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 Continue the Implementation of its Regulatory Plan	)))))	File No. ER-2010-0355

NONUNANIMOUS STIPULATION AND AGREEMENT REGARDING PENSIONS AND OTHER POST EMPLOYMENT BENEFITS

COMES NOW Kansas City Power & Light Company ("KCP&L" or "Company") and the Staff of the Missouri Public Service Commission ("Staff"), and respectfully state to the Missouri Public Service Commission ("Commission"):

1. KCP&L and the Staff (individually "Signatory" and collectively "Signatories") have reached an agreement ("Agreement") that resolves between them pension and other post-employment benefit ("OPEB") costs for KCP&L as of December 31, 2010, and establishes that the treatment of pension and OPEB costs agreed-upon and approved by the Commission in KCP&L's Case No. EO-2005-0329 ("the 2005 Regulatory Plan Case" or the "2005 case") as modified and approved in Case Nos. ER-2006-0314, ER-2007-0291 and ER-2009-0089 should continue subsequent to the effective date of rates in this case as indicated below. Collectively, the provisions for pension and OPEB costs in the agreements in these cases are referred to below as "Prior Agreements". Nothing in this Agreement prevents any of the Signatories from proposing changes to the provisions of this Agreement in a future case.

Purpose of the Stipulation and Agreement

2. The Generally Accepted Accounting Principles ("GAAP") related to pension and OPEB costs are now identified in Accounting Standards Codification ("ASC") 715 – Compensation – Retirement Benefits. Prior to the codification of accounting standards, GAAP

for pensions and OPEB costs were included in Statement of Financial Accounting Standards ("FAS") Nos. 87, 88, 106, 112, 132(R) and 158. For purposes of clarity and consistency in this Agreement with the Prior Agreements, however, they will be referred to by their original FAS designations.

3. The Stipulation and Agreement approved by the Commission in its *Report and Order* in Case No. EO-2005-0329 that embodies KCP&L's Experimental Regulatory Plan ("Regulatory Plan") includes an agreement between the Signatories regarding the calculation of Statement of Financial Accounting Standard No. 87 ("FAS 87") pension cost for financial reporting and ratemaking purposes during the period of the Regulatory Plan. With the completion of this rate case, the Regulatory Plan concludes, except for certain obligations specifically identified in the Regulatory Plan that do not relate to either pensions or OPEBs. As such, the Signatories agree to replace the provisions of the Prior Agreements related to pensions and OPEBs, including the pension-related provisions of the Regulatory Plan, with new provisions as indicated below for purposes of this rate case and future rate cases, unless changed in a future case. The Signatories are not bound to propose continuation of this treatment of pensions and OPEBs in future rate cases, i.e., they may propose other ratemaking treatment.

4. This Stipulation and Agreement is intended to accomplish the following:

a. Establish in a single document the various pension provisions included in the Prior Agreements that are appropriate for the calculation of pension costs for financial reporting and ratemaking purposes.

i. Ensure that the FAS 87 cost used as a basis for the amount collected in rates is determined using the same methods identified in the Prior Agreements and as documented in paragraph 7 below.

ii. Ensure that the pension cost used as a basis for the amount collected in rates is contributed to the pension trust.

iii. Ensure that amounts contributed by KCP&L to the pension trust, except as otherwise indicated herein, are considered for ratemaking and/or will be recoverable in rates approved by the Commission in this case. Any reasonable and prudent amounts contributed by KCP&L to the pension trust in the future will be considered for ratemaking in those future rate cases. Nothing in this agreement should be considered as an assurance of recovery of future pension contributions in future rates other than as allowed in paragraph 12.

b. Establish tracking and funding mechanisms for OPEB costs using the same methodology that is currently in effect for pension costs.

c. Reaffirm the pension provisions in the Regulatory Plan with regard to KCP&L's joint owners in the Iatan 1, Iatan 2 and LaCygne 1 and 2 generating units/stations.

d. Identify for purposes of calculating the tracking mechanisms included herein, the Regulatory Assets, including the Prepaid Pension Asset, and the annual Pension Cost resulting from rates established in this rate case, Case No. ER-2010-0355. The tracking mechanism requires that all Regulatory Assets and/or Liabilities, including the Prepaid Pension Asset**,** and annual Pension Cost be identified as of the established true-up date for each KCP&L rate case.

