WOLF CREEK
NUCLEAR OPERATING CORPORATION

Annette F. Stull
Vice President and Chief Administrative Officer

June 23, 2011

CO 11-0002

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555

Reference:
1) Letter CT 11-0018, dated March 29, 2011, from A. F. Stull, WCNOC to USNRC
2) E-mail dated May 10, 2011, from J. R. Hall, USNRC, to D. M. Hooper, WCNOC, Draft Request for Additional Information – Decommissioning Funding for Wolf Creek Generating Station (TAC NO. ME5552)

Subject: Docket No. 50-482: Response to Draft Request for Additional Information – Decommissioning Funding for Wolf Creek Generating Station

Gentlemen:

Reference 1 provided Wolf Creek Nuclear Operating Corporation's (WCNOC) report on status of decommissioning funding for Wolf Creek Generating Station (WCGS). Reference 2 provided a request for additional information related to this report. The attachment to this letter provides WCNOC's response to the request for additional information.

This letter contains no commitments. If you have any questions concerning this matter, please contact me at (620) 364-4004, or Mr. Gautam Sen at (620) 364-4175.

Sincerely,

Annette F. Stull

Annette F. Stull

AFS/rlt

Attachments 1-15: Response to Request for Additional Information, and Supporting Documentation

cc: E. E. Collins (NRC), w/a
J. R. Hall (NRC), w/a
G. B. Miller (NRC), w/a
Senior Resident Inspector (NRC), w/a

A001
NRR

ATTACHMENT 1

Wolf Creek Nuclear Operating Corporation's
Narrative Response to Request for Additional Information – Decommissioning Funding
for Wolf Creek Generating Station (TAC NO. ME5552)

7 Pages

Wolf Creek Nuclear Operating Corporation's
Response to Request for Additional Information – Decommissioning Funding for Wolf Creek Generating Station (TAC NO. ME5552)

June 23, 2011

On March 29, 2011, Wolf Creek Nuclear Operating Corporation (WCNOC) submitted to the Nuclear Regulatory Commission (NRC) its biennial report on status of decommissioning funding for Wolf Creek Generating Station (WCGS). On May 10, 2011, NRC Staff provided to WCNOC a request for additional information (RAI) related to that report. This response repeats the specific NRC questions in italics followed by WCNOC's response to each question.

RAI No. 1: Citation for real rate of returns:

Provide the citation(s) (e.g., an Order by the rate-regulatory authority) by the regulatory entity that allows for the for the [sic] *assumptions used regarding rates of escalation in decommissioning costs, rate of earnings on decommissioning funds and rates of other factors assumed in your DFS report.*

On March 29, 2011, WCNOC reported the following for the joint owners of WCGS:

Kansas Gas and Electric Company (KGE):
3.73 percent rate of escalation in decommissioning costs, and
5.82 percent rate of earnings on decommissioning funds.

Kansas City Power & Light Company (KCPL):
3.73 percent rate of escalation in decommissioning costs, and
6.48 percent rate of earnings on decommissioning funds.

Kansas Electric Power Cooperative (KEPCo):
3.73 percent rate of escalation in decommissioning costs, and
7 percent rate of earnings on decommissioning funds.

As stated in 10 CFR 50.75(f)(1),
[The information in [the DFS] report must include [. . .] the assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections. . .

WCNOC Response:
In the course of research to prepare its responses to this RAI, WCNOC discovered that it reported incorrectly regarding one owner company's assumed rate of escalation in decommissioning costs, and two owner companies' assumed rates of earnings on decommissioning funds. Under a separate transmittal letter of this same date, WCNOC is submitting revised information regarding those incorrect amounts. The corrected amounts, and citations to regulatory authority orders that allow for the assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds and rates of other factors assumed in the DFS report, are provided immediately below, following some introductory comments.

WCNOC is the operating agent of WCGS for the plant's three owners, KGE, KCPL and KEPCo. Every three years, WCNOC contracts with TLG Engineering, Inc., a recognized expert in the area of nuclear plant decommissioning, to perform a study to determine an updated overall estimate of the cost to decommission WCGS assuming that the plant were decommissioned in the year of the study using then-current costs. Upon TLG's completion of the study and

issuance of its updated report in August of each three year period, WCNOC files the report with the Kansas Corporation Commission (KCC) on behalf of the three owners, and KCPL files the report with the Missouri Public Service Commission (MPSC). All three owner companies provide electric service in Kansas, and KCPL additionally provides electric service in Missouri. The rates that the owners charge their customers include a component to recover the expected cost to decommission WCGS. Based on the latest updated TLG decommissioning cost study report, reviewed by both commissions, the commissions then establish, via commission order, an updated decommissioning funding plan for each owner. This process allows for changes in decommissioning methods and costs to be factored into the overall cost estimate in order that the commissions regularly may adjust the owners' decommissioning funding plans to ensure that when the plant's decommissioning occurs, the owners will have sufficient assets in their decommissioning trust funds to do so.

The KCC has adopted a two-phase process for approving decommissioning funding plans. Phase 1 consists of the commission's review and approval of an updated decommissioning cost estimate for WCGS, plus approval of a rate of escalation of that cost estimate, applicable to all three owners, to establish what the current estimated cost of decommissioning WCGS would be in 2045, the year WCGS is expected to permanently shut down and begin decommissioning. In Phase 1, the KCC issues one order applicable to all three owners. The matter then proceeds to Phase 2 in which each owner files a separate proceeding with the KCC, the purpose of which is to establish by commission order a new decommissioning funding plan for each owner's share of the updated decommissioning cost. Those proceedings may be related solely to the issue of decommissioning funding, as in the cases of KGE and KEPCo, or they may be included as one of many issues in a full blown rate increase application as in the case of KCPL.

Because the MPSC only deals with WCGS decommissioning through its regulation of KCPL, it utilizes only a single proceeding to consider both the TLG updated decommissioning cost estimate and KCPL's updated decommissioning funding plan for the Missouri jurisdictional portion of KCPL's rates. KCPL typically seeks MPSC approval of this plan in the context of a pending overall rate increase application.

It is in the above context that WCNOC is providing the state regulatory authority for the various components of WCGS decommissioning cost funding.

Kansas (KCC) Proceedings:
KCC Phase 1: The KCC considered and approved the most recent (2008) WCGS site-specific decommissioning cost estimate, called the "Decommissioning Cost Analysis for the Wolf Creek Generating Station," in its Order dated August 31, 2009, in Docket No. 09-WCNE-215-GIE. A copy of the Order is included as **Attachment 2**. Among other things, the Order approved the parties' Stipulation and Agreement filed with the commission on June 2, 2009, a copy of which is included as **Attachment 3**. (It is attached to a "Motion for Approval of Stipulation and Agreement.") See the Order (i.e., **Attachment 2)** at page 6, applicable to all three owners, where the commission concluded that $593.5 million in 2008 dollars was a reasonable estimate of the decommissioning cost, and that 3.73% [per year] was a reasonable cost escalation factor.

KCC Phase 2 for KGE: KCC Docket No. 10-KG&E-257-MIS was KGE's separate Phase 2 proceeding related to the 2008 WCGS Decommissioning Cost Study update. The KCC's Order of January 28, 2010, in that case, included here as **Attachment 4**, approved an annual KGE contribution to its decommissioning trust fund of $3,150,070 in accordance with a decommissioning funding plan recommended by the KCC Staff. See the Order, pages 5-6. The Order referenced a KCC Staff Memorandum filed on January 13, 2010, and Exhibit A to the Memorandum which reflected the recommended funding plan. A copy of the Staff's Memorandum and Exhibit A thereto were attached to a "Notice of Filing of Staff Memorandum,"

also filed with the KCC on January 13, 2010. (Although the Order said that Exhibit A was attached to the Order, in fact it was not.) A copy of the KCC Staff's "Notice of Filing of Staff Memorandum" and its related documents is included here as **Attachment 5**. Exhibit A, page 2, of the KCC Staff's Memorandum shows the expected weighted annual rates of return assumed in the funding plan. They were: 6.51% for the period 2009-2025, 6.51% for the period 2026-2035, 6.77% for the period 2036-2044, and 2.79% for the period 2045 through the end of decommissioning. The single assumed rate of earnings on the decommissioning fund stated in the March 29, 2011, DFS was an overall average of the annual weighted rates of earnings indicated in Exhibit A, page 2.

KCC Phase 2 for KEPCo: KCC Docket No 10-KEPE-262-MIS was KEPCo's separate Phase 2 proceeding related to the 2008 Decommissioning Cost Study update. The KCC's "Order Lifting Stay and Resolving Docket" filed on May 16, 2011, in that case, included here as **Attachment 6**, approved an earlier KCC Staff Recommendation as to KEPCo's revised decommissioning funding schedule. (See pages 5-6 of the Order.) The Staff's recommendation was in the form of a Staff Memorandum dated April 22, 2010, which was attached to the Order as "Exhibit A." Attachment A to the Staff's Memorandum reflected the recommended funding schedule -- an annual KEPCo contribution to its decommissioning trust fund of varying amounts per year beginning with $451,220 in 2009 and increasing by 1.5% per year thereafter. (The funding schedule included with this submittal contains the exact information as the one originally attached to the Staff Memorandum as Attachment A, but its legibility has been improved.) Although issuance of the KCC's Order in this proceeding did not occur until after WCNOC submitted its March 29, 2011, DFS report, KEPCo in fact had commenced contributing to its trust fund in 2010 in accordance with the Staff's April 22, 2010, recommendation. WCNOC's statement in its DFS report as to KEPCo's assumed rate of earnings on its fund investment (7%) was incorrect. As shown in Attachment A to the KCC Staff's Memorandum (the memorandum being Exhibit A attached to the KCC Order), the funding schedule assumed annual rates of earnings of 6.80% for the period 2009-2025, 6.40% for the period 2026-2035, 6.00% for the period 2036-2044, and 3.00% for the period 2045-2053. Although not specifically stated in WCNOC's March 29, 2011, DFS report, KEPCo's assumed 1.5% increase per year to its annual contribution to the trust fund is apparent in the KEPCo column of the DFS report's "Schedule of Amounts to be Collected."

KCC Phase 2 for KCPL: KCC Docket No 10-KCPE-415-RTS served as the equivalent of KCPL's separate Phase 2 proceeding related to the 2008 Decommissioning Cost Study update. KCPL did not file a single-issue proceeding dealing only with its updated decommissioning funding plan. Instead, KCPL included its decommissioning funding plan as part of an overall rate increase application to the KCC. On November 22, 2010, the KCC issued its "Order: 1) Addressing Prudence; 2) Approving Application, in Part; & 3) Ruling on Pending Requests" in that case. Because of the extreme length of the Order (168 pages), and the fact that the vast majority of the Order addresses matters unrelated to WCGS decommissioning, WCNOC is including only relevant excerpts from the Order with this filing: pages 1-6 for a general background of the case, and pages 138-142 containing the KCC's conclusions and order regarding the KCC's approval of KCPL's decommissioning plan for WCGS (see the bracketed text at pages 138 and 140). Excerpts from this Order are included as **Attachment 7**. The bracketed text at page 138 of the Order indicates that the KCC adopted KCPL's proposal to fund the decommissioning trust at an annual accrual of $2,036,230, a reduction of $356,230 from its then current funding level. KCPL's proposal referred to in the Order was set out in an exhibit to the prepared testimony of KCPL witness Gregg N. Clizer, Schedule GNC2010-1, filed with the KCC on January 5, 2010. A copy of that exhibit is included here as **Attachment 8**. WCNOC's statement in its DFS report as to KCPL's assumed rate of earnings on its fund investment (6.48%) was incorrect. As shown in **Attachment 8**, the funding plan assumed annual weighted after-tax rates of earnings of 6.95% for the period 2010-2025, followed by annual decreases in the rate thereafter, from 6.73% in 2026 down to 1.91% in 2053.

Missouri (MPSC) Proceedings:
MPSC Proceeding for KCPL: The MPSC considered and approved KCPL's decommissioning funding plan resulting from the 2008 "Decommissioning Cost Analysis for the Wolf Creek Generating Station," in its "Order Approving Stipulation and Agreement" dated April 29, 2009, in Case No. EO-2009-0072. A copy of that Order is included as **Attachment 9**. The Order referred to and approved a "Unanimous Stipulation and Agreement" among the parties filed in the case on April 7, 2009, wherein the parties agreed on the updated estimated cost of $593.542 million in 2008 dollars to decommission WCGS, as presented in the 2008 Decommissioning Cost Analysis. The parties also agreed to KCPL's continuing to accrue funds for decommissioning at a previously-approved annual contribution level of $1,281,264. A copy of the Unanimous Stipulation and Agreement (which was attached to a "Notice of Unanimous Stipulation and Agreement" of the same date) is included as **Attachment 10.** Because neither the MPSC's April 29, 2009, Order nor the April 7, 2009, Unanimous Stipulation and Agreement contain any documentation showing the basis for KCPL's continued annual contribution amount, this Response also provides information to that effect from the prior case that established KCPL's annual trust fund contribution amount.

The prior case was Case No. ER-2006-0314, an overall rate increase application to the MPSC in which the WCGS decommissioning cost and KCPL's funding therefor was one of many issues. On December 21, 2006, the MPSC issued its "Report and Order" in that case. Because the majority of the lengthy Order (93 pages, not including exhibits) addresses matters unrelated to WCGS decommissioning, WCNOC is including only relevant excerpts from the Order with this filing: the cover sheet, Table of Contents, pages 2-4 (listing the various parties to the case), page 47 mentioning a December 5, 2006, "Nonunanimous Stipulation and Agreement" regarding three issues including "Decommissioning Expense Accrual," pages 69-70 in which the Order stated the MPSC's findings regarding the "Decommissioning Expense" issue, pages 91-92 providing the MPSC's ordering paragraphs, and Exhibit A of the Report and Order which was a copy of the complete December 5, 2006, "Nonunanimous Stipulation and Agreement Regarding ...Decommissioning Expense Accrual...." Excerpts from this Report and Order, including the entire December 5, 2006, Stipulation, are included as **Attachment 11**. As shown on pages 69-70 of the Report and Order, the MPSC found the stipulation to be reasonable and approved it, setting KCPL's annual Missouri retail jurisdictional trust fund contributions for WCGS decommissioning at $1,281,264 commencing January 2007. This part of the Report and Order also referenced a schedule of KCPL witness Don A. Frerking, Schedule DAF-5, showing the approved annual contribution amount and the associated earnings rates assumed for the trust fund. A copy of Mr. Frerking's Schedule DAF-5 is included here as **Attachment 12**.

WCNOC's statement in its DFS report as to KCPL's assumed rate of cost escalation for the Missouri jurisdictional portion of its decommissioning trust fund (3.73%) was incorrect. As shown near the top left of **Attachment 12** in the box headed "Decommissioning Cost Assumptions," the assumed cost escalation rate was 4.40%. WCNOC's statement in its DFS report as to KCPL's assumed rate of earnings on its fund investments (6.48%) was partially incorrect. As shown in the right hand column in the middle section of **Attachment 12**, the funding plan assumed annual weighted after-tax rates of earnings of 6.48% for the period 2008 through 2025, followed by annual decreases in the rate thereafter, from 6.36% in 2026 down to 2.82% in 2053.

RAI No. 2: Reporting requirements:

Indicate if there are contracts upon which the licensees are relying under paragraph 10 CFR 50.75(e)(1)(v) and if there were any material changes to the licensees' trust agreements from the last submittal.

On March 29, 2011, WCNOC provided information required under 10 CFR 50.75(f)(1), but did not indicate if there are any contracts upon which the licensees are relying or if there were any material changes to the trust agreements from the last submittal.

As stated under 10 CFR 50.75(f)(1):

> *[T]he information in [the DFS] report must include [. . .] any contracts upon which the licensee is relying under paragraph (e)(1)(v) of this section; any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report. . .*

WCNOC Response:

There are no contracts upon which the licensees are relying under 10 CFR 50.75(e)(1)(v).

There have been no material changes to the licensees' trust agreements from the submittal in 2009.

RAI No. 3: After tax decommissioning funds as of December 31, 2010:

Indicate if the amount of decommissioning funds identified within the DFS report for WCGS are the after-tax amounts of decommissioning funds accumulated through December 31, 2010. If not, provide the after-tax amounts of decommissioning funds accumulated through December 31, 2010.

On March 29, 2011, WCNOC reported the amounts of decommissioning funds accumulated as of December 31, 2010, for WCGS, but did not indicate if the amounts stated were the before or after-tax balances.

The provisions of 10 CFR 50.75(f)(1) and (2) require the licensee to report the amount of funds accumulated to the end of the calendar year preceding the report.

WCNOC Response:

The 2010 year end decommissioning fund balances that WCNOC reported in its March 29, 2011, DFS report were comprised mostly of after tax amounts, but they did include some before tax amounts that reflected unrealized gains on investments. A breakdown of the fund balances of KGE and KCPL, showing before tax amounts and after tax amounts, appears immediately below. Because KEPCo is a 501(c)(12) tax-exempt organization, its 2010 year end fund balance, $12,362,162.39, is the equivalent of an after tax balance.

	KGE	KCPL
1) Market Value of Fund @ 12/31/2010 (Before Tax)	$126,989,678.52	$129,179,248.12
2) Included Unrealized Gain on Investments	$2,822,806.16	$14,535,755.83
3) Assume 20% tax rate on Unrealized Gain	$564,561.23	$2,907,151.17
4) After Tax Value of Fund (line 1 less line 3)	$126,425,117.29	$126,272,096.95

RAI No. 4: Citation for site-specific study:

Provide the site-specific cost estimate for WCGS, unless it was previously submitted to the NRC. If the cost estimate was previously submitted to NRC, then provide a reference to its submittal. The site-specific cost estimate should include a summary schedule of annual expenses, projected earnings, and end-of-year fund balances, expressed in 2010 dollars.

On March 29, 2011, WCNOC provided a site-specific cost estimate for the amount of decommissioning funds estimated to be required in 2006 [sic – should be "2008"] *dollars and in expenditure date dollars.*

Per 10 CFR 50.75(e)(1)(i) and (ii), the licensee must specifically describe the safe storage period in order to take credit for projected future earnings when it uses a site-specific estimate as the basis for using the prepayment or external sinking fund methods of financial assurance.

WCNOC Response:

Site-Specific Cost Estimate and Report:
As stated in WCNOC's March 29, 2011, Decommissioning Funding Status (DFS) report to the NRC, the site-specific cost estimate for WCGS was $593.5 million (rounded) in 2008 dollars. The unrounded amount was $593.542 million. Per a June 2, 2011, telephone conference call among representatives of WCNOC and the NRR staff, the parties agreed that instead of WCNOC's submitting a complete hard copy of the site-specific decommissioning cost estimate report (called "Decommissioning Cost Analysis for the Wolf Creek Generating Station" prepared by TLG Services, Inc. and dated August 2008), WCNOC could refer to the electronic version of that report that resides on the web page of the Kansas Corporation Commission (KCC). That electronic version may be found as follows: On the KCC's internet home page, http://www.kcc.state.ks.us/, in the left column click on the link "Docket Filings." On the "Docket Filings" page, under the heading "Search for Docket," key in the Docket Number, "09-WCNE-215-GIE," in the appropriate box, and then click "Search." Under the heading "Search for Docket," click on the link for "09-WCNE-215-GIE." Immediately under the heading for "Docket 09-WCNE-215-GIE," click on the link for "Documents." Under the heading "Docket Documents" is a list of twenty-one PDF documents filed in this docket. The first three PDF documents in the list comprise the site-specific decommissioning cost estimate report. (The second and third of those three documents are reversed in order. The second document in the web page list actually is the third part of the report, and the third document in the list is the second part of the report.) See the next paragraph below for an escalation of the 2008 cost estimate to 2010 dollars.

