

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 3rd  
day of July, 1996.

In the Matter of the Customer Class Cost of Service )  
and Comprehensive Rate Design Investigation of ) Case No. EO-94-199  
Kansas City Power & Light Company. )  
)

**ORDER APPROVING STIPULATION AND AGREEMENT**

On May 28, 1996, a Stipulation And Agreement was filed in this case signed by the Staff of the Missouri Public Service Commission (Staff), the Office of the Public Counsel (OPC), Kansas City Power & Light Company (KCPL), the Attorney General's Office of the State of Missouri, the United States Department of Energy, the Missouri Retailers Association, the City of Kansas City, Missouri, and Trigen-Kansas City Energy Corporation. The Stipulation And Agreement, if approved by this Commission, will affect the rates charged by KCPL. The Stipulation And Agreement requires a reduction in KCPL's revenue requirement in addition to a reallocation of revenue sources among customer classes.

The rate reductions agreed upon by the parties will occur in two phases. Under Phase I, KCPL will reduce annual Missouri electric revenues by \$9 million for electric service provided on and after July 9, 1996. Under Phase II, KCPL will reduce annual Missouri electric revenues by an additional \$11 million. The Phase II rate reduction will take place on the later of (1) the effective date of the Commission's Report And Order in Case No. EM-96-248, or (2) January 1, 1997; but, in any event, the Phase II rate reduction will take place no later than May 1, 1997.

The Stipulation And Agreement, without appendices, and a schedule showing the depreciation rates agreed upon by parties are attached to this order and designated as Attachment A.

The \$9 million revenue reduction achieved under Phase I is allocated primarily to General Service customers with a small allocation to Large Power Service customers. The \$11 million revenue reduction achieved under Phase II will be allocated to Residential, General Service, Large Power Service, and Lighting customers.

The Commission has considered the modification to the rate design reflected in the Stipulation And Agreement, the results of the class cost of service studies, and the Stipulation And Agreement and attached appendices. The Commission notes that the OPC, as representative of the Residential class of customers, has concurred in the Stipulation And Agreement, and regards the agreement as reasonable, with full knowledge that the new pricing structure may result in increased costs for some residential customers, depending on the customer's usage. While the Commission makes no finding and establishes no policy as to the methodology and principles surrounding the class cost of service studies and proposals, the Commission finds the resulting Stipulation just and reasonable.

The Commission has considered the depreciation rates proposed by the parties. The Commission finds that the modifications proposed by the parties are reasonable because they recognize the changes over the life of KCPL's physical assets. Thus, the Commission will approve the depreciation rates agreed upon by the parties.

The Commission has substantial concerns regarding the extremely limited time frame given the Commission in which to analyze and approve or reject the proposed Stipulation And Agreement. In the future, the Commission would strongly advise the parties which appear before it to

allow the Commission adequate time for the proper and thorough study of the issues, particularly those which might involve far-reaching policy matters.

The Commission will order KCPL to send the attached notices to its customers. The following sentences should be added to the attached residential customer notice as a separate paragraph: "The new pricing structure may result in increased costs for some residential customers, depending on the customer's usage."

The Commission has jurisdiction over the matter pursuant to Chapters 386 and 393, R.S.Mo. 1986, as amended. The standard for Commission approval of the Stipulation And Agreement is whether it is just and reasonable.

The Commission has found the Stipulation And Agreement to be just and reasonable and, therefore, it should be approved. The Commission further concludes that KCPL should file tariffs in compliance with this order on July 5, 1996. The Commission will approve the tariff to be effective on July 9, 1996, since KCPL has waived the ten-day period and assumes the risks of the shortened period.

**IT IS THEREFORE ORDERED:**

1. That the Stipulation And Agreement filed in this case on May 28, 1996, be, and is hereby, approved and adopted for electric service provided by Kansas City Power & Light Company on and after July 9, 1996.

2. That the depreciation rates shown in the Stipulation And Agreement are hereby approved.

3. That the attached customer notice will be sent to all residential customers of Kansas City Power & Light Company with the additional sentence as set out above.

4. That the proposed tariff sheets attached to the joint Stipulation And Agreement as Appendix F shall be filed with the Commission

on or before July 5, 1996, to become effective for service rendered on and after July 9, 1996.

5. That the proposed tariff sheets attached to the Stipulation And Agreement as Appendix G shall be filed with the Commission at least ten (10) days prior to their proposed effective date, with the understanding that the Phase II rate reduction will take place on or before May 1, 1997.

