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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

CASE NO. EF-81-366

In the matter of the Application of
KANSAS CITY POWER & LIGHT COMPANY,
a Missouri corporation, for authority and
approval with respect to the leasing of
Nuclear Fuel.

APPEARANCES: MARK G. ENGLISH, Attorney, 1330 Baltimore Avenue,
Kansas City, Missouri 64116, for Kansas City Power &
Light Company.

STEVEN DOTTHEIM, Deputy General Counsel, P.O. Box 360,
Jefferson City, Missouri 65102, for the Staff of the
Missouri Public Service Commission.

REPORT AND ORDER

Procedural History

On June 26, 1981, Kansas City Power & Light Company (hereinafter referred to as the "Applicant," "KCPL" or "Company") filed an application and exhibits with this Commission, for authority to enter into, and approval of, various documents and agreements, comprising a certain nuclear fuel lease transaction, (hereinafter, "Lease Transaction"), and requesting certain accounting and ratemaking treatment thereof.

The Commission Staff filed its recommendations in this matter on September 25, 1981. The Staff recommended that the lease transaction be approved, but that the nuclear fuel lease (hereinafter referred to as the "Lease") be accounted for as a capital lease, and that no statement of ratemaking treatment of the Lease be made at this time.

By letter of September 28, 1981, the Applicant requested that an evidentiary hearing be held. On October 6, 1981, this Commission issued an Order Setting Schedule of Proceedings. By said Order a hearing was scheduled for October 22, 1981, at the Commission's offices in Jefferson City, Missouri. The Order further

required all direct testimony to be filed on or before October 16, 1981, and all rebuttal testimony to be filed on or before October 21, 1981.

The formal evidentiary hearing was held on October 22, 1981 as ordered. Initial and reply briefs were filed by the Staff and the Applicant and have been considered by the Commission in reaching its decision in this matter. The reading of the transcript by the Commission pursuant to Section 536.080, RSMo 1978, was not waived.

Findings of Fact

The Public Service Commission of Missouri, having given due consideration to all of the competent and substantial evidence upon the whole record, finds and concludes as follows:

The Applicant is a corporation duly organized and existing under the laws of the State of Missouri. It's principal office and place of business is located at 1330 Baltimore Avenue, Kansas City, Missouri 64105. It is engaged principally in the generation, transmission, distribution and sale of electric energy and to a lesser extent in the furnishing of steam service. Electric energy is distributed and sold to the public in an area in the States of Missouri and Kansas, and steam service is supplied and sold to the public in downtown Kansas City, Missouri. The major portion of the Applicant's revenues is derived from operations in the City of Kansas City, Missouri, and certain adjacent areas. The Applicant is, therefore, a "public utility" and "electrical corporation" subject to the jurisdiction, supervision and control of the Commission under Chapters 386 and 393, RSMo 1978.

The Applicant is a co-owner of the Wolf Creek Nuclear Generating Unit (hereinafter referred to as "Wolf Creek"), which is presently under construction near Burlington, Kansas. The Applicant has an obligation to supply its proportionate share of the nuclear fuel to be used for the generation of electricity by said unit. In that regard, the Applicant has acquired a portion of the requisite nuclear fuel, and has entered into certain contracts for the acquisition, enrichment, conversion

and fabrication of nuclear materials into nuclear fuel for use in said unit (said materials and contracts collectively hereinafter referred to as "nuclear fuel"). The Applicant presently has acquired about \$22 million, in book cost, exclusive of any associated credits, of nuclear fuel, and it is anticipated that the Applicant's total requirements will be about four times that amount, or approximately \$80 million, when Wolf Creek becomes operational.

The Applicant has explored various methods of financing its nuclear fuel obligations. The Applicant's Indenture of Mortgage and Deed of Trust dated December 1, 1946, as amended and supplemented, presently expressly excepts and excludes such property from the lien and operation of the indenture. If the Applicant retains ownership of the required nuclear fuel, such nuclear fuel would be supported by unsecured debt, equity, or a combination thereof. The Applicant has performed an economic analysis to determine the "least-cost" method of acquiring such nuclear fuel. The analysis is attached as Exhibit 1 to its application herein.

