

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the matter of the Customer Class Cost)
of Service and Comprehensive Rate Design)
Investigation of Kansas City Power and)
Light Company.)

Case No. EO-94-199

FILED
MAY 28 1996
MISSOURI
PUBLIC SERVICE COMMISSION

STIPULATION AND AGREEMENT

As a result of discussions among the parties hereto, said signatories hereby submit to the Commission for its consideration and approval the following, including actions to be taken by Kansas City Power and Light Company (KCPL) and other parties in settlement of this case and of an earnings monitoring¹ by the Commission Staff and Office of the Public Counsel:

I. Phase One

- A. Commencing with electric service provided on and after July 9, 1996, KCPL shall reduce its annual Missouri electric revenues by \$9.0 million (exclusive of license, occupation, franchise, gross receipts, or other similar fees or taxes). However, in the event that KCPL's billing system is capable of billing customers under the Phase One rates prior to July 9, 1996, KCPL will file tariff sheets with effective dates that correspond to the date KCPL's billing system will be operational for billing Phase One rates.

¹This monitoring commenced in the latter part of 1995 and included, among other things, review of KCPL's cost of capital, examination of KCPL's financial books and records, study of KCPL's fuel costs, and review of a depreciation study submitted by KCPL in 1995 pursuant to 4 CSR 240-20.030(6).

- B. This rate reduction (Phase One) shall be allocated to the General Service customers as shown on Appendix C. Summaries of various parties' class cost of service studies are attached as Appendix B and reflect the need for a reduction to the General Service customers. Sample tariff sheets to effectuate the \$9 million rate reduction are attached as Appendix F. Tariff sheets in conformance with these tariff sheets will be filed by KCPL to implement the rate changes in Phase One.
- C. KCPL shall be authorized to book the depreciation rates shown on Appendix E, commencing with the effective date of the Commission's order approving this Stipulation and Agreement. These rates increase KCPL's annual Missouri jurisdictional depreciation expense by approximately \$5.5 million. Furthermore, KCPL will book an amortization totaling \$3.5 million annually upon approval of this Stipulation and Agreement, which amortization shall continue until the Commission approves a change either: (1) upon agreement of the parties made with due regard to KCPL's then-existing earnings situation, or (2) in the course of a general rate proceeding. This does not preclude KCPL from requesting that this amortization be directed toward specific plant accounts or from requesting additional changes in depreciation rates that may result from depreciation studies.

2. Phase Two

- A. KCPL shall reduce its annual Missouri electric revenues by an additional \$11.0 million (exclusive of license, occupation, franchise, gross receipts, or other similar fees or taxes). This rate reduction shall take place on the later of the following dates: (1) the effective date of the Commission's Report and Order in Case No. EM-96-248, or

(2) January 1, 1997. In any event, the Phase Two rate reduction will take place no later than May 1, 1997.

- B. This rate reduction (Phase Two) shall be allocated to the various customer classes as shown on Appendix D. Sample tariff sheets to effectuate the \$11 million rate reduction are attached as Appendix G. Tariff sheets in conformance with these tariff sheets will be filed by KCPL to implement the rate changes in Phase Two.
- C. The parties agree that the rates contained in Appendices F and G are just and reasonable for electric service on and after the effective dates of the respective tariff sheets. The parties agree not to request further reductions in or refunds of KCPL's rates in Case No. EM-96-248. This commitment does not prohibit parties from addressing the appropriateness or reasonableness of proposed alternative regulation plans in that docket. Furthermore, this commitment does not bind the parties after the conclusion of Case No. EM-96-248 with regard to the reasonableness of rates. This commitment also does not modify or change the current understanding between KCPL and the City of Kansas City concerning the absence of any requests for altering street light charges assessed against the City. Except for the implementation of Phase 2, this Stipulation and Agreement does not address the issue of charges for street lights within Kansas City, Missouri.
- D. The parties recognize that the above mentioned rate reductions are in lieu of the two percent (2%) rate reduction for KCPL customers proposed by the Joint Applicants in Case No. EM-96-248.

3. **Rate Design**

The parties agree that the rate designs and rate structures² contained in Appendices F and G are just and reasonable and should be approved by the Commission. The parties also agree that KCPL's Optional Two-Part Time-of-Use Rate Schedule should be approved to be effective on November 1, 1996.³

4. KCPL agrees to file tariff sheets related to Standby Service and Special Contracts within thirty (30) days of the effective date of the Commission's Order Approving Stipulation and Agreement. The existing Standby or Breakdown Service (Frozen) (Tariff Sheet No. 30, Schedule 1-SA) will remain in effect.