6. That this order shall become effective on the 9th day of July, 1996.

BY THE COMMISSION



David L. Rauch  
Executive Secretary

( S E A L )

Zobrist, Chm., McClure, Kincheloe  
and Drainer, CC., concur.  
Crumpton, C., dissents, with  
dissenting opinion to follow.

ALJ: Derque.

BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI

In the matter of the Customer Class Cost )  
of Service and Comprehensive Rate Design )  
Investigation of Kansas City Power and )  
Light Company. )

Case No. EO-94-199

FILED  
MAY 28 1996  
MISSOURI  
PUBLIC SERVICE COMMISSION

STIPULATION AND AGREEMENT

As a result of discussions among the parties hereto, said signatories hereby submit to the Commission for its consideration and approval the following, including actions to be taken by Kansas City Power and Light Company (KCPL) and other parties in settlement of this case and of an earnings monitoring<sup>1</sup> by the Commission Staff and Office of the Public Counsel:

1. Phase One

- A. Commencing with electric service provided on and after July 9, 1996, KCPL shall reduce its annual Missouri electric revenues by \$9.0 million (exclusive of license, occupation, franchise, gross receipts, or other similar fees or taxes). However, in the event that KCPL's billing system is capable of billing customers under the Phase One rates prior to July 9, 1996, KCPL will file tariff sheets with effective dates that correspond to the date KCPL's billing system will be operational for billing Phase One rates.

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<sup>1</sup>This monitoring commenced in the latter part of 1995 and included, among other things, review of KCPL's cost of capital, examination of KCPL's financial books and records, study of KCPL's fuel costs, and review of a depreciation study submitted by KCPL in 1995 pursuant to 4 CSR 240-20.030(6).

- B. This rate reduction (Phase One) shall be allocated to the General Service customers as shown on Appendix C. Summaries of various parties' class cost of service studies are attached as Appendix B and reflect the need for a reduction to the General Service customers. Sample tariff sheets to effectuate the \$9 million rate reduction are attached as Appendix F. Tariff sheets in conformance with these tariff sheets will be filed by KCPL to implement the rate changes in Phase One.
- C. KCPL shall be authorized to book the depreciation rates shown on Appendix E, commencing with the effective date of the Commission's order approving this Stipulation and Agreement. These rates increase KCPL's annual Missouri jurisdictional depreciation expense by approximately \$5.5 million. Furthermore, KCPL will book an amortization totaling \$3.5 million annually upon approval of this Stipulation and Agreement, which amortization shall continue until the Commission approves a change either: (1) upon agreement of the parties made with due regard to KCPL's then-existing earnings situation, or (2) in the course of a general rate proceeding. This does not preclude KCPL from requesting that this amortization be directed toward specific plant accounts or from requesting additional changes in depreciation rates that may result from depreciation studies.

**2. Phase Two**

- A. KCPL shall reduce its annual Missouri electric revenues by an additional \$11.0 million (exclusive of license, occupation, franchise, gross receipts, or other similar fees or taxes). This rate reduction shall take place on the later of the following dates: (1) the effective date of the Commission's Report and Order in Case No. EM-96-248, or

(2) January 1, 1997. In any event, the Phase Two rate reduction will take place no later than May 1, 1997.

- B. This rate reduction (Phase Two) shall be allocated to the various customer classes as shown on Appendix D. Sample tariff sheets to effectuate the \$11 million rate reduction are attached as Appendix G. Tariff sheets in conformance with these tariff sheets, will be filed by KCPL to implement the rate changes in Phase Two.
- C. The parties agree that the rates contained in Appendices F and G are just and reasonable for electric service on and after the effective dates of the respective tariff sheets. The parties agree not to request further reductions in or refunds of KCPL's rates in Case No. EM-96-248. This commitment does not prohibit parties from addressing the appropriateness or reasonableness of proposed alternative regulation plans in that docket. Furthermore, this commitment does not bind the parties after the conclusion of Case No. EM-96-248 with regard to the reasonableness of rates. This commitment also does not modify or change the current understanding between KCPL and the City of Kansas City concerning the absence of any requests for altering street light charges assessed against the City. Except for the implementation of Phase 2, this Stipulation and Agreement does not address the issue of charges for street lights within Kanas City, Missouri.
- D. The parties recognize that the above mentioned rate reductions are in lieu of the two percent (2%) rate reduction for KCPL customers proposed by the Joint Applicants in Case No. EM-96-248.