Under the proposed Lease Transaction, the Applicant will transfer title to its nuclear fuel to Continental Illinois National Bank and Trust Company of Chicago, as Trustee of the KCPL Fuel Trust (hereinafter referred to as the "Trust"). A draft of the proposed Trust Agreement is attached as Exhibit 6 to the application herein. Upon the transfer, the Trust shall pay to the Applicant a sum of money equal to the book value of the nuclear fuel, exclusive of any associated credits. Simultaneous with said transfer, the Applicant and the KCPL Fuel Trust will enter into a nuclear fuel lease (hereinafter referred to as the "Lease"). A draft copy of the proposed Lease is attached as Exhibit 7 to said application. Under the Lease, the Trust will lease to the Applicant all of the nuclear fuel required by the Applicant during the testing, start-up and commercial operation of Wolf Creek. The initial term of the Lease is five years.

The Trust will pay for the nuclear fuel required during the term of the lease by (i) borrowing the necessary sums, from time to time, from Kansas City Power

Commercial Paper, Inc. (hereinafter referred to as the "Issuer"), a Delaware Corporation wholly independent from the Applicant and the Trust, or (ii) making revolving credit borrowings under the Credit Agreement described below. The Issuer will be created and managed by Merrill Lynch Money Markets, Inc., for an annual fee. The Issuer will raise the funds required by the Trust by issuing commercial paper notes maturing not more than 270 days from the date of issue and, in certain circumstances, term notes maturing more than 270 days from the date of issue. It is anticipated that the Issuer will enter into Dealer Agreements with Merrill Lynch Money Markets, Inc., for the purpose of placement of such notes.

The Trust and the Issuer will enter into a Credit Agreement with a Bank acceptable to Applicant, which Agreement will provide, among other things, for (1) the issuance of an irrevocable Letter of Credit by the Bank to support the commercial paper notes and term notes to be issued by the Issuer, and (2) a Revolving Credit Loan Agreement whereby the Trust may borrow such sums as are needed to satisfy its obligations under the Lease. A draft copy of the proposed Credit Agreement and Letter of Credit are attached to said application as Exhibits 2 and 3, respectively. The irrevocable Letter of Credit will insure that the notes will receive the most favorable rating from Moody's and Standard and Poor's, thus allowing the notes to be sold at the lowest interest rate available. In the event that the Issuer does not repay the notes as they mature, disbursements will be made under the Letter of Credit to pay the maturing notes. The Issuer will have the option of converting these disbursements, after 90 days, to term loans maturing on the expiration of the Credit Agreement and prepayable at any time. Under the Credit Agreement, the interest rates for such disbursements, term loans and revolving credit loans will be based upon the prime rate, or the London Inter-Bank Offered Rate, both subject to multipliers, at the borrowers' option. There are various support, facility and commitment fees associated with this credit facility, which are detailed in said Exhibit 1. To facilitate this arrangement, the Issuer will enter into a Depositary Agreement with

Morgan Guaranty Trust Company of New York, to which the Applicant will consent and agree. A draft copy of the proposed Depositary Agreement is attached as Exhibit 4 to said application.

Applicant shall pay no sums under the Lease until the fuel begins to generate heat in Wolf Creek. The Trust will pay its purchase, financing and operating expenses, so long as the credit limit of the Credit Agreement has not been reached, by either causing the Issuer to issue additional commercial paper notes or term notes, or to borrow directly under the Revolving Credit Loan Agreement. For this reason, the available credit extended under the Credit Agreement will increase from \$50 million initially to \$80 million as of July 1, 1984. In effect, the Trust will capitalize, as a cost of the nuclear fuel, all of its expenditures, of whatever nature, until the Applicant begins to make payments under the Lease. At that time, the Applicant will make payments, pursuant to the terms of the Lease, in such amounts required to cover the amortization of the capitalized cost of the nuclear fuel and the ongoing financing and other charges payable by the Trust.