5. The parties agree that, based upon the review of KCPL's earnings that has occurred, it is unnecessary for KCPL to provide an annual cost of service report for 1995, as provided for in Case Nos. EO-85-185, EO-85-224 and EO-93-143.

6. The parties respectfully request that the Commission approve this Stipulation and Agreement no later than Friday, June 28, 1996, or as soon thereafter as practicable.

7. **Accounting Matters**

A. The rate levels agreed to in this Stipulation and Agreement reflect an estimate of outage costs for the Wolf Creek Generating Station. Because the refueling outages at Wolf Creek have occurred at 18 month intervals, the rate levels agreed to herein reflect 12/18 of these estimated outage costs.

²A summary of Rate Design Changes is attached as Appendix A. This summary is intended as the Commission Staff's and KCPL's explanation of the various rate design changes and is not necessarily agreed to by other parties to this proceeding.

³This is a new optional rate that presently serves no customers. It will be necessary to take additional time to program KCPL's computer to implement and bill this rate. No customers will be affected by this later effective date.

B. KCPL settled a contract dispute in 1989 with Pittsburgh and Midway Coal Mining Company. Subsequently, in Case No. EO-90-126, the Commission authorized KCPL to defer the costs related to that settlement. In this Stipulation and Agreement, both the unamortized portion of these costs and their amortization are reflected in the rate levels to which the parties have agreed.

C. The rate levels agreed to in the Stipulation and Agreement reflect the amortization, under the Average Rate Assumption Method (ARAM), of excess deferred income tax credits.

8. Commission Rights

Nothing in this Stipulation and Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation.

9. Staff Rights

If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The

contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement.

The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

10. No Acquiescence

None of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, cost of capital methodology, capital structure determination, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence, that may underlie this Stipulation and Agreement, or for which provision is made in this Stipulation and Agreement.

11. Negotiated Settlement

This Stipulation and Agreement represents a negotiated settlement. Except as specified herein, the signatories to this Stipulation and Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation and Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the

Commission decide not to approve this Stipulation and Agreement in the instant proceeding, or in any way condition approval of same.

12. Provisions are Interdependent

The provisions of this Stipulation and Agreement have resulted from negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation and Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

13. Waive Rights to Cross Examination, etc.

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1, RSMo 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 1994; and their respective rights to judicial review pursuant to Section 386.510, RSMo 1994. This waiver applies only to a Commission Report and Order issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding; or any matters not explicitly addressed by this Stipulation and Agreement.

WHEREFORE, the signatories respectfully request that the Commission issue its Order approving this Stipulation and Agreement and directing Kansas City Power and Light Company to file tariff sheets substantially identical to those attached hereto.

Respectfully submitted,

STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION

KANSAS CITY POWER & LIGHT COMPANY

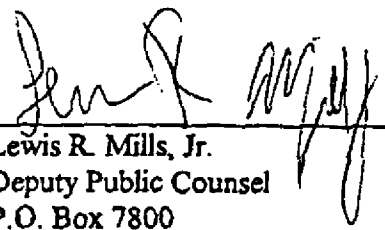
David L. Woodsmall
David L. Woodsmall
Assistant General Counsel
P.O. Box 360
Jefferson City, MO 65102
(573) 751-8700

James M. Fischer
William G. Riggins
Susan B. Cunningham
1201 Walnut
P.O. Box 418679
Kansas City, MO 64141
(816) 556-2645


and

James M. Fischer
Attorney at Law
101 West McCarty Street, Suite 215
Jefferson City, MO 65101
(573) 636-6758

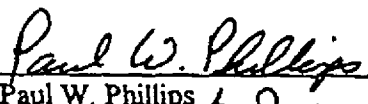
OFFICE OF THE PUBLIC COUNSEL


Lewis R. Mills, Jr.
Deputy Public Counsel
P.O. Box 7800
Jefferson City, MO 65102
(573) 751-4857

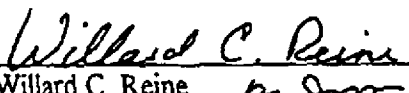
STATE OF MISSOURI


Mark E. Long
Assistant Attorney General
Broadway State Office Building
221 West High Street, 8th Floor
Jefferson City, MO 65102
(573) 751-3321

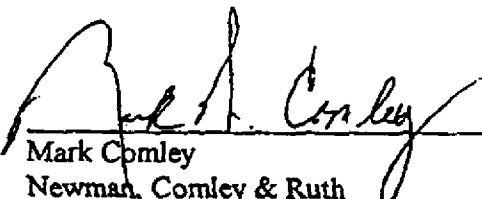
UNITED STATES DEPARTMENT
OF ENERGY


Paul W. Phillips *by JMM*
Room 6D-033
1000 Independence Ave., S.W.
Washington, D.C. 20585
(202) 586-4224