e. Reaffirm the agreement of the Staff and KCP&L regarding the treatment of pension and OPEB costs which result under Statement of Financial Accounting Standards 88 ("FAS 88") for financial reporting and ratemaking purposes.

f. Reaffirm the agreement of the Staff and KCP&L regarding the treatment of pension and OPEB costs which result under Statement of Financial Accounting Standards 158 ("FAS 158") for financial reporting and ratemaking purposes.

g. Recognize contributions in excess of FAS 87 pension expense to include reasons arising due to the enactment of the Pension Protection Act of 2006 ("2006 Act").

Provisions of the Stipulation and Agreement

5. To accomplish the goals above, the Signatories agree to the following:

6. KCP&L's FAS 87 cost, for financial reporting purposes, will differ from the method used for ratemaking purposes described in paragraph 7 below. KCP&L made a voluntary decision (not required for compliance with a Commission order) in January 2000, to amortize gains and losses under FAS 87 for financial reporting purposes over a five (5) year period. A five (5) year average of the unrecognized gain/loss balance has been amortized over five (5) years since January 2000. KCP&L has established a regulatory asset or liability for the annual difference in the FAS 87 result from the two different methods. Great Plains Energy's (GPE's) outside actuary will maintain actuarial reports under each method on an annual basis. Any difference between the two methods is merely a timing difference which will eventually be recovered, or refunded, through rates under the method used in setting rates over the life of the pension plan. No rate base recognition will be required for any regulatory asset or liability calculated in accordance with this Paragraph.

7. FAS 87 pension cost, used for ratemaking purposes, will be calculated based on the following methodology.

a. Market Related Value ("MRV") for asset determination, smoothing all asset gains and losses that occur on and after January 1, 2005 over five (5) years.

b. No 10% corridor.

c. Amortization period of ten (10) years for unrecognized gains and losses. (With a five (5) year MRV amortization - all gains/losses are reflected in fifteen (15) years).

d. Pension cost will be calculated by the GPE's actuaries without regard for the extent to which the Company will expense or capitalize components of the cost. Only the expense component of such cost will be included in KCP&L's cost of service.

e. The term "cost" as used herein means the KCP&L share of the consolidated GPE pension cost calculated by GPE's actuaries. The term "expense" as used herein means KCP&L's share of the consolidated GPE pension cost calculated by GPE's actuaries less the capitalization component of such cost. The capitalization component is derived by multiplying the capitalization rate determined in the Payroll Annualization adjustment by the pension cost.

f. "KCP&L's share" of the consolidated GPE pension cost is derived by first applying the most recent annualized KCP&L payroll allocation factor, determined using the methodology identified in the Payroll Annualization adjustment which relies on the time reporting system that tabulates the amount of time employees perform work activities among the various GPE entities, to the consolidated GPE cost determined by the GPE's actuaries for management and joint trustee pension plans. Joint owners' shares are eliminated before calculating both the payroll allocation factor and the cost to which the factor is applied. Second, KCP&L's 47% share of Wolf Creek pension cost is added. Additionally, as determined by GPE's actuaries and applied in this case, a limited-time annual funding status adjustment is required to reflect that the St. Joseph Light & Power portion of the Aquila pension plan was better funded than both the Missouri Public Service portion of the Aquila plan and the KCP&L pension plan when GPE purchased Aquila's Missouri electric properties. The adjustment made in this case to address the different funding statuses of the GPE entities had the effect of decreasing the pension cost for the rate territory served as KCP&L Greater Missouri Operations Company - L&P ("L&P") and increasing the pension costs both for the rate territory served as KCP&L Greater Missouri Operations Company – MPS ("MPS") and for KCP&L.

Nothing in the above paragraph binds the Signatories from taking positions inconsistent with the provisions of the paragraph in future rate proceedings.