**3. Rate Design**

The parties agree that the rate designs and rate structures<sup>2</sup> contained in Appendices F and G are just and reasonable and should be approved by the Commission. The parties also agree that KCPL's Optional Two-Part Time-of-Use Rate Schedule should be approved to be effective on November 1, 1996.<sup>3</sup>

4. KCPL agrees to file tariff sheets related to Standby Service and Special Contracts within thirty (30) days of the effective date of the Commission's Order Approving Stipulation and Agreement. The existing Standby or Breakdown Service (Frozen) (Tariff Sheet No. 30, Schedule 1-SA) will remain in effect.

5. The parties agree that, based upon the review of KCPL's earnings that has occurred, it is unnecessary for KCPL to provide an annual cost of service report for 1995, as provided for in Case Nos. EO-85-185, EO-85-224 and EO-93-143.

6. The parties respectfully request that the Commission approve this Stipulation and Agreement no later than Friday, June 28, 1996, or as soon thereafter as practicable.

**7. Accounting Matters**

A. The rate levels agreed to in this Stipulation and Agreement reflect an estimate of outage costs for the Wolf Creek Generating Station. Because the refueling outages at Wolf Creek have occurred at 18 month intervals, the rate levels agreed to herein reflect 12/18 of these estimated outage costs.

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<sup>2</sup>A summary of Rate Design Changes is attached as Appendix A. This summary is intended as the Commission Staff's and KCPL's explanation of the various rate design changes and is not necessarily agreed to by other parties to this proceeding.

<sup>3</sup>This is a new optional rate that presently serves no customers. It will be necessary to take additional time to program KCPL's computer to implement and bill this rate. No customers will be affected by this later effective date.



- B. KCPL settled a contract dispute in 1989 with Pittsburgh and Midway Coal Mining Company. Subsequently, in Case No. EO-90-126, the Commission authorized KCPL to defer the costs related to that settlement. In this Stipulation and Agreement, both the unamortized portion of these costs and their amortization are reflected in the rate levels to which the parties have agreed.
- C. The rate levels agreed to in the Stipulation and Agreement reflect the amortization, under the Average Rate Assumption Method (ARAM), of excess deferred income tax credits.

#### **8. Commission Rights**

Nothing in this Stipulation and Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation.

#### **9. Staff Rights**

If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The

contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement.

The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

#### **10. No Acquiescence**

None of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, cost of capital methodology, capital structure determination, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence, that may underlie this Stipulation and Agreement, or for which provision is made in this Stipulation and Agreement.

#### **11. Negotiated Settlement**

This Stipulation and Agreement represents a negotiated settlement. Except as specified herein, the signatories to this Stipulation and Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation and 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 Stipulation and Agreement in the instant proceeding, or in any way condition approval of same.

**12. Provisions are Interdependent**

The provisions of this Stipulation and Agreement have resulted from negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation and Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

**13. Waive Rights to Cross Examination, etc.**

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1, RSMo 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 1994; and their respective rights to judicial review pursuant to Section 386.510, RSMo 1994. This waiver applies only to a Commission Report and Order issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation and Agreement.

WHEREFORE, the signatories respectfully request that the Commission issue its Order approving this Stipulation and Agreement and directing Kansas City Power and Light Company to file tariff sheets substantially identical to those attached hereto.

Respectfully submitted,

STAFF OF THE MISSOURI  
PUBLIC SERVICE COMMISSION

KANSAS CITY POWER & LIGHT COMPANY

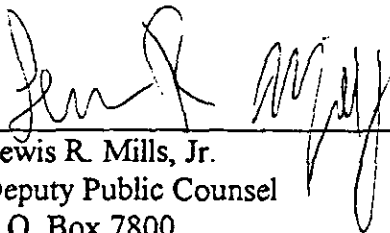
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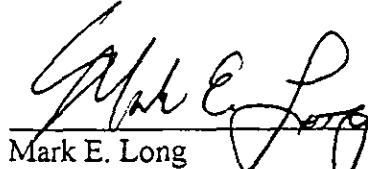
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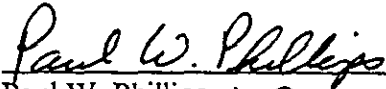
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STATE OF MISSOURI



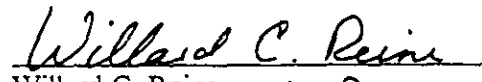
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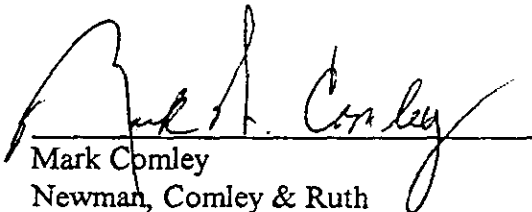
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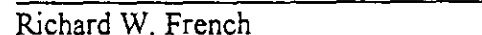
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TRIGEN-KANSASCITYENERGYCORPORATION



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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing Stipulation and Agreement have been hand-delivered or mailed, postage prepaid, to all counsel of record this 28<sup>th</sup> day of May, 1996.

