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

STIPULATION AND AGREEMENT REGARDING CLASS COST-OF-SERVICE AND RATE DESIGN ISSUES

COME NOW the undersigned parties in this case ("Signatories"), and respectfully state to the Missouri Public Service Commission ("Commission"):

1. The Signatories have reached an agreement ("Agreement") that resolves among them, with the exception of those issues listed under the subheading "Availability of General Service Space-Heating Rate Discounts," all of the Rate Design/Cost-of-Service issues listed under the heading "**Class Cost-of-Service and Rate Design,"** in the LIST OF ISSUES filed with the Commission in this case on October 6, 2006.

2. Those issues as stated in the LIST OF ISSUES are:

> **Class Cost-of-Service and Rate Design:**
>
> **Class Cost-of-Service:**
>
> On what basis should distribution costs be allocated to classes? Should the allocation of primary distribution costs include any customer-related component? What type of demand should be used to allocate the cost of distribution substations and distribution lines?
>
> On what basis should production capacity and transmission costs be allocated to classes?
>
> What is the appropriate method to use for allocating margins on off-system sales among Missouri retail customer classes? (MIEC)
>
> Do KCP&L's computation of coincident peak demands and class peak demands properly recognize line losses?

To what extent, if any, are current rates for each customer class generating revenues that are greater or less than the cost of service for that customer class?

What is the appropriate basis for allocating Administrative and General Expense Account Numbers 920, 922, 923, 930.2, and 931 among Missouri retail customer classes?

Should revenue adjustments among classes be implemented in order to better align class revenues to class cost-of-service? If so, what percentage increase or decrease should be assigned to each customer class?

Should class revenue adjustments be implemented even if no increase or decrease in revenue requirement is granted?

Should revenue adjustments be phased-in over multiple years?

Should revenue adjustments among the non-residential classes be applied uniformly or non-uniformly?

How should any increase in the revenue requirement be implemented?

Rate Design:

Should a comprehensive analysis of KCPL's class cost-of-service issues and rate design be conducted after the conclusion of the regulatory plan and the in-service date of Iatan 2? Should the cost-basis of general service all-electric rates be included in this analysis?

Should KCPL's proposed changes to the General Service customer charge be implemented?

3. The Signatories agree to overall company rate revenue neutral interclass changes in class revenue responsibilities that have the effect of increasing current residential customer class rates by about 2.00%; decreasing current small, medium and large general service class rates by about 0.45%; decreasing current large power service class rates by about 2.54% and making no change to current lighting class rates as more particularly described in attached Appendix A.

4. The Signatories agree to the provisions of Appendix A, all of which are designed

to implement overall company revenue neutral changes in class revenue responsibilities. In particular, the Signatories agree that the class rate revenue responsibilities to be used as the base for implementing any overall increase in revenues the Commission orders in this case are the dollar amounts shown in the table between items (4) and (5) on the line labeled "Post-Shifted Class Rate Revenues."

5. The Signatories agree new rates will be developed based on the "Post-Shifted Class Rate Revenues," and then each rate element of those rates will be factored up by multiplying them by the sum of one plus the result of dividing any overall increase in company revenue requirement the Commission orders in this case by total KCPL Missouri revenue at present rates as trued-up to generate final rates from this case.

6. 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.

7. 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.

8. This Agreement is expressly contingent on all parties in this case either signing

this Agreement or not opposing this Agreement so that it is treated by the Commission as a unanimous stipulation and agreement as set forth in Commission Rule 4 CSR 240-2.115. If anyone opposes this Agreement or 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.

9. 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. In particular, with respect to the issues

resolved herein, they waive their rights to call, examine and cross-examine the following witness:

Laura Becker Direct Testimony (Ex. 40) (KCPL)
Lois J. Leichti Direct Testimony (Ex. 38) and Rebuttal Testimony (Ex. 39) (KCPL)
Tim M. Rush Direct Testimony, pp. (Ex. 21) and Rebuttal Testimony, pp. (Ex. 22) (KCPL)
James Busch Direct Testimony (Ex. 108), Rebuttal Testimony (Ex. 109), Surrebuttal Testimony (Ex. 110) and Supplemental Surrebuttal Testimony (Ex. 111) (Staff)
Janice Pyatte Direct Testimony (Ex. 128), Rebuttal Testimony (Ex. 129) and Surrebuttal Testimony (Ex. 130) (Staff)
Maurice Brubaker Rate Design Direct Testimony (Ex. 602), Rate Design Rebuttal Testimony (Ex. 604), and Surrebuttal Testimony (Ex. 605). (Ford/Praxair/MIEC)
Barbara Meisenheimer Rate Design Direct Testimony (Ex. 206), Supplemental Direct Testimony (Ex. 207), Rebuttal Testimony (Ex. 208) and Surrebuttal Testimony (Ex. 209) (Public Counsel)
James T. Selecky Direct Testimony (Ex. 901), Rebuttal Testimony (Ex. 902) and Surrebuttal Testimony (Ex. 903) (Wal-Mart)
Gary C. Price Direct Testimony (Ex. 806), Rebuttal Testimony (Ex. 807) and Surrebuttal Testimony (Ex. 808) (DOE)

10. This Agreement contains the entire agreement of the Signatories concerning the issues addressed herein.

11. The issues resolved by this Agreement were scheduled to be heard on October 26, 2006. 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 parties 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,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 9th day of November 2006.

