

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

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

**SECOND NONUNANIMOUS 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”):

1. GMO’s and Staff’s nonunanimous stipulation and agreement regarding pensions and other post-employment benefits that the Commission approved in its May 4, 2011, *Report and Order* includes pension, other post-employment benefit, and tracker amounts (rate base and amortization) based on an assumption of the allocation of Iatan 2 between MPS and L&P different than what the Commission ordered in its *Report and Order*.

2. In light of the Commission’s decision on the allocation of Iatan 2 stated in its *Report and Order*, GMO and the Staff (individually “Signatory” and collectively “Signatories”) have reached an agreement (“Agreement”) to modify<sup>1</sup> their prior unopposed, Commission-approved nonunanimous stipulation and agreement that resolved between them pension and other post-employment benefit (“OPEB”) costs for GMO as of December 31, 2010, and the treatment of

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<sup>1</sup> This Agreement modifies the Signatories’ prior agreement by changing certain amounts in that agreement as follows. The indicated paragraph numbers are those used in the original agreement. The associated paragraphs in this second agreement are two paragraphs later in each instance: Paragraph 19 – MPS total pensions – to \$7,916,590 from \$7,945,506, decrease of (\$28,916); Paragraph 24 - L&P electric pensions – to \$1,100,735 from \$1,070,694, increase of \$30,041; Paragraph 29 - MPS total OPEB – to \$3,764,186 from \$3,772,156, decrease of (\$7,970); Paragraph 34 - L&P total OPEB – to \$1,245,242 from \$1,236,214, increase of \$9,028; Paragraph 38 – MPS total ERISA Tracker (Rate Base) – to \$6,324,263 from \$6,352,121; Paragraph 38 – MPS total ERISA Tracker amortization – to \$926,125 from \$930,204; Paragraph 38 – L&P electric ERISA Tracker (Rate Base) – to (\$205,033) from (\$233,131); and Paragraph 38 – L&P electric ERISA Tracker amortization – to (\$30,919) from (\$35,156).

those costs for this and future cases.

3. This Agreement will be applied individually for the Missouri Public Service (“MPS”) and St. Joseph Light & Power (“L&P”) rate jurisdictions. Nothing in this Agreement prevents either of the Signatories from proposing changes to the provisions of this Agreement in a future case.

**Purpose of the Stipulation and Agreement**

4. The Generally Accepted Accounting Principles (“GAAP”) related to pension and OPEB costs are now 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 in this Agreement with past practice, however, they will be referred to by their original FAS designations.

5. This Stipulation and Agreement is intended to accomplish the following:

- a. Establish the ratemaking methodology for each GMO rate jurisdiction consistent with that authorized for Kansas City Power & Light Company (“KCP&L”), that is appropriate for the calculation of pension and OPEB costs for financial reporting and ratemaking.
  - i. Ensure that the FAS 87 cost used as a basis for the amount collected in rates is determined using the “ratemaking method” of GAAP as documented in paragraph 8 below, 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 cost used as a basis for the amount collected in rates is contributed to the pension trust. Ensure that the OPEB cost

used as a basis for the amount collected in rates is contributed to the Voluntary Employees' Beneficiary Association ("VEBA") Trusts or other irrevocable trusts.

- iii. Ensure that amounts contributed by GMO to the pension trust, 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 pension trust 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 13.
- b. Establish that the pension and OPEB costs for each GMO jurisdiction will include that jurisdiction'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 and Jeffrey generating units/stations.
- c. Identify for each jurisdiction, for purposes of calculating the tracking mechanisms included herein, the Regulatory Assets, including the Prepaid Pension Asset, and the annual Pension Cost resulting from rates established in this rate case, Case No. ER-2010-0356. The tracking mechanism requires that all Regulatory Assets and/or Liabilities, including the Prepaid Pension Asset, and annual Pension Cost be identified as of the established true-up date for each GMO rate case.
- d. Establish an agreement between the Staff and GMO regarding the treatment of pension and OPEB costs which result under Statement of Financial

Accounting Standards 88 (“FAS 88”) for financial reporting and ratemaking purposes.

- e. Recognize contributions in excess of FAS 87 pension expense to include reasons arising due to the enactment of the Pension Protection Act of 2006 (“2006 Act”).
- f. Recognize that the methodology adopted herein is determined to satisfy the requirements of Case No. EM-2000-292, the UtiliCorp United / St. Joseph Light & Power Company (“SJL&P”) merger case, that SJL&P pension funded status be accounted for separately following the merger.

