BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations	)	
Company's Request for Authority to Implement	)	File No. ER-2016-0156
A General Rate Increase for Electric Service	)	

NON-UNANIMOUS STIPULATION AND AGREEMENT REGARDING
PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

COMES NOW KCP&L Greater Missouri Operations Company ("GMO" or "Company") and the Staff of the Missouri Public Service Commission ("Staff"), and respectfully state to the Missouri Public Service Commission ("Commission"):

GMO and the Staff (individually "Signatory" and collectively "Signatories") have reached an agreement ("Agreement") that resolves between them pension and other post-employment benefit ("OPEB") costs for GMO as of July 31, 2016, and identifies the treatment of GMO's pension and OPEB costs subsequent to the effective date of rates in this case as indicated below. Nothing in this Agreement prevents any of the Signatories from proposing changes to the provisions of this Agreement in any future case. The Signatories are not bound to propose continuation of this treatment of pensions and OPEBs expense in future rate cases; i.e., they may propose other ratemaking treatment.

Purpose of the Stipulation and Agreement

The Generally Accepted Accounting Principles ("GAAP") related to pension and OPEB costs are identified in Accounting Standards Codification ("ASC") 715 – Compensation – Retirement Benefits. Prior to the codification of accounting standards, GAAP for pensions and OPEB costs were included in Statement of Financial Accounting Standards ("FAS") Nos. 87, 88, 106, 112, 132(R) and 158. For purposes of clarity and consistency the original FAS designations will be used here.

This Stipulation and Agreement is intended to accomplish the following:

a. Establish in a single document the various pension and OPEB provisions that are appropriate for the calculation of pension and OPEB costs for financial reporting and ratemaking purposes.

i Ensure that the FAS 87 cost used as a basis for the amount collected in rates is determined using the methods identified in paragraph 2 below for pension cost and that the FAS 106 GAAP cost is used as a basis for the amount of OPEB costs collected in rates.

ii Ensure that the pension and OPEB costs, including amounts collected for regulatory assets that are fully amortized, used as a basis for the amounts collected in rates are contributed, respectively, to the pension and OPEB trusts.

iii Ensure that amounts contributed by GMO to the pension and OPEB trusts, except as otherwise indicated herein, are considered for ratemaking and/or will be recoverable in rates approved by the Commission in this case. Any reasonable and prudent amounts contributed by GMO to the trusts in the future will be considered for ratemaking in those future rate cases. Nothing in this agreement should be considered as an assurance of recovery of future pension contributions in future rates, other than as allowed in paragraph 8.

b. Identify for purposes of calculating the tracking mechanism included herein, the pension and OPEB Regulatory Assets and/or Liabilities, including the Prepaid Pension/OPEB Asset, and the annual Pension/OPEB Costs resulting from rates established in this rate case, Case No. ER-2016-0156. The tracking mechanism requires that all Regulatory Assets and/or Liabilities, including the Prepaid Pension/OPEB Asset**,** and annual Pension/OPEB Costs be identified as of the established true-up date for each GMO rate case.

c. Ensure that the pension and OPEB costs will include GMO's share of costs related to jointly-owned facilities for which it is not the primary operator including the Iatan 1, Iatan 2 and Iatan Common generating units/stations.

d. Identify the treatment of pension and OPEB costs under Statement of Financial Accounting Standards No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and Termination Benefits" ("FAS 88") for Missouri ratemaking purposes.

e. Recognize contributions in excess of FAS 87 pension expense to include contributions required as a result of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

<u>Pension Provisions of the Stipulation and Agreement</u>

To accomplish the goals above, the Signatories agree to the following:

1. GMO's FAS 87 cost, for financial reporting purposes, will differ from the method used for ratemaking purposes described in paragraph 2 below. GMO's pension costs are included in the Great Plains Energy ("GPE") consolidated pension plans with GPE's actuary maintaining actuarial reports under each method on an annual basis. For financial reporting, a voluntary

decision was made in January 2000 to amortize gains and losses under FAS 87 over a five (5) year period. Any difference between the two methods is merely a timing difference which will eventually be recovered, or refunded, through rates under the method used in setting rates over the life of the pension plan. GMO has established a regulatory asset for its share of the annual FAS 87 difference in the two methods. No rate base recognition will be required for any regulatory asset or liability calculated in accordance with this Paragraph.