/s/ Dennis L. Frey

ER-2006-0314 KCPL CCOS & Rate Design Settlement

(1) No litigation of individual class cost of service issues (choice of allocators, etc.)

(2) Revenue shifts between the classes will be independent of the final outcome of KCPL's revenue requirement.

(3) Any revenue-neutral dollar decrease to the non-residential classes will be split between General Service and Large Power.

(4) Revenues associated with the three general service classes (Small GS, Medium GS, Large GS) will be increased/decreased by a uniform percentage.

	MO Retail	**Residential**	**Small GS**	**Medium GS**	**Large GS**	**Large Power**	**Lighting**	**GS Combined**
Class Revenues @ 0% Increase	$483,655,953	$171,390,326	$36,585,812	$62,431,139	$108,727,991	$98,463,950	$6,056,735	$207,744,942
Revenue-Neutral $ Change	$0	$3,427,807	($163,395)	($278,823)	($485,589)	($2,500,000)	$0	($927,807)
Revenue-Neutral % Change	0.0%	2.00%	-0.45%	-0.45%	-0.45%	-2.54%	0.0%	
Post-Shifted Class Rate Revenues	$483,655,953	$174,818,133	$36,422,417	$62,152,316	$108,242,402	$95,963,950	$6,056,735	$206,817,135

(5) Any increase in the overall revenue requirement will be implemented as an equal percentage increase to post-shifted class revenues.

COMBINED EFFECT OF CLASS REVENUE SHIFTS AND EQUAL PERCENTAGE REVENUE REQUIREMENT INCREASE

KCPL % Incr to Rate Rev	Overall KCPL Million $ Increase	Total RES % Increase	Total RES $ Increase	Total GS % Increase	Total GS $ Increase	Total PWR % Increase	Total PWR $ Increase	Lighting % Increase	Lighting $ Increase
7.5%	$36.3	9.7%	$16.5	7.0%	$14.6	4.8%	$4.7	7.5%	$0.5
8.0%	$38.7	10.2%	$17.4	7.5%	$15.6	5.3%	$5.2	8.0%	$0.5
8.5%	$41.1	10.7%	$18.3	8.0%	$16.7	5.7%	$5.7	8.5%	$0.5
9.0%	$43.5	11.2%	$19.2	8.5%	$17.7	6.2%	$6.1	9.0%	$0.5
9.5%	$45.9	11.7%	$20.0	9.0%	$18.7	6.7%	$6.6	9.5%	$0.6
10.0%	$48.4	12.2%	$20.9	9.5%	$19.8	7.2%	$7.1	10.0%	$0.6
10.5%	$50.8	12.7%	$21.8	10.0%	$20.8	7.7%	$7.6	10.5%	$0.6
11.0%	$53.2	13.2%	$22.7	10.5%	$21.8	8.2%	$8.1	11.0%	$0.7
11.5%	$55.6	13.7%	$23.5	11.0%	$22.9	8.7%	$8.5	11.5%	$0.7

(6) The following features of the existing non-residential rate design will be maintained:

The value of the customer charge should remain based upon customer size (kW) and should be uniform across classes.
The value of the facilities charge ($ per kW) should remain uniform across classes on a voltage-adjusted basis.
The value of the reactive charge ($ per kVar) should remain uniform across classes.
The value of the separate (additional) meter charge ($ per meter) should remain uniform across classes.
Within each class, the various demand charges ($ per kW) and energy charges ($ per kWh) should only reflect differences in losses between voltage levels (i.e, should be the same on a loss-adjusted basis).

[NOTE: These issues only arise when non-uniform percentage changes are made to non-residential classes.]

Appendix A

(7) The level of the non-residential customer charges, facilities charges, reactive charges, and additional meter charges will not be subject to change,

on a revenue-neutral basis (i.e., these charges will ultimately increase by the system average percent).

(8) The loss adjustments to be reflected in KCPL's non-residential rates will reflect, to the extent possible, the results of the loss study KCPL performed for this case.

(9) The value of the residential separate (additional) meter charge ($ per meter) should be the same as for the non-residential classes. (i.e., will ultimately increase by the system average percent).

(10) The level of the residential, single-meter customer charge should be subject to both the revenue-neutral increase and the revenue requirement increase.

(11) No planned phase-in of class revenue shifts; consider the issue of further revenue shifts on a case-by-case basis.

(12) General service space heating and all-electric winter rates will be increased by 5 percentage points more than each class' general application rates.

(13) The remaining general service space heating and all-electric issues (broadening availability, restricting availability to existing customers or totally eliminating the rate schedules) will be litigated.