

**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”

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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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