

KANSAS CITY POWER & LIGHT COMPANY

1330 BALTIMORE AVENUE

P.O. BOX 679

KANSAS CITY, MISSOURI 64141

MARK C. SHOLANDER
GENERAL COUNSEL

March 25, 1987

Mr. Harvey G. Hubbs, Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

RE: Case No. AO-87-48

Dear Mr. Hubbs:

Please find enclosed for filing the original and fourteen copies of a Stipulation and Agreement in the above-referenced case.

All parties of record have been served with a copy of this Stipulation and Agreement.

Sincerely,



Mark C. Sholander
General Counsel

MCS:cb

Enc.

cc: All Parties of Record

FILED

MAR 25 1987

PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Kansas City Power &)
Light Company of Kansas City, Missouri,)
for authority to file tariffs increasing)
rates for electric service provided to)
customers in the Missouri service area) Case No. EO-85-185
of the Company, and the determination of)
in-service criteria for Kansas City)
Power & Light Company's Wolf Creek)
Generating Station and Wolf Creek rate)
base and related issues.)

In the matter of Kansas City Power &)
Light Company, a Missouri corporation,) Case No. EO-85-224
for determination of certain rates of)
depreciation.)

In the matter of the investigation of)
the revenue effects upon Missouri) Case No. AO-87-48 ✓
utilities of the Tax Reform Act of 1986.)

STIPULATION AND AGREEMENT

This Stipulation and Agreement (Agreement) is entered into as of this 25th day of March, 1987, by and among Kansas City Power & Light Company (KCPL), Staff of the Missouri Public Service Commission (Staff), Office of Public Counsel, Armco Inc., Department of Energy, General Motors and Midwest Gas Users Association.

WHEREAS, the Commission on April 23, 1986, issued a Report and Order in Case Nos. EO-85-185 and EO-85-224, which directed and authorized KCPL to file in Missouri certain automatic phase-in tariffs to be effective over an 8-year phase-in period; and

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MAR 25 1987

PUBLIC SERVICE COMMISSION

WHEREAS, the parties hereto have held extensive discussions regarding the effects of the Tax Reform Act of 1986 (TRA) upon KCPL's Missouri jurisdictional operations; and

WHEREAS, the parties hereto have come to an agreement to resolve the issues raised in Case No. AO-87-48 as it pertains to KCPL.

It is stipulated and agreed by the parties as follows:

1. In order to resolve Case No. AO-87-48 as it pertains to KCPL, the Commission should allow and authorize KCPL to withdraw its automatic phase-in tariffs for years 2 through 8, previously filed pursuant to the Report and Order issued in Case No. EO-85-185, and to replace those tariffs with certain other automatic phase-in tariffs which will be subsequently filed as Exhibit 1 to this Agreement and made a part hereof. A comparison of those phase-in tariffs authorized by the Commission in said Report and Order with those which will be filed as Exhibit 1 is contained in the following table (numbers in parentheses indicate rate decreases). Also contained in the following table is the cost deferral and recovery schedule (stated in 000's) underlying the automatic phase-in tariffs agreed to herein.

<u>Phase-in Year</u>	<u>% Rate Change Authorized in Report and Order</u>	<u>% Rate Change Recommended Herein</u>	<u>Deferred Cost of Equity Net of Certain Savings</u>	<u>Deferred Carrying Cost</u>	<u>Amortization of the Deferral</u>
1	7%	7%	\$23,730	\$1,394	--
2	5	2	9,590	3,515	--
3	3.5	2.21	752	4,536	--
4	3.5	2.21	(1,804)	4,776	\$ 1,972
5	3.5	2.21	(1,079)	4,068	9,360
6	3.5	2.21	--	2,528	16,634
7	3.5	2.21	--	--	24,039
8	(12.43)	(9.12)	--	--	--
9	--	(0.54)	--	--	--

WHEREAS, the parties hereto have held extensive discussions regarding the effects of the Tax Reform Act of 1986 (TRA) upon KCPL's Missouri jurisdictional operations; and

WHEREAS, the parties hereto have come to an agreement to resolve the issues raised in Case No. AO-87-48 as it pertains to KCPL.