8. The Signatories agree that a FAS 87 regulatory asset or liability will be continued on KCP&L's books to track the difference between the level of FAS 87 cost calculated, pursuant to paragraph 7 above, during each current annual rate period, and the level of pension cost used to establish rates for that period. The level of FAS 87 current period cost, before capitalization, will be updated annually based on the amounts provided by GPE's actuaries. If the FAS 87 cost during the current period is more than the cost used to determine rates for the period, KCP&L will establish a regulatory asset or reduce the existing regulatory liability. If the FAS 87 cost during the current period is less than the cost used to determine rates for the period, KCP&L will either establish a regulatory liability or reduce the existing regulatory asset. If the current period

FAS 87 cost becomes negative during a period in-between rate proceedings, a regulatory liability equal to the difference between the level of pension cost used to determine rates for that period and $0 will be established. Since paragraph 8 is a cash item, the cumulative net regulatory asset or liability will be included in rate base and amortized over five (5) years in the next rate case, subject to a review for prudence.

9. If FAS 87 cost becomes negative for the period that is used to establish new rates, the Signatories agree that the pension cost used to establish rates will be set at $0. KCP&L shall set up a regulatory liability to offset (reduce) the negative cost in an amount equal to the difference between the $0 level of pension cost underlying rates and the negative pension cost for each annual period until current period pension cost becomes positive. In future years, when FAS 87 cost becomes positive again, rates will remain zero ($0) until the Prepaid Pension Asset that was created in paragraph 12 below as a result of negative cost is reduced to zero ($0). The regulatory liability will be reduced at the same rate as the Prepaid Pension Asset is reduced until the regulatory liability becomes zero ($0). This regulatory liability is a non-cash item and should be excluded from rate base in future years.

10. Any amount of FAS 87 cost (as calculated in paragraph 7 above), which exceeds the actual level of contributions as authorized in paragraph 12 below, must be funded by the Company, either through a cash contribution or through a reduction of the Prepaid Pension Asset discussed in paragraph 12 below.

11. Any FAS 87 amount that exceeds the actual level of contributions as authorized in paragraph 12 below that is not funded because it exceeds the amount of funding that is tax deductible will be tracked, as a regulatory liability, to ensure it is funded in the future when it becomes tax deductible. The non-funded amount (regulatory liability) will be allowed, as a rate base offset (reduction), for the excess collected in rates, but not contributed to the trust fund until

such time as the contribution occurs.

12. The Prepaid Pension Asset discussed in the Stipulation and Agreement in the 2005 Case was reduced to $0 in 2009 and remains at $0 at December 31, 2010. However, consistent with the goal expressed in paragraph 4.a.iii, a new Prepaid Pension Asset may be established if KCP&L's share of amounts contributed to the pension trust, as authorized for the reasons below, exceed the FAS 87 cost calculated in paragraph 7 above. Except as otherwise indicated below, the Signatories agree to allow KCP&L rate recovery for contributions made to the pension trust in excess of the FAS 87 cost calculated pursuant to paragraph 7 above for the following reasons:

a. The minimum required contribution under the Employee Retirement Income Security Act of 1974 ("ERISA") as amended for the Pension Protection Act of 2006 ("2006 Act") is greater than the FAS 87 cost level.

b. Additional contributions are made to avoid or reduce Pension Benefit Guarantee Corporation ("PBGC") variable premiums.

The Prepaid Pension regulatory asset will be continued and will be allowed rate base treatment for the excess of any contribution over the annual FAS 87 cost calculated in accordance with paragraph 7 above. This regulatory asset may be used to satisfy, in whole or in part, the FAS 87 funding requirement described in paragraph 10 above. The Prepaid Pension Asset will be reduced as it is used to satisfy the FAS 87 funding requirement.

13. Due to the 2006 Act, GPE may be required to make contributions in excess of amounts calculated for FAS 87 Regulatory Expense in order to avoid benefit restrictions under the 2006 Act or "at risk" status under the 2006 Act. Such contributions will be examined in the context of future rate cases and a determination will be made at that time as to the appropriate and proper level recognized for ratemaking as a Prepaid Pension Asset.

a. Additional contributions are made to avoid benefit restrictions under the 2006 Act.

