

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 23rd day of
August, 2005.

In the Matter of a Proposed Regulatory Plan)
of Kansas City Power & Light Company)

Case No. EO-2005-0329

**ORDER APPROVING AMENDMENTS TO
EXPERIMENTAL REGULATORY PLAN**

Issue Date: August 23, 2005

Effective Date: August 23, 2005

On March 28, 2005, Kansas City Power & Light, the Staff of the Commission, the Office of the Public Counsel, Missouri Department of Natural Resources, Praxair, Inc., Missouri Industrial Energy Consumers, Ford Motor Company, Aquila, Inc., The Empire District Electric Company, and Missouri Joint Municipal Electric Utility Commission (collectively referred to as "Signatory Parties") submitted a Stipulation and Agreement. That agreement included an Experimental Regulatory Plan.

On July 28, the Commission issued its Report and Order. That order approved the Experimental Regulatory Plan. The agreement and the Report and Order allowed the signatory parties to adopt provisions of a similar agreement pending before the Kansas Corporation Commission.¹

¹ *Stipulation and Agreement*, pp. 49-50 (March 28, 2005); *Report and Order*, p. 42 (July 28, 2005).

On August 5, KCPL filed the KCC order that approved of KCPL's Kansas experimental regulatory plan.² On August 12, Staff, Public Counsel, Department of Natural Resources and Praxair filed their Proposed Amendment of the KCPL Experimental Regulatory Plan. That pleading included an appendix that detailed the proposed amendments to the stipulation and agreement.

On August 16, KCPL responded. KCPL agreed to the proposed amendments. KCPL also stated that the Kansas stipulation and the differences between the Kansas stipulation and Missouri stipulation were part of the record the Commission used to issue its Report and Order.³ Because the Kansas stipulation was part of the record well before the Commission's hearing, KCPL argues that the Commission can approve the proposed amendments without further hearing.

Proposed Amendments

The proposed amendments to which the above parties agree are as follows:

a. Language for Case No. EF-2005-0498:

" . . . KCPL will file with the Commission within ten (10) days of the issuance of any debt securities authorized pursuant to this proceeding, a report including the amount of debt securities issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, and use of proceeds. With regard to such debt, KCPL agrees that it will abide by the conditions and restrictions set forth by the

² *In re Kansas City Power & Light Company*, Order Approving Stipulation and Agreement, KCC Docket No. 04-KCPE-1025-GIE (August 5, 2005).

³ *Joint Motion to Approve Stipulation and Agreement*, (April 28, 2005); *Staff Suggestions in Support of Stipulation and Agreement*, Appendix 2 (May 10, 2005).

Federal Energy Regulatory Commission in its Order issued February 21, 2003, in Docket No. ES02-51-000."⁴

b. Page 19, first paragraph on page, revised last sentence as indicated by the underlined words:

"... KCPL further recognizes that any finding by the Commission that KCPL has failed to prudently manage its costs, continuously improve productivity, and maintain service quality during the Regulatory Plan will negate the obligation of the non-KCPL Signatory Parties contained in this section."

c. Page 19, second paragraph on page, new last sentence to be added:

"... The non-KCPL Signatory Parties reserve the right to recommend "Additional Amortizations to Maintain Financial Ratios" amounts in each rate case such that these amounts in aggregate do not exceed the expected cost savings from the amortization mechanism and the lower costs of capital resulting from the investment grade ratings."

d. Page 19, second paragraph on page, new third to last sentence to be added:

"... The accumulated "Additional Amortizations To Maintain Financial Ratios" amounts will be treated as increases to the depreciation reserve and be deducted from rate base in any future KCPL rate proceedings, beginning with the first rate case after the 2006 Rate Case. . . ."

e. Page 26, top of the page:

"(xiv) material changes in the projected rates and costs to ratepayers resulting from the Resource Plan."

f. Page 26, first full paragraph, new first sentence to be added:

"KCPL will on its own or upon request of any non-KCPL parties reassess the reasonableness and adequacy of the Resource Plan if changed circumstances arise that may impact the reasonableness and adequacy of the Resource Plan during the initial and ongoing implementation of the primary elements of the Resource Plan."

⁴ Although the parties did not state how EF-2005-0498 should be amended, this language appears to be an amendment to paragraph 18 of KCPL's application.

g. Page 26, first full paragraph, revised sentence:

"If KCPL determines that its Resource Plan should be modified because changed factors or circumstances have impacted the reasonableness and adequacy of the Resource Plan, then it shall file notice with the Commission and notify all Signatory Parties in writing within ten (10) days of any such determination."

h. Page 26, second paragraph, new last sentence to be added:

". . . Any agreement concerning modification of the resource plan shall be filed with the Commission."

i. Page 27, new paragraph to be added after first full paragraph:

"In order to provide more assurance that future generation or power supply, including Demand Side Management resources, are acquired at the most reasonable cost and to establish a benchmark of reasonable costs, KCPL agrees that its process for considering or acquiring future resources in addition to those contemplated by this Resource Plan shall include the issuance of a Request for Proposal (RFP) for the supply of such resource by competitive bid. KCPL agrees to consult with the Staff and Public Counsel in the design and content of the RFP before it is issued."

j. Page 45, new bullet point to be added after the first bullet point on the page:

"KCPL contemplates the possibility of building a railroad bridge for coal deliveries to the Iatan site. The bridge will not be considered a part of the Resource Plan contained in this Agreement. Should KCPL build the bridge, the Signatory Parties reserve the right to take any position on the revenue requirement related to the bridge in a future rate case. KCPL will consult with the Staff and Public Counsel regarding its negotiations for coal delivery arrangements and the need for the bridge before making a decision regarding the bridge."

k. Page 45, new second sentence in bullet point for wind generation to be added:

"As part of the determination respecting proceeding with the construction of the second 100 MW investment in new wind generation, KCPL will issue a Request for Proposal (RFP) for a twenty-year (20-year) purchase power agreement (PPA) for wind generation from independent third parties on a cost per kilowatt-hour basis, which includes any expected tax credits."

l. Page 46, new first paragraph to be added at the beginning of III.B.5:

"In calendar years 2005 through 2009, KCPL commits to implement Demand Response, Efficiency and Affordability programs, subject to the continuing review and prior approval of the Commission on a program-by-program basis. No program will be implemented until such Commission approval has been obtained through the tariff filing process."

m. Page 29, new paragraph to be added after first full paragraph in III.B.5:

"KCPL recognizes that if generation assets are deregulated in the future, it is at risk for recovery of stranded costs related to the acquisition of the new generation. Furthermore, KCPL acknowledges that ratepayers would be entitled to a greater share of a gain on the disposition of the new generation upon deregulation due to possible implementation of the "Additional Amortizations To Maintain Financial Ratios" mechanism."

n. Page 29, second new paragraph to be added after first full paragraph in III.B.5:

"For purposes of determining the cost of debt in the rate proceedings during this Agreement, the lower of the actual cost of debt or the cost of debt for an investment grade rating will be used."

The Commission has already reviewed and approved the parties' original Stipulation and Agreement. That agreement included provisions allowing the parties to amend their agreement to comport with the agreement filed in Kansas. The Commission will therefore approve these amendments without further hearing.

IT IS THEREFORE ORDERED:

1. That the proposed amendments to the March 28, 2005 Stipulation and Agreement, listed above under "Proposed Amendments," are approved.

2. That this order shall become effective on August 23, 2005.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur

Pridgin, Regulatory Law Judge