more than 13 million allowances beginning in 2012, representing 52 percent of all the allowances needed under our normal operating conditions. Because of these shortages, KCP&L could be forced to retire a significant number of its coal-fired plants and install a number of gas-fired combined cycle units. We strongly urge that utilities be allocated all the allowances they will need in the early years of the program while new generating technologies are being developed, with a gradual phase-out of the allocation system.
- Another significant concern is with the targets and timetables of the cap-and-trade program. We believe that the overall reduction in GHGs of 83 percent below 2005 levels will require unprecedented action by the utility industry but that goal could be achievable if the path were more gradual. We therefore urge the adoption of lower initial emissions reduction targets and provision of longer compliance periods to meet those targets. Again, this will allow a more orderly transition to new the low- and zero-emitting technologies that will be needed in order to achieve meaningful reductions in GHG emissions.
- Finally, our greatest concern is that H.R. 2454 makes no provision to control the price of emissions allowances and, therefore, to protect electric customers from rate shock. The utility industry urged the adoption of a “price collar” that would include a firm price floor and firm price ceiling. If utility companies must bid on emission allowances in a competitive auction to meet their compliance needs, there is real potential for volatility in the allowance market unless there are safeguards built into the system. We strongly urge the adoption of a cost control mechanism.

We implore you to seek the modifications we suggest to the cap-and-trade provisions to allow a more equitable allocation of allowances and longer compliance periods to meet the emissions cap. Our mutual goal should be a bill that achieves its objectives without imposing enormous costs on our citizens and economy. We fear, however, **that if passed in its present form H.R. 2454 could impose a cruel tax on Missouri and Kansas electric customers that could result in a rate increase of up to or greater than 50 percent in 2012.**

Thank you for considering our concerns. If you have any questions, please feel free to contact us, or our Washington representative, Mike Poling, at (202) 824-4546.

Sincerely,



Mike Chesser
Chairman and CEO



Bill Downey
President and COO

cc: The Honorable Pat Roberts
The Honorable Sam Brownback
The Honorable Kit Bond
The Honorable Claire McCaskill