

**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)
Certain Changes in its Charges for Electric) File No. ER-2010-0355
Service to Continue the Implementation of Its)
Regulatory Plan)

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for) File No. ER-2010-0356
Approval to Make Certain Changes in its Charges)
for Electric Service)

**NON UNANIMOUS STIPULATION AND AGREEMENT
REGARDING DEPRECIATION AND ACCUMULATED ADDITIONAL AMORTIZATIONS**

The Signatories respectfully submit the following Non-Unanimous Stipulation and Agreement (“Agreement”) to the Missouri Public Service Commission (“Commission”):

1. This Agreement is not “unanimous” because certain parties have not joined as signatories to this Agreement.

2. **Issues Settled With This Agreement.** This Agreement is intended to settle among the Signatories the issues given below.¹ Because the parties were unable to reach a Joint Statement of the Issues, the relevant portions of the Issues Lists of both Staff and the Companies are included.

A. Companies’ Issues List (pages 5, Item 3, and pages 7-8, Item 8) –

Additional Amortizations

- a. How should accumulated additional amortization expense be flowed back to ratepayers?
- b. Should the associated deferred income tax asset be included in rate base, as a reduction in the accumulated deferred income tax balance?

¹ Although The Empire District Electric Company is a party to these cases, the Signatories do not intend to affect and this Stipulation does not address the depreciation rates, the depreciation expense, or the treatment of the regulatory amortizations with regard to The Empire District Electric Company.

Depreciation—

- a. What lifespan should the Commission adopt for Iatan 2?
- b. Should the Commission adopt the “remaining life” or “whole life” method?
- c. Should the Commission adopt “lifespan” or “mass property” for generating facilities?
- d. Should the Commission adopt the Company’s proposal of general plant amortization for small assets, including amortization of unrecovered reserve?
- e. How should net salvage (cost of removal) be determined for nuclear plant accounts?
- f. Should an amortization of the difference between the theoretical reserve and the actual reserve be a component of the depreciation rate? (GMO ISSUE ONLY)

B. Staff’s Issues List (pages 5 and 7) -

Item 6- Depreciation—

- a. Should KCPL’s rates for KCPL’s steam production generation fleet excluding Iatan 2, Hawthorn 5, and Wolf Creek be based on (a) mass asset, whole life depreciation rates or (b) life spanned, remaining life depreciation rates?
- b. What is the appropriate life estimate to use for calculating Iatan 2’s remaining life depreciation rates?
- c. Should Wolf Creek’s rates reflect an adjustment to the net salvage rates to collect net salvage only on the portion of plant expected to retire as interim retirements?
- d. Should the appropriate depreciation rates for General Plant account numbers 391, 393, 394, 395, 397 and 398 remain the same as ordered in Case No. EO-2005-0329, or be amortized over a set period of time representing an estimated average service life for each year (vintage) of plant additions.
 - i. Should KCPL be allowed to amortize over 10 years the unrecovered General Plant

- ii. Should KCPL be ordered to inventory the property in these accounts, retire equipment from the books which is no longer used and useful, provide Staff with information concerning these accounts, and work with Staff to determine if any reserve transfers are warranted?
- e. Should KCPL's rates for KCPL's combustion turbine generation fleet be based on (a) mass asset, whole life depreciation rates or (b) life spanned, remaining life depreciation rates?
- f. To what accounts should the approximately \$36.7 million and \$132.2 million (total \$168.9 million) accumulated additional amortizations currently held in account 399 be allocated, and on what basis?
- g. Is it appropriate to make transfers among reserve accounts at this time, or use remaining life depreciation rates to correct for over or under accrued reserves?

REGULATORY AMORTIZATIONS

19. What should be the ratemaking treatment for the Regulatory Additional Amortizations?

20. What is the appropriate reduction of accumulated deferred income tax reserve that is offset to rate base that is attributable to the regulatory plan additional amortizations?

3. The Accumulated Additional Amortizations that are specified herein and are the subject of this Agreement are the amortizations KCPL agrees it received as additional revenue in prior rate cases based on KCPL's Regulatory Plan the Commission approved in Case No. EO-2005-0329. That plan was designed to assist KCPL to carry out its Comprehensive Energy Plan.²

4. The Signatories request that the Commission order KCPL and GMO to utilize the depreciation rates included in attached Schedules A-C.

² See also the provisions of paragraph 7.

