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

Missouri Public  
Service Commission

In the Matter of a Proposed Experimental Regulatory ) Case No. EO-2005- 0329  
Plan of Kansas City Power & Light Company )

**STIPULATION AND AGREEMENT**

As a result of discussions among the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel"), Missouri Department of Natural Resources ("MDNR"), Praxair, Inc. ("Praxair"), Missouri Industrial Energy Consumers ("MIEC"), Ford Motor Company ("Ford"), Aquila, Inc., d/b/a Aquila Networks, Aquila Networks-MPS and Aquila Networks-L&P, ("Aquila"), The Empire District Electric Company ("Empire"), Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), Jackson County, Missouri ("Jackson County"), City of Kansas City, Missouri ("Kansas City") and Kansas City Power & Light Company ("KCPL") (collectively "Signatory Parties"), the Signatory Parties hereby submit to the Missouri Public Service Commission ("Commission") for its consideration and approval this Stipulation and Agreement ("Agreement"). The Signatory Parties state as follows:

**I. KANSAS CITY POWER & LIGHT COMPANY'S APPLICATION**

KCPL is an electric corporation under the jurisdiction of the Commission. On May 6, 2004, KCPL filed an Application in Case No. EO-2004-0577 requesting that the Commission open a docket to investigate emerging issues expected to affect the supply, delivery and pricing of the electric service provided by KCPL in the future. The issues discussed by KCPL, Staff, Public Counsel and other participants in Case No. EW-2004-0596 included the following:

CO Exhibit No. 43  
Case No(s). EO-2007-0291  
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Agreement, Case No. EO-94-199, 5 Mo.P.S.C.3d 76 (1996) on a state specific basis, by vintage year so that Missouri customers will receive recognition, of the amortization funds they have provided, in the determination of rate base for the Missouri jurisdiction, in future rate proceedings.

KCPL shall record additional amortization expense in the amount of \$10.3 million on an annual Missouri jurisdictional basis beginning with the effective date of this Agreement until the effective date of the tariffs resulting from Rate Filing #1, per Paragraph III.B.3.a of this Agreement. This amount is equal to the change in depreciation expense reflecting a change in service life span of the Wolf Creek Nuclear Generating Station from 40 to 60 years provided for in Paragraph III.A.3.n of this Agreement.

KCPL, Staff, Public Counsel and other Signatory Parties may propose that these amortizations be directed toward specific plant accounts: Provided, however, that the Wolf Creek amortizations will be assigned only to the nuclear generation plant accounts. Any such accumulated amortizations will be used as an offset to rate base, in future rate proceedings of KCPL or its successors.

**i. ADDITIONAL AMORTIZATIONS TO MAINTAIN FINANCIAL RATIOS**

*In Re Application of Kansas City Power & Light Company For An Order Authorizing Its Plan to Reorganize Itself Into a Holding Company Structure*, Case No. EM-2001-0464, 10 Mo.P.S.C.3d 394 (2001), KCPL agreed to maintain its debt at investment grade. The Signatory Parties agree that it is desirable to maintain KCPL's debt at investment grade rating during the period of the construction expenditures contained in this Agreement. KCPL understands it has the responsibility to take prudent

and reasonable actions in an effort to achieve the goal of maintaining its debt at investment grade levels. KCPL understands that it is incumbent upon it to take prudent and reasonable actions that do not place its investment grade debt rating at risk. KCPL further agrees that any negative impact from its failure to be adequately insulated from the Great Plains Energy, Inc. ("GPE") business risks as perceived by the debt rating agencies will not be supported by its Missouri jurisdictional customers. KCPL recognizes its obligation to continue to prudently manage costs, continuously improve productivity, and maintain service quality during the Regulatory Plan. KCPL further recognizes that any finding by the Commission that KCPL has failed to prudently manage its costs, continuously improve productivity, and maintain service quality during the Regulatory Plan will negate the obligation of the Signatory Parties contained in this section.

The non-KCPL Signatory Parties commit to work with KCPL to ensure that based on prudent and reasonable actions, KCPL has a reasonable opportunity to maintain its bonds at an investment grade rating during the construction period ending June 1, 2010. As part of this commitment, the non-KCPL Signatory Parties agree to support the "Additional Amortizations to Maintain Financial Ratios", as defined in this section and related appendices, in KCPL general rate cases filed prior to June 1, 2010. The "Additional Amortization to Maintain Financial Ratios" will only be an element in any KCPL rate case when the Missouri jurisdictional revenue requirement in that case fails to satisfy the financial ratios shown in Appendix E through the application of the process illustrated in Appendix F.

The "Additional Amortizations to Maintain Financial Ratios", is designed to satisfy two of three financial ratios shown in Appendix E "Credit Ratio Ranges &

Definitions.” The three selected financial ratios are: Total Debt to Total Capitalization, Funds from Operations Interest Coverage and Funds from Operations as a Percentage of Average Total Debt. The Total Debt to Total Capitalization ratio will be addressed in the KCPL financing application that will be filed in the near future. The values for these ratios were selected to meet the lower end of the top third of the three financial ratios under the BBB columns as shown in Appendix E “Credit Ratio Ranges & Definitions.” If these ratio guidelines or ranges are changed or modified before June 1, 2010, the Signatory Parties will work together to determine the appropriate values for these ratios, including consideration of the use of the last published ranges for these ratios.

