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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 Plan of Kansas City Power & ) Case No. EO-2005-0329  
Light Company )

SIGNATORY PARTIES' RESPONSE TO ORDER DIRECTING FILING

Comes now the Staff of the Missouri Public Service Commission ("Staff"), Missouri Department of Natural Resources ("MDNR"), Praxair, Inc. ("Praxair"), Missouri Industrial Energy Consumers ("MIEC"), Ford Motor Company ("Ford"), The Empire District Electric Company ("Empire"), Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), City of Kansas City, Missouri ("Kansas City") and Kansas City Power & Light Company ("KCPL") (collectively "Signatory Parties"), and pursuant to the Order Directing Filing issued on July 25, 2005, file the following Response to Order Directing Filing:

1. On July 25, 2005, the Commission issued its Order Directing Filing that noted that:

"During the hearing, the parties to the non-unanimous stipulation and agreement state that they had reached certain agreements regarding off-system sales. But the non-unanimous stipulation and agreement does not reflect the off-system sale agreement. In order to allow the Commission to consider the non-unanimous stipulation and agreement in its entirety, the Commission will order the parties to submit language reflecting the off-system sales agreement no later than July 26."

2. Under the terms of the Stipulation And Agreement filed on March 28, 2005, KCPL agrees that off-system energy and capacity sales revenues and related costs will continue to be treated above the line for ratemaking purposes. According to the

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Date

Stipulation And Agreement, KCPL will not 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. (Stipulation And Agreement, Section III.B.1.j., p. 22). However, the length of the term of this agreement related to the ratemaking treatment of off-system sales was not formally reflected in the Stipulation And Agreement.

During the hearings conducted in this matter, KCPL's counsel stipulated on-the-record that KCPL would agree to this ratemaking treatment for off-system sales as long as the Iatan 2 costs were included in KCPL's rate base. (Tr. 1037-38). As a response to the Order Directing Filing, and in order to formally reflect in the Stipulation And Agreement KCPL's agreement that this ratemaking treatment for off-system sales will continue as long as the Iatan 2 costs are included in KCPL's rate base, the Signatory Parties hereby amend the Stipulation And Agreement as stated below:

Section III.B.1.j is amended to read as follows:

**"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. KCPL agrees that all of its off-system energy and capacity sales revenue will continue to be used to establish Missouri jurisdictional rates as long as the

related investments and expenses are considered in the determination of Missouri jurisdictional rates." (The Staff will file a separate pleading on July 27, 2005 further addressing this off-system sales language.)

3. In addition, the Signatory Parties are also including herein language that reflects a revision to their agreement on the Allowance For Funds Used During Construction ("AFUDC") rate. Under the terms of the Stipulation And Agreement filed March 28, 2005, KCPL agreed to a 1.25% or 125 basis point reduction in the equity portion of the Allowance For Funds Used During Construction ("AFUDC") rate applicable to Iatan 2. According to the Stipulation And Agreement, KCPL shall use this 125 basis point reduction in the AFUDC rate from the effective date of the Order Approving Stipulation and Agreement in this proceeding, and in all subsequent calculations of AFUDC on Iatan 2 until the in-service date of Iatan 2. However, during the course of the hearings, KCPL agreed to substitute the AFUDC Rate Reduction provision from a similar Kansas Stipulation And Agreement in which KCPL agreed to a 2.50% or 250 basis point reduction in the equity portion of the AFUDC rate applicable to Iatan 2 from the effective date of the rates determined in the first rate case (anticipated to be January 1, 2007) and in all subsequent calculations of AFUDC on Iatan 2 until the in-service date of Iatan 2.<sup>1</sup>

4. In order to memorialize their agreement on the reduction in the AFUDC rate related to Iatan 2, the Signatory Parties hereby agree to the following amendment to the Stipulation And Agreement filed on March 28, 2005:

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<sup>1</sup> KCPL agreed to a 250 basis point reduction at Staff's and Public Counsel's request, which is what KCPL agreed to in the Kansas proceeding before the Kansas Corporation Commission, under the provisions of the Stipulation And Agreement, Section III.B.6 which indicates that "KCPL will offer to the other Signatory Parties in Missouri and accept comparable terms to those terms agreed upon in Kansas and/or required by the KCC."

Section III.B.1.g is amended to read as follows:

**"g. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION ("AFUDC")**


With regard to the AFUDC rate applicable to Iatan 2, KCPL agrees to a 2.5% or 250 basis point reduction in the equity portion of the rate. KCPL shall use this 250 basis point reduction in the AFUDC rate from the effective date of the rates determined in the first rate case (anticipated to be January 1, 2007) and in all subsequent calculations of AFUDC on Iatan 2 until the in-service date of Iatan 2. KCPL shall submit a report to Staff at the beginning of each calendar year during this plan of the AFUDC rates it will use and the calculation thereof."

5. The Signatory Parties specifically note that they may submit additional amendments to the Commission for approval, as provided in Section III.B.6 of the Stipulation And Agreement in Missouri, allowing the Signatory Parties in Missouri to adopt terms appearing in the comparable Stipulation And Agreement in Kansas, as agreed to by the Signatory Parties in Kansas and ultimately approved by the KCC, or as directed by the KCC in its approval of the Stipulation And Agreement that is before it.

6. Empire, Kansas City, Ford, MIEC and MDNR take no position regarding the adoption of the above-referenced amendments to the Stipulation And Agreement, and specifically waive their right to a hearing on these amendments.

**WHEREFORE**, having responded to the Commission's Order Directing Filing issued on July 25, 2005, the Signatory Parties respectfully request that the Commission consider the above-referenced amendments to the Stipulation And Agreement for approval in its Report And Order to be issued in this matter.

Respectfully submitted,

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