Such restrictions could cause an inability of the Company to pay pension benefits to recipients according to the normal provisions of the plan (e.g., providing the lump sum form of payment option). Generally, a plan's funded status as defined in the 2006 Act must remain above 80% in order to avoid benefit restrictions. If additional contributions are made under this provision, such contributions will be examined in future rate case and a determination will be made as to the appropriate and proper level considered for recovery in rates.

b. Additional contributions are made to avoid "at risk" status under the 2006 Act. If a plan is "at risk", minimum contributions are greatly accelerated. If additional contributions are made under this provision, such contributions will be examined in future rate case and a determination will be made as to the appropriate and proper level considered for recovery in rates.

14. Any FAS 87 prepaid pension asset, other than the amount authorized in paragraph 12 above, or after review and approval of amounts in paragraph 13 above, will not earn a return in future regulatory proceedings. The regulatory assets/liabilities identified in paragraphs 8, 9 and 11 above address the inclusion or exclusion of any additional rate base amounts.

<u>Establishment of an OPEB Tracking Mechanism</u>

15. The Signatories agree that KCP&L may establish a tracking mechanism for its share of FAS 106 OPEB costs consistent with the provisions of paragraphs 7 through 14 above, beginning with the effective date of new rates in this case, with the following modifications:

a. OPEB cost, as described for pensions in paragraph 7, will be calculated based on FAS 106 requirements.

b. Funding requirements, as described for pensions in paragraph 12, are replaced with a single requirement that current period OPEB cost will be funded.

c. Amortization of unrecognized OPEB costs as of the July 2008 acquisition of Aquila, Inc. by GPE will be directly assigned to the applicable GMO affiliates.

Treatment of Pension/OPEB Cost for Joint Owners in Iatan and LaCygne

16. KCP&L, KCP&L Greater Missouri Operations Company ("GMO") and The Empire District Electric Company ("Empire") jointly own the Iatan 1 generating unit. KCP&L, GMO, Empire, Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), and Kansas Electric Power Cooperative, Inc. ("KEPCO") jointly own the Iatan 2 generating unit and Iatan Common plant. KCP&L and Westar Energy ("Westar") jointly own the LaCygne generating units 1 and 2 stations. As the majority owner and operator of the Iatan and LaCygne generating units/stations, KCP&L allocates the operating costs, including pension costs, to the other joint owners: GMO, Empire, MJMEUC, KEPCO and Westar. KCP&L, Westar, and KEPCO jointly own the Wolf Creek generating unit/station, but the Wolf Creek Nuclear Operating Corporation ("WCNOC"), not KCP&L, operates the Wolf Creek generating unit/station. Thus, WCNOC allocates the operating costs, including pension costs, to the joint owners, including KCP&L. The reference to joint owners below is to the joint owners in (a) the Iatan 1 and 2 generating units/stations and Iatan Common plant, and (b) the LaCygne 1 and 2 generating units/stations.

17. KCP&L and the Staff agree KCP&L employee pension and OPEB costs related to KCP&L employees directly assigned to or who allocate part of their time to work for the Iatan 1, Iatan 2, Iatan Common and LaCygne 1 and LaCygne 2 generating units/stations will be calculated consistently with the methodology identified in the Payroll Annualization adjustment. Any cost or regulatory asset, including the prepaid pension asset, and/or liability, generated under paragraphs 7 through 15 above, will be calculated separately for the amounts related to KCP&L's joint owners. KCP&L management and joint trustee pension costs and OPEB costs

for KCP&L employees charging payroll costs to the Iatan and LaCygne generating units/stations will be allocated among the joint owners of the stations in proportion to their ownership interests. None of the regulatory assets and/or liabilities, including the prepaid pension asset**,** or annual pension and OPEB costs related to KCP&L's joint owners will be reflected in rate base or cost of service in any KCP&L rate case.

<u>Treatment of Pension Cost for the Supplemental Executive Retirement Plan (SERP)</u>

18. GPE maintains a Supplemental Executive Retirement Plan (SERP) for key employees. The plan, administered by GPE, does not utilize a trust fund. The Signatories agree that SERP expense will not be included in the tracking mechanism for Regulatory Assets and/or Liabilities, including the Prepaid Pension Asset. SERP expense is not included in the amounts reflected below for this Agreement or in any costs included herein. SERP will be considered in cost of service separately for rate making purposes to the extent it is determined to be appropriate and reasonable. The Signatories are free to consider other alternative treatment in future rate cases.