The Signatory Parties agree to support an additional amortization amount added to KCPL’s cost of service in a rate case when the projected cash flows resulting from KCPL’s Missouri jurisdictional operations, as determined by the Commission, fail to meet or exceed the Missouri jurisdictional portion of the lower end of the top third of the BBB range shown in Appendix E, for the Funds from Operations Interest Coverage ratio and the Funds from Operations as a Percentage of Average Total Debt ratio. The Signatory Parties agree to adopt an amortization level necessary to meet the Missouri jurisdictional portion of these financial ratios.

Appendix F “Illustration: Adjustment of Amortization Amounts” illustrates the adjustment process that the Signatory Parties agree to use to determine the Missouri jurisdictional amortization levels discussed herein. The additional amortization shown in Appendix F will exclude any consideration of amounts related to imprudent actions as determined by the Commission. The Missouri jurisdictional portion and amounts of the additional amortization will be determined by the Commission in each relevant rate case.

The prudence of the "Capitalized Lease Obligations" and "Off-Balance Sheet Obligations" will be determined in the first general rate case that affords the Commission the opportunity to review the matter, if the matter has not been approved by the Commission in a prior proceeding. Additional taxes will be added to the amortization to the extent that the Commission finds such taxes to be appropriate. The additional amortization will not reflect any negative cash flow impacts related to special contracts. For purposes of calculating additional amortization pursuant to this section, these special contract customers will be treated as if they were paying the full generally applicable tariff rate. In addition, any other provisions and special contracts will not affect rate base for regulatory purposes.

The Signatory Parties recognize that credit rating agencies review other financial indicators and that these three ratios are not definitive in and of themselves. Credit rating agencies acknowledge that other factors, some subjective, do impact their financial ratings. The Signatory Parties recognize the fact that KCPL may not earn an investment grade rating even if it meets the BBB+ ratio guidelines. Conversely, the Signatory Parties recognize the fact that KCPL may earn a BBB+ credit rating without meeting the values set out for a BBB+ credit rating. If KCPL meets the BBB+ credit rating values but does not receive an investment grade credit rating, KCPL agrees that the Signatory Parties are under no obligation to recommend any further cash flow or rate relief to satisfy the obligations under this section. KCPL also recognizes and agrees that its Missouri operations are only responsible for and will only provide cash flow for its Missouri operating share of the necessary cash flows as set out in this Paragraph III.B.1.i. Therefore, if KCPL is unable to meet the BBB+ credit ratio values in Appendix E

because of (1) inadequate cash flows from its regulated Kansas or other non-Missouri retail regulated operations, (2) inadequate cash flows from any wholesale operations, (3) inadequate cash flows from the non-regulated subsidiaries of GPE, (4) any risk associated with GPE that is unrelated to KCPL's Missouri regulated operations, or (5) any KCPL or GPE imprudent costs, KCPL will not argue for or receive increased cash flows from its Missouri regulated operations in order to meet the BBB+ credit ratio values.

The Signatory Parties will not be precluded from suggesting other amortizations or other relief to address cash flow concerns resulting from a significant event such as those identified in Paragraphs III.B.2.b.i-iv. No Signatory Party is precluded from supporting an amortization amount that exceeds the requirements of this Paragraph III.B.1.i.

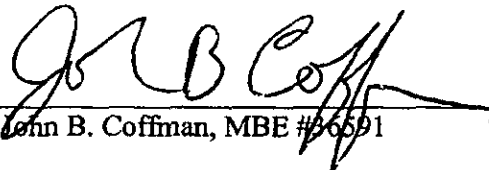
**j. Off-System Sales**

KCPL agrees that off-system energy and capacity sales revenues and related costs will continue to be treated above the line for ratemaking purposes. KCPL specifically agrees not to propose any adjustment that would remove any portion of its off-system sales from its revenue requirement determination in any rate case, and KCPL agrees that it will not argue that these revenues and associated expenses should be excluded from the ratemaking process.

**k. Transmission Related Revenues**

KCPL agrees that transmission related revenues and related costs will continue to be treated above the line for ratemaking purposes. KCPL specifically agrees not to propose any adjustment that would remove any portion of its transmission related

Respectfully submitted,

<b>STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION</b>  By:  Dana K. Joyce, MBE #28533 Steven Dottheim, MBE #29149	<b>KANSAS CITY POWER &amp; LIGHT COMPANY</b>  By:  William G. Riggins, MBE #42501 James M. Fischer, MBE #27543 Karl Zobrist, MBE #28325
<b>OFFICE OF THE PUBLIC COUNSEL</b>  By:  John B. Coffman, MBE #36591	<b>MISSOURI DEPARTMENT OF NATURAL RESOURCES</b>  By: _____ Shelley Woods, MBE #33525
<b>PRAXAIR, INC.</b>  By:  Stuart W. Conrad, MBE #23966	<b>MISSOURI INDUSTRIAL ENERGY CONSUMERS</b>  By:  Diana M. Vuylsteke, MBE #42419 