Site-Specific Cost Estimate Summary Schedule of Annual Expenses:
The 2008 "Decommissioning Cost Analysis for the Wolf Creek Generating Station" cited immediately above, includes a table at Section 3, page 18 of 29, showing a "Schedule of Total Annual Expenditures" expected for the DECON decommissioning alternative (i.e., immediate dismantlement). For convenience, WCNOC is including a copy of that table as **Attachment 13**. To respond to the RAI's request that those estimated annual expenditures be expressed in 2010 dollars, WCNOC is including **Attachment 14** which shows the 2008 amounts from **Attachment 13** escalated to 2010 dollars. To arrive at an appropriate escalation rate, WCNOC elected to calculate a weighted rate, 3.91% per year, based on the cost escalation rates approved by the KCC and the MPSC. (See WCNOC's response to RAI No. 1 for the cost escalation rates from the KCC for KGE, KCPL and KEPCo, and for the revised cost escalation rate from the MPSC for KCPL.) For an explanation of how the weighted cost escalation rate was developed, see **Attachment 14**.

Schedule of Projected Earnings:
The site-specific cost estimate report, i.e., the 2008 "Decommissioning Cost Analysis for the Wolf Creek Generating Station" cited above, is only for the purpose of estimating the cost to decontaminate and decommission the plant if that project were done at the time the report was prepared (2008) assuming then-current costs. The report does not consider the funding of the project nor is its purpose to develop a decommissioning funding plan. Funding for the project, and developing projected earnings on the fund, are considered separately from the project's cost estimate. Per the June 2, 2011, telephone conference call among representatives of WCNOC and the NRR staff, the parties agreed that instead of providing a schedule of projected earnings of the three owner companies' decommissioning funds, all expressed in 2010 dollars, it would be sufficient for WCNOC to provide the owner companies' decommissioning funding schedules most recently approved by the KCC and MPSC prior to WCNOC's March 29, 2011, DFS report. Those funding schedules, which include projected earnings as well as contributions (although not all in 2010 dollars), already have been attached as exhibits to this response. See **Attachment 5** for KGE, **Attachment 8** for KCPL in Kansas, **Attachment 12** for KCPL in Missouri, and **Attachment 6** for KEPCo.

End-of-Year Fund Balances:
Because, as stated above, the site-specific cost estimate report does not consider funding of the decommissioning project, that estimate likewise does not include end-of-year fund balances. Those fund balances were listed in WCNOC's March 29, 2011, DFS report and are repeated above, showing after tax and before tax amounts, in response to RAI No. 3.

Safe Storage Period:
As discussed in the 2008 "Decommissioning Cost Analysis for the Wolf Creek Generating Station," the study was developed on the assumption that the plant owners would elect the DECON decommissioning alternative, i.e., immediate dismantlement. Because immediate dismantlement is assumed to begin essentially upon final shutdown of the plant, there would be no "safe storage period" between final plant shutdown and commencement of decommissioning. A projected decommissioning schedule was included in the site-specific cost estimate report at Section 4, page 3 of 4. For convenience, a copy of that schedule is included at **Attachment 15**.

ATTACHMENT 2

Order Approving Stipulation and Agreement
KCC Docket No. 09-WCNE-215-GIE
Dated August 31, 2009

7 Pages

2009.08.31 14:48:40
Kansas Corporation Commission
/S/ Susan K. Duffy

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Thomas E. Wright, Chairman
Michael C. Moffet
Joseph F. Harkins

In the Matter of the 2008 Wolf Creek Decommissioning Cost Study as Provided By Wolf Creek Nuclear Operating Corporation on August 29, 2008 In Accordance with the Commission's Order in Docket Number 163,561-U on December 9, 1992.	)	**Docket No. 09-WCNE-215-GIE**

ORDER APPROVING STIPULATION AND AGREEMENT

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having examined its files and records, and being duly advised in the premises, the Commission makes the following findings and conclusions:

1. On August 29, 2008, Wolf Creek Nuclear Operating Corporation (Wolf Creek) filed their 2008 Wolf Creek Decommissioning Cost Study with the Commission in accordance with the Commission's Order in Docket No. 163,561-U on December 9, 1992.

2. The Commission granted intervention to the Citizens' Utility Ratepayer Board (CURB), Kansas Electric Power Cooperative, Inc. (KEPCo), Kansas Gas and Electric Company d/b/a Westar Energy (Westar), and Kansas City Power & Light Company (KCPL).

3. The parties met to discuss settlement, and entered into a unanimous Stipulation and Agreement (S&A) filed on June 2, 2009. The parties to that agreement are: Wolf Creek, Westar, KEPCo, KCPL, Commission Staff (Staff), and CURB.[1]

4. By order dated June 24, 2009, the hearing required by statute was set for and held on July 7, 2009, to consider the S&A. Appearances of counsel were as follows: Dana Bradbury on behalf of Staff and the public generally; Glenda Cafer and Victoria Schatz on behalf of KCPL; J. Michael Peters on behalf of KEPCo; Warren B. Wood on behalf of Wolf Creek; Steve Rarrick on behalf of CURB; and Cathy Dinges on behalf of Westar.[2]

5. The hearing was held before Chairman Wright and Commissioner Moffet (presiding). Commissioner Harkins is participating in the decision by way of reviewing the transcript.[3] At the hearing, the Commission accepted the pre-filed testimony in evidence.[4]

Standard of Review

6. The Commission's five-part test for reviewing settlements was initially set forth in Docket No. 08-ATMG-280-RTS and is now well established.[5] Since that time, this Commission has reiterated its underlying rationale for why such a test is important:

> "No settlement proposal, unanimous or contested; black-box or transparent, relieves the three-member Commission of its responsibility to make an independent judgment as to whether the settlement constitutes a reasonable remedy or resolution of the issues. It is beyond question that the Commission *may* accept a settlement so long as it makes an independent finding, supported by substantial competent evidence, that the settlement will establish just and reasonable rates."

[1] Tr., 4.
[2] Tr., 4-5.
[3] Tr., 4.
[4] Tr., 8-9; 11; 14.
[5] Docket 08-ATMG-280-RTS, Order Approving Contested Settlement Agreement, ¶ 11.

To aid the Commission in making this independent finding, Wolf Creek, Westar, KEPCo, KCPL, and Staff addressed the following five factors, where applicable, in their pre-filed testimony on the S&A:

1) whether each party had an opportunity to be heard on its reasons for opposing or joining the S&A;

2) whether the S&A is supported by substantial competent evidence;

3) whether the S&A conforms to applicable law;

4) whether the S&A results in just and reasonable rates[6]; and

5) whether the results of the S&A are in the public interest.[7]

Terms of the S&A; Relevant Findings of Fact

7. The Commission is guided by authorities establishing contours of its procedural requirements in issuing orders.[8] As stated in *CURB*,

> "[t]he Kansas Supreme Court has construed the Commission's procedural requirements to mean findings need not be rendered in minute detail. However, findings must be specific enough to allow judicial review of the reasonableness of the order. To guard against arbitrary action, conclusions of law must be supported by findings of fact which are in turn supported by evidence in the record."[9]

8. A copy of the S&A is attached and its terms will not be repeated here. The S&A stated that the parties in the docket have agreed that a reasonable estimate of the decommissioning costs for Wolf Creek is $593.5 million in 2008 dollars.[10] The S&A further

[6] This factor will not be discussed because rate settlement is not at issue in this docket. Direct Testimony of Kevin L. Scherich, 6.
[7] The phrase "including the interest of the customers represented by the party not consenting to the agreement" does not apply when the settlement is unanimous.
[8] *CURB v. KCC*, 28 Kan.App.2d 313, 316 (2000).
[9] Id., (citing *Zinke & Trumbo, Ltd. v. KCC*, 242 Kan. 470, 475 (1988)).
[10] Stipulation and Agreement, herinafter, "S&A", ¶¶'s 4-5.

provided that the escalation rate shall be set at 3.73%.[11] These figures will be used in separate dockets to set an accrual level for each company's Decommissioning Trust Account.[12]

Discussion

i) whether each party had an opportunity to be heard on its reasons for opposing or joining the S&A

9. The Commission finds that all parties were given the opportunity to participate in settlement discussions and had a full and fair opportunity to be heard. No party has stepped forward and claimed such right has been denied. An objection is required by K.A.R. 82-1-230a.

ii) whether the S&A is supported by substantial competent evidence

10. As stated in Docket No. 08-ATMG-280-RTS, Kansas law describes substantial competent evidence as that which possesses something of substance and relevant consequence, and which furnishes a substantial basis of fact from which the issues tendered can reasonably be resolved. In that regard we reasoned the "evidence concerning the Settlement Agreement *itself* is most relevant because *any determination* the Commission makes, either by approving or rejecting the Settlement cannot be so wide of the mark as to be outside the realm of fair debate."[13]

11. In other words, the issue tendered here, is whether the Commission should approve or reject the S&A. K.A.R. 82-1-230a(b) provides that *both* unanimous and non-unanimous settlement agreements "*may* be approved, rejected, or modified by the [C]ommission."[14]

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[11] S&A, ¶6.
[12] S&A, ¶5.
[13] Docket 08-ATMG-280-RTS, Order Approving Contested Settlement Agreement, ¶16 (emphasis added).
[14] See K.A.R. 82-1-230a(b) (emphasis added).

12. Mr. Gatewood testified that the escalation rate is supported by substantial and competent evidence. The escalation rate is based on a formula developed by the Nuclear Regulatory Commission (NRC). KCPL completed the calculations and provided parties with the calculations and work papers. Mr. Clizer's pre-filed testimony provided a thorough description of the NRC formula, as well as the results of the analysis for the formula. Therefore, the Commission finds that the S&A is supported by substantial, competent, and credible evidence.

iii) whether the S&A conforms to applicable law

13. In looking at the four corners of the document, the Commission finds no provision that is in violation of applicable state or federal law. Staff believes that the stipulation is lawful.[15] Furthermore, non-attorney witnesses expressed their lay understanding and beliefs that the agreement follows precedent for similar settlements (Clizer) and that they possessed no evidence or knowledge to the contrary that the S&A did not conform to applicable law (Scherich).[16] No counsel for any of the parties has come forward with any claim regarding any aspect of the S&A being in violation of state or federal law or regulations, and their duty of candor to the tribunal would certainly require them to do so. Therefore, the Commission concludes the S&A conforms to applicable law.

v) whether the results of the S&A are in the public interest

14. The Commission recognizes that this factor is a function of those factors preceding it, and therefore, the findings and conclusions supporting those factors are relevant here. Here, the unanimous S&A yields other results providing additional benefits to all parties'

[15] Tr., 7.
[16] Direct Testimony of Gregg N. Clizer, 9; Direct Testimony of Kevin L. Scherich, 6.

interests. For example, there is a benefit of stemming potentially protracted litigation thereby promoting administrative efficiency, a well-settled public policy goal.[17]

15. Mr. Gatewood explained that the S&A was in the public interest because the escalation rates enable Staff to spread the cost of the decommissioning fairly and equitably across the generations of rate payers.[18] Mr. Clizer testified that they believed the S&A was in the public interest.[19] In addition, Mr. Scherich also filed testimony to that affect.[20]

16. In sum, the Commission finds that after balancing all the interests impacted by this proceeding, the unanimous settlement proposed by the parties is in the public interest.

Conclusion

17. After careful review and consideration of the evidence in the record, the Commission finds that $593.5 million in 2008 dollars is a reasonable estimate of the decommissioning costs. The Commission further finds the escalation factor of 3.73% to be reasonable.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The June 2, 2009, Stipulation and Agreement is approved.

B. The parties shall file their separate dockets within 45 days as specified in ¶8.

C. The next decommissioning cost analysis is due on September 1, 2011.

D. A party may file a petition for reconsideration of final agency action within fifteen days of the service of the Order. If the order is mailed, service is complete upon mailing, and three days may be added to the above time frame. K.S.A. 66-118b; K.S.A. 2008 Supp. 77-

[17] See *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994) (citing cases).
[18] Direct Testimony of Adam H. Gatewood, 3-4.
[19] Tr., 12, 15.
[20] Direct Testimony of Kevin L. Scherich, 6.

529(a)(1). Petitions for reconsideration must expressly inform the Commission and other parties, what mistakes, if any, of law and fact were made in the order.[21]

C. The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Wright, Chmn.; Moffet, Com.; Harkins, Com.

Dated: AUG 3 1 2009

ORDERED MAILED

SEP 0 1 2009

EXECUTIVE DIRECTOR

Susan K. Duffy
Executive Director

PPK: jnh

[21] See e.g., *CURB*, 24 Kan.App.2d at 228.

ATTACHMENT 3

Motion for Approval of Stipulation and Agreement
KCC Docket No. 09-WCNE-215-GIE
Dated June 2, 2009
including
Exhibit 1 thereto: "Stipulation and Agreement"
Dated June 2, 2009

9 Pages

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Thomas E. Wright, Chairman
Michael C. Moffet
Joseph F. Harkins

In the Matter of the 2008 Wolf Creek Decommissioning Cost Study as Provided by Wolf Creek Nuclear Operating Corporation on August 29, 2008 in Accordance with the Commission's Order in Docket Number 163,561-U on December 9, 1992.	)	Docket No. 09-WCNE-215-GIE

MOTION FOR APPROVAL
OF STIPULATION AND AGREEMENT

COMES NOW, the staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively) and requests the Commission approve the unanimous Stipulation and Agreement ("S&A") filed contemporaneously with this Motion. In support of this Motion, Staff states as follows:

1. On August 29, 2008, Wolf Creek filed its August 2008 Decommissioning Cost Analysis for the Wolf Creek Generating Station, in accordance with the Commission's December 9, 1992 Order in Docket No. 163,561-U. The December 9, 1992 Order directed the filing of a decommissioning cost study update every three years after September 1, 1993.

2. Kansas Gas and Electric Company d/b/a Westar Energy ("Westar"), Kansas City Power & Light Company ("KCP&L"), Kansas Electric Power Cooperative, Inc. ("KEPCo") and the Citizens' Utility Ratepayers Board ("CURB") filed petitions to intervene, which were granted.

3. The parties met and discussed settlement of this docket. Following negotiations, the parties entered into an S&A (attached as Exhibit I) for the purpose of determining a

reasonable estimate of Wolf Creek decommissioning costs to be used in addressing accrual levels of the respective owner utilities' decommissioning trust account and the appropriate escalation factor (inflation rate).

WHEREFORE, Staff respectfully requests that the Commission approve the Stipulation and Agreement, set a procedural schedule and for any further relief the Commission shall deem just and appropriate.

Respectfully Submitted,

Dana A. Bradbury, #11939
Litigation Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604
(785) 271-3118 Telephone
(785) 271-3167 Fax

DAB:rob

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Dana A. Bradbury, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas, that she has read and is familiar with the foregoing, *Joint Motion For Approval of Stipulation and Agreement,* and that the statements contained therein are true and correct to the best of her knowledge, information and belief.

Dana A.Bradbury, # 11939
Litigation Counsel
Kansas Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 2nd day of June, 2009.

PAMELA J. GRIFFETH
Notary Public - State of Kansas
My Appt. Expires 08-17-2011

Notary Public

My Appointment Expires: August 17, 2011

EXHIBIT 1

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the 2008 Wolf Creek Decommissioning Cost Study as Provided by Wolf Creek Nuclear Operating Corporation on August 29, 2008 in Accordance with the Commission's Order in Docket Number 163,561-U on December 9, 1992.	)	Docket No. 09-WCNE-215-GIE

STIPULATION AND AGREEMENT

This Stipulation and Agreement (Stipulation) is entered into by and between the Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively), Wolf Creek Nuclear Operating Corporation ("Wolf Creek"), Kansas Gas and Electric Company d/b/a Westar Energy ("Westar"), Kansas City Power & Light Company ("KCP&L"), Kansas Electric Power Cooperative, Inc. ("KEPCo") and the Citizens' Utility Ratepayers Board ("CURB") (collectively referred to as the "Parties").

1. On August 29, 2008, Wolf Creek filed its August 2008 Decommissioning Cost Analysis for the Wolf Creek Generating Station, in accordance with the Commission's December 9, 1992 Order in Docket No. 163,561-U. The December 9, 1992 Order directed the filing of a decommissioning cost study update every three years after September 1, 1993.

2. Westar, KCP&L, KEPCo and CURB were granted intervention in the docket.

3. On April 15, 2009, the Parties, except CURB, met to discuss settlement of the issues in this docket. CURB was later provided a summary of the meeting and had an opportunity for input on the issues. The terms of the resulting Stipulation and Agreement are set forth below.

I. TERMS OF THE STIPULATED SETTLEMENT AGREEMENT

4. This Stipulation is entered into for the purpose of determining a reasonable estimate of the Wolf Creek Generating Station decommissioning costs to be used in addressing accrual levels of the respective owner utilities' Decommissioning Trust Accounts.

5. The cost for decommissioning funding is agreed to be $593.5 million in 2008 dollars as set forth in the Decommissioning Cost Analysis for the Wolf Creek Generating Station filed in this docket on August 29, 2008, which is hereby incorporated by reference. This number will be used by Westar, KCP&L and KEPCo in their respective proposals for setting an accrual level for each company's Decommissioning Trust Account. This will be done in individual dockets, separate from the instant docket.

6. Westar, KCP&L and KEPCo agree to use an escalation rate of 3.73% per year to escalate the 2008 decommissioning cost estimate of $593.5 million from 2008 dollars to the appropriate dollar amount in the year that the decommissioning costs will occur.

7. In support of the Stipulation, the Parties agree to prefile the testimony and schedules of the following witnesses:

Adam Gatewood and Kevin Scherich for Staff.

Gregg Clizer for KCP&L, Westar and KEPCo.

8. The Parties agree the terms of this Stipulation are in the public interest and should be approved by the Commission.

II. RESERVATIONS

9. Except as specified in this Stipulation, none of the parties to the agreement shall be deemed to have approved or acquiesced in any question of Commission authority, decommissioning methodology, rate making principle, valuation methodology, cost of

service methodology or determination, rate design methodology, or cost allocation that may underlie this Stipulation and Agreement.

10. This Stipulation fully resolves issues specifically addressed in this document between the parties. The terms of this Stipulation constitute a fair and reasonable resolution of the issues addressed herein.

11. The terms and provisions of this Stipulation have resulted from negotiations between the signatories and are interdependent. In the event the Commission does not approve and adopt the terms of the Stipulation and Agreement in total, any party has the option to terminate this Stipulation and Agreement and, if so terminated, none of the signatories hereto shall be bound by, prejudiced, or in any way affected by any of the agreements or provisions hereof, unless otherwise provided herein.

12. If the Commission accepts this Stipulation in its entirety and incorporates the same into its final order in this docket, the parties intend to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order on those issues.

13. Parties agree to waive their rights to cross-examination of witnesses, right to present oral argument and written briefs pursuant to Commission rules and right to judicial review pursuant to Kansas law. This waiver applies only to those matters explicitly addressed by this Stipulation and Agreement

14. This Stipulation may be executed in several counterparts and all so executed shall constitute one and the same instrument binding on all parties, each of which shall be fully effective as an original.

15. This Stipulation shall be binding on all parties upon signing.

IN WITNESS HERETO, the parties have executed and approved this Stipulation effective by subscribing their signatures below.

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Cathryn J. Dinges, #20848
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IN WITNESS HERETO, the parties have executed and approved this Stipulation effective by subscribing their signatures below.

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CERTIFICATE OF SERVICE

09-WCNE-215-GIE

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Motion For Approval of Stipulation and Agreement was placed in the United States mail, postage prepaid, or hand-delivered this 2nd day of June, 2009, to the following:

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Pamela Griffeth
Administrative Specialist

ATTACHMENT 4

Order Approving Westar's Application to Adjust the Funding of Its Nuclear Decommissioning Trust Fund, As Revised
KCC Docket No. 10-KG&E-257-MIS
Dated January 28, 2010

6 Pages

2010.01.28 13:29:35
Kansas Corporation Commission
/S/ Susan K. Duffy

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Thomas E. Wright, Chairman
Michael C. Moffet
Joseph F. Harkins

In the Matter of the Application of Kansas Gas and Electric Company to Adjust the Funding of its Nuclear Decommissioning Trust Fund.	)))	Docket No. 10-KG&E-257-MIS

**ORDER APPROVING WESTAR'S APPLICATION TO
ADJUST THE FUNDING OF ITS
NUCLEAR DECOMMISSIONING TRUST FUND, AS REVISED**

The above matter comes before the State Corporation Commission of the State of Kansas (Commission). Being fully advised of all matters of record, the Commission finds and concludes as follows:

I. Background

1. Kansas Gas and Electric Company, doing business as Westar Energy (Westar or Applicant), is a corporation under the laws of the State of Kansas, with its principal place of business at 120 East First Street, Wichita, Kansas. Applicant is an electric "public utility" within the meaning of K.S.A. 66-104 and is authorized to engage in the business of an electric public utility within the State of Kansas. As such, the Applicant is subject to the jurisdiction of the Commission.