5. The Signatories request that the Commission authorize KCPL and GMO to utilize the “Amortization Method” for specified General Plant accounts. The Amortization Method is a straight line method, in that the depreciation starts when the equipment is installed and stops when the equipment value is fully depreciated. For regulatory mass property accounting purposes, all of the additions to an account over a vintage (one year or one month of additions) are depreciated over a set amortization period. For depreciation accounting purposes, all of the equipment in each vintage is retired at the end of the amortization period. No interim retirements are recorded. The amortization periods to be used for specifying the depreciation rates of the specified accounts are as shown in the table below. The resulting depreciation rates to be used are as shown in attached Schedules A-C.³

General Plant Account	Description	KCP&L	MPS	L&P
391	Office furniture	20 years	NA	NA
391.01	Office furniture	NA	20 years	20 years
391.02	Computer equipment (all)	8 years	NA	8 years
391.02	Computer hardware	NA	8 years	8 years
391.04	Computer software	NA	9 years	9 years
391.06	Office Machines	NA	NA	10 years
393	Stores Equipment	25 years	25 years	25 years
394	Tools, Shop, Garage	30 years	25 years	25 years
395	Lab Equipment	30 years	30 years	30 years
397	Communications Equipment	35 years	27 years	27 years
398	Misc. Equipment	30 years	25 years	25 years

- a. KCPL and GMO unrecovered general plant reserves, based on Company witness Spanos’s study in this case, will not be amortized into costs of service in the KCPL case (Case No. ER-2010-0355) and GMO case (Case No. ER-2010-0356) or in future KCPL and GMO rate cases.

³ KCPL and GMO expressly agree to the numbers contained in this table.

- b. Within one calendar week of the Commission's approval of this Agreement KCPL and GMO shall provide to Staff, the Office of the Public Counsel, and the Industrials⁴ updated plant and reserve balances as of December 31, 2010.
 - c. Within one calendar week of the Commission's approval of this Agreement KCPL and GMO shall identify to Staff, the Office of the Public Counsel, and the Industrials the unrecovered or over recovered plant portion that is left over after the change to Amortization Method using the amortization periods identified in the table above and reflected in the amortization rates shown on attached Schedules A-C.
 - d. The Signatories agree that this use of the Amortization Method is for the purposes of resolving this case, and the Signatories are free to oppose the Amortization Method for the General Plant accounts in any future cases. If KCPL or GMO seek to continue use of the Amortization Method as specified in this Agreement in the next rate case, they must submit testimony in that rate case showing why the Amortization Method should be continued. This Agreement does not constitute any precedent in future proceedings. The assertion that a Party signed or supported this Agreement as a basis for claiming that Party supports or accepts the Amortization Method is a violation of this Agreement. All Signatories have the right to oppose the continuation of the Amortization Method in future proceedings.
6. The Signatories agree that the approximately \$183.4 million, as of May 3, 2011, of Accumulated Additional Amortizations⁵ will be assigned to the Iatan 2 reserves and

⁴ The "Industrials" are comprised of Praxair, Inc., and the Midwest Energy User's Association in File No. ER-2010-0355, and AG Processing, Inc., a cooperative, and the Sedalia Industrial Energy Users' Association in File No. ER-2010-0356.

accounted for separately in the reserves as shown on in the final table in paragraph 7 for as long as Iatan 2 is in operation. Prior to the completion of the true-up direct testimony to be filed in this case on February 22, 2011, KCPL agrees to identify for Staff and other interested parties how the accumulated additional amortizations will be separately accounted for in the Iatan 2 depreciation reserve.

7. The following table identifies, and KCPL agrees are, the accumulated additional amortizations provided by customers pursuant to the terms of the Regulatory Plan during the period of the Regulatory Plan through the end of December 31, 2010 and through the end of May 3, 2011:⁶

Rate Case	December 31, 2010	May 3, 2011
Case No. ER-2006-0314	\$86,716,244	\$94,120,782
Case No. ER-2007-0291	\$32,171,481	\$35,834,231
Case No. ER-2009-0089	\$13,333,333	\$16,748,858
TOTAL Missouri Jurisdictional Amount	\$132,221,058	\$146,703,871

Source: KCPL’s Accumulated Depreciation Reserve Account 399

KCPL also agrees that an additional amortization amount of \$36 million (Missouri jurisdictional) was recovered from customers and accumulated from a prior case—Case EO-94-199—resulting in the total Accumulated Additional Amortizations as follows .⁷

Rate Case	All Additional Amortizations Updated Period as of December 31, 2010	All Additional Amortizations Updated Period as of May 3, 2011
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⁵ For purposes of this agreement as identified in direct testimony of Staff witness Featherstone’s direct testimony at page 37 (footnote 1) the revenue stream associated with additional amortizations is referred to as “additional amortizations.” The capital accumulated from the revenue stream is referred to as “accumulated additional amortizations.” The sum of the revenue streams from prior rate cases is referred to as “cumulative additional amortizations.” See also the provisions of paragraph 7.

⁶ KCPL and GMO expressly agree to the numbers contained in this table.

⁷ KCPL and GMO expressly agree to the numbers contained in this table.