It is stipulated and agreed by the parties as follows:

1. In order to resolve Case No. AO-87-48 as it pertains to KCPL, the Commission should allow and authorize KCPL to withdraw its automatic phase-in tariffs for years 2 through 8, previously filed pursuant to the Report and Order issued in Case No. EO-85-185, and to replace those tariffs with certain other automatic phase-in tariffs which will be subsequently filed as Exhibit 1 to this Agreement and made a part hereof. A comparison of those phase-in tariffs authorized by the Commission in said Report and Order with those which will be filed as Exhibit 1 is contained in the following table (numbers in parentheses indicate rate decreases). Also contained in the following table is the cost deferral and recovery schedule (stated in 000's) underlying the automatic phase-in tariffs agreed to herein.

Phase-in Year	% Rate Change Authorized in Report and Order	% Rate Change Recommended Herein	Deferred Cost of Equity Net of Certain Savings	Deferred Carrying Cost	Amortization of the Deferral
1	7%	7%	\$23,730	\$1,394	--
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7	3.5	2.21	--	--	24,039
8	(12.43)	(9.12)	--	--	--
9	--	(0.54)	--	--	--

The tariffs to be contained in Exhibit 1 will be reviewed by all parties, and all parties will certify at the time of the filing of Exhibit 1 that said tariffs are designed to implement the above rate changes. Those tariff sheets will automatically take effect in succeeding years unless suspended by the Commission for "good cause shown" within the meaning of its Order in Case No. EO-85-185.

2. As soon as practicable after this Agreement is accepted and approved by the Commission, KCPL shall withdraw its currently filed automatic phase-in tariffs for years 2 through 8 of its phase-in and will file with the Commission the automatic phase-in tariffs for years 2 through 9 to be contained in Exhibit 1, which tariffs shall bear an effective date of May 5 for each year of the phase-in period, starting with an effective date of May 5, 1987, for year 2.

3. All of the parties hereto agree not to seek the suspension of the tariffs to be effective on May 5, 1987, applicable to the second year of KCPL's phase-in (contained in Exhibit 1).

4.1 KCPL will not be required in Case No. AO-87-48 to further reduce its phase-in rates authorized in Case No. EO-85-185 as a result of the effects or provisions of the Tax Reform Act of 1986 or existing interpretive rulings or regulations issued thereunder, and shall not be subject to any further requirements in Case No. AO-87-48, and should be dismissed therefrom.

4.2 The parties hereto remain and shall be free in any forum and in any future proceeding to raise any issue concerning the

impact of the Tax Reform Act of 1986 (and regulations or rulings promulgated thereunder) or the manner in which such impact should be reflected in KCPL's electric rates. However, during a period commencing with the acceptance of this Stipulation and Agreement and ending with the earliest of: (1) the filing of a complaint which alleges that KCPL's rates are excessive or inadequate based on a consideration of KCPL's total Missouri jurisdictional cost of service, (2) the filing by KCPL of proposed tariffs to replace or supercede any tariff schedules accepted herein, or (3) the effective date of the final year phase-in rate schedules accepted herein, the parties agree not to raise such issue before the Missouri Public Service Commission outside the context of a consideration of KCPL's total Missouri jurisdictional cost of service. Nothing herein shall preclude any party from intervening in any proceeding for the purpose of protecting or asserting their interests therein with respect to class cost of service responsibility and rate design issues.

5. The automatic phase-in tariffs to be included in Exhibit 1 are deemed by the parties to this Agreement who entered into the February 4, 1987, Stipulation and Agreement, filed with the Cole County Circuit Court in Case No. CV186-644cc to reflect the terms and conditions of that February 4, 1987, Stipulation and Agreement. That Stipulation and Agreement is attached hereto, as Exhibit 2, and incorporated herein by reference by the parties to this Agreement who entered into that February 4, 1987, Stipulation and Agreement.

6. The parties to this Agreement shall not be deemed to have approved or acquiesced to any ratemaking principle, valuation method, cost of service method, or rate design proposal.

7. In the event the Commission accepts the specific terms of this Agreement, the parties waive their respective rights to present oral arguments or written briefs, pursuant to Section 536.080(1), RSMo 1978, and their respective rights to judicial review as regarding the disposition of Case No. AO-87-48 as it pertains to KCPL pursuant to Section 386.510, RSMo 1978, as amended.

8. The agreements contained in this Agreement have resulted from extensive negotiations among the signatory parties and are interdependent. In the event that the Commission does not approve and adopt all of the terms of this Agreement, this Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date first above written.

KANSAS CITY POWER & LIGHT COMPANY

DEPARTMENT OF ENERGY

By Mark C. Holander

By Paul Phyllis (mcs)

STAFF OF THE MISSOURI PUBLIC
SERVICE COMMISSION

OFFICE OF PUBLIC COUNSEL

By William C. Hansen
by C. W.