The commercial paper notes, term notes, term loans and revolving credit loans will be secured by the Trust by assigning the Applicant's payments under the Lease and the Trust's other rights under the Lease, and by the granting of a security interest in the nuclear fuel and assigned contract rights. A draft copy of a proposed Security Agreement is attached as Exhibit 5 to said application. Upon termination of the Lease, the Applicant must thereupon satisfy the debts of the Trust, and title to the nuclear fuel vests in the Applicant.

The Applicant and Issuer will enter into a Consent and Agreement with the Bank issuing said Letter of Credit, whereby Applicant (a) acknowledges receipt of executed copies of the documents comprising the lease transaction and consents to their performance by the parties thereto, (b) agrees to perform its obligations under the Lease, and (c) makes representations and warranties on various matters associated with the validity of the Lease Transaction. A draft copy of the proposed Consent and

Agreement is attached as Exhibit 8 to said application.

Applicant requests that the Lease Transaction be treated as an operating lease for accounting and ratemaking purposes. Accordingly, Applicant proposes that its lease payments be included in Account 518, Nuclear Fuel Expense. A more explicit explanation of Applicant's proposed accounting treatment of the Lease Transaction is contained in Exhibit 9 to said application.

The Staff opposes operating lease accounting and ratemaking treatment for the nuclear fuel Lease Transaction. The Staff recommends that the Commission authorize capital lease accounting treatment if the Company seeks to enter into a nuclear fuel lease transaction, and that the Commission make a ratemaking determination at such time as Wolf Creek is considered in relation to all other sources of supply and is sought to be included in rate base by the Company, and when the Commission determines Wolf Creek to be fully operational and used for service.

Under Generally Accepted Accounting Principles (GAAP) nuclear fuel leases are to be capitalized. However, the Addendum to APB (Accounting Principles Board) Opinion No. 2 provides for exceptions for regulated utilities:

2. However, differences may arise in the application of generally accepted accounting principles as between regulated and non-regulated businesses, because of the effect in regulated businesses of the rate-making process, a phenomenon not present in non-regulated businesses. Such differences usually concern mainly the time at which various items enter into the determination of net income in accordance with the principle of matching costs and revenues. For example, if a cost incurred by a regulated business during a given period is treated for rate-making purposes by the regulatory authority having jurisdiction as applicable to future revenues, it may be deferred in the balance sheet at the end of the current period and written off in the future period or periods in which the related revenue accrues, even though the cost is of a kind which in a nonregulated business would be written off currently. However, this is appropriate only when it is clear that the cost will be recoverable out of future revenues, and it is not appropriate when there is doubt, because of economic conditions or for other reasons, that the cost will be so recoverable.

[The Accounting Principles Board (APB) was the predecessor to the Financial Accounting Standards Board (FASB)].

In the instant case, then, the Company is requesting that this Commission authorize an exception for the proposed nuclear fuel lease and authorize its treatment as an operating lease, for accounting and ratemaking purposes. Under the Addendum to APB Opinion No. 2., an exception from capital lease treatment under GAAP for the Lease Transaction proposed herein must be based on ratemaking considerations.

It is the contention of the Company that based on its own economic analysis, operating lease treatment is the least cost method of financing its proportionate share of the nuclear fuel. The Company's economic analysis entailed a comparison of conventional financing, capital lease treatment, and operating lease treatment. Its findings were that the cost of conventional financing of the nuclear fuel would be about 27.05% on investment, the cost of capital lease treatment of the nuclear fuel would be about 25.46%, and the cost of operating lease treatment of the nuclear fuel would be about 15.81%. The Company alleges that capital lease treatment would create a 9.65% "penalty factor," before taxes, on an \$80 million transaction. This allegation is also based on restoring the Company to a "balanced capitalization" of 48% long-term debt, 12% preferred stock, and 40% common equity. The 9.65% figure represents the difference between the Company's calculations of the cost of capital lease treatment and the cost of operating lease treatment.