Case No.EO-2005-0329	\$132,221,058	\$146,703,871
Case No. EO-94-199	\$36,674,731	\$36,674,731
TOTAL Missouri Jurisdictional Amount	\$168,895,789	\$183,378,602

Source: KCPL's Accumulated Depreciation Reserve Account 399

The following table is how the foregoing \$183,378,602 total Missouri jurisdictional amount is to be distributed to Iatan 2 Uniform System of Accounts, account numbers 311, 312, 314, 315 and 316 through May 3, 2011—the period prior to the effective date of rates in this case:⁸

Iatan 2 USOA Acct	Plant in service 12/31/10	Percentage of Regulatory Amortization Allocated to Iatan 2 reserves	Regulatory Amortization Amount assigned to Iatan 2 reserves May 3, 2011
311.5	\$48,804,992	10.49%	\$ 19,240,688
312.5	\$349,784,204	75.20%	\$ 137,897,545
314.5	\$48,539,238	10.44%	\$ 19,135,918
315.5	\$16,233,097	3.49%	\$ 6,399,672
316.5	\$1,787,709	0.38%	\$ 704,779
Total	\$465,149,240	100.0%	\$183,378,602

8. If there is a restructuring of the utility industry in Missouri which requires or results in the de-regulation of KCPL's generating production facilities, including Iatan 2, KCPL agrees that any of the then-remaining Accumulated Additional Amortization represent additional amounts that have been contributed by customers and not by shareholders, and in such case the Signatories agree that a method of returning over a reasonable period of time all monies collected through the Accumulated Additional Amortizations to KCPL's regulated customers will be determined and shall be implemented.

⁸ KCPL and GMO expressly agree to the numbers contained in this table.

9. The Signatories agree that the Accelerated Amortization deferred tax asset will be included in rate base in this rate case (Case No. ER-2010-0355) and in future KCPL rate cases before this Commission.

10. KCPL and GMO shall complete a thorough study regarding retirement of property from the General plant accounts due to KCPL's operation of Aquila in conjunction with Great Plains Energy's acquisition of Aquila. KCPL shall complete a similar study regarding KCPL's recent corporate office relocations. These studies must include accounts where (1) depreciation was halted or (2) unauthorized rates were used and (3) the retirements from the acquisition or relocations that occurred as addressed in Staff witness Rosella Schad's surrebuttal testimony in GMO Case No. ER-2009-0090. KCPL and GMO shall discuss the scope and the approach of the review for the studies with Staff prior to conducting the studies. The studies shall be completed and submitted to Staff, the Office of the Public Counsel, and the Industrials by the end of July 2011. KCPL shall not transfer reserve to or from the General plant accounts before the foregoing studies are submitted to Staff, the Office of the Public Counsel, and the Industrials. Upon satisfactory presentation of the results of these studies, the Signatories agree to pursue in good faith resolution of the GMO Account 119300 unrecovered reserve issue, as described by KCPL witness Ron Klote in his rebuttal testimony filed in File No. ER-2010-0356, including support of a reasonable request by GMO for an Accounting Authority Order from this Commission which will be permanently resolve this issue by balancing reserves through a transfer of depreciation reserves from Transmission plant to General plant.

Contingent Waiver of Rights:

11. This Agreement is being entered into solely for the purpose of settling the issues of depreciation and the Experimental Regulatory Plan Additional Amortizations in this case.

The Signatories agree to the treatment of the Accumulated Additional Amortizations set out in paragraph 7 above for as long as Iatan 2 is in operation. The Signatories also agree to the specific terms of paragraph 5, including subparts a. to d., and paragraph 6. Unless otherwise explicitly provided herein, none of the Signatories to this Stipulation shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any cost of service methodology or determination, depreciation principle or method, method of cost determination or cost allocation or revenue-related methodology. Except as explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Agreement in this or any other proceeding, regardless of whether this Agreement is approved.

12. This Agreement is a negotiated settlement. Except as specified herein, the Signatories to this Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this 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 Agreement, or in any way condition its approval of same.

13. This Agreement has resulted from extensive negotiations among the Signatories, and the terms hereof are interdependent. If the Commission does not approve this Agreement unconditionally and without modification, then this Agreement shall be void and no Signatory shall be bound by any of the agreements or provisions hereof.

14. If approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Signatories. The Signatories shall cooperate in defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

15. If the Commission does not approve this Agreement without condition or modification, and notwithstanding the provision herein that it shall become void, (1) neither this Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Signatory has for a decision in accordance with RSMo. §536.080 or Article V, Section 18 of the Missouri Constitution, and (2) the Signatories shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

16. If the Commission accepts the specific terms of this Agreement without condition or modification, as to the issues of depreciation and the Regulatory Plan Additional Amortizations only, the Signatories each waive their respective rights to present oral argument and written briefs pursuant to RSMo. §536.080.1, their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, their respective rights to seek rehearing pursuant to §536.500, and their respective rights to judicial review pursuant to §386.510. This waiver applies only to a Commission order approving this Agreement without condition or modification issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Agreement.

WHEREFORE, the undersigned Signatories respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Agreement.

Respectfully submitted,

STAFF OF THE MISSOURI PUBLIC
SERVICE COMMISSION

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all counsel of record this 2nd day of February, 2011.

/s/ Sarah L. Kliethermes