By David M. Burt

MIDWEST GAS USERS ASSOCIATION
AND ARMCO INC.

GENERAL MOTORS CORPORATION, FORD MOTOR
COMPANY, MISSOURI PORTLAND CEMENT
COMPANY, REYNOLD METALS CORPORATION AND
UNION CARBIDE CORPORATION

By [Signature]

By George P. [Signature]

IN THE CIRCUIT COURT OF COLE COUNTY, MISSOURI
DIVISION II

STATE ex rel.
KANSAS CITY POWER & LIGHT COMPANY,
a corporation,

Relator,

v.

PUBLIC SERVICE COMMISSION OF THE
STATE OF MISSOURI,

Respondent.

FILED

Case No. CV186-644cc

Handwritten signature
CLERK, CIRCUIT COURT
COLE COUNTY, MISSOURI

ORDER

Upon the filing of the Joint Motion for Dismissal by all parties to this cause, it is hereby

ORDERED, ADJUDGED AND DECREED that Case No. CV186-644cc is hereby dismissed.

Handwritten signature

Circuit Judge, Division II
Circuit Court of Cole County, Missouri

Dated: 2/4/87

IN THE CIRCUIT COURT OF COLE COUNTY, MISSOURI
DIVISION II

STATE ex rel.
KANSAS CITY POWER & LIGHT COMPANY,
a corporation,

Relator,

v.

PUBLIC SERVICE COMMISSION OF THE
STATE OF MISSOURI,

Respondent.

FILED

Case No. CV186-644cc

Linda A. Keck

CLERK, CIRCUIT COURT
COLE COUNTY, MISSOURI

JOINT MOTION FOR DISMISSAL

Comes now all parties to this action, by and through their
respective counsel, and move that, based upon the Stipulation
attached hereto and made a part hereof, this cause be dismissed.

Respectfully submitted,

Mark G. English

Mark G. English
Attorney for Kansas City Power
& Light Company
1330 Baltimore Avenue
Kansas City, Missouri 64105

William Harrelson

William Harrelson
Attorney for the Public Service
Commission of the State of
Missouri
P. O. Box 360
Jefferson City, Missouri 65102

Douglas M. Brooks

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Public Counsel for the State
of Missouri
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Stuart W. Conrad

Stuart W. Conrad
Attorney for Armco, et al.
2600 Mutual Benefit Life Building
2345 Grand Avenue
Kansas City, Missouri 64108

IN THE CIRCUIT COURT OF COLE COUNTY
STATE OF MISSOURI

STATE ex rel. KANSAS CITY POWER)
& LIGHT COMPANY, a corporation,)
Relator,)
vs.)
PUBLIC SERVICE COMMISSION OF THE)
STATE OF MISSOURI,)
Respondent.)

Case No. CV186-644cc

STIPULATION AND AGREEMENT

WHEREAS, the Missouri Public Service Commission (Commission) issued its Report and Order in Case Nos. EO-85-185 and EO-85-224 on April 23, 1986, and

WHEREAS, Kansas City Power & Light Company (KCPL) duly appealed from said Report and Order to the Circuit Court of Cole County, Missouri, and

WHEREAS, the parties to this appeal wish to compromise and settle various issues arising from or associated with said Report and Order which would induce the parties to seek compromise and dismissal of this appeal,

It is agreed and represented by the parties as follows:

1. Rate base shall be adjusted as follows (000's):
 - a. Increased by the undepreciated cost of Wolf Creek additions that occurred between March 1985 and September 1985 (approximately \$74,214).

- b. Increased by the amount of deferred Wolf Creek costs related to the allowed costs of Wolf Creek construction authorized by the Commission in its February 21, 1985 Order in Case Nos. ER-85-128 and EO-85-185 (approximately \$88,837).

2. Allowed operating expenses shall be adjusted as follows (000's):

- a. Depreciation expense shall be increased by the amount of depreciation that would be recorded in one year on the Wolf Creek additions that occurred between March 1985 and September 1985 (approximately \$1,930).
- b. Operating expenses allowed shall be increased by the amortization that would be required each year to fully amortize in ten years the deferred Wolf Creek costs allowed in rate base (approximately \$8,834).