2. FAS 87 pension cost, used for Missouri ratemaking purposes, will be calculated based on the following methodology.

a. Market Related Value ("MRV") for asset determination, smoothing all asset gains and losses that occur on and after January 1, 2005 over five (5) years.

b. No 10% corridor.

c. Amortization period of ten (10) years for unrecognized gains and losses. (With a five (5) year MRV amortization - all gains/losses are reflected in fifteen (15) years).

d. Pension cost will be calculated by GPE's actuaries without regard for the extent to which the Company will expense or capitalize components of the cost. Only the expense component of such cost will be included in GMO's cost of service.

e. The term "cost" as used herein means the GMO share of the consolidated GPE pension cost calculated by GPE's actuaries. The term "expense" as used herein means GMO's share of the consolidated GPE pension cost calculated by GPE's actuaries less the capitalization component of such cost. The capitalization component is derived by multiplying the capitalization rate determined in the Payroll Annualization adjustment by the pension cost.

f. GMO's share of the consolidated GPE pension cost is derived by first applying the annualized Kansas City Power & Light Company (KCP&L) payroll allocation factor, from the Payroll Annualization adjustment, to the consolidated GPE cost determined by GPE's actuaries for non-union and joint trustee pension plans after the joint owners' shares are eliminated. Secondly, GMO's share of joint owner pension costs is included. Additionally, as determined by GPE's actuaries and applied in this case, a limited-time annual funding status adjustment is required to reflect that the St. Joseph Light & Power portion of the Aquila pension plan was better funded when GPE purchased Aquila's Missouri electric properties. The adjustment, made to address the different funding statuses of the GPE entities, had the effect of decreasing the pension cost for GMO and increasing the pension cost for KCP&L.

3. In Case ER-2010-0356, a temporary method was used to determine pension costs for the Missouri Public Service (MPS) rate jurisdiction based on a 12-year average of cost projections rather than the method described above to avoid a substantial rate increase. The 12-year average method will be continued in this case with the difference between current year pension costs as calculated in paragraph 2 and the amount in rates included in the FAS 87 Regulatory Asset.

Nothing in the paragraphs above bind the Signatories from taking positions inconsistent with the provisions of the paragraphs in future rate proceedings.

4. The Signatories agree that a FAS 87 regulatory asset or liability will be continued on GMO's books to track the difference between the level of FAS 87 cost calculated, pursuant to paragraph 2 above, during each current annual rate period, and the level of pension

cost used to establish rates for that period. The level of FAS 87 current period cost, before capitalization, will be updated annually based on the amounts provided by GPE's actuaries. If the FAS 87 cost during the current period is more than the cost used to determine rates for the period, GMO will establish a regulatory asset or reduce the existing regulatory liability. If the FAS 87 cost during the current period is less than the cost used to determine rates for the period, GMO will either establish a regulatory liability or reduce the existing regulatory asset. If the current period FAS 87 cost becomes negative during a period in-between rate proceedings, GMO will establish a regulatory liability equal to the difference between the level of pension cost used to determine rates for that period, and $0. Since paragraph 4 is a cash item, the cumulative net regulatory asset or liability will be included in rate base and amortized over five (5) years in GMO's next Missouri rate case, subject to a review for prudence.

5. If FAS 87 cost becomes negative for the period that is used to establish new rates, the Signatories agree that the pension cost used to establish GMO's rates will be set at $0. GMO shall set up a regulatory liability to offset (reduce) the negative cost in an amount equal to the difference between the $0 level of pension cost underlying rates and the negative pension cost for each annual period until current period pension cost becomes positive. In future years, when FAS 87 cost becomes positive again, rates will remain zero ($0) until the Prepaid Pension Asset that was created in paragraph 8 below as a result of negative cost is reduced to zero ($0). The regulatory liability will be reduced at the same rate as the Prepaid Pension Asset is reduced until the regulatory liability becomes zero ($0). This regulatory liability is a non-cash item and should be excluded from GMO's rate base in future years.

6. Any amount of FAS 87 cost (as calculated in paragraph 2 above), which exceeds the actual level of contributions as authorized in paragraph 8 below, must be funded by

the Company, either through a cash contribution or through a reduction of the Prepaid Pension Asset discussed in paragraph 8 below.

