

**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 for Electric Service to)
Begin the Implementation of Its Regulatory)
Plan)

Case No. ER-2006-0314

**NONUNANIMOUS STIPULATION AND AGREEMENT
REGARDING REGULATORY PLAN ADDITIONAL AMORTIZATIONS**

Come now the Staff of the Missouri Public Service Commission (“Staff”), the Office of the Public Counsel (“Public Counsel”), Praxair, Inc. (“Praxair”) and Kansas City Power & Light Company (KCPL), collectively “Signatories,” and respectfully state to the Missouri Public Service Commission (“Commission”):

1. The Signatories have reached a Stipulation And Agreement Regarding Regulatory Plan Additional Amortizations (“Agreement”) that resolves among them the “gross-up” for taxes issue of the calculation of the quantification of the Regulatory Plan Additional Amortizations issue and sub-issues listed under the heading “Regulatory Plan Additional Amortizations,” in the List Of Issues filed with the Commission in this case on October 6, 2006. The sub-issue concerning how KCPL’s off-balance sheet obligations should be valued for purposes of the additional amortizations has been fully contested and still must be decided by the Commission in this proceeding.

2. The Signatories hereby agree that the methodology discussed in the attachment (“Appendix 1”) hereto shall be the methodology used to calculate the quantification of any income tax impacts associated with the Regulatory Plan additional amortizations in KCPL rate

increase or rate decrease cases.

3. The Signatories agree that the additional amortization calculation based upon the revenue requirement resulting from the true-up in this case will reflect an allocation of Great Plain Energy, Inc.'s (GPE's)/KCPL's capital structure to Missouri electric operations. This allocation will exclude the impact of the operations of GPE/KCPL not related to KCPL's Missouri electric operations.

4. This Agreement is subject to various provisions of the Regulatory Plan Stipulation And Agreement in Case No. EO-2005-0329, such as Paragraph III.B.1.i and Paragraph III.B.1.p. Paragraph III.B.1.i of the Regulatory Plan, as amended by the Commission's August 23, 2005 Order Approving Amendments To Experimental Regulatory Plan, states, in part, that (i) the amortization amounts in the aggregate shall not exceed the expected cost savings from the amortization mechanism and the lower costs of capital resulting from investment grade ratings and (ii) "[t]he accumulated 'Additional Amortizations To Maintain Financial Ratios' amounts will be treated as increases to the depreciation reserve and be deducted from rate base in any future KCPL rate proceedings, beginning with the first rate case after the 2006 Rate Case." Paragraph III.B.1.p of the Regulatory Plan states that in order to ensure that the benefits of offsetting the rate base related to the amortizations in the Regulatory Plan accrue to KCPL's customers in future rate proceedings, these benefits shall be reflected in rates, notwithstanding any future changes in the statutory provisions contained in Chapters 386 and 393 RSMo, for at least ten (10) years following the effective date of the Order Approving Stipulation And Agreement in Case No. EO-2005-0329.¹

5. Further, KCPL acknowledges that this Agreement is a resolution and is an

¹ The effective date of the Commission's July 28, 2005 Report And Order in Case No. EO-2005-0329 was August 7, 2005.

implementation of the resolution of the gross-up issue that was intentionally left unresolved by the Regulatory Plan Stipulation And Agreement in Case No. EO-2005-0329. This resolution is implemented pursuant to and in compliance with the provisions of that Stipulation And Agreement, and that as a result thereof, any Regulatory Plan additional amortization that is provided to KCPL pursuant to that Stipulation And Agreement shall be used as a reduction to rate base for the longer of (a) at least ten (10) years following the effective date of the July 28, 2005 Report And Order in Case No. EO-2005-0329 or (b) until the investment in the plant in service accounts to which the Regulatory Plan additional amortizations are ultimately assigned by the Commission is retired. Such reduction to rate base is understood and accepted by KCPL without reservation.

6. This is a legally binding agreement and creates binding contractual and legal relationships for its duration. By signing or authorizing execution by its representatives on its behalf, KCPL represents and acknowledges that it has sought and obtained such counsel, legal or otherwise as it desires and fully understands and acknowledges that termination or modification of any of the terms hereof requires the consent and signature of all signatories to this agreement or explicit authorization of the Commission. KCPL agrees that it may not unilaterally seek Commission termination of this Agreement unless it can show that there is a significant and imminent risk that its ability to provide safe and adequate service will be substantially impaired. KCPL acknowledges that the inability to provide safe and adequate service is the appropriate standard for the Commission to apply to any request to unilaterally terminate this Agreement. KCPL also agrees that this Agreement is complete in itself, that in entering into it KCPL is not relying upon any assumptions, impressions or understandings that are not reflected in this Agreement, and that nothing in this Agreement changes the terms of the Case No. EO-2005-0329

KCPL Experimental Regulatory Plan Stipulation And Agreement. KCPL further agrees that the rate base offset that is agreed upon herein is not dependent upon the inclusion of the Iatan 2 plant in KCPL's rate base or whether that plant becomes fully operational and used for service by any particular date or time or ever becomes fully operational and used for service.