2. Westar holds a 47 percent ownership interest in the Wolf Creek Nuclear Generating Station (Wolf Creek) located near Burlington, Kansas. Applicant is required by Kansas law and federal regulations to maintain a fund at a useful level sufficient to decommission Wolf Creek at the end of its useful life.

3. This docket is the second phase of a two phase investigation to adjust Westar's annual contribution to its Decommissioning Trust (Trust).[1] In the first phase, the Commission approved a stipulation between Westar, the Citizens' Ratepayer Utility Board (CURB) and Commission Staff (Staff) based on a Decommissioning Cost Analysis for Wolf Creek filed by the licensee and operator, Wolf Creek Nuclear Operating Corporation (WCNOC), on behalf of the three co-owners specifying that decommissioning is set for the year 2045. On August 31, 2009, the Commission issued its order adopting $593,542,000 in 2008 dollars as a reasonable estimate of the decommissioning cost of Wolf Creek and approving an inflation rate of 3.73%. Docket No. 09-WCNE-215-GIE.

4. On October 14, 2009, Westar filed an application to adjust the annual funding level of its Decommissioning Trust account, incorporating the decisions from the Commission in Docket 09-WCNE-215-GIE. Docket 10-WSEE-257-MIS. Westar proposed to increase its 2010 contribution from $2,894,635 to $3,877,011 and increase its contribution by $100,000 each year after 2010.

5. On January 13, 2010, after review, analysis and informal discussions with Westar, Staff filed a memorandum recommending the Commission approve a revised proposal, as modified by Staff and accepted by Westar. Although Staff was comfortable with most of the inputs used by Westar for its calculation, there were two inputs Staff believed should be adjusted: the market value of the portfolio and the forecasted return on the portfolio.

---

[1] The initial decommissioning financing plan was approved by the Commission in 1985. Docket Nos. 120,924-U and 142,098-U. K.S.A. §66-128o requires the Commission to review the decommissioning plan at least every five years. However, the Orders in 120,924-U and 142,098-U set the review for every three years.

6. The funding level for the Decommissioning Trust is based upon a number of assumptions that generally fall into one of three categories. The first category of assumptions is those estimates set by the Commission during the first phase of this investigation, which includes the decommissioning cost estimate, decommissioning cost inflation forecast, ownership allocations and timing of the decommissioning expenses which includes the remaining life of the plant. The Commission has already addressed these components for the calculation, and they are not controversial. The second category of assumptions consists of variables that may change over time but are easy to verify and are not controversial. The third category of assumptions is the annual returns expected to be earned by the Trust from the current period until decommissioning is complete. This involves forecasting returns on many types of investments over a very long time horizon as well as accounting for changes in the mix of those investments over time. As the time approaches for decommissioning, the portfolio managers adjust the asset mix toward less volatile, fixed income investments.

7. The Commission has set a policy of reviewing the decommissioning cost estimate and each owner's annual funding level every three years. The triennial reviews enable the Commission to adjust the annual contributions to reflect any new information that comes to light. New information can include changes in decommissioning cost estimates, revised inflation forecasts or changes in the expected or actual returns in investments.

8. After review of Westar's application, Staff recommended two adjustments involving the market value of the Trust portfolio and the forecasted return on the Trust portfolio.

9. First, Westar's application incorporated the Trust's balance as of December 31, 2008. The December 31, 2008, value of $85.55 million was very close to the low point of the financial markets. Staff recommended that Westar update the market value to reflect the recovery that has occurred. Westar agreed to the recommendation and updated the market value at September 30, 2009. By that time the market value of Westar's trust had recovered to $106.06 million.

10. Staff's second recommendation adjusted the expected return on international equity investments to reflect a longer time period for the historic average of that asset class. This asset class is a small portion of the Trust's portfolio, but the change resulted in a 45 basis point increase in the expected return (after tax) on the portfolio from 6.06% to 6.51%.

11. Incorporating these two adjustments enabled Westar to eliminate the $100,000 annual escalation in the annual contribution and reduce the annual contribution from its original proposal of $3,877,011 to its revised proposal of $3,150,070.

12. Further, Westar's Trust fund is a Qualified Nuclear Decommissioning Trust Fund under Internal Revenue Service Code 468-A and Treasury Regulations 1-468A-3. There are benefits to being a "Qualified" decommissioning trust that ultimately accrue to the ratepayers by reducing the total amount that Westar must collect through rates. A full discussion of the IRS rules appears in the Direct Testimony of Dick F. Rohlfs (pages 3-8) filed in this docket on October 14, 2009. To avoid losing the tax qualified status, Westar contends it must obtain an order from the Commission that recalculates its annual trust fund contribution using the twenty year life extension.

13. Overall, Staff stated Westar's proposal, as revised by Staff and accepted by Westar, of $3,150,070 accurately reflects an annual accrual of Westar's share of the

decommissioning costs and is a reasonable plan to recover those costs over the remaining life of the plant. Staff recommended the Commission issue an order approving the revised proposal as attached to Staff's Memorandum as Exhibit A.

14. On January 19, 2010, Westar filed a formal Response to Staff's Memorandum. In its Response, Westar agreed with Staff's recommendations and stated Westar's initial request should be amended to request an increase in the annual contribution to the Trust to $3,150,070 without any annual escalation in the contribution until further approved by the Commission. Westar further agreed with the statement in Staff's Memorandum that the $3,150,070 is covered in rates and the Commission should attach Staff's Exhibit A to the Commission's order.

II. Findings

15. Westar filed its Application in October 2009, Staff filed its Memorandum on January 13, 2010, and Westar filed a Response formally accepting Staff's recommendations and requesting its initial Application be revised accordingly. At this point in time, no entity has sought to intervene in this docket or objected to the revised proposal.

16. The Commission finds that Staff's recommendations and Westar's revisions to its application are reasonable, especially in light of the national economy during 2008.

17. The Commission also finds Westar's annual Decommissioning Trust payment be set at $3,150,070 to be recovered through rates and based on Westar's contribution plan contained in Exhibit-A attached to this order.

18. The Commission finds that the schedule of annual contributions to Westar's Wolf Creek Decommissioning Trust, as contained in Exhibit A to this order,

will provide a level of funds sufficient to decommission the unit based on the Commission's findings in Docket No. 09-WNCE-215-GIE.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Westar's application for Commission approval to adjust its annual funding level of its Decommissioning Trust account, as modified by Staff and revised by Westar, to $3,150,070 is approved by the Commission.

B. Westar's $3,150,070 annual contribution to its Decommissioning Trust as set forth in Exhibit A is recovered through its retail rates.

C. A party may file a petition for reconsideration of this Order within 15 days of the date this Order is issued. If service is by mail, three additional days may be added to the 15-day time limit to petition for reconsideration. K.S.A. 66-118b; K.S.A. 77-531; K.S.A. 2008 Supp. 77-529.

D. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Wright, Chmn.; Moffet; Comm.; Harkins, Comm.

ORDERED MAILED

JAN 29 2010

EXECUTIVE DIRECTOR

Dated: JAN 28 2010

Susan K. Duffy
Executive Director

DB:rob

ATTACHMENT 5

Notice of Filing of Staff Memorandum
KCC Docket No. 10-KG&E-257-MIS
Dated January 13, 2010

9 Pages

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Thomas E. Wright, Chairman
Michael C. Moffet
Joseph F. Harkins

In the Matter of the Application of Kansas Gas and Electric Company to Adjust the Funding of its Nuclear Decommissioning Trust Fund.	))))	Docket No. 10-KG&E-257-MIS

NOTICE OF FILING OF STAFF MEMORANDUM

COMES NOW the Commission staff (Staff) of the State Corporation Commission of the State of Kansas (Commission) and files its memorandum recommending the Commission set Kansas Gas & Electric's (KG&E) Application to increase its annual decommissioning trust payment.

1. Staff has thoroughly reviewed and investigated KG&E's application and hereby files a memorandum prepared by Adam Gatewood dated January 6, 2009, recommending the Commission set KG&E's annual decommissioning trust payment at $3,150,070.

WHEREFORE, Staff recommends the Commission set Kansas Gas & Electric's annual decommissioning trust payment at $3,150,070.

Respectfully submitted,

Dana Bradbury, No. 11939
Litigation Counsel
Kansas Corporation Commission
1500 S.W. Arrowhead Road
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DB:rob

KANSAS
CORPORATION COMMISSION

Mark Parkinson, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

MEMORANDUM

To: Thomas E. Wright, Chairman
Michael C. Moffet
Joseph F. Harkins

From: Adam Gatewood

Date: January 6, 2010

Date sent to Legal: 1/8/10

Re: In the Matter of the Application of Kansas Gas & Electric Company to Adjust the Funding of its Nuclear Decommissioning Trust Fund. Docket No. 10-KG&E-257-MIS

Summary:
This docket is part-two of a two phase investigation to adjust Kansas Gas & Electric's annual contribution to its decommissioning trust account. The intent of decommissioning trust funds is to collect and set aside enough money during the nuclear plant's useful life to pay the cost of safely dismantling the plant and disposing of the hazardous material. Staff evaluated KG&E's funding proposal and negotiated two changes in KG&E's assumptions. As a result, Staff and KG&E have reached an agreement for KG&E to increase its annual contribution from its current amount of $2,894,635 to $3,150,070.

Recommendation:
Staff recommends the Commission set KG&E's annual decommissioning trust payment at $3,150,070. To insure that KG&E's trust can maintain its status as a qualified nuclear decommissioning trust fund under Internal Revenue Service Code, the Commission's order needs to state that the $3,150,070 will be recovered through rates and the Commission should include Exhibit-A

(attached to this memorandum) in its order to demonstrate that the annual contribution is reasonable.[1]

Analysis:
Estimating the annual contribution to a trust requires a handful of assumptions that generally fall into one of three categories.

First are those estimates set by the Commission during the first phase of this investigation in docket 09-WCNE-215-GIE, which include the decommissioning cost estimate, decommissioning cost inflation forecast, ownership allocations and timing of the decommissioning expenses which includes the remaining life of the plant. The Commission has already addressed these components for the calculation, so they are not controversial.

The next group consists of variables that may change over time but are easy to verify and are not controversial. Examples include the tax rate paid by the trust and current balance of the trust fund.

The third group of variables is the return expected to be earned by the trust from the current period until the decommissioning is complete. This involves forecasting returns on many types of investments over a very long time horizon as well as accounting for changes in the mix of those investments over time. The trust invests in domestic and foreign equities, corporate and government debt, as will as other fixed income vehicles. As the time approaches for decommissioning, the portfolio managers adjust the asset mix toward less volatile, fixed income investments.

It is impossible to know precisely when those adjustments will occur, but we can make some estimates of the asset allocation at various stages of the trust's life. And we certainly do not know what the trust will earn during its life, but we can look at the historic returns of various equity and debt investments to estimate what the trust may reasonably expect earn.

Fortunately, we are not forecasting the return on the trust and then hoping for the best over the next 40 years. Rather, the Commission has set a policy of reviewing the decommissioning cost estimate and each owner's annual funding level, every three years.[2] The triennial reviews enable the

---

[1] The KG&E fund is a Qualified Nuclear Decommissioning Trust Fund under the Internal Revenue Service code 468-A and Treasury Regulations 1-468A-3. There are benefits to being a "Qualified" decommissioning trust that ultimately accrue to the ratepayers by reducing the total amount that KG&E must collect through rates. A full discussion of the IRS rules appears in the Direct Testimony of Dick F. Rohlfs (pages 3-8) filed in this docket on October 14, 2009.

[2] The Orders in 120,924-U & 142,098-U set the review for every three years. K.S.A. §66-128o requires the Commission to review the decommissioning plan at least every five years.

Commission to adjust the annual contributions to reflect any new information that comes to light. New information can include changes in decommissioning cost estimates, revised inflation forecasts or changes in the expected returns in investments. And of course, the new information will include the current balance on the trust account as its actual returns may be higher or lower than forecasted in the last analysis.

KG&E's Application:

On October 14, 2009, KG&E filed its proposal to adjust the annual funding level of its decommissioning trust account, incorporating the previous decisions from the Commission in docket 09-WCNE-215-GIE. KG&E proposed to increase its 2010 contribution from $2,894,635 to $3,877,011 and increase its contribution by $100,000 each year after 2010. Staff was comfortable with most of the inputs KG&E relied on for its calculation. There were a couple inputs Staff believed should be adjusted; the market value of the portfolio and the forecasted return on the portfolio.

KG&E's application incorporated the trust's balance as of December 31, 2008. The December 31, 2008 value of $85.55 million was very close to the low point of the financial markets. Staff recommended that KG&E update the market value to reflect the recovery that has occurred. KG&E's update incorporates the market value at September 30, 2009. By that time the market value of KG&E's trust had recovered to $106.06 million.

Staff's second recommendation adjusted the expected return on international equity investments to reflect a longer historic average for that asset class. This asset class is a small portion of the trust's portfolio, but the change results in a 45 basis point increase in the expected return (after tax) on the portfolio from 6.06% to 6.51%.

Incorporating these two adjustments enabled KG&E to eliminate the $100,000 annual escalation in the annual contribution and reduce the annual contribution from its original proposal of $3,877,011 to its revised proposal of $3,150,070.

Staff believes KG&E's revised proposal of $3,150,070 accurately reflects KG&E's share of the decommissioning costs and is a reasonable plan to recover those costs over the remaining life of the plant. Staff asks the Commission to issue an order accepting KG&E's revised proposal attached to this memorandum as Exhibit-A.

WOLF CREEK DECOMMISSIONING COSTS
EXTERNAL TRUST FUND
Review of 2008 Cost Estimate

	in 2008 $	In 2045 $s
TOTAL COST DECON method	$593,542,000	$2,218,242,695
KGE'S SHARE OF TOTAL COST	278,964,740	$1,042,574,067
CURRENT VALUE OF TRUST	85,554,941	

EQUIVALENT BEFORE TAX RETURN: THE EXPECTED INVESTMENT RETURNS ARE SHOWN ON PAGE 2 OF 2

PAYMENT GROWTH AMOUNT	$0	
GROWTH RATE FOR COSTS (INFLATION)	3.730000%	0
# OF PERIODS FOR ANALYSIS	36	
# OF PERIODS - 1	35	
PERIOD OF PAYMENTS	MID YEAR	
DECOMMISSIONING PERIOD IN YEARS	9	

	YEAR	BEGIN YR. BALANCE	DECOM EXPENSE	ANNUAL CONTRIB.	ANNUAL EARNINGS	END YR. BALANCE *Less Fees*
1	2009	85,554,941		2,894,635	21,459,623	109,104,127
2	2010	109,104,127		3,150,070	7,205,213	118,432,741
3	2011	118,432,741		3,150,070	7,812,506	128,280,865
4	2012	128,280,865		3,150,070	8,453,619	138,677,432
5	2013	138,677,432		3,150,070	9,130,436	149,652,983
6	2014	149,652,983		3,150,070	9,844,944	161,239,763
7	2015	161,239,763		3,150,070	10,599,243	173,471,811
8	2016	173,471,811		3,150,070	11,395,550	186,385,061
9	2017	186,385,061		3,150,070	12,236,202	200,017,451
10	2018	200,017,451		3,150,070	13,123,671	214,409,028
11	2019	214,409,028		3,150,070	14,060,562	229,602,072
12	2020	229,602,072		3,150,070	15,049,630	245,641,216
13	2021	245,641,216		3,150,070	16,093,778	262,573,581
14	2022	262,573,581		3,150,070	17,196,075	280,448,909
15	2023	280,448,909		3,150,070	18,359,759	299,319,714
16	2024	299,319,714		3,150,070	19,588,248	319,241,434
17	2025	319,241,434		3,150,070	20,885,152	340,272,594
18	2026	340,272,594		3,150,070	22,254,281	362,474,980
19	2027	362,474,980		3,150,070	23,699,656	385,913,817
20	2028	385,913,817		3,150,070	25,225,524	410,657,963
21	2029	410,657,963		3,150,070	26,836,368	436,780,110
22	2030	436,780,110		3,150,070	28,536,920	464,357,000
23	2031	464,357,000		3,150,070	30,332,175	493,469,646
24	2032	493,469,646		3,150,070	32,227,409	524,203,576
25	2033	524,203,576		3,150,070	34,228,188	556,649,079
26	2034	556,649,079		3,150,070	36,340,390	590,901,471
27	2035	590,901,471		3,150,070	38,570,221	627,061,379
28	2036	627,061,379		3,150,070	42,558,685	666,869,487
29	2037	666,869,487		3,150,070	45,253,694	708,998,010
30	2038	708,998,010		3,150,070	48,105,795	753,582,204
31	2039	753,582,204		3,150,070	51,124,145	800,765,211
32	2040	800,765,211		3,150,070	54,318,435	850,698,516
33	2041	850,698,516		3,150,070	57,698,919	903,542,433
34	2042	903,542,433		3,150,070	61,276,453	959,466,621
35	2043	959,466,621		3,150,070	65,062,520	1,018,650,631
36	2044	1,018,650,631		3,150,070	69,069,278	1,081,284,477
37	2045	1,081,284,477	90,726,508	787,518	30,178,823	1,011,349,422
38	2046	1,011,349,422	209,327,819		28,216,649	820,721,454
39	2047	820,721,454	245,854,456		22,898,129	590,042,137
40	2048	590,042,137	159,836,288		16,462,176	441,115,728
41	2049	441,115,728	141,052,913		12,307,129	308,219,045
42	2050	308,219,045	131,239,775		8,599,311	182,678,241
43	2051	182,678,241	80,481,017		5,096,723	105,574,945
44	2052	105,574,945	66,212,110		2,945,541	41,314,916
45	2053	41,314,916	42,078,829		1,152,686	0

KANSAS GAS & ELECTRIC CO.
WOLF CREEK DECOMMISSIONING COSTS
EXTERNAL TRUST FUNDING METHOD
INVESTMENT ASSUMPTIONS

FOR THE YEARS 2009 THROUGH 2025

Investment mix	EXPECTED RETURNS	Ratio	WEIGHTED RETURN	AFTER TAX
Equity				
Large Cap	12.74%	12.00%	1.53%	1.22%
Mid Cap	13.27%	10.00%	1.33%	1.06%
Small Cap	14.58%	15.00%	2.19%	1.75%
International	7.56%	20.00%	1.51%	1.21%
Bonds	3.86%	30.00%	1.16%	0.93%
Other	4.56%	8.00%	0.36%	0.29%
Cash and equiv	1.00%	5.00%	0.05%	0.05%
		100.00%	8.13%	6.51%

FOR THE YEARS 2026 THROUGH 2035

Investment mix	EXPECTED RETURNS	Ratio	WEIGHTED RETURN	AFTER TAX
Equity				
Large Cap	12.74%	12.00%	1.53%	1.22%
Mid Cap	13.27%	10.00%	1.33%	1.06%
Small Cap	14.58%	15.00%	2.19%	1.75%
International	7.56%	20.00%	1.51%	1.21%
Bonds	3.86%	30.00%	1.16%	0.93%
Other	4.56%	8.00%	0.36%	0.29%
Cash and equiv	1.00%	5.00%	0.05%	0.05%
		100.00%	8.13%	6.51%

FOR THE YEARS 2036 THROUGH 2044

Investment mix	EXPECTED RETURNS	Ratio	WEIGHTED RETURN	AFTER TAX
Equity				
Large Cap	12.74%	20.00%	2.55%	2.04%
Mid Cap	13.27%	20.00%	2.65%	2.12%
Small Cap	14.58%	10.00%	1.46%	1.17%
International	7.56%	0.00%	0.00%	0.00%
Bonds	3.86%	45.00%	1.74%	1.39%
Other	4.56%	0.00%	0.00%	0.00%
Cash and equiv	1.00%	5.00%	0.05%	0.05%
		100.00%	8.45%	6.77%

FOR THE YEARS 2045 THROUGH COMPLETION OF DECOMMISSI

Investment mix	EXPECTED RETURNS	Ratio	WEIGHTED RETURN	AFTER TAX
Equity				
Large Cap	12.74%	5.00%	0.64%	0.51%
Mid Cap	13.27%	3.00%	0.40%	0.32%
Small Cap	14.58%	2.00%	0.29%	0.23%
International	7.56%	0.00%	0.00%	0.00%
Bonds	3.86%	40.00%	1.54%	1.23%
Other	4.56%	0.00%	0.00%	0.00%
Cash and equiv	1.00%	50.00%	0.50%	0.50%
		100.00%	3.37%	2.79%

Federal tax rate is 20.00%

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Adam Gatewood, being duly sworn upon his oath deposes and says that he is the Managing Financial Analyst for the State Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Memorandum*, and that the statements contained therein are true and correct to the best of his knowledge, information and belief.