7. Any FAS 87 amount that exceeds the actual level of contributions as authorized in paragraph 8 below that is not funded because it exceeds the amount of funding that is tax deductible will be tracked, as a regulatory liability, to ensure it is funded in the future when it becomes tax deductible. The non-funded amount (regulatory liability) will be allowed as a rate base offset (reduction) for the excess collected in rates, but not contributed to the trust fund until such time as the contribution occurs.

8. The Prepaid Pension Asset is $0 at July 31, 2016. However, consistent with the goal expressed above, a new Prepaid Pension Asset may be established if GMO's share of amounts contributed to the pension trust, as authorized for the reasons below, exceeds the FAS 87 cost calculated in paragraph 2 above. Except as otherwise indicated below, the Signatories agree to allow GMO rate recovery for contributions made to the pension trust in excess of the FAS 87 cost calculated pursuant to paragraph 2 above for the following reasons:

a. The minimum required contribution under ERISA is greater than the FAS 87 cost level.

b. Additional contributions are made to avoid or reduce Pension Benefit Guarantee Corporation ("PBGC") variable premiums.

The Prepaid Pension regulatory asset will be continued and will be allowed rate base treatment for the excess of any contribution over the annual FAS 87 cost calculated in accordance with paragraph 2 above. This regulatory asset shall be used to satisfy, in whole or in part, the FAS 87 funding requirement described in paragraph 6 above. The Prepaid Pension Asset will be reduced as it is used to satisfy the FAS 87 funding requirement.

9. GPE may be required to make ERISA contributions in excess of amounts calculated for FAS 87 Regulatory Expense in order to avoid benefit restrictions or "at risk" status under ERISA. Such contributions will be examined in the context of future rate cases and a determination will be made at that time as to the appropriate and proper level recognized for ratemaking as a Prepaid Pension Asset.

10. Any FAS 87 prepaid pension asset, other than the amount authorized in paragraph 8 above, or after review and approval of amounts in paragraph 9 above, will not earn a return in future regulatory proceedings.

OPEBs Provision of the Stipulation and Agreement

11. The Signatories agree that GMO will utilize a tracking mechanism for its share of FAS 106 OPEB costs consistent with the provisions of paragraphs 4 through 10 above, with the following modifications:

a. OPEB cost, unlike pensions described above, will be calculated based on FAS 106 requirements.

b. Funding requirements are replaced with a single requirement that OPEB costs as calculated under FAS 106 shall be contributed to an OPEB trust.

c. Amortization of unrecognized OPEB costs as of the July 2008 acquisition of Aquila, Inc. by GPE will be directly assigned to GMO.

Treatment of Pension/OPEB Cost for Joint Owners in Iatan

12. KCP&L, GMO and The Empire District Electric Company ("Empire") jointly own the Iatan 1 generating unit. KCP&L, GMO, Empire, Missouri Joint Municipal Electric Utility Commission, and Kansas Electric Power Cooperative, Inc. jointly own the Iatan 2 generating unit and Iatan Common plant. As the majority owner and operator of the Iatan

generating units/stations, KCP&L allocates the operating costs, including pension and OPEB costs to the other joint owners. The reference to joint owners below is to the joint owners in the Iatan 1 and 2 generating units/stations and Iatan Common plant.

13. Signatories agree employee pension and OPEB costs related to KCP&L employees directly assigned to, or who allocate part of their time to, work for the Iatan 1, Iatan 2 and Iatan Common generating units/stations will be calculated consistently with the methodology identified in the Payroll Annualization adjustment. Any cost or regulatory asset, including the prepaid pension/OPEB asset and/or liability, generated under paragraphs 2 through 11 above, will be calculated separately for the amounts related to KCP&L's joint owners. KCP&L non-union and joint trustee pension and OPEB costs for KCP&L employees charging payroll costs to the Iatan generating units/stations will be allocated among the joint owners of the stations in proportion to their ownership interests. Only the portion of the regulatory assets and/or liabilities, including the prepaid pension asset**,** or annual pension and OPEB costs related to GMO's joint owner share will be reflected in rate base or cost of service in any GMO rate case.

Treatment of Pension Cost for the Supplemental Executive Retirement Plan (SERP)

14. GPE maintains a Supplemental Executive Retirement Plan (SERP) for key employees which does not utilize a trust fund. The Signatories agree that SERP expense will not be included in the tracking mechanism for Regulatory Assets and/or Liabilities, including the Prepaid Pension Asset. SERP expense is not included in the amounts reflected in this Agreement or in any costs included herein. SERP will be considered in GMO's cost of service separately for Missouri rate making purposes to the extent it is determined to be appropriate and reasonable. The Signatories are free to consider other alternative treatment in future rate cases.