#### **Provisions of the Stipulation and Agreement**

- 6. To accomplish the goals above, the Signatories agree to the following:
- 7. The FAS 87 cost, for each jurisdiction’s financial reporting purposes, will differ from the method used for ratemaking purposes described in paragraph 6 below. GMO’s pension costs are included in the Great Plains Energy (“GPE”) consolidated pension plans. GPE became the parent company of KCP&L in a 2001 corporate restructuring. Prior to that restructuring, KCP&L made a voluntary decision (not required for compliance with a Commission order) in January 2000, to amortize gains and losses under FAS 87 for financial reporting purposes over a five (5) year period. A five (5) year average of the unrecognized gain/loss balance has been amortized over five (5) years since January 2000. KCP&L has established a regulatory asset or liability for the annual difference in the FAS 87 result from the two different methods. When GMO adopts the ratemaking method of GAAP pension accounting under this Agreement, it will also need to record a regulatory asset or liability for each jurisdiction’s share of the difference between the two methods. GPE’s outside actuary will maintain actuarial reports under each method on an annual basis. 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. No rate base recognition will be required for any regulatory asset or liability calculated in accordance with this Paragraph.

8. FAS 87 pension cost, used for 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 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 the 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 the MPS and L&P cost of service.
- e. The term “cost” as used herein means each jurisdiction’s share of the consolidated GPE pension cost calculated by GPE’s actuaries. The term “expense” as used herein means each jurisdiction’s share of the consolidated GPE pension cost calculated by GPE’s actuaries less each jurisdiction’s capitalization component of such cost. The capitalization component is derived by multiplying the capitalization rate determined in the Payroll Annualization adjustment for each jurisdiction by the pension cost for each jurisdiction.
- f. “Each jurisdiction’s share” of the consolidated GPE pension cost is derived by first applying the most recent annualized payroll allocation factor for each jurisdiction, determined using the methodology identified in the Payroll Annualization

adjustment which relies on the time reporting system that tabulates the amount of time employees perform work activities among the various GPE entities, to the consolidated GPE cost determined by the GPE's actuaries for management and joint trustee pension plans. KCP&L's joint owners' shares are eliminated before calculating both the payroll allocation factors and the cost to which the factors are applied. Consequently, each jurisdiction's shares of the pension costs for the Iatan and Jeffrey generating stations must then be added. 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 than both the Missouri Public Service portion of the Aquila plan and the KCP&L pension plan when GPE purchased Aquila's Missouri electric properties. The adjustment made in this case to address the different funding statuses of the GPE entities had the effect of decreasing the pension cost for L&P and increasing the pension costs both for MPS and for KCP&L.

- g. The above methodology is determined to satisfy the requirements of Case No. EM-2000-292, the UtiliCorp United / St. Joseph Light & Power Company ("SJL&P") merger case, that SJL&P pension funded status be accounted for separately following the merger.
- h. Because use of the above method to determine pension cost for ratemaking would result in a substantial increase in revenue requirement for the MPS rate jurisdiction over the method previously authorized, the impact will be mitigated by use of a 12-year average of the cost projections for the MPS jurisdiction. GPE's actuaries have computed the 12-year average for MPS of its projected pension cost, including the

special temporary adjustment described in (f), from 2010 through 2021 as \$10.5 million. This average cost will be adjusted in future rate cases to reflect revised projections, if necessary, and will be used until the actual cost is less than the projected average cost. The difference between the current year pension cost, as adjusted per (f), and the 12-year average used to establish rates in this case will be included in the FAS 87 Regulatory Asset beginning with the implementation of the new method on the effective date of new rates in the ER-2010-0356 case.

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

9. The Signatories agree that a FAS 87 regulatory asset or liability will be established on each jurisdiction's books to track the difference between the level of FAS 87 cost calculated pursuant to paragraph 8 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 for each jurisdiction, before capitalization, will be updated annually based on the amounts provided by GPE's actuaries. For each jurisdiction, if the FAS 87 cost during the current period is more than the cost used to determine rates for the period, the applicable jurisdiction 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, the applicable jurisdiction 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, a regulatory liability equal to the difference between the level of pension cost used to determine rates for that period and \$0 will be established. Since paragraph 9 is a cash item, the cumulative net regulatory asset or liability will be included in rate base and amortized over five (5) years at the next rate case, subject to a review for prudence.