Adam Gatewood
Managing Financial Analyst, Utilities Division
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 13th day of January, 2010.

PAMELA J. GRIFFITH
Notary Public - State of Kansas
My Appt. Expires 08-17-2011

Notary Public

My Appointment Expires:

August 17, 2011

CERTIFICATE OF SERVICE

10-KG&E-257-MIS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Memorandum was placed in the United States mail, postage prepaid, or hand-delivered this 13th day of January, 2010, to the following:

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Pamela Griffeth
Administrative Specialist

ATTACHMENT 6

Order Lifting Stay and Resolving Docket
KCC Docket No. 10-KEPE-262-MIS
Dated May 16, 2011

11 Pages

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Thomas E. Wright, Chairman
Ward Loyd

In the Matter of the Application of Kansas Electric Power Cooperative, Inc. for Approval of Changes in Accrual and Funding of Wolf Creek Generating Station Decommissioning Costs	)))))	**Docket No. 10-KEPE-262-MIS**

ORDER LIFTING STAY AND RESOLVING DOCKET

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission), for consideration and decision. Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On October 15, 2009, the Kansas Electric Power Cooperative, Inc. (KEPCo) filed an application for Commission approval of the recovery methods for certain costs related to KEPCo's mandatory contributions to the decommissioning fund for the Wolf Creek Generating Station. That request was based in part on the Commission's approval of a Stipulation and Agreement (S&A) in Docket No. 09-WCNE-215-GIE, a triennial review of the Wolf Creek decommissioning plan that set funding levels for the decommissioning fund at $593.5 million (in 2008 dollars). Based on its 6% ownership of Wolf Creek Generating Station, KEPCo calculated that its share of the cost of decommissioning Wolf Creek would be approximately $35.6 million.

2. In order to comply with the terms of the S&A, KEPCo proposed a 2009 contribution of $451,220 and included a schedule of future contributions based on 3.73% inflation, a contribution escalation rate of 1.5%, and an initial 6.80% return on investment for KEPCo's Grantor Trust. The 3.73% inflation rate was approved by the Commission in Docket

No. 09-WCNE-251-GIE. KEPCo asserted that a contribution escalation rate of 1.5% was in line with projected growth of its Members' systems, allowing "the dollar amount of the contribution" to the decommissioning fund to increase each year without increasing the rate of contribution per kWh delivered to KEPCo's Members. KEPCo calculated its return on investment based on historical returns adjusted for historical inflation.

3. On October 22, 2009, the Commission issued its Order Affirming Deregulation for KEPCo in Docket No. 10-KEPE-225-DRC.

4. On April 8, 2010, KEPCo filed a Motion to Dismiss its application in this docket. The motion stated that KEPCo, as a deregulated entity, was no longer subject to Commission jurisdiction. Although KEPCo conceded that the Commission retains jurisdiction over deregulated cooperatives in certain circumstances, KEPCo stated that "regulation of a nuclear plant owner's decommissioning fund" is not one such circumstance. KEPCo committed to "continue to participate as an owner [of Wolf Creek Nuclear Operating Company]" in the Commission's triennial review of the Wolf Creek decommissioning plan, but asserted that the Commission no longer had jurisdiction to approve the contribution methodology KEPCo utilized to fulfill its obligations to support the decommissioning fund.

5. Recognizing the complex jurisdictional matters raised by KEPCo's motion, the Commission *sua sponte* stayed proceedings on October 18, 2010. The Commission also acknowledged the parties' continuing efforts to constructively impact further proceedings in the docket, and took the jurisdictional questions under advisement.

6. On April 15, 2011, KEPCo filed a Motion to Lift Stay and Resolve Docket. KEPCo stated that its "primary focus in filing the Motion to Dismiss was on the ratemaking aspects of its collection of the appropriate Decommission Fund contributions from its Members."

KEPCo confirmed that it still intends to participate in the Commission's triennial review of the Wolf Creek decommissioning plan, and suggested that this docket could be resolved by the following:

a. the Commission lifting the stay

b. KEPCo submitting to Commission jurisdiction under K.S.A. 66-128 *et seq.* "to the effect that the Commission would have the same jurisdiction over KEPCo under K.S.A. 66-128, et seq., as it does of KEPCo's co-owners"

c. KEPCo withdrawing "that part of its Application requesting approval of the recovery of necessary contributions in the rates of its Members"

d. the Commission approving the Application, as amended, for contributions to the Grantor Trust (decommissioning trust account).

KEPCo stated that it "will continue to participate in subsequent [decommissioning plan] reviews and consents to jurisdiction of the Commission for purposes of accomplishing those reviews."

7. On April 25, Staff filed a Response to KEPCo's Motion to Lift Stay and Resolve Docket. Staff largely agreed with KEPCo that irrespective of its status as a deregulated cooperative, as an owner of Wolf Creek Generating Station KEPCo is subject to the Commission's jurisdiction under K.S.A. 66-128, *et seq.* Staff recommended that

> the Commission find it has jurisdiction over KEPCo for purposes of reviewing its funding of the cost of decommission Wolf Creek, approve the withdrawal of that part of its Application in this docket requesting approval of the rate-making treatment of its contributions to its Decommissioning Trust Fund, and approve KEPCo's funding schedule as proposed in KEPCo's application.

Staff endorsed the funding schedule proposed in KEPCo's application in a memorandum dated April 23, 2010, in which Staff stated that the contribution schedule "accurately reflects [KEPCo's] share of Wolf Creek's decommissioning costs and is a reasonable plan to recover those costs over the remaining life of the plant."

8. The Commission agrees with KEPCo that this docket may now be resolved. The Commission has broad authority to control the course and conduct of the proceedings pending before it, generally subject to requirements of good cause and the public interest. K.A.R. 82-1-202. Having taken the issues presented in this docket under advisement, the Commission now finds that good cause exists and that it would serve the public interest to lift the stay and resolve this docket.

9. The Commission finds that it has jurisdiction over KEPCo as an owner of Wolf Creek Generating Station pursuant to K.S.A. 66-128, *et seq.* The Commission's Order Affirming Deregulation required KEPCo to "provide the information necessary for the Commission to fulfill its obligations under K.S.A. 66-128" and confirmed that the Commission would maintain "jurisdiction over the licensee and owners [of Wolf Creek] for purposes of approving any decommissioning plan." The Commission's jurisdiction over owners in decommissioning plan review dockets is incidental to its authority to review "the adequacy of plans for financing the decommissioning and any shortfall resulting from a premature closing" and its authority to "order such changes in the decommissioning financing plan as it deems necessary to make the plan comply with . . . K.S.A. 66-128n." K.S.A. 66-128o(a-b); K.S.A. 66-101g. Moreover, KEPCo has "consent[ed] to jurisdiction of the Commission for purposes of accomplishing" the triennial decommissioning plan reviews.

10. The Commission recognizes that KEPCo has elected to exempt itself from the general "jurisdiction, regulation, supervision, and control" of the Commission. Accordingly, the Commission finds that it is reasonable to grant KEPCo's request to withdraw that portion of its Application requesting Commission approval of "the recovery of the necessary contributions in the rates of [KEPCo's] Members."

11. After careful review and consideration of KEPCo's Motion to Lift Stay and Resolve Proceedings, Staff's Response thereto, and Staff's Memorandum in support of KEPCo's proposed funding schedule, the Commission finds in this proceeding that KEPCo's funding plan for financing its share of decommissioning is adequate. In Docket No. 09-WCNE-215-GIE, the Commission found that the parties' S&A adequately addressed the estimated costs of decommissioning and the method selected for calculating that cost, satisfying K.S.A. 66-128o(a)(2-3) and implicitly approving of the decommissioning date, required for the calculation of the estimated cost, satisfying K.S.A. 66-128o(a)(1).

12. By finding here that KEPCo's proposed funding schedule is adequate, the Commission explicitly finds that a decommissioning date of 2045 is reasonable due to the expiration of Wolf Creek's operating license at that time.[1] The Commission relies on Staff's Memorandum in support of the finding that KEPCo's proposed funding schedule is adequate for financing the decommissioning plan, satisfying K.S.A. 66-128o(a)(4). Staff's Memorandum is attached to this Order as Exhibit A. Having reviewed KEPCo's funding schedule and finding that it complies with K.S.A. 66-128o(a)(1-4), the Commission concludes that KEPCo's application, as amended by the withdrawal discussed above at ¶ 10, should be granted.

IT IS THEREFORE BY THE COMMISSION ORDERED THAT:

A. The stay of proceedings is lifted as discussed above at ¶ 8.

B. The Commission has jurisdiction over KEPCo as an owner of the Wolf Creek Generating Station for this and all subsequent proceedings pursuant to K.S.A. 66-128 *et seq.* for the purpose of ensuring adequate financing for the decommissioning of Wolf Creek Generating Station, as discussed above at ¶ 9.

[1] Direct Testimony of Gregg N. Clizer, Docket No. 09-WCNE-215-GIE, p. 3, ln. 19-21 (Jun. 26, 2009). Although Mr. Clizer's testimony was not filed in the instant docket, the Commission "may take notice of [its] files and records in deciding matters pending before it." *See* K.A.R. 82-1-230(h).

C. KEPCo's request to withdraw that portion of its Application requesting Commission approval of "the recovery of the necessary contributions in the rates of [KEPCo's] Members" is granted, as discussed above at ¶ 10.

D. KEPCo's Application, as amended, is granted, as discussed above at ¶¶ 11-12.

E. KEPCo's Motion to Dismiss is hereby rendered moot.

F. A party may file a petition for reconsideration of final agency action within fifteen (15) days of the service of this Order. K.S.A. 77-529(a)(1). Filing a motion for reconsideration is a predicate for judicial review of this Commission's orders under the Kansas Judicial Review Act (KJRA), Kansas Administrative Procedure Act (KAPA), and other state law. K.S.A. 2009 Supp. 77-529(a)(1); K.S.A. 77-607; K.S.A. 66-118b.

G. The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Wright, Chmn.; Loyd, Com.

Dated: MAY 13 2011

ORDERED MAILED

MAY 16 2011

EXECUTIVE DIRECTOR

Susan K. Duffy
Executive Director

PPK:scp

KANSAS
CORPORATION COMMISSION

Mark Parkinson, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

MEMORANDUM

EXHIBIT A
DATE

To: Thomas E. Wright, Chairman
Joseph F. Harkins

From: Adam Gatewood

Date: April 22, 2010

Date sent to Legal: 4/23/10

Re: In the Matter of the Application of
Docket No. 10-KEPE-262-MIS

Summary:
This docket is part-two of a two phase investigation to adjust Kansas Electric Power Cooperative's (KEPCo) annual contribution to its decommissioning trust account. The intent of decommissioning trust funds is to collect and set aside enough money during the nuclear plant's useful life to pay the cost of safely dismantling the plant and disposing of the hazardous material.

Recommendation:
Staff recommends the Commission set KEPCo's annual decommissioning trust payment at the amounts shown in Attachment-A of its October 19, 2009 application. (See attached) Under this scheme KEPCo's annual contribution is not fixed year to year; it escalates 1.50% annually and would begin with a $457,988 contribution in 2010. Staff is comfortable with the inputs KEPCo relied on to calculate its annual contribution. Staff believes that KEPCo's proposal accurately reflects its share of Wolf Creek's decommissioning costs and is a reasonable plan to recover those costs over the remaining life of the plant.

Analysis:
Estimating the annual contribution to a trust requires a handful of assumptions that generally fall into one of three categories.

First are those estimates set by the Commission during the first phase of this investigation. In Docket No. 09-WCNE-215-GIE, the Commission determined

the decommissioning cost estimate, decommissioning cost inflation forecast, ownership allocations and timing of the decommissioning expenses which includes the remaining life of the plant. The Commission has already addressed these components for the calculation, so they are not controversial.

The next group consists of variables that may change over time but are easy to verify and are not controversial. Examples include the tax rate paid by the trust and current balance of the trust fund.

The third group of variables is the return expected to be earned by the trust from the current period until the decommissioning is complete. This involves forecasting returns on many types of investments over a very long time horizon as well as accounting for changes in the mix of those investments over time. The trust invests in domestic and foreign equities, corporate and government debt, as will as other fixed income vehicles. As the time approaches for decommissioning, the portfolio managers adjust the asset mix toward less volatile, fixed income investments.

It is impossible to predict precisely when those adjustments should occur, but we can make some estimates of the asset allocation at various stages of the trust's life. And we certainly do not know what the trust will earn during its life, but we can look at the historic returns of various equity and debt investments to estimate what the trust may reasonably expect earn.

Fortunately, we are not forecasting the return on the trust and then hoping for the best over the next 40 years. Rather, the Commission has set a policy of reviewing the decommissioning cost estimate and each owner's annual funding level, every three years.[1] The triennial reviews enable the Commission to adjust the annual contributions to reflect any new information that comes to light. New information can include changes in decommissioning cost estimates, revised inflation forecasts or changes in the expected returns in investments. And of course, the new information will include the current balance on the trust account as its actual returns may be higher or lower than forecasted in the last analysis.

KEPCo's Application

On October 19, 2009, KEPCo filed its proposal to adjust the annual funding level of its decommissioning trust account, incorporating the previous decisions from the Commission in docket 09-WCNE-215-GIE. Attachment A to KEPCo's application proposed an increase its 2009 contribution from $405,493 to $451,220; an annual escalation rate of 1.50% is applied to each successive annual contribution.

[1] The Orders in 120,924-U & 142,098-U set the review for every three years. K.S.A. §66-128o requires the Commission to review the decommissioning plan at least every five years.

KANSAS ELECTRIC POWER COOPERATIVE, INC.

Estimate for Decommissioning Fund Contributions

Escalation 1.5%/yr & 6.8% Return

KCC Stipulated and Fixed Amounts	
Total Cost DECON Method in 2008 $s	$593,543,000
Estimated KEPCo Cost in 2008 $s	$35,612,580
Forecasted Rate of Inflation	3.73%
Remaining Years in Service	36
Total KEPCo Cost of Decommissioning in 2045 $s	$148,954,432
Market Value of Portfolio @12/31/08	$8,212,742
Remaining $s To Be Collected	$140,741,690
KEPCo Variables	
Forecasted Return on Portfolio	Table Below
Escalation Rate for Contributions	1.50%
Amount of Initial Payment	$451,220
Amount of Excess/Shortfall	-62

Year	Beginning Year Balance	Annual Contribution	Annual Earnings	End of Year Balance Less Fees	KEPCo's Decom Cost	Rate of Return	Total Wolf Creek Decom
2008				8,212,742			
2009	8,212,742	451,220	558,466	9,186,184		6.80%	
2010	9,186,184	457,988	624,661	10,229,181		6.80%	
2011	10,229,181	464,858	695,584	11,346,321		6.80%	
2012	11,346,321	471,831	771,550	12,542,490		6.80%	
2013	12,542,490	478,908	852,889	13,822,889		6.80%	
2014	13,822,889	486,092	939,956	15,193,058		6.80%	
2015	15,193,058	493,383	1,033,128	16,658,893		6.80%	
2016	16,658,893	500,784	1,132,805	18,226,676		6.80%	
2017	18,226,676	508,296	1,239,414	19,903,093		6.80%	
2018	19,903,093	515,920	1,353,410	21,695,263		6.80%	
2019	21,695,263	523,659	1,475,278	23,610,766		6.80%	
2020	23,610,766	531,514	1,605,532	25,657,675		6.80%	
2021	25,657,675	539,487	1,744,722	27,844,582		6.80%	
2022	27,844,582	547,579	1,893,432	30,180,636		6.80%	
2023	30,180,636	555,793	2,052,283	32,675,580		6.80%	
2024	32,675,580	564,130	2,221,939	35,339,785		6.80%	
2025	35,339,785	572,592	2,403,105	38,184,293		6.80%	
2026	38,184,293	581,181	2,443,795	41,068,123		6.40%	
2027	41,068,123	589,898	2,628,360	44,135,142		6.40%	
2028	44,135,142	598,747	2,824,649	47,396,565		6.40%	
2029	47,396,565	607,728	3,033,380	50,864,285		6.40%	
2030	50,864,285	616,844	3,255,314	54,550,918		6.40%	
2031	54,550,918	626,096	3,491,259	58,469,846		6.40%	
2032	58,469,846	635,488	3,742,070	62,635,259		6.40%	
2033	62,635,259	645,020	4,008,657	67,062,213		6.40%	
2034	67,062,213	654,696	4,291,982	71,766,672		6.40%	
2035	71,766,672	664,516	4,593,067	76,765,572		6.40%	
2036	76,765,572	674,484	4,605,934	81,769,810		6.00%	
2037	81,769,810	684,601	4,906,189	87,066,905		6.00%	
2038	87,066,905	694,870	5,224,014	92,673,556		6.00%	
2039	92,673,556	705,293	5,560,413	98,607,405		6.00%	
2040	98,607,405	715,872	5,916,444	104,887,095		6.00%	
2041	104,887,095	726,611	6,293,226	111,532,327		6.00%	
2042	111,532,327	737,510	6,691,940	118,563,913		6.00%	
2043	118,563,913	748,572	7,113,835	126,003,846		6.00%	
2044	126,003,846	759,801	7,560,231	133,875,365		6.00%	
2045	133,875,365	-11,582,107	4,016,261	125,833,454	11,582,107	3.00%	193,035,124
2046	125,833,454	-26,722,700	3,775,004	102,437,841	26,722,700	3.00%	445,378,339
2047	102,437,841	-31,385,675	3,073,135	73,759,268	31,385,675	3.00%	523,094,588
2048	73,759,268	-20,404,632	2,212,778	55,301,756	20,404,632	3.00%	340,077,208
2049	55,301,756	-18,006,755	1,659,053	38,752,998	18,006,755	3.00%	300,112,580
2050	38,752,998	-16,754,014	1,162,590	23,018,439	16,754,014	3.00%	279,233,563
2051	23,018,439	-10,274,172	690,553	13,346,755	10,274,172	3.00%	171,236,206
2052	13,346,755	-8,452,610	400,403	5,240,334	8,452,610	3.00%	140,876,829
2053	5,240,334	-5,371,765	157,210	-62	5,371,765	3.00%	89,529,423
					148,954,432		2,482,573,859

IN RE: DOCKET NO. **10-KEPE-262-MIS** DATE MAY 13 2011

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
GLENDA CAFER, ATTORNEY CAFER LAW OFFICE, L.L.C. 3321 SW 6TH STREET TOPEKA, KS 66606		
NIKI CHRISTOPHER, ATTORNEY CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604 ***Hand Delivered***		
C. STEVEN RARRICK, ATTORNEY CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604 ***Hand Delivered***		
DAVID SPRINGE, CONSUMER COUNSEL CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604 ***Hand Delivered***		
DENISE M. BUFFINGTON, CORPORATE COUNSEL KANSAS CITY POWER & LIGHT COMPANY ONE KANSAS CITY PLACE 1200 MAIN STREET (64105) P.O. BOX 418679 KANSAS CITY, MO 64141-9679		
MARY TURNER, DIRECTOR, REGULATORY AFFAIRS KANSAS CITY POWER & LIGHT COMPANY ONE KANSAS CITY PLACE 1200 MAIN STREET (64105) P.O. BOX 418679 KANSAS CITY, MO 64141-9679		
DANA BRADBURY, LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604-4027 ***Hand Delivered***		
J. MICHAEL PETERS, GENERAL COUNSEL KANSAS ELECTRIC POWER CO-OP, INC. 600 SW CORPORATE VIEW (66615) PO BOX 4877 TOPEKA, KS 66604-0877		

ORDER MAILED MAY 16 2011

The Docket Room hereby certified that on this ____ day of _____, 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.