7. The Signatories agree that the calculated amount of any Regulatory Plan additional amortizations during KCPL's Regulatory Plan will reflect an allocation of GPE's/KCPL's total company capital structure to its Missouri jurisdictional retail electric operations. GPE's/KCPL's Missouri jurisdictional allocated capital structure will be calculated by synchronizing the capital structure component ratios with the amount of its Missouri jurisdictional electric rate base plus any net balance sheet investment in electric operations it incurs in serving Missouri retail electric customers that is not reflected in its rate base. This synchronization will be effectuated by applying the debt and equity capital ratio percentages from GPE's/KCPL's total company capital structure to the sum of Missouri jurisdictional rate base plus the additional net balance sheet investment incurred to serve Missouri jurisdictional electric operations.

8. The Signatories agree that the additional net balance sheet investment for purposes of calculating the Regulatory Plan additional amortizations solely in this proceeding shall be (\$14,209,674).

9. 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.

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 to call, examine and cross-examine witnesses pursuant to Section 536.070(2), RSMo 2000; their respective rights to present oral argument and/or written briefs pursuant to

Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500 RSMo 2000; and 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.

13. This Agreement, including all exhibits, schedules, appendices and attachments, contains the entire agreement of the Signatories concerning the issues addressed herein. Except as explicitly stated herein, there are no oral promises, agreements, warranties, obligations, assurances, unstated understandings, or conditions precedent that affect, limit or expand it.

14. Should the Commission have questions about this Agreement, the Signatories will make available their witnesses and attorneys on the issues resolved by this Agreement. 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 Nonunanimous Stipulation And Agreement Regarding Regulatory Plan Additional Amortizations subject to the specific terms and conditions contained therein.

Respectfully submitted,

/s/ Steven Dottheim

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REGULATORY PLAN AMORTIZATIONS RESOLUTION EXPLANATION

A resolution of the Regulatory Plan Additional Amortization “gross-up” for taxes issue has been reached in the Kansas City Power & Light Company (KCPL) rate increase case, Case No. ER-2006-0314, involving the following key points:

1. The entire amount of the Regulatory Plan amortization allowed in rates is to be treated as additional book depreciation for rate and financial statement purposes by KCPL;
2. An additional tax straight-line depreciation deduction in the entire amount of the Regulatory Plan amortization allowed in rates will be assumed for rate purposes and financial reporting purposes; and
3. The accumulated book depreciation reserve resulting from the recognition of the Regulatory Plan amortization as book depreciation will be recognized as an offset (reduction) to rate base in subsequent rate cases. The accumulated reduction in deferred income tax expense resulting from including the Regulatory Plan amortization in the straight line tax depreciation deduction will be reflected on KCPL’s tax records and included in subsequent rate cases, as appropriate, along with all other factors included in the determination of deferred income tax expense. The net effect of these changes related to the Regulatory Plan amortizations to the accumulated depreciation reserve and the accumulated deferred tax reserve is an overall reduction to KCPL’s rate base. The reduction in deferred taxes will be reflected in the deferred income tax balance in rate base in future rate cases, as well as all other changes affecting the deferred tax balance, including additional deferred taxes resulting from KCPL’s plant additions.

The Regulatory Plan amortization is intended to provide KCPL the necessary cash flow to meet the two particular debt coverage ratios identified in the Regulatory Plan based upon KCPL’s Missouri jurisdictional cost of service.¹ The entire amount of the Regulatory Plan amortization will be treated as additional book depreciation, and the entire amount of the amortization will be reflected in KCPL’s tax calculation as additional tax straight-line depreciation deduction.

¹ Adjusted Funds From Operations Interest Coverage and Adjusted Funds From Operations as a Percent of Average Total Debt. See Paragraph III.B.1.i and Appendix E and Appendix F of the Regulatory Plan.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed by pre-paid first class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 4th day of December 2006.

/s/ Steven Dottheim_____