

**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 Implement its)
Regulatory Plan.)

Case No. ER-2007-0291

**STIPULATION AND AGREEMENT
AS TO CERTAIN ISSUES**

COME NOW Kansas City Power & Light Company ("KCPL" or "Company"), the Staff of the Missouri Public Service Commission ("Staff"), and respectfully state to the Missouri Public Service Commission ("Commission") that, as a result of negotiations, the undersigned parties ("Parties") have reached the stipulations and agreements contained herein in order to settle the certain issues specified below.

1. **Issues Settled.** This Stipulation and Agreement is intended to settle the following issues previously identified by some or all of the Parties through testimony and or schedules.

- Wolf Creek Refueling Outage Costs (Issue 18);
- Research and Development Tax Credits (Issue 16);
- Bad Debt Expense (Issue 17);
- Cost of Removal Income Tax (Issue 8);
- Surface Transportation Board Litigation Expenses (Issue 20);
- Washington Employee Costs (Issue 11);
- Rate Case Expense (Issue 19);

- Organization Membership Dues (Issue 9);
- KCPL Supplemental Executive Retirement Pension (SERP) costs (Issue 12);
- Meal Expenses (Issue 13).

2. Wolf Creek Refueling Outage Costs

The Parties agree to use the defer-and-amortize method for Wolf Creek Refueling Outage Costs. They further agree to adjust the working capital calculation to exclude the specific line item for Wolf Creek Refueling Outage Costs, and include such costs with miscellaneous cash vouchers.

3. Research and Development Tax Credits

The Parties agree to reverse the Missouri jurisdictional consulting expenses incurred related to the research and development tax credit studies from the Company's cost of service, and set up a regulatory asset for the expense. The Parties agree also to set up a regulatory liability for the Missouri jurisdictional research and development tax credits included as adjustments on the 2000-2005 amended tax returns filed in 2007. Both the regulatory asset and the regulatory liability will be amortized over five years beginning on the effective date of the new rates in the first general rate case following the receipt of the refunds by the Company.

4. Bad Debt Expense

In the True-Up Proceeding, the Parties agree to update the bad debt factor to the actual factor experienced for the 12 months ending September 30, 2007.

5. Cost of Removal Income Tax

The Parties agree that KCPL will adopt in this case normalization accounting for the tax timing difference associated with pre-1981 vintage cost of removal, and amortize \$7,088,760 (Missouri jurisdictional), representing the excess of KCPL's actual cost of removal over the accrued cost included in book depreciation in prior years, over a 20 year period, beginning January 1, 2008. The Parties agree the Staff's deferred income tax expense will be increased by \$354,438. The tax timing difference for cost of removal related to pre-1981 vintage property will be normalized by KCPL on a going forward basis for financial reporting and ratemaking purposes.

This settlement of this issue in this case will resolve this issue for all future rate cases as well.

6. Surface Transportation Board Litigation Expenses and Rate Case Expense

For the purposes of settling the Surface Transportation Board Litigation Expenses and Rate Case Expense issues, the Staff's revenue requirement will be increased by \$191,927.

7. Washington Employee Costs, Organization Membership Dues, KCPL Supplemental Executive Retirement Pension (SERP) costs and Meals Expenses

For the purposes of settling the Washington Employee Costs, Organization Membership Dues, KCPL Supplemental Executive Retirement Pension (SERP) costs and Meals Expenses issues, the Staff's revenue requirement will be increased by \$150,000.

8. Testimony Received Into Evidence. Unless called by the Commission or the Regulatory Law Judge to respond to questions of the Commissioners or the Regulatory Law Judge, in the event the Commission accepts the specific terms of this Stipulation and Agreement, the portions of the testimony of the following witnesses concerning matters not at issue between the Parties, including the Issues Settled as set out in paragraph 1, *supra*, shall be received into evidence without the necessity of these witnesses taking the stand:

KCPL Witnesses and Testimony

Weisensee
Hardesty

Staff Witnesses and Testimony

Traxler
Hyneman
Vesley

9. This Agreement is being entered into solely for the purpose of disposing of the issues that are specifically addressed in this Agreement. Except as specifically addressed otherwise for the particular issues set out 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.

10. 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.

11. 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.


12. 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.

13. 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,



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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 3rd day of October 2007.