Company witness Bernard J. Beaudoin testified that the basic premise behind the opportunity cost, or "penalty factor", of capitalizing the lease is that there is an additional risk placed on the Company when it is required to capitalize a lease that could alternatively be accounted for as an operating lease. Capital lease treatment results in the nuclear fuel being shown as long-term debt on the Company's balance sheet, whereas operating lease treatment results in the nuclear fuel being reflected "off balance sheet" in a footnote to the financial statements. According to the Company, the change in its capitalization ratios resulting from capitalized lease treatment (percentage of debt increases and percentage of common equity

decreases) increases its financial risk and its cost of capital. The Company asserts that in order to restore the balance sheet to a less risky and "balanced capitalization" posture, the Company would have to issue an additional amount of higher cost equity capital. Finally, the Company claims that the higher cost equity capital that the Company would have to issue would also result in a greater revenue requirement (approximately an additional \$8 million annually) than would be the case under operating lease treatment.

Mr. Beaudoin testified that among credit analysts there appears to be a difference of opinion as to the risk inherent in an operating lease versus a capital lease. In support of this contention Mr. Beaudoin referred to various excerpts from Standard and Poor's "Fixed Income Investor" and Moody's "Bond Survey". Another document made an exhibit by the Company that refers to the perception of risk and accounting treatment for leases is a recent Financial Accounting Standards Board ("FASB") research report titled "The Economic Effects on Lessees of FASB Statement No. 13, Accounting for Leases" (1981).

The Company asserted that it is seeking operating lease treatment for ratemaking purposes so as to match the cash flow of revenue from the ratepayers to the Company with the cash flow of the lease payments from the Company to the Trust. The Company also indicated that one of the reasons why it is seeking operating lease treatment for ratemaking purposes is to charge the lease payments to fuel expense in the cost of service when fuel is consumed.

Exhibit 10 to the Company's application states that according to Financial Accounting Standards, nuclear fuel leases are capitalized leases, but that according to the Addendum to APB Opinion No. 2 financial accounting may correspond to ratemaking treatment for a given transaction for a regulated utility. Company witness Floyd R. Pendleton testified that under the Addendum to APB Opinion No. 2, if the Commission determines that an item should be handled as an operating lease for

ratemaking purposes, that determination is controlling as far as the accounting is concerned.

The Company contends that the proposed Lease Transaction and its component documents are not "bonds, notes or other evidences of indebtedness" and, as a consequence, no fees as required by Section 386.300.1(5) RSMo 1978 are due thereunder.

The Staff agreed with the Company's conclusion that lease financing is the most economical way to finance the Company's share of the nuclear fuel to be used at Wolf Creek. However, it is the opinion of the Staff that this is true regardless of whether lease financing of the nuclear fuel is given operating lease or capital lease treatment for accounting purposes. Staff witness Mike Stubblefield prepared an exhibit that showed that the Company's revenue requirement would be the same under either an operating lease or a capital lease.

Mr. Stubblefield testified that the fact that an operating lease is not shown on the liability side of the balance sheet does not mean that it will be ignored when investors and rating agencies evaluate a company's financial situation. He asserted that most knowledgeable investors would recognize the lease as a long-term obligation. In support of this contention, he cited to several recent reports from Standard and Poor's "Fixed Income Investor", and a speech delivered by a Vice President and Associate Director, Corporate Bond Research Department - Utility Section, of Moody's Investors Service, at Dean Witter Reynolds, Inc.'s second annual seminar on "Project Financing for the Public Utility Industry" held on December 2, 1980. Mr. Stubblefield also noted that the FASB research report respecting the economic effects on lessees of FASB Statement No. 13 stated that some preparers of financial statements expressed concern that users' evaluations of a company's performance are quite often influenced by cosmetic accounting changes. It is the Staff's position that to attempt to influence investors by cosmetic accounting differences is not a sound basis on which to justify such a financing.

