

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City)	
Power & Light Company for Approval to Make)	<u>Case No. ER-2007-0291</u>
Certain Changes in its Charges for Electric)	Tariff No. YE-2007-0541
Service to Implement Its Regulatory Plan)	

ORDER DIRECTING FILING

Issue Date: November 6, 2007

Effective Date: November 6, 2007

On September 21, 2007, the Staff of the Commission filed its List of Issues, Order of Witnesses and Order of Cross-Examination. Staff stated that it believed the list includes all contested issues and properly identifies them.

Other than converting the sub-issues from that list into separately numbered issues, below is a recitation of the issues list found in Staff's September 21, 2007 pleading:

REVENUE REQUIREMENT

Rate of Return

1. *Return on Common Equity: What return on common equity should be used for determining KCPL's rate of return?*
2. *Is KCPL's decreased risk due to the Kansas City Power & Light Company Experimental Regulatory Plan the Commission approved in Case No. EO-2005-0329 a factor that reduces the return on common equity otherwise appropriate for KCPL?*
3. *Is KCPL's increased risk due to its large construction undertakings a factor that increases the return on common equity otherwise appropriate for KCPL?*

4. *If so, what is the impact of these factors?*
5. *Capital Structure: What capital structure should be used for determining KCPL's rate of return?*

Expense Issues

6. *Hawthorn 5 Subrogation Proceeds: Should subrogation proceeds KCPL received in 2006 concerning the 1999 Hawthorn 5 boiler explosion litigation be included in cost of service for setting KCPL's rates?*
7. *If so, should the five-year amortization period proposed by Staff be adopted?*
8. *Long-term Incentive Compensation: Should the costs of KCPL's and GPE's long-term incentive compensation plans be included in cost of service for setting KCPL's rates?*
9. *Short-term Executive Compensation: Should part of the costs of KCPL's and GPE's short-term executive compensation plans be excluded from cost of service for setting KCPL's rates?*
10. *Talent Assessment Program Employee Severance Cost: Should the severance and other associated costs of KCPL employees terminated under KCPL's talent assessment program be included in cost of service for setting KCPL's rates?*
11. *If so, should the costs be recognized in cost of service using KCPL's proposed deferral and amortization to expense over five years?*
12. *Employee Severance Cost: Should the severance costs of KCPL employees terminated for reasons other than KCPL's talent assessment program be included in cost of service for setting KCPL's rates?*
13. *If so, is it appropriate to include a three-year average of those costs?*

14. Cost of Removal Income Tax: Should the tax timing difference for cost off removal be reflected under normalization accounting or flow-through accounting for pre-1981 vintage property for purposes of determining income tax expense in KCPL's cost of service for this case?
15. If normalization accounting is occurring or adopted, is an amortization required for prior benefits resulting from the use of flow-through accounting subsequent to 1979?
16. If so, what time period should be used for the amortization?
17. Organization Membership Dues: What level of membership dues KCPL paid to organizations should be included in cost of service for setting KCPL's rates?
18. Advertising Costs: What level of KCPL's advertising costs should be included in KCPL's cost of service for setting KCPL's rates?
19. Washington Employee Costs: Should any level of costs associate d with KCPL's Washington, D.C. employee who represents KCPL in federal matters be included in KCPL's cost of service for setting KCPL's rates?
20. If not, what level of costs should be excluded in addition to those currently recorded by that employee as excluded lobbying costs.
21. KCPL Supplemental Executive Retirement Pension (SERP) costs: What level of SERP costs should be included in KCPL's cost of service for setting KCPL's rates?
22. Meal Expenses: What level of local meal expense should be included in KCPL's cost of service for setting KCPL's rates?
23. Off-system sales margin: Should KCPL's rates continue to be set at the 25th percentile of nonfirm off-system sales margin as projected in this case for 2008 as

proposed by KCPL, and accepted by the Staff, or at the 40th percentile as proposed by Public Counsel?

24. *Should interest be calculated and flowed to ratepayers on the offsystem sales margin that exceeds the off-system sales margin level the Commission approved to be recovered in rates in Case No. ER-2006-0314?*

25. *Department of Energy Nuclear Fuel Overcharge Refund:* *Should the Department of Energy Nuclear Fuel Overcharge Refunds for 1986 through 1993 KCPL received during the test year in this case be included in KCPL's cost of service for setting KCPL's rates?*

26. *If so, should the five-year amortization period proposed by Staff be adopted?*

27. *Research and Development Tax Credits:* *Should research and development tax credits related to amended income tax returns for years 2000 to 2004 be deferred and amortized in KCPL's cost of service for setting KCPL's rates, if received in the future?*

28. *If so, at what level?*

29. *Should costs KCPL incurred to obtain the tax credits be included in KCPL's cost of service?*

30. *If so, at what level?*

31. *Bad Debt Expense:* *What bad debt expense factor should be applied to both adjusted and pro-forma revenues to determine the level of bad debt expense to be included in cost of service?*

32. *Wolf Creek Refueling Outage Costs:* *Should the Commission order KCPL to reflect Wolf Creek refueling outage costs under the defer-and-amortize method adopted by KCPL in 2006 in accordance with a new accounting pronouncement or order KCPL to maintain its accounting for regulatory purposes under the prior accrue-in-advance method?*

33. *If the accrue-in-advance method is ordered, what projected cost level should be established for purposes of both the accrual allowed in cost of service and for the tracking mechanism proposed by Staff?*