10. 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 rates will be set at \$0. Each jurisdiction 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 13 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 rate base in future years.

11. Any amount of FAS 87 cost (as calculated in paragraph 8 above), which exceeds the actual level of contributions as authorized in paragraph 13 below, must be funded by MPS and L&P, either through a cash contribution or through a reduction of the Prepaid Pension Asset discussed in paragraph 13 below.

12. Any FAS 87 amount that exceeds the actual level of contributions as authorized in paragraph 13 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.

13. Consistent with the goal expressed in paragraph 5.a.iii, a Prepaid Pension Asset may be established if a GMO jurisdiction's share of amounts contributed to the pension trust, as authorized for the reasons below, exceeds the jurisdiction's FAS 87 cost calculated in paragraph 8 above. The Signatories agree to allow each jurisdiction rate recovery for contributions made to



the pension trust in excess of the FAS 87 cost calculated pursuant to paragraph 8 above for the following reasons:

- a. The minimum required contribution under the Employee Retirement Income Security Act of 1974 (“ERISA”) as amended for the Pension Protection Act of 2006 (“2006 Act”) 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 for each jurisdiction and will be allowed rate base treatment for the excess of any contribution over the annual FAS 87 cost calculated in accordance with paragraph 8 above. This regulatory asset may be used to satisfy, in whole or in part, the FAS 87 funding requirement described in paragraph 11 above. The Prepaid Pension Asset will be reduced as it is used to satisfy the FAS 87 funding requirement.

14. Due to the 2006 Act, GPE may be required to make contributions in excess of amounts calculated for FAS 87 Regulatory Expense in order to avoid benefit restrictions under the 2006 Act or “at risk” status under the 2006 Act. 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.

- a. Additional contributions are made to avoid benefit restrictions under the 2006 Act. Such restrictions could cause an inability of the Company to pay pension benefits to recipients according to the normal provisions of the plan (e.g., providing the lump sum form of payment option). Generally, a plan’s funded status as defined in the 2006 Act must remain above 80% in order to avoid benefit restrictions. If additional contributions are made under this provision, such contributions will be examined in future rate cases and a determination will be made as to the appropriate

and proper level considered for recovery in rates.

- b. Additional contributions are made to avoid “at risk” status under the 2006 Act. If a plan is “at risk”, minimum contributions are greatly accelerated. If additional contributions are made under this provision, such contributions will be examined in future rate cases and a determination will be made as to the appropriate and proper level considered for recovery in rates.

15. Any FAS 87 prepaid pension asset, other than the amount authorized in paragraph 13 above or after review and approval of amounts in paragraph 14 above, will not earn a return in future regulatory proceedings. The regulatory assets/liabilities identified in items 9, 10, and 12 above address the inclusion or exclusion of any additional rate base amounts.

#### **Establishment of an OPEB Tracking Mechanism**

16. The Signatories agree that each GMO jurisdiction may establish a tracking mechanism for its share of FAS 106 OPEB costs consistent with the provisions of paragraphs 8 through 15 above, beginning with the effective date of new rates in this case, with the following modifications:

- a. OPEB cost, as described for pensions in paragraph 8, will be calculated based on FAS 106 requirements.
- b. Funding requirements, as described for pensions in paragraph 13, are replaced with a single requirement that current period OPEB cost will be funded.
- c. Amortization of unrecognized OPEB costs as of the July 2008 acquisition of Aquila, Inc. by GPE will be directly assigned to the applicable GMO affiliates.

#### **Treatment of Pension/OPEB Cost for Joint Owners in Iatan**

17. 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 (“MJMEUC”), and Kansas Electric Power Cooperative, Inc. (“KEPCO”) 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 costs, to the other joint owners: GMO, Empire, MJMEUC and KEPCO. The reference to joint owners below is to the joint owners in the Iatan 1 and 2 generating units/stations and Iatan Common plant.

18. GMO and the Staff agree KCP&L 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 asset, and/or liability, generated under paragraphs 8 through 16 above, will be calculated separately for the amounts related to KCP&L’s joint owners. KCP&L management and joint trustee pension costs 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 each GMO jurisdiction 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)**

19. GPE maintains a Supplemental Executive Retirement Plan (SERP) for key employees. The plan, administered by GPE, 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 below for this Agreement or in any costs included herein. SERP will be considered in cost of service separately for 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 2010-0356 – MPS**

20. The provisions of the pension and OPEB ratemaking methodology in this Agreement will be effective with new rates in this case, anticipated to be June 4, 2011. Regulatory assets and liabilities authorized in the orders in prior rate cases will continue in place up to the effective date of rates in this case, including additions and amortizations, and will continue to be amortized subsequent to that time in accordance with prior orders until they become \$0. See section titled “Regulatory Assets and Liabilities Under Prior Agreements”.