<u>Annual Pension Cost and Regulatory Assets - Case No. ER 2010-0355</u>

19. KCP&L's Missouri jurisdictional rates established in this case, ER-2010-0355, are based on $34,906,127, (total Company) for annual pension cost expensed under FAS 87, after removal of capitalized amounts and the portion of KCP&L's annual pension cost which is allocated to KCP&L's joint owners in the Iatan and LaCygne generating units/stations, but before inclusion of allowable SERP pension costs and amortization of pension-related regulatory assets/liabilities. As described in paragraph 7.f, an annual funding status adjustment has been made from L&P to KCP&L in the amount of $1.5 million (total company before capitalization). GPE's actuaries have determined that this adjustment is required annually for an approximate ten (10) year period. All resulting pension amounts reflect KCP&L's share of the consolidated GPE

pension costs and do not include any costs applicable to MPS or L&P.

20. KCP&L's Prepaid Pension Asset balance included in rate base, exclusive of the joint owners' shares, is $0 (total Company) at December 31, 2010.

21. KCP&L's FAS 87 Regulatory Asset included in rate base for the cumulative difference between pension cost recognized in its prior rates and its actual pension costs under FAS 87 since January of 2005 is $15,422,662 (total Company) at December 31, 2010, exclusive of any amount allocated to KCP&L's joint owners.

22. KCP&L's rates reflect the 5-year amortization of the $15,422,662 FAS 87 Regulatory Asset identified in the prior paragraph at an annual rate before capitalization of $3,084,532 (total Company). KCP&L will amortize $2,383,418 (total Company), after capitalization, to pension expense annually beginning with the effective date of rates established in this case, File No. ER-2010-0355.

<u>Annual OPEB Cost and Regulatory Assets - Case No. ER 2010-0355</u>

23. Expense and contribution trackers for OPEB costs will be initiated with the effective date of rates in Case No. ER-2010-0355, anticipated to be May 4, 2011.

24. KCP&L's Missouri jurisdictional retail rates established in this case, ER-2010-0355, are based on $8,083,889 (total Company) for annual OPEB cost expensed under FAS 106, after removal of capitalized amounts and the portion of KCP&L's annual OPEB cost which is allocated to KCP&L's joint owners in the Iatan and LaCygne generating units/stations, but before inclusion of the amortization of FAS 88 and FAS 158 regulatory assets. All OPEB amounts reflect KCP&L's share of the consolidated GPE OPEB costs and do not include any costs applicable to MPS or L&P.

25. KCP&L's Prepaid OPEB Asset balance included in the Company's rate base, exclusive of the joint owners' shares, is $0 (total Company) at December 31, 2010.

26. KCP&L's FAS 106 Regulatory Asset included in rate base for the cumulative difference since inception (see paragraph 23) between OPEB cost recognized in its prior rates and its actual OPEB costs under FAS 106 is $0 (total Company) at December 31, 2010, exclusive of any amount allocated to KCP&L's joint owners.

27. KCP&L's rates reflect the 5-year amortization of the $0 FAS 106 Regulatory Asset identified in the prior paragraph at an annual rate before capitalization of $0 (total Company). KCP&L will amortize $0 (total Company), after capitalization, to OPEB expense annually beginning with the effective date of rates established in this case, ER-2010-0355.

FAS 88 Pension Cost Treatment for Financial Reporting and Ratemaking

28. In Case No. ER-2006-0314, the Signatories agreed to adopt deferred accounting treatment for FAS 88 pension costs consistent with the agreement for FAS 87 deferred accounting treatment. Unlike FAS 87, which allows for delayed recognition in net periodic pension cost of certain unrecognized amounts, FAS 88 requires immediate recognition of certain costs arising from settlements and curtailments of defined benefit plans. Without Commission-approved deferred accounting treatment, KCP&L would have been required to recognize a significant FAS 88 pension cost prior to year-end 2006 due to a significant number of pension settlements that occurred during 2006. FAS 88 costs are legitimate pension costs which should be recovered in rates.