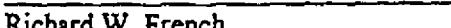
MISSOURI RETAILERS ASSOCIATION


Willard C. Reine *by JMM*
314 East High Street
Jefferson City, MO 65101
(573) 634-3355

CITY OF KANSAS CITY, MISSOURI


Mark Comley
Newman, Comley & Ruth
205 East Capitol
Jefferson City, MO 65101
(573) 634-2266

TRIGEN-KANSASCITYENERGYCORPORATION


Richard W. French
French & Stewart Law Offices
1001 Cherry Street, Suite 302
Columbia, MO 65201
(573) 499-0635

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing Stipulation and Agreement have been hand-delivered or mailed, postage prepaid, to all counsel of record this 28th day of May, 1996.

James M. Fisher

Account	Acct No.	Existing Rates	Average Service Life	Net Salvage	Depreciation Rate
<u>Total Distribution Plant</u>					
Structures & Improvements	361	2.96%	33.8	0.0%	2.96%
Station Equipment	362	2.18%	45.0	10.0%	2.00%
Poles, Towers, & Fixtures	364	2.86%	32.0	-31.0%	4.09%
Overhead Conductors & Devices	365	2.46%	41.0	17.0%	2.02%
Underground Conduit	366	1.33%	75.3	0.0%	1.33%
Underground Conductors & Dev	367	2.20%	65.0	20.0%	1.23%
Line Transformers	368	2.91%	30.0	7.0%	3.10%
Services	369	3.14%	33.8	-6.0%	3.14%
Meters	370	4.31%	23.6	-2.0%	4.31%
Install on Customers' Premises	371	9.51%	10.9	-4.0%	9.51%
Street Lighting & Signal Systems	373	3.69%	24.4	10.0%	3.69%
<u>Total General Plant</u>					
Structures & Improvements	390	2.54%	39.4	0.0%	2.54%
Office Furniture and Equipment	391	5.40%	18.4	1.0%	5.40%
Transportation Equipment	392	5.43%	13.3	28.0%	5.43%
Stores Equipment	393	3.58%	27.1	3.0%	3.58%
Tools, Shop & Garage Equipment	394	2.61%	37.5	2.0%	2.61%
Laboratory Equipment	395	3.37%	29.4	1.0%	3.37%
Power Operated Equipment	396	5.55%	16.2	10.0%	5.55%
Communication Equipment	397	2.50%	38.8	3.0%	2.50%
Miscellaneous Equipment	398	3.16%	31.3	1.0%	3.16%

Note: Bold/Italicized accounts are those with revised depreciation rates.

Shaded column represents current MoPSC authorized rates per Depreciation Authority Order No. 148, dated 9 Jun 88.

Account	Acct No.	Existing Rates	Average Service Life	Net Salvage	Depreciation Rate
Total Distribution Plant					
Structures & Improvements	361	2.96%	33.8	0.0%	2.96%
Station Equipment	362	2.18%	45.0	10.0%	2.00%
Poles, Towers, & Fixtures	364	2.86%	32.0	-31.0%	4.09%
Overhead Conductors & Devices	365	2.46%	41.0	17.0%	2.02%
Underground Conduit	366	1.33%	75.3	0.0%	1.33%
Underground Conductors & Dev	367	2.20%	65.0	20.0%	1.23%
Line Transformers	368	2.91%	30.0	7.0%	3.10%
Services	369	3.14%	33.8	-6.0%	3.14%
Meters	370	4.31%	23.6	-2.0%	4.31%
Install on Customers' Premises	371	9.51%	10.9	-4.0%	9.51%
Street Lighting & Signal Systems	373	3.69%	24.4	10.0%	3.69%
Total General Plant					
Structures & Improvements	390	2.54%	39.4	0.0%	2.54%
Office Furniture and Equipment	391	5.40%	18.4	1.0%	5.40%
Transportation Equipment	392	5.43%	13.3	28.0%	5.43%
Stores Equipment	393	3.58%	27.1	3.0%	3.58%
Tools, Shop & Garage Equipment	394	2.61%	37.5	2.0%	2.61%
Laboratory Equipment	395	3.37%	29.4	1.0%	3.37%
Power Operated Equipment	396	5.55%	16.2	10.0%	5.55%
Communication Equipment	397	2.50%	38.8	3.0%	2.50%
Miscellaneous Equipment	398	3.16%	31.3	1.0%	3.16%

Note: Bold/Italicized accounts are those with revised depreciation rates.

Shaded column represents current MoPSC authorized rates per Depreciation Authority Order No. 148, dated 9 Jun 86.