Mr. Stubblefield testified that he did not agree with the Company's contention that there is a "penalty factor" associated with capital lease treatment. Mr. Stubblefield noted that the effective debt burden of the Company is increased regardless of whether the proposed financing is treated as an operating lease or a capital lease, and that this fact is so recognized by rating agencies and knowledgeable investors. He testified that if there is an increased degree of risk respecting the Company, the increased risk is due to the long-term nature of the obligation, rather than the accounting treatment thereof. It is the Staff's contention that a company's decision whether to issue additional common equity and preferred stock will be independent of the accounting treatment authorized by the Commission.

Regarding the Company's calculations of the financing costs of an operating lease financing, a capital lease financing, and conventional forms of ownership, Mr. Stubblefield testified that he did not agree with (1) the costs that the Company assigned to preferred stock and common equity and (2) the Company's use of the target "balanced capitalization" goals in developing a weighted average cost of capital.

Staff witness William A. Meyer listed several reasons for the Staff's recommendation that the Company's proposed nuclear fuel lease be treated as a capital lease rather than as an operating lease as the Company proposes:

(1) Addendum to APB Opinion No. 2 respecting operating leases cannot be invoked without the Commission authorizing ratemaking treatment for such leases and the authorization of ratemaking treatment should not be addressed outside the context of the rate case wherein Wolf Creek is considered in relation to all other sources of supply and is sought to be included in rate base by the Company;

(2) Addendum to APB Opinion No. 2 indicates that operating lease treatment is "appropriate only when it is clear that the cost will be recoverable out of future revenues, and it is not appropriate when there is doubt, because of economic conditions or for other reasons, that the cost will be so recoverable;" the determination of recoverable future revenues should only be made in the context of the rate case wherein Wolf Creek is considered in relation to other sources of supply and is sought to be included in rate base by the Company;

(3) Nuclear fuel has a normal life of over one year and, therefore, would normally be shown as a long-term asset on the Company's balance sheet; and

(4) Normal ratemaking procedures require that all utility plant (assets) be subject to the test of whether it is in useful service to the public before it can be included in rate base.

The Commission finds that lease financing is the most economical method of financing the Company's share of the nuclear fuel to be used at Wolf Creek. The Commission also finds that this is true regardless of whether this lease financing is given operating lease treatment or capital lease treatment for accounting purposes.

The Commission is of the opinion that regardless of whether the proposed transaction is treated as an operating lease or a capital lease for accounting purposes, the proposed financing represents a long-term obligation of the Company. Nuclear fuel has a normal life of over one year and generally would be shown as a long-term asset on the Company's balance sheet. The Commission finds that the effective debt burden of the Company is increased regardless of the accounting treatment afforded the lease, and that the decision to issue equity is independent of the accounting treatment given to the lease. The Commission is not interested in authorizing an accounting treatment that could influence unwitting investors in their perception of either the risk of the transaction or the risk of the Company.

Also, the Commission is of the opinion that ratemaking treatment should not be authorized respecting the proposed financing transaction outside of the context of the rate case wherein Wolf Creek is considered in relation to all other sources of supply, is sought to be included in rate base by the Company and is determined by the Commission to be fully operational and used for service. Pursuant to the Lease, the Company's lease payments commence upon heat production at Wolf Creek. The Staff in its initial brief noted that the ratemaking treatment of test power from Company's Iatan power plant was an issue in the Company's last rate case, Re: Kansas City Power & Light Company, Mo. PSC Case No. ER-81-42, Report and Order (1981; unpublished), and that the meaning of the term "fully operational and used for

service" was an issue in a recent Company case, Re: Kansas City Power & Light Company, Mo. PSC Case No. ER-80-48, 38 PUR4th (1980), and in Re: Missouri Public Service Company, Mo. PSC Case Nos. ER-79-60 and GR-79-61, 30 PUR4th 145 (1979), as to when a new generating facility should be included in a utility's rate base. The Commission further notes that three weeks of hearings are scheduled to commence on August 9, 1982 respecting this Commission's investigation in Case No. EO-81-101 into the generation expansion program of KCPL for the period 1980-2000, which will include consideration of the Company's need for the Wolf Creek nuclear facility. The Commission cannot commit itself at this time to allowing lease payments in cost of service as fuel expense at such time as fuel is consumed in heat production. The Commission will not make a ratemaking determination affecting Wolf Creek or any part of its operation outside the context of a rate case nor prior to the hearing in Case No. EO-81-101. This is true whether KCPL would perceive such a determination as binding, or merely as an advisory statement of future intent as suggested in its brief.