Annual Pension Cost and Regulatory Assets - Case No. ER 2016-0156

15. GMO's Missouri jurisdictional rates established in this case, ER-2016-0156, are based on $11,588,679 (total Company) for annual pension cost expensed under FAS 87, after removal of capitalized amounts and after the inclusion of the portion of KCP&L's annual pension cost which is allocated to GMO for its joint owner share in the Iatan generating units/stations, but before inclusion of allowable SERP pension costs and amortization of pension-related regulatory assets/liabilities. As described in paragraph 2f, an annual funding status adjustment has been made from GMO to KCP&L in the amount of $1.5 million. GPE's actuaries determined in Case ER-2010-0356 that this adjustment is required annually for an approximate ten (10) year period. All resulting pension amounts reflect GMO's share of the consolidated GPE pension costs and do not include any costs applicable to KCP&L.

16. GMO's Prepaid Pension Asset balance included in rate base, exclusive of the joint owners' shares, is $0 (total Company) at July 31, 2016.

17. GMO's FAS 87 Regulatory Asset included in rate base for the cumulative difference between pension cost recognized in its prior rates and its actual pension costs under FAS 87 since January of 2005 is $35,891,701 (total Company) at July 31, 2016, inclusive of any amount allocated for GMO's joint owner share of Iatan generating units/stations.

18. GMO's rates reflect the 5-year amortization of the $35,891,701 FAS 87 Regulatory Asset identified in the prior paragraph at an annual rate before capitalization of $7,178,340 (total Company). GMO will amortize $5,110,268 (total Company), after capitalization, to pension expense annually beginning with the effective date of rates established in this case, File No. ER-2016-0156.

Annual OPEB Cost and Regulatory Assets-Case No. ER 2016-0156

19. GMO's Missouri jurisdictional retail rates established in this case, ER-2016-0156, are based on $1,943,631 (total Company) for annual OPEB cost expensed under FAS 106, after removal of capitalized amounts and after the inclusion of GMO's portion of the annual OPEB costs related to joint owners in the Iatan generating units/stations, but before inclusion of the OPEB-related amortization of regulatory assets and/or liabilities. All OPEB amounts reflect GMO's share of the consolidated GPE OPEB costs and do not include any costs applicable to KCP&L.

20. GMO's Prepaid OPEB Asset balance included in the Company's rate base, inclusive of its joint owner share of the Iatan generating units/stations is $0 (total Company) at July 31, 2016.

21. GMO's FAS 106 Regulatory Liability included in rate base for the cumulative difference since inception between OPEB cost recognized in rates and its actual OPEB costs under FAS 106 is $(5,964,363) (total Company) at July 31, 2016, inclusive of its joint owner share of the Iatan generating units/stations.

22. GMO's rates reflect the 5-year amortization of the $(5,964,363) FAS 106 Regulatory Liability identified in the prior paragraph at an annual rate before capitalization of $(1,192,873) (total Company). GMO will amortize $(855,234) (total Company), after capitalization, to OPEB expense annually beginning with the effective date of rates established in this case, ER-2016-0156.

Amortization of Regulatory Assets Incurred Under Prior Agreements

23. In case ER-2012-0175, GMO was authorized to continue the amortization and rate base treatment of the regulatory asset previously established to tracked the difference

between the provision for the ERISA minimum contribution included in cost of service and the actual ERISA minimum contribution made. The balance of this regulatory asset included in rate base at July 31, 2016 is $2,919,827 and the annual amortization included in cost of service is $1,861,728, after amounts capitalized. When this regulatory asset is fully amortized, any amounts over recovered will be funded to the pension trust until the amortization is removed from cost of service resulting from a general rate case.