21. MPS’s Missouri jurisdictional rates established in this case, ER-2010-0356, are based on \$7,916,590 (total MPS) for annual pension cost expensed under FAS 87, 1) after removal of capitalized amounts and 2) after inclusion of the portion of KCP&L’s annual pension cost which is allocated to MPS for its joint owner share of KCP&L’s Iatan generating unit/station, but 3) before inclusion of allowable SERP pension costs and 4) before amortization of pension-related regulatory assets/liabilities and 5) before application of the retail jurisdictional allocation factor. As described in paragraph 8.f, an annual funding status adjustment has been made from L&P to MPS in the amount of \$2.5 million (total jurisdiction before capitalization). The GPE’s actuaries have determined that this adjustment is required annually for an approximate five (5) year period. All resulting pension amounts reflect MPS’s share of the consolidated GPE pension costs and do not include any costs applicable to KCP&L or L&P.

22. MPS’s Prepaid Pension Asset balance included in rate base subsequent to the adoption of this ratemaking method in ER-2010-0356, is \$0 (total MPS) at December 31, 2010.

23. MPS’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

subsequent to adoption of this ratemaking method in ER-2010-0356 is \$0 (total MPS) at December 31, 2010, inclusive of any amount allocated to MPS from KCP&L as a joint owner in the Iatan 2 generating unit/station.

24. MPS's rates reflect the 5-year amortization of the \$0 FAS 87 Regulatory Asset identified in the prior paragraph at an annual rate before capitalization of \$0 (total MPS). MPS will amortize \$0 (total MPS), after capitalization, to pension expense annually beginning with the effective date of rates established in this case, File No. ER-2010-0356.

**Annual Pension Cost and Regulatory Assets - Case No. ER 2010-0356 – L&P**

25. The provisions of the pension and OPEB ratemaking methodology in this Agreement will be effective with new rates in this case, anticipated to be June 4, 2011. Regulatory assets and liabilities authorized in the orders in prior rate cases will continue in place up to the effective date of rates in this case, including additions and amortizations, and will continue to be amortized subsequent to that time in accordance with prior orders until they become \$0. See section titled "Regulatory Assets and Liabilities Under Prior Agreements".

26. L&P's Missouri jurisdictional rates established in this case, ER-2010-0356, are based on \$1,100,735 (L&P-Electric) for annual pension cost expensed under FAS 87, 1) after removal of capitalized amounts and amounts related to the steam jurisdiction and 2) after inclusion of the portion of KCP&L's annual pension cost which is allocated to L&P for its joint owner share of KCP&L's Iatan 1 and 2 generating units/stations, but 3) before inclusion of allowable SERP pension costs and 4) before amortization of pension-related regulatory assets/liabilities. As described in paragraph 8.f, an annual funding status adjustment has been made from L&P to MPS and KCP&L in the amount of (\$4.0 million) (total jurisdiction before capitalization). GPE's actuaries have determined that a (\$2.5 million) adjustment to MPS is required for an approximate five (5) year period while an adjustment to KCP&L for (\$1.5

million) is necessary for an approximate ten (10) year period. All resulting pension amounts reflect L&P's share of the consolidated GPE pension costs and do not include any costs applicable to MPS or KCP&L.

27. L&P's Prepaid Pension Asset balance included in rate base subsequent to the adoption of this ratemaking method in ER-2010-0356, is \$0 (L&P-Electric) at December 31, 2010.

28. GMO-L&P'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 subsequent to adoption of this ratemaking method in ER-2010-0356 is \$0 (L&P-Electric) at December 31, 2010, inclusive of any amounts allocated to L&P from KCP&L as a joint owner in the Iatan 1 and 2 generating units/stations.

29. L&P's rates reflect the 5-year amortization of the \$0 FAS 87 Regulatory Asset identified in the prior paragraph at an annual rate before capitalization of \$0 (L&P-Electric). L&P will amortize \$0 (L&P-Electric), after capitalization, to pension expense annually beginning with the effective date of rates established in this case, ER-2010-0356.