The Commission's decision herein is not inconsistent with its determination in its July 15, 1980 "Order Approving Lease" in Case No. EO-80-295, Re: Kansas City Power and Light Co., wherein the Commission authorized operating lease accounting treatment for a \$4 million lease of vehicles, equipment, tools and office furniture with PruLease, Inc. Mr. Pendleton of KCPL testified in the instant proceeding that a \$4 million transaction is not material, and that under FASB Statement No. 13 and the Addendum to APB Opinion No. 2, if a transaction is non-material and is accounted for as an operating lease without ratemaking treatment having been authorized, the utility company's outside auditors would be able to give a clean opinion on the company's financial statements. This would not be true of a material transaction, however. A transaction involving \$50 million to \$80 million of nuclear fuel is material.

The Commission notes that the question of the appropriate accounting and ratemaking treatment for a proposed nuclear fuel lease was previously raised in Case Nos. EF-79-237 and EF-81-196 respecting Union Electric Company (hereinafter referred to as "UE"). Although UE and the Staff entered into a Stipulation and Agreement (which was approved by the Commission) that the lease be capitalized in order to correctly recognize the existence of the debt obligation created by the leasing arrangement, UE and the Staff stipulated and agreed in that case that the lease may be treated by the Commission otherwise than as a capital lease, in a rate-setting proceeding. Based on the evidence presented in the instant contested proceeding, the Commission is not moved to act differently in this case.

The Company's Application in the instant case requested the Commission to (1) approve and authorize the proposed Lease Transaction, (2) approve the proposed transfer of nuclear fuel to the KCPL Fuel Trust, and (3) authorize execution of, and assumption of the obligations thereunder, by KCPL of the proposed (a) Trust Agreement (including the possible assumption of the Trustee's duties and obligations pursuant to Section 10.3 thereof), (b) Nuclear Fuel Lease, (c) Depositary Agreement, and (d) Consent and Agreement, in substantially the form set forth in Exhibits 2, 3, 6 and 8 attached to the Application herein, and (4) authorize KCPL to execute such further agreements and documents as deemed by it to be necessary or appropriate to the proposed transaction. Based on the Commission's findings herein, the instant Application will be granted as to these requests, except as set out below.

However, that portion of the instant Application requesting authority for the Company to (a) account for said Lease Transaction and (b) treat said Lease Transaction for ratemaking purposes, as an operating lease, and to allow Company to treat its payments thereunder as allowable operating expenses, must be denied.

The Commission further finds that the Lease Transaction proposed herein is subject to the statutory fees provided for in Section 386.300.1(5), RSMo, 1978. The Company's proposed transaction is an issuance of stocks, bonds, notes or other

evidences of indebtedness payable at periods of more than twelve months after the date thereof. The initial term of the Lease is five years, with automatic one-year extensions, unless proper notice is given by either party. As previously noted, the proposed transaction is in fact a long-term obligation. Nuclear fuel itself has a normal life of over one year.

The obligation of the Trust is defined under the Credit Agreement, the Loan Note, the Lease, the Assignment Agreement, the Security Agreement, the Acknowledgment of Assignment, and the Trust Agreement. Under the Lease, the Company assumes all risks and waives any and all defenses to the obligations to pay the amounts required to be paid thereunder, and under the Consent and Agreement, the Company agrees to perform and comply with all the terms and provisions of the Lease. Upon termination of the Lease, the Company must thereupon satisfy the debts of the trust.

Conclusions

The Missouri Public Service Commission has arrived at the following conclusions:

The order of this Commission is based upon competent and substantial evidence on the whole record.

The Company is a public utility and an electrical corporation subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, RSMo 1978.

The Commission has jurisdiction over the nuclear fuel Lease Transaction proposed herein, pursuant to Sections 393.140.1, 393.140.8, 393.180, 393.190.1, 393.200.1, and 393.220.1, RSMo 1978.