IN RE: DOCKET NO. **10-KEPE-262-MIS** DATE MAY 13 2011

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
MARTIN J. BREGMAN, EXEC DIR, LAW WESTAR ENERGY, INC. 818 S KANSAS AVENUE PO BOX 889 TOPEKA, KS 66601-0889		
WARREN WOOD WOLF CREEK NUCLEAR OPERATING CORPORATION 1550 OXEN LANE NE P.O. BOX 411 BURLINGTON, KS 66839		

ORDER MAILED MAY 16 2011

The Docket Room hereby certified that on this ___ day of _____ , 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.

ATTACHMENT 7

Order: 1) Addressing Prudence; 2) Approving Application, in Part; & 3) Ruling on Pending Requests
KCC Docket No. 10-KCPE-415-RTS
Dated November 22, 2010
Excerpts only: pages 1-6 & 138-142

11 Pages

2010.11.22 15:38:37
Kansas Corporation Commission
/S/ Susan K. Duffy

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Thomas E. Wright, Chairman
Joseph F. Harkins
Ward Loyd

In the Matter of the Application of Kansas City Power & Light Company to Modify its Tariffs to Continue the Implementation of its Regulatory Plan	))))	Docket No. 10-KCPE-415-RTS

ORDER: 1) ADDRESSING PRUDENCE; 2) APPROVING APPLICATION, IN PART; & 3) RULING ON PENDING REQUESTS

The above captioned matter is before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having examined its files and records, and being fully advised in all matters of record, the Commission makes the following findings of fact and conclusions of law:

I. BACKGROUND

A. General

On December 17, 2009, Kansas City Power & Light Co. (KCPL or the Company) filed the captioned Application for a rate change per K.S.A. 66-117 and K.A.R. 82-1-231. The current docket represents the fourth and final rate case in the series of four rate applications that were contemplated in the Stipulation and Agreement (1025 S&A or Regulatory Plan) that was approved by the Commission in Docket No. 04-KCPE-1025-GIE. The Regulatory Plan represented a collaborative effort and resulted in KCPL committing to make substantial investments in its electric infrastructure over a five-year period.

In the 1025 Docket, KCPL, the Commission, the Staff of the State Corporation Commission of the State of Kansas (Staff), the Citizens' Utility Ratepayer Board (CURB), and

various other interested parties conducted an extensive investigation into the supply, delivery and pricing of electric service to be provided by KCPL into the future. The 1025 S&A resulted in a commitment by KCPL to make substantial investments in its electric infrastructure over a five-year period, which would enable KCPL to meet the projected future energy demands of KCPL's customers in an environmentally responsible manner, including the addition of wind-powered generation, the installation of pollution control equipment at existing power plants, the institution of programs designed to help reduce energy consumption and share peak load (energy efficiency and demand response) and the construction of a new coal-fired power plant, all as contemplated in the "Resource Plan" (which includes the capital investments identified in Appendices A and A-I, and the customer programs identified in Appendices B and B-1 of the 1025 S&A).

Parties to this docket include KCPL, Staff, and the following ten intervenors: CURB; Empire District Electric Company (Empire); the Midwest Utility Users' Group (MUUG), represented by Danisco USA, Inc. (Danisco), WAL-MART Stores, Inc. (WAL-MART), and Amcor Rigid Plastics USA, Inc. (Amcor); Kansas Gas Service, a Division of ONEOK, Inc. (KGS); Atmos Energy (Atmos); International Dark Sky Association (Dark Sky or IDA); Sprint Communications Company, L.P., Sprint Nextel Corporation, Sprint United Management Company, and Sprint Corp. (collectively, Sprint); Menorah Medical Center, Overland Park Regional Medical Center/HCA Midwest Health System, Shawnee Mission Medical Center, and St. Luke's South Hospital/St. Luke's Health System (collectively, Hospital Intervenors; and together on briefs with Sprint, HISNC); International Brotherhood of Electrical Workers Local Unions No. 412, 1464, and 1613 (Locals 412, 1464, and 1613 or Locals); and Shawnee Mission

Unified School District No. 512 (Shawnee Mission). A complete history of the pleadings filed in this docket appears on the Commission's website.[1]

On August 10, 2010, the parties appeared at a prehearing conference and an extensive prehearing conference order was issued.[2] From August 16 through September 2, 2010, the Commission conducted an evidentiary hearing on the rate application filed by KCPL. At the hearing, KCPL appeared by Ms. Glenda Cafer, Mr. Frank Caro, Jr., Ms. Anne Callenbach, Mr. Roger Steiner, and Ms. Barbara VanGelder. Staff appeared by Mr. Patrick Smith, Mr. Thomas Stratton, Ms. Dana Bradbury, and Mr. Matt Spurgin. CURB appeared by Mr. Steven Rarrick. Empire and Atmos appeared by Mr. James Flaherty. MUUG appeared by Mr. Edward Peterson. Sprint and the Hospital Intervenors appeared by Mr. James Zakoura. KGS appeared by Mr. John DeCoursey. IDA appeared by Mr. Reid Nelson. There were no other appearances and there are no objections that the plant has met in-service criteria.[3]

KCPL is an electric public utility under K.S.A. 66-101a and K.S.A. 2009 Supp. 66-104. Staff, as a party to the proceeding, represents the public at large which includes both consumers and investors.[4] CURB represents the residential and small commercial ratepayers.[5] Other intervenors represent those interests specified in their petitions for intervention, all of which were ultimately granted without objection. The rate application was submitted for approval under K.S.A. 66-101 *et. seq.* and the Regulatory Plan approved in Docket No. 04-KCPE-1025-GIE. By consent, the statutory 240-day limit during which the Commission must issue an order was extended until November 22, 2010, with any adjustments to rates effective December 1, 2010.

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[1] http://www.kcc.state.ks.us/docket/cal.cgi?docket=10-KCPE-415-RTS.
[2] By order dated March 8, 2010, Patti Petersen-Klein was appointed to serve as the Prehearing Officer. The prehearing conference report and order can be found at: http://kcc.ks.gov/scan/201008/201008131.pdf.
[3] Order on In-Service, Docket No.10-KCPE-415-RTS, ¶¶ 3-6 (Oct. 22, 2010).
[4] Staff is considered a "party" in contested proceedings with all the attendant rights of a litigant, except for the right to appeal a Commission decision; the three member "Commission" sits as a quasi-judicial, impartial, fact finder and rules on the issues presented. *See* K.A.R. 82-1-204(i)(3).
[5] K.S.A. 66-1223(a).

Accordingly, the Commission finds that it has jurisdiction over the subject matter and the parties herein.

B. Overview of the Rate Case

As set out in the 1025 Regulatory Plan, the primary purpose of KCPL's current rate case is to address the recovery of KCPL's share of Iatan Unit 2. The current case also includes: i) recovery of KCPL's remaining investment in Iatan common plant and environmental upgrades to Iatan Unit 1, which went into service on April 19, 2009; ii) remaining common plant investment going into service with Iatan 2; iii) transmission and distribution projects provided for in the Regulatory Plan; iv) requests retained under continuing advisement stemming from the Joint Motion to Approve Modifications Contained in the September 9, 2009 Report (Joint Motion); and v) other specific requests for Commission action.

KCPL and Staff settled the three prior rate cases filed under the terms of the 1025 S&A.[6] The various intervening parties either signed the three Stipulation and Agreements outright, or did not oppose them. Under the rules and regulations of the Commission, each of these settlements is therefore considered a "Unanimous Settlement Agreement."[7]

C. Organization of the Order

This Order addresses the conventional rate setting process of determining a revenue requirement and a rate design, and it also addresses some special issues and requests. For example: i) the parties entered into a partial unanimous settlement involving several rate base and operating expense adjustments; ii) Staff alleged KCPL mismanaged project construction and asked the Commission to disallow certain costs due to a lack of prudence; and iii) KCPL included other significant accounting and procedural requests in its application. To help the

[6] *See* orders entered in Docket No. 06-KCPE-828-RTS (Dec. 4, 2006); Docket No. 07-KCPE-905-RTS (Nov. 20, 2007); and Docket No. 09-KCPE-246-RTS (Jul. 24, 2009).
[7] K.A.R. 82-1-230a(a)2.

parties brief these issues, the Commission issued an Order on September 8, 2010.[8] Having reviewed all the briefs submitted, together with proposed findings and conclusions, our Order is organized as follows:

The Commission recognizes authority requiring our orders to contain and separately enumerate the findings of fact upon which our conclusions of law and our ultimate decision rest.

[8] *Available at* http://kcc.ks.gov/scan/201009/20100908145229.pdf

However, given the number of disputed issues, enumerated facts in isolation have little meaning. Therefore, we will make the necessary factual findings at the time the specific issue is considered, and pay particular attention to the evidence in the record "cited by any party" as required under K.S.A. 2009 Supp. 77-621(c)(7) & (d).

The Commission states that it has considered all of the competent and substantial evidence in the entirety of the record in making its findings and conclusions, and this was a large record. The Commission has also considered all the positions and arguments of all the parties. The failure to specifically address a particular item offered into evidence or a position or argument made by a party does not indicate that the Commission has not considered it. Rather, the omitted material was not dispositive of the issues before us and is therefore not mentioned herein.[9] While we have generally tried to be consistent with our rulings in other rate or tariff proceedings, we note the possibility that facts developed more thoroughly in this docket concerning a particular issue might lead the Commission to reach a different result. We also note that we have the ability to change course on a particular issue so long as the new position is supported by substantial competent evidence; we can also deviate from a policy we have adopted earlier so long as we state the basis for the change.[10] Additional guiding legal standards, rules, and authorities cited by the parties or applied by the Commission will also be discussed when needed to aid the discussion.

II. PARTIAL SETTLEMENT & ADJUSTMENTS TO FILED POSITIONS

At the prehearing conference, the parties were urged to explore whether certain issues and adjustments could be settled prior to the start of the hearing.[11] Prior to the hearing, the

[9] *Compare* Order, Docket No. 04-AQLE-1065-RTS, ¶ 16, p. 6 (Jan. 28, 2005).
[10] *Home Telephone Co. v. Kansas Corp. Comm'n,* 31 Kan. App. 2d 1002, 1012 (2003), *rev. denied* 277 Kan. 923 (2004).
[11] Prehearing Conference Report and Order, Docket. No. 10-KCPE-415-RTS, ¶ 13, p. 4 (Aug. 13, 2010).

Appendix C § F, and those specified in KCPL's June 11, 2010 application contained in Docket No. 10-KCPE-795-TAR, shall not expire until further Order by the Commission. Whether or not KCPL has complied with this obligation will be addressed in that 795 docket. Fourth, the sales deadline for SO_2 emissions allowances is as of the effective date of new rates set in this case. Fifth, the termination date for collection of CIAC, or PTPP, expires as of the effective date of new rates set in this case. All rulings contained within the Joint Report have now been made.

With regard to other requested actions, all but one has been addressed elsewhere in this order. The remaining request concerns KCPL's Wolf Creek decommissioning trust which is periodically reviewed as described in 09-WCNE-215-GIE. Staff recommends the Commission adopt KCPL's proposal to fund the decommissioning trust at an annual accrual of $2,036,230; a reduction of $356,230 from its current funding level. This sum would remain in effect until it is reviewed again in approximately three years per prior Commission Order. We find that the proposal and Staff's recommendation in support to be reasonable; and we therefore adopt it.

V. ORDERING CLAUSES

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The partial unanimous settlement as approved at the evidentiary hearing is ratified.

B. The parties adjusted positions as filed in revised schedules at hearing, and as reflected in KCPL's brief, all of which reflect budgeted numbers, subject to further true-up, controls.

C. The non-conforming and premature request by KCPL to file an abbreviated rate case is denied; KCPL may work with Advisory Counsel on this issue if it is inclined to revise its request prior to the timelines expiring for reconsideration and judicial review.

D. Staff's claim concerning Iatan 2 that $231 million (whole plant) $57.7 million (Kansas jurisdictional) should be excluded from rate base due to KCPL's lack of prudence is denied *in toto*. CURB's claim as filed is likewise denied. The proposed adjustment for lack of prudence by KCPL's own witness in the amount of $20,469,050, or $5,110,791 (Kansas jurisdictional) is adopted and shall be excluded from the rate base accordingly.

E. Staff's carry-over claim concerning Iatan Unit 1 AQCS and Iatan Common as contained and described in the 09-KCPE-246-RTS S&A, totaling $4.7 million is reduced to $1,016,541 (Kansas Jurisdictional, including AFUDC), the amount KCPL does not contest. Staff's second carry-over claim, capped at $2.8 million in the 246 S&A, is denied *in toto*.

F. The hybrid equity units shall not be included in KCPL's capital structure.

G. The Cap Rate proposed by KCPL using the 3-year averaging method is adopted.

H. The property tax expense treatment proposed by KCPL and CURB is adopted.

I. As proposed by KCPL, SO2 emission allowances shall be amortized over 22 years according to the agreement reached in the 1025 S&A, and flow through the ECA.

J. KCPL's proposed adjustments for General/Production; Distribution; and O/M Maintenance expenses are adopted. Recovery for budgeted O&M shall be reviewed in a subsequent proceeding.

K. KCPL's proposed weather normalization adjustment is adopted.

L. Exhibits I-V are adopted and incorporated into this Order.

M. As: i) more fully set forth elsewhere; ii) provided by the discretion exercised in ruling on contested issues; and iii) deemed to be in the zone of reasonableness, KCPL's $50.8 million revised request for an increase in its revenue requirement is partially granted according to

the rulings made in this Order and shall be $21,846,202; the Rate Base shall be established at $1,780,999,569; and the Return on Equity shall be set at 10.0%.

N. KCPL's request to modify its off-system sales allocator approved in Docket 07-KCPE-905-RTS is denied.

O. KCPL's proposed annual accrual for its Wolf Creek decommissioning trust fund is approved until the next scheduled review.

P. KCPL is allowed to recover employee compensation plan expenses as follows: (i) for Non-Executive Incentive Compensation Programs: 100% of costs; (ii) for Annual Incentive Program for officers: 50% of costs; and (iii) for Long-term Equity Incentive Plan compensation: 50% of annual costs related to restricted shares and 100% of costs related to performance shares payouts. KCPL is allowed full recovery of its Supplemental Executive Retirement Plan costs. Other Benefits Expense will be based upon actual test year costs. Finally, Staff's Pension Funding Status Adjustment is adopted.

Q. Depreciation rates proposed in the Spanos Study are approved and adopted for KCPL except to the extent modified by Dunkel's proposed adjustments, which are adopted in full and set forth in Exhibit III.

R. Concerning rate case expense, the Commission (i) adopts Staff's proposal and adjustment to re-amortize the balance of the deferred rate case costs on December 31, 2010; (ii) allows KCPL to recover all rate case expense costs requested for Docket 09KCPE-246-RTS; (iii) approves recovery of FERC transmission rate case costs as KCPL has proposed; and (iv) adopts rate case expense costs to be recovered from ratepayers in the amount of $5,669,712, including costs for the KCC and CURB totaling $1,169,712, to be amortized over a four-year period.

S. KCPL is allowed to reflect PPTP in the amount of $71,500,000 in its Reserve for Depreciation and to reduce its ADIT reserve in the amount of $28,400,443 to account for income tax expense.

T. The request to approve KCPL's proposed ECRR is denied.

U. The Cost of Service Study prepared by Paul Normand is adopted and will be used as a basis for determining a rate design for KCPL.

V. Concerning rate design issues, the Commission (i) concludes KCPL's current rate structure must be redesigned and a separate rate case docket will be opened to allow consideration of issues identified in this order, (ii) adopts KCPL's alternative rate design proposal adjusted for the Commission's decision on revenue requirement as set forth in Exhibit V, (iii) denies KCPL's request to add 25 basis points to its Return on Equity, (iv) denies IDA's request to modify KCPL's tariffs, and (v) grants KCPL's request to change Street Lighting and Traffic Control Tariffs.

W. KCPL's proposals to modify its current tracking mechanism for pension benefits and to implement a tracking mechanism for OPEB expense are rejected. KCPL's pension tracker adopted as part of the 1025 S&A ends with this Order.

X. A party may file a petition for reconsideration of final agency action within fifteen (15) days of the service of this Order. K.S.A. 2009 Supp. 77-529(a)(1). *Petitions for reconsideration must expressly inform the Commission and other parties, what mistakes, if any, of law and fact were made in the order.* Filing a motion for reconsideration is a predicate for judicial review of this Commission's orders under the Kansas Judicial Review Act (KJRA), Kansas Administrative Procedure Act (KAPA), and other state law. K.S.A. 2009 Supp. 77-

529(a)(1); K.S.A. 77-607; K.S.A. 66-118b. Electronic service constitutes official service of this order and a hard copy will not be mailed.