**Annual OPEB Cost and Regulatory Assets - Case No. ER 2010-0356 – MPS**

30. Expense and contribution trackers for MPS OPEB costs will be initiated with the effective date of rates in Case No. ER-2010-0356, anticipated to be June 4, 2011.

31. MPS's Missouri jurisdictional rates established in this case, ER-2010-0356, are based on \$3,764,186 (total MPS) for annual OPEB cost expensed under FAS 106, 1) after removal of capitalized amounts and 2) after inclusion of MPS's portion of KCP&L's annual OPEB cost which is allocated from KCP&L to MPS for its joint owner share in the Iatan 2 generating unit/station, but 3) before amortization of OPEB-related regulatory assets/liabilities and 4) before application of the retail jurisdictional allocation factor. All OPEB amounts reflect

MPS's share of the consolidated GPE OPEB costs and do not include any costs applicable to L&P or KCP&L.

32. MPS's Prepaid OPEB Asset balance included in rate base, inclusive of its joint owners share of the Iatan generating station/unit, is \$0 (total MPS) at December 31, 2010.

33. MPS's FAS 106 Regulatory Asset included in rate base for the cumulative difference since inception (see paragraph 30) between OPEB cost recognized in its prior rates and its actual OPEB costs under FAS 106 is \$0 (total MPS) at December 31, 2010, inclusive of its joint owner share of the Iatan 2 generating unit.

34. MPS's rates reflect the 5-year amortization of the \$0 FAS 106 Regulatory Asset identified in the prior paragraph at an annual rate before capitalization of \$0 (total MPS). MPS will amortize \$0 (total MPS), after capitalization, to OPEB expense annually beginning with the effective date of rates established in this case, ER-2010-0356.

#### **Annual OPEB Cost and Regulatory Assets - Case No. ER 2010-0356 – L&P**

35. Expense and contribution trackers for L&P OPEB costs will be initiated with the effective date of rates in ER-2010-0356, anticipated to be June 4, 2011.

36. L&P's Missouri jurisdictional rates established in this case, ER-2010-0356, are based on \$1,245,242 (total L&P) for annual OPEB cost expensed under FAS 106, 1) after removal of capitalized amounts and 2) after inclusion of L&P's portion of KCP&L's annual OPEB cost which is allocated from KCP&L to L&P for its joint owner share in the Iatan 1 and 2 generating units/stations, but 3) before amortization of OPEB-related regulatory assets/liabilities and 4) before application of the retail electric jurisdictional factor. All OPEB amounts reflect L&P's share of the consolidated GPE OPEB costs and do not include any costs applicable to MPS or KCP&L.

37. L&P's Prepaid OPEB Asset balance included in rate base, inclusive of its joint owner share of the Iatan 1 and 2 generating units/stations, is \$0 (total L&P) at December 31, 2010.

38. L&P's FAS 106 Regulatory Asset included in rate base for the cumulative difference since inception (see paragraph 35) between OPEB cost recognized in its prior rates and its actual OPEB costs under FAS 106 is \$0 (total L&P) at December 31, 2010, inclusive of its joint owner share of the Iatan 1 and 2 generating units/stations.

39. L&P's rates reflect the 5-year amortization of the \$0 FAS 106 Regulatory Asset identified in the prior paragraph at an annual rate before capitalization of \$0 (total L&P). L&P will amortize \$0 (total L&P), after capitalization, to OPEB expense annually beginning with the effective date of rates established in this case, ER-2010-0356.

#### **Amortization of Regulatory Assets Incurred under Prior Agreements**

40. In the ER-2009-0090 case ("2009 Case"), GMO was authorized to continue, for the MPS and L&P jurisdictions, its previously authorized process to reflect pension cost equal to the respective provisions for the ERISA minimum and record the difference between the ERISA minimum included and the annual provision for pension cost as a regulatory asset or liability. These regulatory assets and/or liabilities were intended to track separately for MPS and L&P, the difference between the provision for the ERISA minimum contribution included in costs of service for MPS and L&P in the 2009 Case, and the actual ERISA minimum contributions made for MPS and L&P, respectively, after the effective date of rates established in that case. These regulatory assets will continue to be tracked until the effective date of rates in this case, anticipated to be June 4, 2011. Amounts that will be incurred as of the December 31, 2010 True Up date will be included in the rate base of MPS and L&P in this rate case and amortized over five-year period beginning in this case. To the extent that there is activity for the period January



1, 2011 through May 31, 2011, the amortization in the next case will be adjusted. No new activity will be added subsequent to May 31, 2011. Deferred amounts as of December 31, 2010 for MPS and L&P-Electric respectively, are \$6,324,263 and (\$205,033) including amounts capitalized. The annual amortization included in cost of service with the effective date of new rates in this case is \$926,125 and (\$30,919), respectively, excluding amounts capitalized.