Rate Base Issues

34. Rate Case Expense: *Should KCPL's rate case expense deferred for future amortization in accordance with the Commission's order in Case No. ER-2006-0314 be included in KCPL's rate base?*

35. Surface Transportation Board Litigation Expenses: *Should KCPL's surface transportation board litigation expenses deferred for future amortization in accordance with the Commission's order in Case No. ER-2006-0314 be included in KCPL's rate base?*

Class Cost Of Service / Rate Design

36. Effect of Case No. EO-2005-0329 Stipulation and Agreement on Inter-class Shifts: *Does the Stipulation and Agreement incorporating the KCPL Experimental Regulatory Plan that the Commission approved in Case No. EO- 2005-0329 allow the signatories to the Stipulation and Agreement to propose inter-class revenue shifts in this case?*

37. *If so, should any inter-class revenue shifts be implemented in this case?*

38. Large Power Service Rate Design: *Does the Stipulation and Agreement incorporating the KCPL Experimental Regulatory Plan that the Commission approved in Case No. EO-2005-0329 allow the signatories to the Stipulation and Agreement to make rate design modifications within the Large Power Service rate schedule?*

39. *If so, what are the appropriate demand and energy charges for the Large Power Service rate schedule?*

40. *General Service All-electric tariffs and general service separately-metered space-heating tariff provisions:* *Should KCPL's general service all-electric tariff rates and separately metered space heating rates be increased more (i.e., by a greater percentage) than KCPL's corresponding standard general application rates and if so, by how much more?*

41. *Should KCPL's general service all-electric tariffs and separately metered space heating rates be phased-out, and if so, over what period?*

42. *Should the availability of KCPL's general service all-electric tariffs and separately-metered space heating rates be restricted to those qualifying customers' commercial and industrial physical locations being served under such all-electric tariffs or separately-metered space heating rates as of the date used for the billing determinants used in this case (or as an alternative, the operation of law date of this case) and should such rates only be available to such customers for so long as they continuously remain on that rate schedule (i.e., the all-electric or separately-metered space heating rate schedule they are on as of such date)?*

43. *Should the Commission require KCPL, as soon as possible but not later than its next rate case, to present complete cost of service and/or cost-effectiveness studies and analyses of KCPL's general service all-electric tariffs and separately-metered space heating rates and, consistent with the findings of such studies and analyses, allow KCPL the opportunity at that time to present its preferred phase-out plan for the remaining*

commercial and industrial customers served under the all-electric tariffs and separately metered space heating rates?

44. *In the event that KCPL does not file such cost of service and/or cost-effectiveness studies before or as part of its next rate case, should the Commission require KCPL to impute the revenues associated with the discounted rates in the all-electric general service tariffs and separately-metered space heating provisions of its tariffs and impute revenues equal to KCPL's cost of administering these discounted rates as part of its next rate case?*

45. *Should the Commission require KCPL to (a) investigate and determine whether the commercial and industrial customers currently served under the general service all-electric tariffs and the separately-metered space heating provisions of the standard general service tariffs continue to meet the eligibility requirements for those discounted rates; (b) remove from the discounted rates those customers which KCPL's investigation determines are no longer eligible for such discounted rates; and (c) monitor and police the eligibility requirements of those customers receiving such discounted rates for reporting in KCPL's direct testimony in its next rate case filing?*

46. *Should the Commission approve KCPL's proposal to rename its general service "All-Electric" tariffs as "Space Heating" tariffs?*

KCPL Experimental Regulatory Plan Additional Amortization

47. *KCPL Experimental Regulatory Plan Additional Amortization:* *What, if any, additional amortization is required by KCPL's Experimental Regulatory Plan approved by the Commission in Case No. EO-2005-0329?*

On October 3, KCPL and Staff filed a Stipulation and Agreement as to Certain Issues. The stipulation stated that KCPL and Staff resolved the following issues: Wolf Creek Refueling Outage Costs, Research and Development Tax Credits, Bad Debt Expense, Cost of Removal Income Tax, Surface Transportation Board Litigation Expenses, Washington Employee Costs, Rate Case Expense, Organization Membership Dues, KCPL Supplemental Executive Retirement Pension (SERP) costs, and Meal Expenses. Those issues are numbered 14-17, 19-22 and 27-35 in this orders' List of Issues.¹

The Commission allowed parties until noon, October 9, to object to the stipulation. No party objected. Thus, the Commission will treat the stipulation as if it were unanimous, and will rule upon the stipulation in the Report and Order.

If the parties believe the Commission should rule upon any other issue other than the ones listed above, or that the stated issues contain any implied issues, sub-issues, or prerequisite questions, they shall state that issue or question with as much specificity as possible in a separate pleading no later than November 15, 2007.

IT IS ORDERED THAT:

1. No later than November 15, 2007, any party who wishes to further delineate the issues listed in Staff's List of Issues shall file a pleading explaining what other issues the Commission should decide, and explaining why the Commission should decide those issues.

¹ Also, per KCPL's initial post-hearing brief, Issue 18, Advertising Expense, is not part of the above-mentioned stipulation, but is no longer a contested issue.

2. This order shall become effective on November 6, 2007.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', is positioned above the printed name.

Colleen M. Dale
Secretary

(S E A L)

Ronald D. Pridgin, Senior Regulatory Law
Judge, by delegation of authority pursuant to
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 6th day of November, 2007.