Y. The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Wright, Chmn.; Harkins, Com.; Loyd, Com.

Dated: NOV 22 2010

ORDERED MAILED

NOV 22 2010

EXECUTIVE DIRECTOR

Susan K. Duffy
Executive Director

PPK/MJC

ATTACHMENT 8

Exhibit to Prepared Testimony – Gregg N. Clizer (Schedule GNC2010-1)
In KCC Docket No. 10-KCPE-415-RTS
Dated January 5, 2010

1 Page

KANSAS CITY POWER & LIGHT COMPANY
WOLF CREEK DECOMMISSIONING TRUST ANALYSIS
KANSAS JURISDICTION - QUALIFIED TAXABLE TRUST

DECOMMISSIONING COST ASSUMPTIONS

2008 Decom Cost Est	$ 593,542,172
Cost Escalation Rate	3.73%
KCPL Share	47.00%
Future Juris Allocation Factor	45.64%
Wtd Historical/Future Alloc Factor	43.21%

DECOMMISSIONING TRUST FUND EARNINGS ASSUMPTIONS

TRUST FUND MANAGEMENT FEE	
Kansas Avg Fund Bal	208,232,784
Kansas Ann Fixed Fee	15,973
Fixed Fee %	0.01%
FI Fee and Fixed Fee%	0.22%
Equity Fee and Fixed Fee	0.11%

DECOMMISSIONING TRUST FUND CASH FLOWS

NET AFTER-TAX MARKET VALUE		
September-09 Market Value	38,178,018	
2009 OS Deposit	598,115	
Market Value Incl OS Deposit		38,776,133
Unrealized Net Gain	685,001	
Effective Tax Rate	20.00%	
Tax on Unrealized Net Gain		137,000
Net After-Tax Market Value		38,639,132

Annual Accrual Escalation	0.00%

Year	2008 Wolf Creek Decom Cost	Escalated Wolf Creek Decom Cost	KCPL Kansas Decom Cost
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
2039	-	-	-
2040	-	-	-
2041	-	-	-
2042	-	-	-
2043	-	-	-
2044	-	-	-
2045	51,651,258	200,236,334	40,668,145
2046	114,886,262	461,992,004	93,830,912
2047	130,080,504	542,603,947	110,203,256
2048	81,527,570	352,760,227	71,645,859
2049	69,359,752	311,305,666	63,226,407
2050	62,214,207	289,649,939	58,828,113
2051	36,779,671	177,621,728	36,075,102
2052	29,171,138	146,132,226	29,679,561
2053	17,871,810	92,867,883	18,861,534
	593,542,172	2,575,169,954	523,018,889

	US T-Bills	Fixed Income	Inter-national	Small Stocks	Lrg Corp Stocks	
Pre-tax Returns	2.6%	4.1%	11.5%	15.2%	10.5%	
Effective Tax Rate	20.0%	20.0%	20.0%	20.0%	20.0%	
Earnings After Fees & Taxes	1.91%	3.11%	9.11%	12.07%	8.31%	
Year	Investment Mix					Weighted After-Tax Earnings
2009	0.0%	55.0%	0.0%	0.0%	45.0%	5.45%
2010	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2011	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2012	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2013	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2014	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2015	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2016	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2017	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2018	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2019	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2020	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2021	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2022	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2023	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2024	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2025	0.0%	35.0%	15.0%	9.0%	41.0%	6.95%
2026	2.5%	35.8%	14.3%	8.6%	39.0%	6.73%
2027	5.0%	36.5%	13.5%	8.1%	36.9%	6.50%
2028	7.5%	37.3%	12.8%	7.7%	34.9%	6.28%
2029	10.0%	38.0%	12.0%	7.2%	32.8%	6.06%
2030	12.5%	38.8%	11.3%	6.8%	30.8%	5.84%
2031	15.0%	39.5%	10.5%	6.3%	28.7%	5.62%
2032	17.5%	40.3%	9.7%	5.9%	26.7%	5.39%
2033	20.0%	41.0%	9.0%	5.4%	24.6%	5.17%
2034	22.5%	41.8%	8.2%	5.0%	22.6%	4.95%
2035	25.0%	42.5%	7.5%	4.5%	20.5%	4.73%
2036	27.5%	43.3%	6.7%	4.1%	18.5%	4.51%
2037	30.0%	44.0%	6.0%	3.6%	16.4%	4.28%
2038	32.5%	44.8%	5.2%	3.2%	14.4%	4.06%
2039	35.0%	45.5%	4.5%	2.7%	12.3%	3.84%
2040	37.5%	46.3%	3.7%	2.3%	10.3%	3.62%
2041	40.0%	47.0%	3.0%	1.8%	8.2%	3.39%
2042	42.5%	47.8%	2.2%	1.4%	6.1%	3.17%
2043	45.0%	48.5%	1.5%	0.9%	4.1%	2.95%
2044	47.5%	49.3%	0.7%	0.4%	2.0%	2.73%
2045	50.0%	50.0%	0.0%	0.0%	0.0%	2.51%
2046	56.3%	43.8%	0.0%	0.0%	0.0%	2.43%
2047	62.5%	37.5%	0.0%	0.0%	0.0%	2.36%
2048	68.8%	31.3%	0.0%	0.0%	0.0%	2.28%
2049	75.0%	25.0%	0.0%	0.0%	0.0%	2.21%
2050	81.3%	18.8%	0.0%	0.0%	0.0%	2.13%
2051	87.5%	12.5%	0.0%	0.0%	0.0%	2.06%
2052	93.8%	6.3%	0.0%	0.0%	0.0%	1.98%
2053	100.0%	0.0%	0.0%	0.0%	0.0%	1.91%

Year	Trust Fund Accrual	Trust Fund Expenditure	Earnings After Fees & Taxes	Trust Fund Balance
				38,639,132
2009Q4	598,115	0	526,381	39,763,628
2010	2,333,088	0	2,824,053	44,920,770
2011	2,036,230	0	3,174,697	50,131,697
2012	2,036,230	0	3,536,815	55,704,741
2013	2,036,230	0	3,924,097	61,665,068
2014	2,036,230	0	4,338,292	68,039,589
2015	2,036,230	0	4,781,270	74,857,089
2016	2,036,230	0	5,255,032	82,148,350
2017	2,036,230	0	5,761,716	89,946,296
2018	2,036,230	0	6,303,611	98,286,137
2019	2,036,230	0	6,883,163	107,205,530
2020	2,036,230	0	7,502,990	116,744,749
2021	2,036,230	0	8,165,889	126,946,868
2022	2,036,230	0	8,874,855	137,857,952
2023	2,036,230	0	9,633,088	149,527,269
2024	2,036,230	0	10,444,012	162,007,511
2025	2,036,230	0	11,311,289	175,355,030
2026	2,036,230	0	11,847,535	189,238,794
2027	2,036,230	0	12,359,351	203,634,374
2028	2,036,230	0	12,841,629	218,512,232
2029	2,036,230	0	13,289,167	233,837,629
2030	2,036,230	0	13,696,723	249,570,581
2031	2,036,230	0	14,059,067	265,665,878
2032	2,036,230	0	14,371,045	282,073,153
2033	2,036,230	0	14,627,637	298,737,020
2034	2,036,230	0	14,824,022	315,597,272
2035	2,036,230	0	14,955,643	332,589,144
2036	2,036,230	0	15,018,274	349,643,648
2037	2,036,230	0	15,008,082	366,687,959
2038	2,036,230	0	14,921,693	383,645,882
2039	2,036,230	0	14,756,249	400,438,360
2040	2,036,230	0	14,509,468	416,984,058
2041	2,036,230	0	14,179,692	433,199,980
2042	2,036,230	0	13,765,932	449,002,141
2043	2,036,230	0	13,267,909	464,306,280
2044	2,036,230	0	12,686,083	479,028,592
2045	509,057	(40,668,145)	11,625,206	450,494,710
2046	0	(93,830,912)	10,094,479	366,758,277
2047	0	(110,203,256)	7,665,878	264,220,899
2048	0	(71,645,859)	5,413,089	197,988,129
2049	0	(63,226,407)	3,843,881	138,605,602
2050	0	(58,828,113)	2,483,109	82,260,598
2051	0	(36,075,102)	1,412,864	47,598,360
2052	0	(29,679,561)	722,296	18,641,094
2053	0	(18,861,534)	220,440	(0)

ATTACHMENT 9

Order Approving Stipulation and Agreement
MPSC Case No. EO-2009-0072
Dated April 29, 2009

4 Pages

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 29th day of April, 2009.

In the Matter of Application of Kansas City Power & Light Company for Approval of the Accrual and Funding of Wolf Creek Generating Station Decommissioning Costs at Current Levels.	))))	**File No. EO-2009-0072**

ORDER APPROVING STIPULATION AND AGREEMENT

Issue Date: April 29, 2009 Effective Date: May 9, 2009

This order approves the Unanimous Stipulation and Agreement between the Kansas City Power & Light Company, the Staff of the Commission, and the Office of the Public Counsel regarding KCP&L's funding for the decommissioning of its Wolf Creek Generating Station.

Commission rule 4 CSR 240-3.185 (3) states, in part, that:

> On or before September 1, 1990, and every three years after that, utilities with decommissioning trust funds shall perform and file with the commission cost studies detailing the utilities' latest cost estimates for decommissioning their nuclear generating unit(s) along with the funding levels necessary to defray these decommissioning costs. These studies shall be filed along with appropriate tariff(s) effectuating the change in rates necessary to accomplish the funding required.

On August 29, 2008, KCP&L filed an application pertaining to Wolf Creek requesting that the Commission: (a) find that the 2008 Study satisfies the requirements of 4 CSR 240-3.185(3); (b) approve the 2008 decommissioning cost estimate of $593,542,000; (c) approve the continuation of the annual accrual at the current level of

$1,281,264; and (d) find that the Wolf Creek decommissioning costs are included in KCP&L's current cost of service and are reflected in current rates for ratemaking purposes.

The Commission issued notice of the application, and allowed interested entities the opportunity to intervene. No applications to intervene were filed.

The Office of the Public Counsel, Staff, and KCP&L (collectively referred to as "the parties") filed a Unanimous Stipulation and Agreement on April 7, 2009. The parties requested that the Commission:

- Approve the Unanimous Stipulation and Agreement;
- Find that KCP&L's 2008 Cost Study satisfies the requirements of 4 CSR 240-3.185(3);
- Find that KCP&L shall continue its Missouri retail jurisdiction expense accruals and trust fund payments at the current level of $1,281,264 without any change in its Missouri retail jurisdictional rates;
- Find that the annual decommissioning costs are included in KCP&L's cost of service and reflected in its current rates for ratemaking purposes;
- Authorize KCP&L to continue to record and preserve Wolf Creek asset retirement obligation costs, as agreed by the parties and authorized by the Commission in Case No. EU-2004-0294; and
- Direct that future quarterly reports required by 4 CSR 240-3.185(1), future annual reports required by 4 CSR 240-3.185(2), and the quarterly Nuclear Decommissioning Trust Fund Performance Report be filed in the Electronic Filing and Information System (EFIS) in a non-case related repository under the category "Nuclear Plant Decommissioning Reports" rather than being filed under the current case number.

The Commission has considered the verified application, the August 2008 Decommissioning Cost Analysis for the Wolf Creek Generating Station attached to the application, and the Unanimous Stipulation and Agreement. The Commission determines that the Unanimous Stipulation and Agreement should be approved. In doing so, the Commission finds that KCP&L's 2008 Cost Study satisfies the requirements of 4 CSR

240-3.185(3). In addition, the Commission finds that KCP&L's retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $1,281,264. The Commission also finds that the current decommissioning costs for Wolf Creek are included in KCP&L's current cost of service and are reflected in its current rates for ratemaking purposes.

THE COMMISSION ORDERS THAT:

1. The Unanimous Stipulation and Agreement filed by the Kansas City Power & Light Company, the Staff of the Missouri Public Service Commission, and the Office of the Public Counsel on April 7, 2009, is approved.

2. The parties shall comply with the terms of the Unanimous Stipulation and Agreement.

3. Kansas City Power & Light Company's retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $1,281,264.

4. The current decommissioning costs for Wolf Creek are included in Kansas City Power & Light Company's current cost of service and are reflected in its current rates for ratemaking purposes.

5. Kansas City Power & Light Company is authorized to continue to record and preserve Wolf Creek asset retirement obligation costs, as agreed by the Commission Staff, the Office of the Public Counsel, and the company and authorized by the Commission in Case No. EU-2004-0294.

6. Notwithstanding any other requirements of the Commission's rules to the contrary, future quarterly reports required by 4 CSR 240-3.185(1), future annual reports

required by 4 CSR 240-3.185(2), and the quarterly Nuclear Decommissioning Trust Fund Performance Report shall be submitted to the Commission's Electronic Filing and Information System (EFIS) in a non-case related repository under the category "Nuclear Plant Decommissioning Reports" rather than being filed under the current case number.

7. This order shall become effective on May 9, 2009.

8. This file shall be closed on May 10, 2009.

BY THE COMMISSION

Colleen M. Dale
Secretary

(S E A L)

Clayton, Chm., Murray, Davis,
Jarrett, and Gunn, CC., concur.

Dippell, Deputy Chief Regulatory Law Judge

ATTACHMENT 10

Notice of Unanimous Stipulation and Agreement
MPSC Case No. EO-2009-0072
Dated April 7, 2009

15 Pages

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Application of Kansas City Power & Light Company for Approval of the Accrual and Funding of Wolf Creek Generating Station Decommissioning Costs at Current Levels.	))))	Case No. EO-2009-0072

NOTICE OF UNANIMOUS STIPULATION AND AGREEMENT

COME NOW the Staff of the Missouri Public Service Commission (Staff), through the undersigned counsel, and files on its behalf, and the behalf of Kansas City Power & Light Company (KCP&L), and the Office of Public Counsel (Public Counsel), known collectively as the Parties, this Notice of Unanimous Stipulation And Agreement, with the Missouri Public Service Commission (Commission). Staff respectfully states the following:

1. On August 29, 2008, Kansas City Power & Light Company (KCP&L) filed an Application for Approval of the Accrual and Funding of Wolf Creek Generating Station Decommissioning Costs at Current Levels.
2. Since the Application, Staff has conducted discovery and has taken part in settlement discussions with all Parties.
3. Attached hereto is the Parties' Unanimous Stipulation and Agreement (Agreement), settling all matters in this case. In the event the Commission does not approve and adopt the terms of this Agreement in total, it shall be void and no Party hereto shall be bound by, prejudiced, or in any way affected by any of the agreements or provisions thereof unless otherwise provided in the Agreement.
4. The Agreement's Prayer For Relief contains seven prayers. The Parties respectfully request the Commission take notice of the prayers for this pleading.

WHEREFORE, the undersigned counsel, on behalf of the Parties, requests the Missouri

Public Service Commission issue an order approving the Unanimous Stipulation and Agreement and granting the prayers for relief contained therein.

Respectfully submitted,

/s/ Jennifer Hernandez
Jennifer Hernandez
Legal Counsel
Missouri Bar No. 59814

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on all of the parties of record or their representatives as set out in the service list maintained for this case by the Commission's Data Center on this 7th day of April, 2009, either by hand delivery, electronic mail, or First Class United States Mail, postage prepaid.

/s/ Jennifer Hernandez

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company for Approval of the Accrual and Funding of Wolf Creek Generating Station Decommissioning Costs at Current Levels	))))	Case No. EO-2009-0072

UNANIMOUS STIPULATION AND AGREEMENT

Kansas City Power & Light Company ("KCP&L"), the Staff of the Missouri Public Service Commission ("Staff"), and the Office of the Public Counsel ("Public Counsel") (collectively, the "Parties") hereby submit this Unanimous Stipulation and Agreement ("Agreement") to the Missouri Public Service Commission ("Commission") in resolution of Case No. EO-2009-0072.

INTRODUCTION

The Legislature provided, in Section 393.292 RSMo 2000,[1] that the Commission may authorize changes to the rates and charges of an electrical corporation as a result of a change in the level or annual accrual of funding necessary for its nuclear power plant decommissioning trust fund. This statute creates a narrow exception to the general requirement that the Commission must consider "all relevant factors," prior to changing any rate charged by a utility under its jurisdiction. See State ex. rel. Utility Consumers Council of Missouri, Inc. v. Public Serv. Comm'n., 585 S.W.2d 41 (Mo. banc 1979). Under Section 393.292, the Commission may limit its review in nuclear decommissioning trust fund cases to only those factors relevant to the funding level or accrual rate of the trust fund when deciding matters related to the rates and

[1] All statutory references are to Revised Statutes of Missouri 2000, unless otherwise noted. Section 393.292 was enacted by the Missouri Legislature in 1989 and has not been amended.

charges associated with that fund. Further, Section 393.292 gives the Commission authority to adopt rules and regulations governing the procedures associated with these tariff changes as well as to ensure that the amounts contained in the trust funds will be neither "greater nor lesser than the amounts necessary to carry out the purposes of the trust." In Case No. EX-90-110, the Commission adopted the original decommissioning rule, 4 CSR 240-20.070.

4 CSR 240-3.185 (3) states, in part: "On or before September 1, 1990 and every three (3) years after that, utilities with decommissioning trust funds shall perform and file with the commission cost studies detailing the utilities' latest cost estimates for decommissioning their nuclear generating unit(s) along with the funding levels necessary to defray these decommissioning costs."

KCP&L established an external nuclear decommissioning trust fund as a result of its ownership interest in the Wolf Creek Generating Station ("Wolf Creek") and the Commission's Report and Order in the rate case authorizing KCP&L to commence recovery of the costs of Wolf Creek. Kansas City Power & Light Co., Case Nos. EO-85-185 and EO-85-224, 28 Mo. P.S.C. (N.S.) 228 (1986). KCP&L owns 47% of Wolf Creek and approximately 56% of KCP&L's 47% ownership share is allocated to KCP&L's Missouri retail operations.

On August 30, 2005, KCP&L filed an Application (Case No. EO-2006-0094) with the Commission for approval of its then-current decommissioning cost estimate and continuation of the then-current authorized funding level for its nuclear decommissioning trust fund for Wolf Creek. On December 20, 2005, a Unanimous Stipulation and Agreement settling all issues pertaining to Case No. EO-2006-0094 was filed. Among other things, said Unanimous Stipulation And Agreement maintained the annual decommissioning expense accrual and trust fund payment at $2,303,856 (Missouri jurisdictional amount). The Parties to that agreement

further agreed that KCP&L's authorized annual funding level would be addressed in the Company's Rate Filing #1, as contemplated pursuant to the terms of the Stipulation and Agreement approved by the Commission in Case No. EO-2005-0329 ("Regulatory Plan Agreement"). In Rate Filing #1 (Case No. ER-2006-0314), the Commission reduced KCP&L's authorized annual decommissioning expense accrual and trust fund payment to $1,281,264 (Missouri jurisdictional amount).

THE 2008 COST STUDY

On August 29, 2008, pursuant to 4 CSR 240-3.185 (3), KCP&L filed its Application for Approval of the Accrual and Funding of Wolf Creek Decommissioning Costs at Current Levels (the "Application"). Attached to KCP&L's Application is the required cost study detailing the latest estimate for the cost to decommission Wolf Creek (the "2008 Study"). The 2008 Study was prepared for the Wolf Creek Nuclear Operating Corporation by TLG Services, Inc. ("TLG"), a consulting engineering firm based in Bridgewater, Connecticut.[2]

In the Application, KCP&L requested that the Commission: (i) find that the 2008 Study satisfies the requirements of 4 CSR 240-3.185 (3); (ii) approve the 2008 decommissioning cost estimate of $593.5 million; (iii) approve the continuation of the annual accrual at the current level of $1,281,264; and (iv) find that the Wolf Creek decommissioning costs are included in KCP&L's current cost of service and are properly reflected in current rates for ratemaking purposes. At page 3 of its Application, KCP&L states, in part, as follows:

> KCPL notes that pursuant to the terms of the Stipulation and Agreement approved by the Commission in Case No. EO-2005-0329, KCPL will file a general rate case in 2009. The Stipulation and Agreement refers to the case as "Rate Filing #4 (2009 Rate

2 Since 1982, TLG has provided engineering and field services for contaminated facilities including estimates of decommissioning costs for nuclear generating units. TLG also prepared the decommissioning cost estimate for Wolf Creek that was filed with and approved by the Commission in 2005.

> Case)." KCPL proposes to address the level of KCPL's annual Wolf Creek decommissioning cost accrual at that time in the context of the entirety of KCPL's cost of service.

In the 2008 Study, TLG examined two decommissioning options: (a) DECON,[3] and (b) SAFSTOR.[4] Both alternatives are acceptable to the Nuclear Regulatory Commission ("NRC"). For the purposes of the 2008 Study, the final shutdown date of Wolf Creek is projected to occur in 2045[5].

The 2008 Study provides a detailed analysis based on the premise that the current contribution to the decommissioning trust should be changed only if it does not result in a final trust account balance that is just sufficient to cover the predicted decommissioning costs under a reasonable set of economic, financial, and investment assumptions. The calculations set forth in the 2008 Study were performed in a manner consistent with previous filings.

The 2008 Study confirms the adequacy of the current annual funding level of $1,281,264, given the current prediction of decommissioning costs from the 2008 Study of $593.5 million. Based on this analysis, KCP&L has concluded that its current funding level should result in a final decommissioning trust amount which is sufficient to cover the costs estimated in the 2008 Study under what KCP&L believes are a reasonable set of economic, financial, and investment

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[3] DECON assumes decontaminating and decommissioning immediately following conclusion of power operations in 2045. Work is anticipated to be completed by 2053. DECON consists of removal of fuel assemblies, source material, radioactive fission and corrosion products, and other radioactive materials immediately after cessation of power operations. Total estimated cost to decommission in 2008 Dollars is $593,542,000.

[4] SAFSTOR places the facility in protective storage for deferred decontamination to levels that permit release for unrestricted use. Delayed decontamination and dismantling activities are initiated once spent fuel and source material are removed, such that license termination is accomplished within the 60-year time period set by the NRC. This process is anticipated to be completed by 2106. Total estimated cost to decommission in 2008 Dollars is $822,794,000.

[5] If decommissioning financial assurance is provided by an external sinking fund, 10 CFR 50.75(e)(1)(ii) requires that "the total amount of funds would be sufficient to pay decommissioning costs at the time termination of operation is expected." Because KCP&L does not contemplate shutting down Wolf Creek prior to the end of its license life, the shutdown date used in the 2008 Study is 2045, the year in which Wolf Creek's NRC Operating license expires.

assumptions. Consequently, KCP&L does not seek any changes to its funding level, and asks the Commission to approve the current funding level amount. Because KCP&L is not proposing a change in the funding level, KCP&L has not filed new tariffs regarding its funding of decommissioning, is not requesting a hearing, and does not believe that a hearing is required respecting its decommissioning cost study filing.