The Commission concludes that the proposed Lease Transaction is just, reasonable and proper, and should be authorized to the extent set out below, consistent with the findings of fact hereinabove.

The Commission further concludes that the proposed operating lease accounting and ratemaking treatment of the proposed nuclear fuel Lease Transaction is neither just and reasonable nor just and proper.

The Commission also concludes that the proposed Lease Transaction authorized herein is subject to the fee schedule provided for in Section 386.300.1(5), RSMo, 1978.

The Commission further determines that the Company and Staff should address, and explain in detail, in KCPL's pending rate case (ER-82-66), the specific mechanics of the accounting treatment of the nuclear fuel Lease Transaction herein authorized. This may be accomplished in the prepared testimony and exhibits, the hearing memorandum, oral presentation by counsel, or other means. The Commission wants the matter addressed and explained, however, whether the case proceeds to full, contested hearing or results in a stipulation and agreement of the parties.

It is, therefore,

ORDERED: 1. That Kansas City Power and Light Company be, and is hereby, authorized to enter into the nuclear fuel Lease Transaction proposed in its Application herein, and to transfer its nuclear fuel to the KCPL Fuel Trust to be established as part of that Lease Transaction.

ORDERED: 2. That Kansas City Power and Light Company be, and is hereby, authorized to execute, and assume the obligations of, (a) the Trust Agreement (including the possible assumption of the Trustee's duties and obligations pursuant to Section 10.3 thereof), (b) the Nuclear Fuel Lease, (c) the Depositary Agreement, and (d) the Consent and Agreement, proposed in this case, in substantially the form set forth in Exhibits 2, 3, 6 and 8 attached to the Application herein.

ORDERED: 3. That Kansas City Power and Light Company be, and is hereby, authorized to execute such further agreements and documents necessary or appropriate to carry out the proposed nuclear fuel Lease Transaction authorized herein.

ORDERED: 4. That the Kansas City Power and Light Company be, and is hereby, directed to file with the Commission, no more than thirty (30) days after being finalized, a certified and true copy of each document executed as a part of the nuclear fuel Lease Transaction authorized herein.

ORDERED: 5. That the request of Kansas City Power and Light Company to treat the nuclear fuel Lease Transaction authorized herein as an operating lease be, and is hereby, denied.

ORDERED: 6. That Kansas City Power and Light Company be, and is hereby, directed to account for the nuclear fuel Lease Transaction authorized herein as a capital lease.

ORDERED: 7. That nothing herein shall be considered as a finding or approval by the Commission of the value of the properties herein involved for ratemaking purposes, nor as an acquiescence in the value placed upon said properties by the Company, nor as a determination of the ratemaking treatment to be afforded the nuclear fuel Lease Transaction herein authorized. Furthermore, the Commission reserves the right to consider this lease and its result and cost of capital in any later rate proceeding.

ORDERED: 8. That Kansas City Power and Light Company shall pay fees pursuant to Section 386.300.1(5) on the Lease Transaction authorized herein.

ORDERED: 9. That Kansas City Power and Light Company and the Commission Staff be, and are hereby, ordered to address and explain in detail, in KCPL's pending rate case (ER-82-66), the specific mechanics of the accounting treatment of the nuclear fuel Lease Transaction herein authorized, in the prepared testimony, or hearing memorandum, or by other means; provided, however, that such mechanics of accounting treatment shall be addressed and explained whether said rate case proceeds to full, contested hearing or results in a stipulation and agreement.

ORDERED: 10. That this Report and Order shall become effective on January 8, 1982.

BY THE COMMISSION

Harvey G. Hubbs
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Harvey G. Hubbs
Secretary

(S E A L)

Fraas, Chm., McCartney,
Dority and Musgrave, CC.,
Concur and certify compliance
with the provisions of Section
536.080, RSMo, 1978.
Shapleigh, C., Not Participating.

Dated in Jefferson City, Missouri
on this 29th day of December, 1981.