a. Any future FAS 88 pension costs deferred and subject to recovery in a future KCP&L rate case should (a) include only the costs related to KCP&L's Missouri jurisdictional electric operations and (b) exclude all amounts assignable to GMO, Empire, MJMEUC, KEPCO and Westar Energy as joint owners of the Iatan 1 and Iatan 2 and LaCygne 1 and LaCygne 2 generating stations/ units.

b. All of KCP&L's FAS 88 pension costs related to KCP&L's Missouri jurisdictional electric operations, exclusive of amounts allocated to joint owners, subsequent to December 31, 2010 will be deferred in a regulatory asset and amortized to cost-of-service over 5-years in KCP&L's next rate case. This treatment will continue to apply in all future KCP&L rate cases. KCP&L's Regulatory Asset for FAS 88 pension costs was $22,706,500 (total Company) at September 30, 2007, exclusive of any amount allocated to KCP&L's joint owners. No additional FAS 88 pension costs have been incurred subsequent to that time. (See below for rate base treatment and funding requirements.)

c. KCP&L's rates reflect the 5-year amortization of the $22,706,500 Regulatory Asset identified in the prior paragraph at an annual total company amount of $4,541,300 ($2,452,443 Missouri jurisdictional) before capitalization. KCP&L began amortizing $3,508,210 (total Company), after capitalization, or $1,894,542 Missouri jurisdictional after capitalization, to pension expense annually beginning with the January 1, 2008 effective date of rates established in Case No. ER-2007-0291. This five-year amortization ends December 31, 2012.

d. KCP&L will be required to fund all FAS 88 pension costs it collects in rates. Since KCP&L will not be required to fund any FAS 88 cost prior to recovery in rates, no rate base treatment will be required for the regulatory asset representing deferred FAS 88 costs. KCP&L began funding $2,452,443 (Missouri jurisdictional total, including capitalized and expensed) ($1,894,542 Missouri jurisdictional expensed) annually, beginning with the January 1, 2008 effective date of rates established in Case No. ER 2007-0291, and will continue to do so until the amortization is removed from cost of service on the effective date for the first new rates established after amounts are fully amortized.

FAS 88 OPEB Cost Treatment for Financial Reporting and Ratemaking Purposes

29. All of KCP&L's FAS 88 OPEB costs related to KCP&L's Missouri jurisdictional electric operations, exclusive of amounts allocated to joint owners, subsequent to December 31, 2010, will be deferred in a regulatory asset and amortized to cost-of-service over 5-years in KCP&L's next rate case consistent with the provisions of paragraph 27.

30. The Signatories agreed in Case No. ER-2007-0291 that FAS 88 OPEB costs would be recovered for ratemaking consistent with recovery of FAS 88 pension costs, using a 5-year amortization period beginning with the effective date of rates established in the next case. FAS 88 OPEB termination fees the Company incurred prior to the September 30, 2007 true-up period of $239,604 (total Company), excluding amounts capitalized, are being amortized over 5-years, beginning with the rates effective January 1, 2008 in that case. The annual amortization amount is $47,921 (total Company). No additional FAS 88 OPEB costs have been incurred subsequent to that time. This 5 year amortization ends December 31, 2012. These costs were paid by KCP&L to the Wolf Creek Nuclear Operating Corporation ("WCNOC") and funded by WCNOC when WCNOC incurred them. Any amounts of the amortization that is over recovered by KCP&L past January 1, 2013 will be funded to the KCP&L OPEB VEBA until the amortization is removed from cost of service on the effective date for the first new rates established after the amounts are fully amortized.

FAS 158 Pension and OPEB Cost Treatment for Financial Reporting and Ratemaking Purposes

31. FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," required KCP&L to convert its measurement date from September 30, 2008 to December 31, 2008. As a result, KCP&L incurred a "catch up" of three months of additional pension and OPEB expenses in 2008. In a prior rate case, the Signatories agreed that FAS 158 pension and OPEB re-measurement adjustments related to KCP&L's Missouri

jurisdictional electric operations, exclusive of amounts allocated to joint owners, would be deferred in a regulatory asset and amortized to cost-of-service over five years beginning with the September 1, 2009 effective date of rates in Case No. ER-2009-0089. This treatment will continue to apply in all KCP&L rate cases until fully amortized. The FAS 158 re-measurement adjustment for pensions is $7,308,560 ($4,033,609 Missouri jurisdictional), before capitalization and excluding amounts allocated to joint owners. The FAS 158 re-measurement adjustment for OPEB is $2,017,485 ($1,113,454 Missouri jurisdictional), before capitalization and excluding amounts allocated to joint owners.