James M. Fisher

Account	Acct No.	Existing Rates	Average Service Life	Net Salvage	Depreciation Rate
<u>Total Distribution Plant</u>					
Structures & Improvements	361	2.96%	33.8	0.0%	2.96%
<i>Station Equipment</i>	362	<i>2.18%</i>	<i>45.0</i>	<i>10.0%</i>	<i>2.00%</i>
<i>Poles, Towers, &amp; Fixtures</i>	364	<i>2.86%</i>	<i>32.0</i>	<i>-31.0%</i>	<i>4.09%</i>
<i>Overhead Conductors &amp; Devices</i>	365	<i>2.46%</i>	<i>41.0</i>	<i>17.0%</i>	<i>2.02%</i>
Underground Conduit	366	1.33%	75.3	0.0%	1.33%
<i>Underground Conductors &amp; Dev</i>	367	<i>2.20%</i>	<i>65.0</i>	<i>20.0%</i>	<i>1.23%</i>
<i>Line Transformers</i>	368	<i>2.91%</i>	<i>30.0</i>	<i>7.0%</i>	<i>3.10%</i>
Services	369	3.14%	33.8	-6.0%	3.14%
Meters	370	4.31%	23.6	-2.0%	4.31%
Install on Customers' Premises	371	9.51%	10.9	-4.0%	9.51%
Street Lighting & Signal Systems	373	3.69%	24.4	10.0%	3.69%
<u>Total General Plant</u>					
Structures & Improvements	390	2.54%	39.4	0.0%	2.54%
Office Furniture and Equipment	391	5.40%	18.4	1.0%	5.40%
Transportation Equipment	392	5.43%	13.3	28.0%	5.43%
Stores Equipment	393	3.58%	27.1	3.0%	3.58%
Tools, Shop & Garage Equipment	394	2.61%	37.5	2.0%	2.61%
Laboratory Equipment	395	3.37%	29.4	1.0%	3.37%
Power Operated Equipment	396	5.55%	16.2	10.0%	5.55%
Communication Equipment	397	2.50%	38.8	3.0%	2.50%
Miscellaneous Equipment	398	3.16%	31.3	1.0%	3.16%

Note: Bold/Italicized accounts are those with revised depreciation rates.

Shaded column represents current MoPSC authorized rates per Depreciation Authority Order No. 148, dated 9 Jun 86.

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## IMPORTANT INFORMATION ON NEW PRICING

Following months of joint analysis with the Missouri Public Service Commission, Kansas City Power & Light announces its new pricing structure, which will result in KCPL reducing its Missouri revenue by \$20 million annually. The new pricing structure reflects more closely the actual cost to serve our customers.

There will be separate summer and winter prices for our Missouri residential customers. Because our costs to serve customers are higher in the four summer months, prices will be higher during that season. However, prices will be correspondingly lower in the remaining eight months to reflect lower costs of service in that period.

The new pricing will be implemented in two phases: Phase I will be effective no later than July 9, 1996, while Phase II will be effective no later than May 1, 1997.

If you have any questions or need more information about the new pricing structure, please call (816) 471-KCPL.



## IMPORTANT INFORMATION ON NEW PRICING

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There will be separate summer and winter prices for our Missouri commercial and industrial customers. Because our costs to serve customers are higher in the four summer months, prices will be higher during that season. However, prices will be correspondingly lower in the remaining eight months to reflect lower costs of service in that period.

Effective with the current bill statement, you will be placed on the new rate schedule expected to give you the lowest annual bill based on your recent electricity usage pattern. During the course of the next year, we will analyze again whether or not you are on the rate which best fits your usage pattern. If this follow-up analysis determines that you could have saved money on a rate schedule other than the one we assigned you, we will switch you to the more economical rate and credit your bill for the amount you would have saved.

The new pricing will be implemented in two phases: PHASE I will be effective no later than July 9, 1996, while PHASE II will be effective no later than May 1, 1997.

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