3. The adjustments referred to in paragraphs 1 and 2 above will be made effective as of January 1, 1987. There will be no change in rates charged to customers coincident with the adjustments in rate base and operating expenses referred to above. Further, the adjustments referred to in paragraphs 1 and 2 above shall not be binding in any respect upon the parties hereto or the Commission in any future proceeding and such adjustments are subject to full audit, hearing, and final determination by the parties hereto and the Commission in any future proceeding.

4. The parties shall join in recommending that the Court accept this Stipulation and Agreement as presented. Upon such

acceptance, KCPL shall forthwith move that its appeal be dismissed. Should the Court not accept this Stipulation and Agreement, or should the Court accept it only upon terms and conditions not contained herein, then this Stipulation and Agreement shall become null and void, and no party thereto shall be further bound by any of its provisions.

All parties recognize that the adjustments agreed to above would result in a decreased rate of return on investment/equity if all other factors considered by the Commission in its Report and Order in Case Nos. EO-85-185 and EO-85-224 were unchanged. It is not the intent of any party that this Stipulation and Agreement result in an unreasonably low return on investment/equity. Nor is it the intent of this Stipulation and Agreement to indirectly disallow recovery of the costs referred to in paragraphs 1 and 2 above by reducing the return. On the contrary, it is the express purpose of this Stipulation and Agreement to permit the earnings on and recovery of these assets to begin immediately, rather than to further delay their recovery to future ratepayers.

In reaching the decision to enter this Stipulation and Agreement, each of the parties has reviewed and considered the impact of certain other economic events and conditions affecting KCPL's Missouri operations that have occurred subsequent to the Report and Order referred to above. All parties are satisfied that considering all such factors, the Company will earn a reasonable rate of return on investment/equity after the adjustments in paragraphs 1 and 2 are made.

5. If the Court grants the Motion to Dismiss, KCPL agrees not to seek inclusion in rate base in future proceedings before the Commission or the Courts of approximately \$91,884 of the \$125,966 investment excluded from rate base plant-in-service by the Commission in its Order in Case Nos. EO-85-185 and EO-85-224. The remaining \$34,082 of the \$125,966 investment excluded by the Commission was comprised of approximately \$21,538 of construction costs (including AFUDC) incurred after the March 31, 1985 audit cutoff date; approximately \$11,045 (including AFUDC) in Wolf Creek Generating Station Unit 2 costs; and approximately \$1,499 of Wolf Creek investment that was reclassified to Materials and Supplies. KCPL may seek recovery in rate base in future proceedings of this \$34,082 of Wolf Creek investment, but hereby agrees not to seek recovery of the \$11,045 in Unit 2 cost until such time as Unit 2 is fully operational and used for service, and hereby agrees not to seek inclusion of the \$1,499 of Wolf Creek investment reclassified to Materials and Supplies in rate base as plant-in-service (all numbers in 000's).

6. If the Court grants the motion to dismiss, Staff, the Office of Public Counsel, and Wolf Creek Industrial Intervenors agree that they will not seek in future proceedings before the Commission or the Courts to remove or disallow any costs of Wolf Creek which presently are included in rate base, except to the extent otherwise provided in paragraph 3 above, nor will any party to this Stipulation and Agreement in any manner

advise, encourage, suggest to or assist any other person or entity in attempting to remove or disallow such costs. This agreement is not intended to preclude or limit any party from any contention or argument regarding the design of rates or the assignment or allocation of any portion of KCPL's rate base to any customer or class of customers.

7. The agreements in the preceding paragraph do not apply to arguments for the removal or disallowance of costs on the basis of events occurring after this date such as, by way of example, an extended failure of the Wolf Creek plant.

8. That with respect to paragraphs 1 and 2 above the parties to this Stipulation and Agreement shall not be deemed to have approved or acquiesced in any ratemaking principle, value methodology or cost of service method and any number used in this Stipulation and Agreement shall not prejudice, bind or affect any party hereto, except to the extent necessary to give effect to the intent and terms of this Stipulation and Agreement.

IN WITNESS WHEREOF, the parties have signed this Stipulation and Agreement as of this 4th day of February, 1987.

KANSAS CITY POWER & LIGHT
COMPANY

By L. Anne Jennings

PUBLIC SERVICE COMMISSION OF
THE STATE OF MISSOURI

By William C. Hurrelson

STAFF OF THE PUBLIC SERVICE
COMMISSION OF THE STATE OF
MISSOURI

By William C. Hamelson

OFFICE OF PUBLIC COUNSEL

By Richard H. Ford

WOLF CREEK INDUSTRIAL
INTERVENORS

By Richard M. Green