Pursuant to the terms of the Stipulation and Agreement approved by the Commission in Case No. EO-2005-0329 ("Regulatory Plan Agreement"), KCP&L will likely file its next general rate case by October 1, 2009—Rate Filing #4 (2009 Rate Case). As set forth below, the Regulatory Plan Agreement includes specific provisions pertaining to KCP&L's Wolf Creek decommissioning costs.

STIPULATIONS AND AGREEMENTS

The Parties to this case have reached certain understandings so that the Staff, KCP&L, and Public Counsel stipulate and agree as follows:

1. KCP&L's Missouri retail jurisdictional operations annual decommissioning expense accrual and trust fund payment was initially set by the Commission at $2,303,856, first in Case No. EO-91-84, Kansas City Power & Light Co., 1 Mo.P.S.C.3d 353 (1992), again in Case No. EO-94-80, Kansas City Power & Light Co., 3 Mo.P.S.C.3d 60 (1994), again in Case No. EO-97-84, Kansas City Power & Light Co., 7 Mo.P.S.C.3d 124 (1998), again in Case No. EO-2000-210, Kansas City Power & Light Co., 8 Mo.P.S.C.3d 516 (2000), again in Case No. EO-2003-0081, and again in Case No. EO-2006-0094. As part of Rate Filing #1 (Case No. ER-2006-0314), KCP&L's Missouri retail jurisdictional authorized annual decommissioning expense accrual and trust fund payment was reduced to $1,281,264.

2. On August 29, 2008, KCP&L filed its Application along with the 2008 Study. KCP&L, the Staff, and Public Counsel request that the Commission's Report and Order for this case recognize that KCP&L's Application and the 2008 Cost Study meet the requirements of 4 CSR 240-3.185 (3).

3. The 2008 Study estimates the decommissioning cost for the DECON alternative to be $593,542,000 in 2008 dollars, which is 14.7% higher than the 2005 estimate of $517,601,000, which represents approximately a 4.67% annualized escalation rate over the 3-year period.

4. KCP&L deems the current contribution of $1,281,264 to be reasonable inasmuch as it results from a set of economic, financial, and investment assumptions, including inflation rates, which are themselves considered reasonable by KCP&L. Therefore, KCP&L believes that it is reasonable and prudent to continue the annual Missouri jurisdictional accruals at the current level of $1,281,264. Consequently, KCP&L requests in its Application that the Commission approve the continuation of the annual accrual at the current level.

5. KCP&L shall continue its Missouri retail jurisdiction expense accruals and trust fund payments at current levels without any change in its Missouri retail jurisdictional rates, unless and until the Commission subsequently approves such a change.

6. Annual decommissioning costs in the amount of $1,281,264 are, and should continue to be, included in KCP&L's cost of service and reflected in its current rates for ratemaking purposes. KCP&L, the Staff, and the Public Counsel request that this finding be specifically recognized in the Commission's Report and Order and note that this finding is required in order for the decommissioning fund to retain its qualified tax status.

7. The Parties agree that KCP&L shall continue to record and preserve Wolf Creek asset retirement obligation costs, as agreed to by the Staff, the Public Counsel, and KCP&L, and authorized by the Commission, in Case No. EU-2004-0294.

8. The quarterly reports required by 4 CSR 240-3.185 (1) and the annual reports required by 4 CSR 240-3.185 (2) are required to be filed with the Commission, and this has been accomplished by KCP&L in the past by filing them in the most recent case established for a tariff filing under 4 CSR 240-3.185 (4). The Parties agree it would promote administrative efficiency for all if KCP&L's quarterly and annual report filings were maintained at the Commission in a single file; therefore, the Parties propose the Commission order those filings be made in the Commission's Electronic Filing and Information System (EFIS) under the EFIS category, "Nuclear Plant Decommissioning Report", commencing with the next filing due after the effective date of the Commission's Report and Order. Additionally, KCP&L shall file the quarterly Nuclear Decommissioning Trust Fund Performance Report provided by the trustee, The Bank of New York, under the same category in EFIS. Further, with access to these documents available through EFIS, the Parties agree neither KCP&L nor the trustee of the decommissioning fund shall provide service copies of them to the Staff. Because the Staff receives from EFIS e-mail notice of such filings, those making the filings shall not be required to serve copies or notice of the filings on the Staff.

9. None of the Parties to this Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, decommissioning methodology, 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 Agreement or for which provision is made in this Agreement.

10. If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void thereon, 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 Party has to a hearing on the issues presented by the Agreement, cross-examination or a decision in accordance with Section 536.080.1 RSMo or Art. V, Section 18 Mo. Const. The Parties shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any testimony or exhibits that may have been offered or received in support of or in opposition to this Agreement shall thereupon 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 further purpose whatsoever.

13. To assist the Commission in its review of this Agreement, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the Parties related to the matters addressed in this Agreement, including any procedures for furnishing such information to the Commission.

14. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum responsive to the Commission's request. 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. 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 Agreement, whether or not the Commission approves and adopts this Agreement.

16. The Staff shall also have the right to provide, at any agenda meeting at which this 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 disclosures, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

17. Because this is an Agreement with the sole purpose of addressing the authority requested by the Application of KCP&L, except as specified herein, the Parties to the Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (i) in any future proceeding; (ii) in any proceeding currently pending under a separate docket; and/or (iii) in this proceeding, should the Commission decide not to approve the Agreement or in any way condition its approval of the same, except as stated herein. Because this is an Agreement for the purpose of settling matters in this case, it shall not be cited as precedent or referred to in testimony as an assertion of the particular position of any Party in any subsequent or pending judicial or administrative proceeding, except that this shall not be construed to prohibit reference to its existence in future proceedings, including proceedings to enforce compliance with its terms.

18. The 2008 Study shall be received into evidence.

19. Pursuant to 393.290 RSMo, the Parties agree that the Commission may review and authorize changes to KCP&L's rates and charges as a result in a change in the annual accrual of funding for the Missouri jurisdictional sub-account of the Wolf Creek decommissioning trust

after a full hearing, including but not limited to any general rate increase case or excess earnings complaint case, and after considering all facts relevant to such accrual rate.

20. The provisions of this Agreement have resulted from numerous discussions/negotiations among the signatory Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, it shall be void and no Party hereto shall be bound by, prejudiced, or in any way affected by any of the agreements or provisions hereof unless otherwise provided herein.

21. In the event the Commission accepts the specific terms of this Agreement in its entirety, the signatories waive their respective rights: (i) to cross-examine witnesses pursuant to Section 536.070(2) RSMo; (ii) to present oral argument and written briefs pursuant to Section 536.080.1 RSMo; and (iii) to judicial review pursuant to Section 386.510 RSMo. 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 Agreement.

WHEREFORE, the signatories hereto request that the Commission issue an order:

1. Approving this Unanimous Stipulation And Agreement;
2. Receiving into evidence this Unanimous Stipulation and Agreement and the 2008 Study;
3. Finding that "KCP&L's 2008 Cost Study satisfies the requirements of 4 CSR 240-3.185 (3)";
4. Finding, pursuant to this Unanimous Stipulation And Agreement, that "KCP&L's retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $1,281,264";

5. Finding, in order for the decommissioning fund to retain its qualified tax status, that "the current decommissioning costs for Wolf Creek are included in KCP&L's current cost of service and are reflected in its current rates for ratemaking purposes";

6. Authorizing KCP&L to continue to record and preserve Wolf Creek asset retirement obligation costs, as agreed to by the Staff, the Pubic Counsel and KCP&L, and authorized by the Commission, in Case No. EU-2004-0294; and

7. Whereby the Commission will open a repository in its Electronic Filing and Information System (EFIS), under the category "Nuclear Plant Decommissioning Reports", and direct that KCP&L or its trustee file, on a prospective basis the quarterly reports required by 4 CSR 240-3.185 (1) and the annual reports required by 4 CSR 240-3.185 (2) in this repository; and KCP&L shall file the quarterly Nuclear Decommissioning Trust Fund Performance Report provided by the trustee, The Bank of New York, in the same repository file in EFIS commencing with the next 4 CSR 240-3.185 filing due after the effective date of this order.

Respectfully submitted,

/s/ Curtis D. Blanc
Curtis D. Blanc
Missouri Bar No. 58052

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Certificate of Service

I hereby certify that copies of the foregoing have been served on all parties of record by either hand delivery, electronic mail or First Class United States Mail, postage prepaid this 7th day of April 2009.

/s/ Jennifer Hernandez
Jennifer Hernandez

ATTACHMENT 11

Report and Order
MPSC Case No. ER-2006-0314
Dated December 21, 2006
Excerpts only: Cover Sheet, Table of Contents, & pages 2-4, 47, 69-70, & 91-92;
also including
Exhibit A to the Report and Order: "Nonunanimous Stipulation and Agreement Regarding Capitalization of Certain Costs, Decommissioning Expense Accrual, and Corporate Projects and Strategic Initiatives"
Dated December 5, 2006

17 Pages

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Begin the Implementation of its Regulatory Plan	))))	**Case No. ER-2006-0314**

REPORT AND ORDER

Issue Date: **December 21, 2006**

Effective Date: **December 31, 2006**

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Begin the Implementation of its Regulatory Plan	))))	**Case No. ER-2006-0314**

REPORT AND ORDER

APPEARANCES

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William G. Riggins, Esq., General Counsel, and **Curtis Blanc, Esq.**, Managing Attorney – Regulatory,1201 Walnut, Kansas City, Missouri, 64141, for Kansas City Power & Light Company.

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Kevin A. Thompson, Esq., General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

Steve Dottheim, Esq., Deputy Chief General Counsel, **Nathan Williams, Esq.**, Deputy General Counsel, **Dennis L. Frey, Esq.**, Senior Counsel, **David A. Meyer, Esq.**, Senior Counsel, **Jennifer Heintz, Esq.**, Assistant General Counsel, and **Steven Reed, Esq.**, Litigating Attorney, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

SENIOR REGULATORY LAW JUDGE: **Ronald D. Pridgin**

Corporate Projects and Strategic Initiatives

Should the costs of the LED-LDI and CORPDP-KCPL projects, which are being deferred and amortized over 5 years, be included in rate base?

On December 5, 2006, KCPL and Staff submitted a Nonunanimous Stipulation and Agreement Regarding Capitalization of Certain Costs, Decommissioning Expense Accrual, and Corporate Projects and Strategic Initiatives, along with a Motion for Leave to Late-File said stipulation. The Commission allowed parties until December 11 to object. No parties objected and, therefore, as permitted by Commission Rule 4 CSR 240-2.115, the Commission will treat the stipulation, affixed to this Report and Order as Appendix A, as if it were unanimous. The Commission finds the above-referenced stipulation reasonable, and therefore, grants the motion to late-file it, and approves the stipulation.

The Signatories have agreed that certain costs incurred by KCPL will have a benefit relating to more than one period and that related non-labor costs should be deferred as a regulatory asset and amortized over the periods to which the benefits will apply. Costs identified to be deferred include all costs incurred after January 1, 2005 related to project LED-LDI, Leadership Development, and CORPDP-KCPL, Corporate Development-KCPL. These non-labor costs were determined to be $1,781,451 (total Company) and $1,542,115 (total Company), respectively, for the period January 1, 2005 through September 30, 2006. The LED-LDI projects captured costs to develop an enhanced leadership development program for supervisors and managers and to conduct associated training for eligible employees. The CORP-KCPL project captured costs related to KCPL for corporate-level resource planning, business analysis, strategic planning, development of short and

concerning property taxes at the true-up hearing. As such, the Commission does not find adequate evidence to support KCPL's position on this issue.

Decommissioning Expense

Should decommissioning expense be reduced to reflect the amount of annual accruals expected under a 60-year license?

On December 5, 2006, KCPL and Staff submitted a Nonunanimous Stipulation and Agreement Regarding Capitalization of Certain Costs, Decommissioning Expense Accrual, and Corporate Projects and Strategic Initiatives, along with a Motion for Leave to Late-File said stipulation. The Commission allowed parties until December 11 to object. No parties objected and, therefore, as permitted by Commission Rule 4 CSR 240-2.115, the Commission will treat the stipulation, attached as Appendix A, as if it were unanimous.

The Commission finds the above-referenced stipulation reasonable, and therefore, grants the motion to late-file it, and approves the stipulation. As requested by KCPL in the stipulation, and not opposed by Staff, the Commission further makes the following findings:

1) KCPL's annual Missouri retail jurisdictional decommissioning cost accrual shall be $1,281,264, commencing January 2007 and KCPL's decommissioning trust fund payments shall be at that annual level;

2) Decommissioning cost accruals, as a consequence of "1)," will continue to be included in KCPL's cost of service and will continue to be included in KCPL's rates for ratemaking purposes;

3) The decommissioning cost accrual schedule identified in the direct testimony of Don A. Frerking in this proceeding, Schedule DAF-5, shows an annual Missouri

jurisdictional decommissioning cost accrual of $1,281,264, commencing January 2007, and;

4) The earnings rate assumed by KCPL for the decommissioning trust, as shown in Schedule DAF-5 of the direct testimony of Don A. Frerking, takes into consideration the tax rate change and the removal of the investment restrictions resulting from the federal Energy Policy Act of 1992.

True-Up

What elements of Cost of Service and Rate Base should be updated in the September True Up?

At the November 16 true-up hearing, a contested issue was whether 113 employees to be added after the September 30 true-up date should be included in cost of service.

KCPL states that a typical employee payroll annualization would look at an employee count at the end of the test period to determine payroll expense. However, KCPL claims that method is not appropriate here because of circumstances surrounding the last several months of the periods. Specifically, KCPL experienced significant workforce reductions in April, 2006, and again in August and September, 2006, so that KCPL's employee numbers on September 30, 2006 are artificially low.[133] That artificially low number comes from KCPL's workforce realignment, occurring in March, 2005, and from the annual exodus of employees from KCPL due to retirement. KCPL announces interest rate changes every August, giving KCPL employees information and time to decide if they

[133] Ex. 54, p. 9

> (2) Investigate and ascertain, from time to time, the quality of gas or water supplied and sewer service furnished by persons and corporations, examine or investigate the methods employed by such persons and corporations in manufacturing, distributing and supplying gas or electricity for light, heat or power and in transmitting the same, and in supplying and distributing water for any purpose whatsoever, and in furnishing a sewer system, and have power to order such reasonable improvements as will best promote the public interest, preserve the public health and protect those using such gas, electricity, water, or sewer system, and those employed in the manufacture and distribution thereof, and have power to order reasonable improvements and extensions of the works, wires, poles, pipes, lines, conduits, ducts and other reasonable devices, apparatus and property of gas corporations, electrical corporations, water corporations, and sewer corporations.

Section 393.140 conveys upon the Commission broad supervisory powers and provides that the Commission shall have general supervision over all electric utilities operating in Missouri.[175]

IT IS ORDERED THAT:

1. All pending motions and requests for relief not otherwise granted are denied.

2. The proposed tariff sheets filed by Kansas City Power & Light Company on February 1, 2006, Tariff No. YE-2006-0594, are rejected.

3. The Stipulation and Agreement Regarding Class Cost-of-Service and Rate Design Issues filed on November 9, 2006 is approved.

4. The Nonunanimous Stipulation and Agreement Regarding Pension Issues filed on December 4, 2006 is approved.

5. The Nonunanimous Stipulation and Agreement Regarding Regulatory Plan Additional Amortizations filed on December 4, 2006 is approved.

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[175] State ex rel. Atmos Energy Corp. v. Public Service Commission, 103 S.W.3d 753 (Mo. banc 2003).

6. The Nonunanimous Stipulation and Agreement Regarding Capitalization of Certain Costs, Decommissioning Expense Accrual, and Corporate Projects and Strategic Initiatives is approved, and Staff's Motion for Leave to Late-File Nonunanimous Stipulation and Agreement Regarding Capitalization of Certain Costs, Decommissioning Expense Accrual, and Corporate Projects and Strategic Initiatives is granted.

7. Kansas City Power & Light Company may file tariffs that comport with this Report and Order.

8. This Report and Order shall become effective on December 31, 2006.

9. This case may be closed on January 1, 2007.

BY THE COMMISSION

Colleen M. Dale
Secretary

(SEAL)

Davis, Chm., Murray, and Appling, CC., concur;
Gaw and Clayton, CC., dissent, with separate
dissenting opinion(s) to follow;
and certify compliance with the provisions of
Section 536.080, RSMo.

Dated at Jefferson City, Missouri,
on this 21st day of December, 2006.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power and Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Begin the Implementation of its Regulatory Plan.	)))))	Case No. ER-2006-0314

NONUNANIMOUS STIPULATION AND AGREEMENT REGARDING CAPITALIZATION OF CERTAIN COSTS, DECOMMISSIONING EXPENSE ACCRUAL, AND CORPORATE PROJECTS AND STRATEGIC INITIATIVES

Come now the Staff of the Missouri Public Service Commission ("Staff") and Kansas City Power & Light Company ("KCPL" or "Company"), the undersigned parties ("Signatories"), and respectfully state to the Missouri Public Service Commission ("Commission") that various agreements have been reached, and request that the Commission's Report And Order in this case approve those agreements which are contained in this Stipulation And Agreement ("Agreement"):

1. The Signatories have reached an agreement on the capitalization of certain costs associated with the development and implementation of the capital investments associated with KCPL's Regulatory Plan, as approved by the Commission in Case No. EO-2005-0329 ("Regulatory Plan Capital Investments"), including costs associated with the construction of the Iatan 2 project. These costs have never been indicated as an issue in the pending KCPL rate increase, so, for example, they do not appear as an issue in the LIST OF ISSUES filed with the Commission in this case on October 6, 2006. The Signatories have also reached an agreement that resolves among them the issue listed under the heading "Decommissioning Expense" in the LIST OF ISSUES. Additionally, regarding the "Corporate Projects and Strategic Initiatives"

Exhibit A

issue in the LIST OF ISSUES, the Signatories have never disagreed as to the accounting treatment and the amortization period of expenses for the purpose of establishing rates, but have not agreed to the associated rate base treatment of those costs. These issues as they appear in the LIST OF ISSUES are:

Decommissioning Expense:

Should decommissioning expense be reduced to reflect the amount of annual accruals expected under a 60-year license?

Corporate Projects and Strategic Initiatives:

Should the costs of the LED-LDI and CORPDP-KCPL projects, which are being deferred and amortized over 5 years, be included in rate base?

Capitalization of Certain Costs

2. The Signatories have agreed that certain costs incurred by KCPL relate to its development and implementation of the Regulatory Plan Capital Investments and that such costs should be capitalized to the construction projects or Company programs to which they apply. The Signatories agree that the Commission's Report and Order in this case should authorize KCPL to capitalize all costs incurred after January 1, 2005 related to project MSC0140, KCPL Strategic Initiatives, and certain advertising costs all incurred by KCPL in the development of various components and informing customers of the features of KCPL's Regulatory Plan Capital Investments, which will be transferred and capitalized to the Iatan 2 construction project. These costs were determined to be $2,137,705 (total Company) during the 2005 test year. The Signatories also have agreed that certain costs incurred subsequent to the test year, as well as related costs should be capitalized to the Regulatory Plan Capital Investment project to which they apply. Although the Signatories agree that the Missouri jurisdictional amount incurred for these projects should be capitalized, the Signatories have not reached an agreement concerning what percentage of those costs constitute the Missouri jurisdictional amount. That issue is to be

decided by the Commission within the "Jurisdictional Allocations" issue now before the Commission for decision in this proceeding.