a. KCP&L's rates have reflected the 5-year amortization of the $7,308,560 total company Pension Regulatory Asset identified in the prior paragraph at an annual amount of $1,461,712 ($806,721 Missouri jurisdictional) before capitalization. KCP&L began amortizing $1,121,527 (total Company), or $618,971 (Missouri jurisdictional) after capitalization, to pension expense annually, beginning with the September 1, 2009 effective date of rates established in Case No. ER-2009-0089.

b. KCP&L's rates have reflected the 5-year amortization of the $2,017,485 total company OPEB Regulatory Asset identified in the prior paragraph at an annual amount of $403,497 ($222,691 Missouri jurisdictional) before capitalization. KCP&L began amortizing $305,003 (total Company), or $168,331 (Missouri jurisdictional) after capitalization, to OPEB expense annually beginning with the September 1, 2009 effective date of rates established in Case No. ER-2009-0089. This 5-year amortization ends August 31, 2014.

c. KCP&L is required to fund all FAS 158 pension and OPEB costs it collects in rates. Since KCP&L will not be required to fund any FAS 158 costs prior to recovery in rates, no rate base treatment will be required for the regulatory asset representing deferred FAS 158 costs. KCP&L began funding $806,721 pension costs and $222,691 OPEB costs (Missouri jurisdictional total, including capitalized and expensed) annually beginning with the September 1, 2009 effective date of rates established in Case No. ER-2009-0089, and will continue such funding until the amortization is removed from cost of service on the effective date for the first new rates established after amounts are fully amortized.

Treatment of Pension and OPEB-Related Other Comprehensive Income (OCI)

32. The provisions of FAS 158, require certain adjustments to the pension and OPEBs asset and/or pension or OPEBs liability with a corresponding adjustment to equity (i.e., decreases/increases to Other Comprehensive Income). The Company shall be allowed to set up a regulatory asset/liability to offset any adjustments that would otherwise be recorded to equity caused by applying the provision of FAS 158 or any other FASB statement or procedure that requires accounting adjustments to equity due to the funded status or other attributes of the pension or OPEB plan. The parties acknowledge that the adjustments described in this paragraph shall not increase or decrease rate base.

General Provisions

33. This Agreement is being entered into solely for the purpose of settling the issues in this case explicitly set forth above. Unless otherwise explicitly provided herein, none of the Signatories to this Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any cost of service methodology or determination, depreciation principle or method, method of cost determination or cost allocation or revenue-related methodology. Except as explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Agreement in this or any other

proceeding, regardless of whether this Agreement is approved.

34. This Agreement is a negotiated settlement. Except as specified herein, the Signatories to this Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement, or in any way condition its approval of same.

35. This Agreement has resulted from extensive negotiations among the Signatories, and the terms hereof are interdependent. If the Commission does not approve this Agreement unconditionally and without modification, then this Agreement shall be void and no Signatory shall be bound by any of the agreements or provisions hereof.

36. If approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Signatories. The Signatories shall cooperate in defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

37. If the Commission does not approve this Agreement without condition or modification, and notwithstanding the provision herein that it shall become void, (1) 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 RSMo. §536.080 or Article V, Section 18 of the Missouri Constitution, and (2) 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, 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

purpose whatsoever.

38. If the Commission accepts the specific terms of this Agreement without condition or modification, only as to the issues of the issues in these cases explicitly set forth above, the Signatories each waive their respective rights to present oral argument and written briefs pursuant to RSMo. §536.080.1, their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, their respective rights to seek rehearing pursuant to §536.500, and their respective rights to judicial review pursuant to §386.510. This waiver applies only to a Commission order approving this Agreement without condition or modification issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Agreement.

WHEREFORE, the undersigned Signatories respectfully request the Commission to issue an order in this case approving the Non-Unanimous Stipulation And Agreement Regarding Pensions And Other Post Employment Benefits 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, transmitted by facsimile or electronically mailed to all counsel of record this 22nd day of March 2011.

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