41. The customer rates established in this case for L&P will include a \$3,352,742 annual provision prior to capitalization (\$2,527,967 excluding amounts capitalized) for electric jurisdictional prepaid pension amortization. This amortization is in effect for a nine and one-quarter (9 ¼) year period beginning with the effective date of rates established in Case No. ER-2004-0034, and concluding July 31, 2013. The unamortized balance of the regulatory asset established as result of this ratemaking treatment is included in the L&P-Electric rate base. The unamortized balance at December 31, 2010 is \$8,577,432.

#### **Pension and OPEB Provisions for L&P-Steam**

42. The method of accounting for pensions and OPEB costs authorized for the L&P Steam jurisdiction in HR-2009-0092 will continue until the effective date of rates in the next case, at which time the provisions of this Agreement will become the authorized method for L&P-Steam, unless otherwise determined in that case.

#### **FAS 88 Pension Cost Treatment for Financial Reporting and Ratemaking Purposes**

43. The Signatories agree to adopt deferred accounting treatment for 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. Without Commission approved deferred accounting treatment, MPS and L&P would be required to recognize a significant FAS 88 pension cost in

any year in which a FAS 88 event might occur. FAS 88 costs are legitimate pension costs which should be recovered in rates.

- a. Any future FAS 88 pension costs deferred and subject to recovery in a future GMO rate case should (a) include only the MPS and L&P shares of consolidated GPE FAS 88 costs related to MPS's and L&P's Missouri jurisdictional electric and steam, if applicable, operations, and (b) include MPS's and L&P's shares of KCP&L's FAS 88 costs allocated to MPS and L&P as joint owners of the Iatan generating units/stations;
- b. All of GMO's FAS 88 pension costs related to GMO Missouri jurisdictional electric operations, inclusive of amounts allocated to GMO as a joint -owner of the Iatan generating units/stations, subsequent to December 31, 2010 will be deferred in a regulatory asset by jurisdiction and amortized to cost-of-service over 5-years in the next MPS and L&P rate cases. This treatment will continue to apply in all future GMO rate cases. Regulatory Asset for FAS 88 pension costs was \$0 (total MPS) and \$0 (total L&P) for MPS and L&P, respectively, at December 31, 2010.
- c. MPS's rates reflect the 5-year amortization of the \$0 Regulatory Asset identified in this paragraph at an annual amount of \$0 (total MPS) before capitalization (\$0 expensed to cost of service).
- d. L&P's rates reflect the 5-year amortization of the \$0 Regulatory Asset identified in this paragraph at an annual amount of \$0 (total L&P) before capitalization (\$0 expensed to cost of service).

- e. MPS and L&P will be required to fund all FAS 88 pension costs it collects in rates. Since MPS and L&P 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 Cost Treatment for Financial Reporting and Ratemaking Purposes**

44. All of MPS's and L&P's FAS 88 OPEB costs related to MPS's and L&P's Missouri jurisdictional operations, inclusive of amounts allocated to MPS and L&P as joint owners of the Iatan generating stations/units, subsequent to December 31, 2010 will be deferred in a regulatory asset by jurisdiction and amortized to cost-of-service over 5-years in the next MPS and L&P rate cases consistent with the provisions of paragraphs 34 and 39, respectively.

45. No FAS 88 OPEB costs have been incurred as of December 31, 2010.

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

46. The provisions of FAS 158, require certain adjustments to the pension or OPEBs asset and/or pension or OPEBs liability with a corresponding adjustment to equity (i.e., decreases/increases to Other Comprehensive Income). Each GMO jurisdiction 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**

47. 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.

48. 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.

49. 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.

50. 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.

51. 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.

52. 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 this Second Non-Unanimous Stipulation And Agreement Regarding Pensions And Other Post Employment Benefits subject to the specific terms and conditions contained therein.

Respectfully submitted,

KCP&L GREATER MISSOURI  
OPERATIONS COMPANY

*/s/ Nathan Williams*

Nathan Williams MBE# 35512

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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 13<sup>th</sup> day of May 2011.

*/s/ Roger W. Steiner*

Roger W. Steiner