FAS 88 Pension Treatment

24. The Signatories agreed to defer FAS 88 pension costs consistent with the agreement for FAS 87 deferred accounting treatment. Unlike FAS 87, which allows for delayed recognition in net periodic pension cost of certain unrecognized amounts, FAS 88 requires immediate recognition of certain costs arising from settlements and curtailments of defined benefit plans. FAS 88 costs are legitimate pension costs which should be recovered in rates. Any FAS 88 pension costs deferred and subject to recovery in a future GMO rate case should (a) include the costs related to GMO's Missouri jurisdictional electric operations and (b) include GMO's share of amounts allocated to joint owners of the Iatan generating stations/ units. GMO's FAS 88 costs will be deferred in a regulatory asset to be amortized to cost-of-service in GMO's next rate case.

25. GMO's Regulatory Asset for FAS 88 pension costs will be tracked by vintage. At July 31, 2016, the FAS 88 regulatory asset balances for the 2011, 2013 and 2014 vintages were $1,703,564, $3,658,800 and $4,977,303, respectively.

26. GMO's rates will reflect the 5-year amortization of the 2011 vintage identified in the prior paragraph at the annual total company amount of $812,002. In addition to continuing the 2011 vintage amortization, the amortization of the 2013 and 2014 vintages identified in the

prior paragraph will be included in rates at an annual total company amount of $518,622 and $713,047respectively, after capitalization, with the effective date of rates established in this Case No. ER-2016-0156.

27. GMO will be required to fund all FAS 88 pension costs it collects in rates. Since GMO will not be required to fund any FAS 88 cost prior to recovery in rates, no rate base treatment will be required for the regulatory asset representing deferred FAS 88 costs.

FAS 88 OPEB Treatment

28. The Signatories agree GMO's FAS 88 OPEB costs, inclusive of GMO's share of amounts allocated to joint owners of generating stations/units, will be deferred in a regulatory asset and amortized to cost-of-service over 5-years in GMO's next rate case. GMO's FAS 88 OPEB costs, inclusive of amounts allocated to joint owners, deferred in a regulatory asset were $0 at July 31, 2016.

Treatment of Pension and OPEB-Related Other Comprehensive Income (OCI)

29. The provisions of FAS 158, require certain adjustments to the pension and OPEBs asset and/or liability with a corresponding adjustment to equity (i.e., decreases/increases to Other Comprehensive Income). The Company shall be allowed to set up a regulatory asset/liability to offset any adjustments that would otherwise be recorded to equity caused by applying the provision of FAS 158 or any other FASB statement or procedure that requires accounting adjustments to equity due to the funded status or other attributes of the pension or OPEB plan. The parties acknowledge that the adjustments described in this paragraph shall not increase or decrease rate base.

General Provisions

30. This Agreement is being entered into solely for the purpose of settling the issues in this case explicitly set forth above. Unless otherwise explicitly provided herein, none of the Signatories to this Agreement 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.

31. 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.

32. 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.

33. This Agreement embodies the entirety of the agreements between the Signatories in this case on the issues addressed herein, and may be modified by the Signatories only by a written amendment executed by all of the Signatories.

34. 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.

35. 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.

36. If the Commission accepts the specific terms of this Agreement without condition or modification, only as to the issues of the issues in these cases explicitly set forth above, 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 the Commission to issue an order in this case approving the Non-Unanimous Stipulation And Agreement Regarding Pensions And Other Post-Employment Benefits subject to the specific terms and conditions contained therein.

Respectfully submitted,

STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

/s/ Nathan Williams

Nathan Williams, MBE #35512
Deputy Staff Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
(573) 751-8702
(573) 751-9285 (Fax)
nathan.williams@psc.mo.gov

KCP&L GREATER MISSOURI OPERATIONS COMPANY

/s/ Robert J. Hack

Robert J. Hack, MBN 36496
Phone: (816) 556-2791
E-mail: rob.hack@kcpl.com
Roger W. Steiner, MBN 39586
Phone: (816) 556-2314
E-mail: roger.steiner@kcpl.com
Kansas City Power & Light Company
1200 Main – 19th Floor
Kansas City, Missouri 64105
Fax: (816) 556-2787

James M. Fischer, MBE #27543
Fischer & Dority, P.C.
101 Madison Street, Suite 400
Jefferson City, MO 65101
(573) 636-6758
(573) 636-0383 (Fax)
jfischerpc@aol.com

Karl Zobrist, MBE #28325
SNR Denton
4520 Main Street, Suite 1100
Kansas City, MO 64111
(816) 460-2545
(816) 531-7545 (Fax)
kzobrist@sonnenschein.com

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 20th day of September, 2016.

/s/ Robert J. Hack

Robert J. Hack