Decommissioning Expense Accrual and Wolf Creek Life

3. As a result of the Commission's approval in Case No. EO-2005-0329 (KCPL's Regulatory Plan case) of the depreciation life of the Wolf Creek nuclear generating station increasing from 40 years to 60 years, the decommissioning cost accrual for Wolf Creek changes. KCPL is proposing to effectuate that change, a decrease in the annual funding level, in this case. KCPL submitted testimony stating that in order to ensure the continued tax qualification of the decommissioning trust fund, the change in funding levels must be approved by the Internal Revenue Service ("IRS") and the IRS requires certain statements in an Order of the Commission. Thus, KCPL has requested in the instant case, and the Staff does not oppose, that the Commission include in its Report and Order the following language that KCPL states is required by the IRS for the continued tax qualification of the decommissioning trust fund: The Commission finds 1) KCPL's annual Missouri retail jurisdictional decommissioning cost accrual shall be $1,281,264, commencing January 2007 and KCPL's decommissioning trust fund payments shall be at that annual level, 2) decommissioning cost accruals, as a consequence of "1)," will continue to be included in KCPL's cost of service and will continue to be included in KCPL's rates for ratemaking purposes, 3) the decommissioning cost accrual schedule identified in the direct testimony of Don A. Frerking in this proceeding, Schedule DAF-5, shows an annual Missouri jurisdictional decommissioning cost accrual of $1,281,264, commencing January 2007, and 4) the earnings rate assumed by KCPL for the decommissioning trust, as shown in Schedule DAF-5 of the direct testimony of Don A. Frerking, takes into consideration the tax rate change and the removal of the investment restrictions resulting from the federal Energy Policy Act of

1992. The Company also states it will continue to address Statement of Accounting Financial Standards No. 143, Accounting for Asset Retirement Obligations, as it relates to nuclear decommissioning, under the guidance provided by the Commission in its March 5, 2004 Order Concerning Application for Accounting Authority Order in Case No. EU-2004-0294.

Corporate Projects and Strategic Initiatives

4. The Signatories have agreed that certain costs incurred by KCPL will have a benefit relating to more than one period and that related non-labor costs should be deferred as a regulatory asset and amortized over the periods to which the benefits will apply. Costs identified to be deferred include all costs incurred after January 1, 2005 related to project LED-LDI, Leadership Development, and CORPDP-KCPL, Corporate Development-KCPL. These non-labor costs were determined to be $1,781,451 (total Company) and $1,542,115 (total Company), respectively, for the period January 1, 2005 through September 30, 2006. The LED-LDI projects captured costs to develop an enhanced leadership development program for supervisors and managers and to conduct associated training for eligible employees. The CORP-KCPL project captured costs related to KCPL for corporate-level resource planning, business analysis, strategic planning, development of short and long-term business plans and assessment and adjustment of such plans and business decisions in response to changes in the marketplace. The Missouri jurisdictional amount of such costs as well as the Missouri jurisdictional amount of additional non-labor costs incurred for these projects through the end of 2006 will be deferred. The Signatories agree that the Commission's Report and Order in this case should authorize KCPL to amortize the deferred costs to expense over a five (5) year period beginning January 1, 2007. Although the Signatories have agreed that these costs should be deferred and amortized over a five (5) year period, the Signatories have not reached an agreement concerning either the rate

base treatment of these costs or what percentage of these costs constitute the Missouri jurisdictional amount. Those issues are to be decided by the Commission within the "Corporate Projects and Strategic Initiatives" and the "Jurisdictional Allocations" issues now before the Commission for decision in this proceeding.

5. This Agreement is being entered into for the purpose of disposing of the issues that are specifically addressed in this Agreement. In presenting this Agreement, none of the Signatories to this Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking principle or procedural principle, including, without limitation, any method of cost or revenue determination or cost allocation or revenue related methodology, and none of the Signatories shall be prejudiced or bound in any manner by the terms of this Agreement (whether this Agreement is approved or not) in this or any other proceeding, other than a proceeding limited to enforce the terms of this Agreement, except as otherwise expressly specified herein.

6. This Agreement has resulted from extensive negotiations and the terms hereof are interdependent. If the Commission does not approve this Agreement without modification, then the Agreement shall be void and no Signatory shall be bound by any of the agreements or provisions herein, except as specifically provided herein.

7. If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void, 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 Section 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and 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 or 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 further purpose whatsoever.

8. If the Commission unconditionally accepts the specific terms of this Agreement without modification, the Signatories waive, with respect to the issues resolved herein: their respective rights (1) to call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo 2000; (2) their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1, RSMo 2000; (3) their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 2000; (4) their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000 and (5) their respective rights to judicial review pursuant to Section 386.510, RSMo 2000. These waivers apply only to a Commission order respecting this Agreement issued in this above-captioned proceeding, and do not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement. This Agreement contains the entire agreement of the Signatories concerning the issues addressed herein.

9. If the Commission has questions for the Signatories' witnesses or Signatories, the Signatories will make available, at any on-the-record session, their witnesses and attorneys on the issues resolved by this Agreement, so long as all Signatories have had adequate notice of that session. The Signatories agree to cooperate in presenting this Agreement to the Commission for approval, and will take no action, direct or indirect, in opposition to the request for approval of this Agreement.

WHEREFORE, the undersigned Signatories respectfully request the Commission to issue an order in this case approving the Agreement subject to the specific terms and conditions contained therein.

Respectfully submitted,

/s/ Steven Dottheim
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(573) 751-9285 (Fax)
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THE STAFF OF THE MISSOURI
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ATTORNEYS FOR
KANSAS CITY POWER & LIGHT
COMPANY

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 5th day of December 2006.

/s/ Steven Dottheim

ATTACHMENT 12

Exhibit to Prepared Testimony – Don A. Frerking (Schedule DAF-5)
In MPSC Case No. ER-2006-0314
Filed February 1, 2006

1 Page

KANSAS CITY POWER & LIGHT COMPANY — **WOLF CREEK DECOMMISSIONING TRUST ANALYSIS** — **MISSOURI JURISDICTION - QUALIFIED TAXABLE TRUST**

DECOMMISSIONING COST ASSUMPTIONS

2005 Decom Cost Est	$ 517,601,292
Cost Escalation Rate	4.40%
KCPL Share	47.00%
Future Juris Allocation Factor	53.60%
Wtd Historical/Future Alloc Factor	55.96%

Year	2005 Wolf Creek Decom Cost	Escalated Wolf Creek Decom Cost	KCPL Missouri Decom Cost
2005	-	-	-
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
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2043	-	-	-
2044	-	-	-
2045	39,750,150	222,514,704	58,520,972
2046	98,265,842	574,279,120	151,034,390
2047	117,044,694	714,122,428	187,812,932
2048	69,175,512	440,629,758	115,884,844
2049	57,217,156	380,494,347	100,069,338
2050	51,909,882	360,389,791	94,781,876
2051	30,547,288	221,409,168	58,230,218
2052	32,682,038	247,304,811	65,040,727
2053	21,008,731	165,967,770	43,649,229
	517,601,292	3,327,111,897	875,024,526

DECOMMISSIONING TRUST FUND EARNINGS & ASSUMPTIONS

TRUST FUND MANAGEMENT FEE		
Missouri Avg Fund Bal	315,287,554	
Missouri Ann Fixed Fee	18,761	
Avg Fixed Fee %	0.01%	
Variable Fee %	0.21%	
Avg Tot Fee %	0.22%	0.22%

	US T-Bills	IT Govt Bonds	LT Govt Bonds	LT Corp Bonds	Lrg Corp Equities
SBBI 1925-2004 Arithmetic Mean	3.80%	5.50%	5.80%	6.20%	12.40%
SBBI 1925-2004 Geometric Mean	3.70%	5.40%	5.40%	5.90%	10.40%
Assumed Earnings	3.75%	5.45%	5.60%	6.05%	11.40%
Effective Tax Rate	20.00%	20.00%	20.00%	20.00%	20.00%
Earnings After Fees & Taxes	2.82%	4.18%	4.30%	4.66%	8.94%

Year	Investment Mix					Weighted After-Tax Earnings
2006	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2007	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2008	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2009	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2010	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2011	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2012	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2013	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2014	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2015	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2016	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2017	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2018	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2019	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2020	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2021	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2022	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2023	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2024	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2025	0.0%	15.0%	10.0%	30.0%	45.0%	6.48%
2026	2.5%	15.3%	10.0%	29.0%	43.3%	6.36%
2027	5.0%	15.5%	10.0%	28.0%	41.5%	6.24%
2028	7.5%	15.8%	10.0%	27.0%	39.8%	6.12%
2029	10.0%	16.0%	10.0%	26.0%	38.0%	5.99%
2030	12.5%	16.3%	10.0%	25.0%	36.3%	5.87%
2031	15.0%	16.5%	10.0%	24.0%	34.5%	5.75%
2032	17.5%	16.8%	10.0%	23.0%	32.8%	5.63%
2033	20.0%	17.0%	10.0%	22.0%	31.0%	5.51%
2034	22.5%	17.3%	10.0%	21.0%	29.3%	5.38%
2035	25.0%	17.5%	10.0%	20.0%	27.5%	5.26%
2036	27.5%	17.8%	10.0%	19.0%	25.8%	5.14%
2037	30.0%	18.0%	10.0%	18.0%	24.0%	5.02%
2038	32.5%	18.3%	10.0%	17.0%	22.3%	4.89%
2039	35.0%	18.5%	10.0%	16.0%	20.5%	4.77%
2040	37.5%	18.8%	10.0%	15.0%	18.8%	4.65%
2041	40.0%	19.0%	10.0%	14.0%	17.0%	4.53%
2042	42.5%	19.3%	10.0%	13.0%	15.3%	4.41%
2043	45.0%	19.5%	10.0%	12.0%	13.5%	4.28%
2044	47.5%	19.8%	10.0%	11.0%	11.8%	4.16%
2045	50.0%	20.0%	10.0%	10.0%	10.0%	4.04%
2046	56.3%	17.5%	8.8%	8.8%	8.8%	3.89%
2047	62.5%	15.0%	7.5%	7.5%	7.5%	3.74%
2048	68.8%	12.5%	6.3%	6.3%	6.3%	3.58%
2049	75.0%	10.0%	5.0%	5.0%	5.0%	3.43%
2050	81.3%	7.5%	3.8%	3.8%	3.8%	3.28%
2051	87.5%	5.0%	2.5%	2.5%	2.5%	3.13%
2052	93.8%	2.5%	1.3%	1.3%	1.3%	2.98%
2053	100.0%	0.0%	0.0%	0.0%	0.0%	2.82%

DECOMMISSIONING TRUST FUND CASH FLOWS

NET AFTER-TAX MARKET VALUE		
EOY 2005 Market Value	62,661,000	
Jan 2006 Deposit	575,964	
Market Value Incl Jan Deposit		63,236,964
EOY 2005 Unrealized Net Gain	5,225,868	
Effective Tax Rate	20.00%	
Tax on Unrealized Net Gain		1,045,174
Net After-Tax Market Value		62,191,790

Annual Accrual Escalation	0.00%

Year	Trust Fund Accrual	Trust Fund Expenditure	Earnings After Fees & Taxes	Trust Fund Balance
2005				62,191,790
2006	2,303,658	0	4,105,940	68,601,586
2007	1,281,264	0	4,488,281	74,371,131
2008	1,281,264	0	4,862,262	80,514,657
2009	1,281,264	0	5,260,486	87,056,407
2010	1,281,264	0	5,684,522	94,022,194
2011	1,281,264	0	6,136,044	101,439,503
2012	1,281,264	0	6,616,834	109,337,601
2013	1,281,264	0	7,128,789	117,747,655
2014	1,281,264	0	7,673,929	126,702,848
2015	1,281,264	0	8,254,404	136,238,516
2016	1,281,264	0	8,872,506	146,392,287
2017	1,281,264	0	9,530,674	157,204,225
2018	1,281,264	0	10,231,504	168,716,993
2019	1,281,264	0	10,977,761	180,976,018
2020	1,281,264	0	11,772,391	194,029,674
2021	1,281,264	0	12,618,529	207,929,468
2022	1,281,264	0	13,519,514	222,730,246
2023	1,281,264	0	14,476,900	238,490,410
2024	1,281,264	0	15,500,474	255,272,149
2025	1,281,264	0	16,588,266	273,141,679
2026	1,281,264	0	17,412,281	291,835,225
2027	1,281,264	0	18,244,059	311,360,548
2028	1,281,264	0	19,081,056	331,722,869
2029	1,281,264	0	19,920,539	352,924,672
2030	1,281,264	0	20,759,587	374,965,523
2031	1,281,264	0	21,595,100	397,841,888
2032	1,281,264	0	22,423,807	421,546,959
2033	1,281,264	0	23,242,271	446,070,494
2034	1,281,264	0	24,046,907	471,398,665
2035	1,281,264	0	24,833,987	497,513,917
2036	1,281,264	0	25,599,664	524,394,845
2037	1,281,264	0	26,339,980	552,016,089
2038	1,281,264	0	27,050,889	580,348,242
2039	1,281,264	0	27,728,275	609,357,781
2040	1,281,264	0	28,367,976	639,007,022
2041	1,281,264	0	28,965,804	669,254,091
2042	1,281,264	0	29,517,571	700,052,926
2043	1,281,264	0	30,019,113	731,353,304
2044	1,281,264	0	30,466,320	763,100,888
2045	320,316	(58,520,972)	29,653,623	734,553,854
2046	0	(151,034,390)	25,623,345	609,142,810
2047	0	(187,812,932)	19,249,230	440,579,108
2048	0	(115,884,844)	13,713,699	338,407,962
2049	0	(100,069,338)	9,896,971	248,235,596
2050	0	(94,781,876)	6,587,705	160,041,425
2051	0	(58,230,218)	4,095,375	105,906,582
2052	0	(65,040,727)	2,183,974	43,049,829
2053	0	(43,649,229)	599,400	(0)

ATTACHMENT 13

Excerpt from Wolf Creek Generating Station Decommissioning Cost Analysis (2008)
Table 3.1
DECON Alternative
Schedule of Total Annual Expenditures

1 Page

TABLE 3.1
DECON ALTERNATIVE
SCHEDULE OF TOTAL ANNUAL EXPENDITURES
(thousands, 2008 dollars)

Year	Labor	Equipment & Materials	Energy	Burial	Other	Total
2045	40,033	3,913	2,019	32	5,655	51,651
2046	61,469	22,727	3,706	15,723	11,262	114,886
2047	53,014	23,852	2,365	31,410	19,439	130,081
2048	46,379	12,248	1,970	11,658	9,272	81,528
2049	44,597	9,365	1,867	6,781	6,750	69,360
2050	39,629	8,058	1,597	6,543	6,387	62,214
2051	27,650	3,090	679	2,210	3,150	36,780
2052	18,546	9,894	284	4	443	29,171
2053	10,652	6,919	155	0	145	17,872
	341,970	100,067	14,641	74,361	62,504	593,542

Note: Columns may not add due to rounding

ATTACHMENT 14

Wolf Creek Generating Station Decommissioning Cost Analysis
Revised Table 3.1
DECON Alternative
Schedule of Total Annual Expenditures
2008 dollars escalated to 2010 dollars

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TABLE 3.1
DECON ALTERNATIVE
SCHEDULE OF TOTAL ANNUAL EXPENDITURES
thousands, 2010 dollars (2008 dollars escalated @ 3.91 weighted average)

Year	Labor	Equipment & Material	Energy	Burial	Other	Total
2045	43,225	4,225	2,180	35	6,106	55,771
2046	66,370	24,539	4,001	16,977	12,160	124,047
2047	57,241	25,754	2,554	33,914	20,989	140,452
2048	50,077	13,225	2,127	12,587	10,011	88,027
2049	48,153	10,112	2,016	7,322	7,288	74,891
2050	42,789	8,700	1,724	7,065	6,896	67,174
2051	29,855	3,336	733	2,386	3,401	39,711
2052	20,025	10,683	307	4	478	31,497
2053	11,501	7,471	167	0	157	19,296
	369,236	108,045	15,809	80,290	67,486	640,866

	Cost Escalation Rate	Owner Share	Allocation Rate	Weighted Rate
KGE	3.73%	47.00%	100.00%	1.75%
KCPL KS	3.73%	47.00%	43.21%	0.76%
KCPL MO	4.40%	47.00%	56.79%	1.17%
KEPCo	3.73%	6.00%	100.00%	0.22%
				3.91%

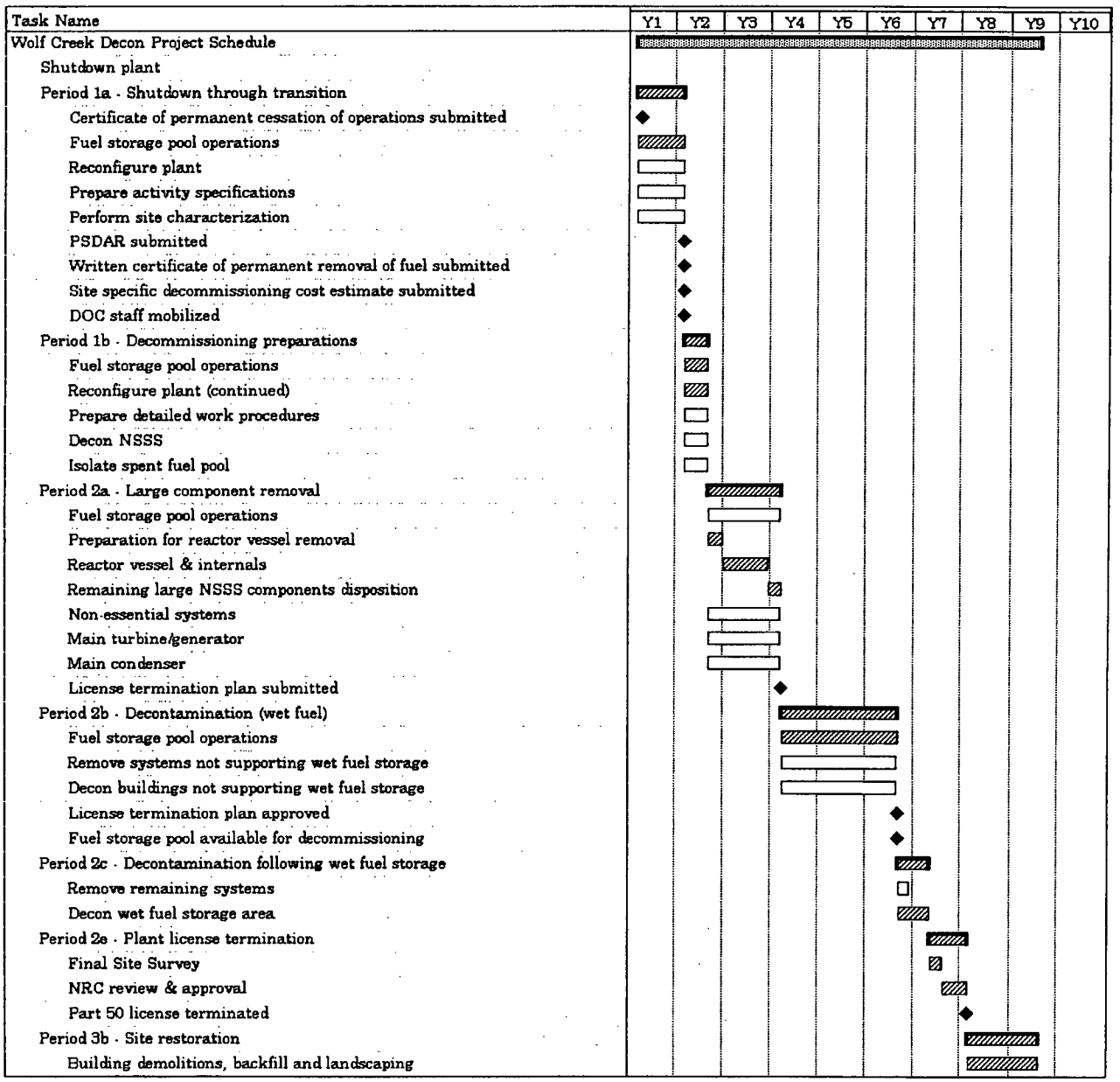
Note: Columns may not add due to rounding

ATTACHMENT 15

Excerpt from Wolf Creek Generating Station Decommissioning Cost Analysis (2008)
Table 4.1
Activity Schedule

1 Page

FIGURE 4.1
ACTIVITY SCHEDULE



Red text indicates critical path activities
Blue text indicates milestones