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Missouri Public
Service Commission

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office in
Jefferson City on the 23rd day of
August, 2005.

In the Matter of a Proposed Regulatory Plan
of Kansas City Power & Light Company

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)

Case No. EO-2005-0329

**ORDER APPROVING AMENDMENTS TO
EXPERIMENTAL REGULATORY PLAN**

Issue Date: August 23, 2005

Effective Date: August 23, 2005

On March 28, 2005, Kansas City Power & Light, the Staff of the Commission, the Office of the Public Counsel, Missouri Department of Natural Resources, Praxair, Inc., Missouri Industrial Energy Consumers, Ford Motor Company, Aquila, Inc., The Empire District Electric Company, and Missouri Joint Municipal Electric Utility Commission (collectively referred to as "Signatory Parties") submitted a Stipulation and Agreement. That agreement included an Experimental Regulatory Plan.

On July 28, the Commission issued its Report and Order. That order approved the Experimental Regulatory Plan. The agreement and the Report and Order allowed the signatory parties to adopt provisions of a similar agreement pending before the Kansas Corporation Commission.¹

~~STAFF~~ Exhibit No. 143
Case No(s). EO-2005-0329
Date 10-16-06 Rptr RF

¹ Stipulation and Agreement, pp. 49-50 (March 28, 2005); Report and Order, p. 42 (July 28, 2005).

On August 5, KCPL filed the KCC order that approved of KCPL's Kansas experimental regulatory plan.² On August 12, Staff, Public Counsel, Department of Natural Resources and Praxair filed their Proposed Amendment of the KCPL Experimental Regulatory Plan. That pleading included an appendix that detailed the proposed amendments to the stipulation and agreement.

On August 16, KCPL responded. KCPL agreed to the proposed amendments. KCPL also stated that the Kansas stipulation and the differences between the Kansas stipulation and Missouri stipulation were part of the record the Commission used to issue its Report and Order.³ Because the Kansas stipulation was part of the record well before the Commission's hearing, KCPL argues that the Commission can approve the proposed amendments without further hearing.

Proposed Amendments

The proposed amendments to which the above parties agree are as follows:

a. Language for Case No. EF-2005-0498:

" . . . KCPL will file with the Commission within ten (10) days of the issuance of any debt securities authorized pursuant to this proceeding, a report including the amount of debt securities issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, and use of proceeds. With regard to such debt, KCPL agrees that it will abide by the conditions and restrictions set forth by the

² *In re Kansas City Power & Light Company*, Order Approving Stipulation and Agreement, KCC Docket No. 04-KCPE-1025-GIE (August 5, 2005).

³ *Joint Motion to Approve Stipulation and Agreement*, (April 28, 2005); *Staff Suggestions in Support of Stipulation and Agreement, Appendix 2* (May 10, 2005).

Federal Energy Regulatory Commission in its Order issued February 21, 2003, in Docket No. ES02-51-000."⁴

b. Page 19, first paragraph on page, revised last sentence as indicated by the underlined words:

"... KCPL further recognizes that any finding by the Commission that KCPL has failed to prudently manage its costs, continuously improve productivity, and maintain service quality during the Regulatory Plan will negate the obligation of the non-KCPL Signatory Parties contained in this section."

c. Page 19, second paragraph on page, new last sentence to be added:

"... The non-KCPL Signatory Parties reserve the right to recommend "Additional Amortizations to Maintain Financial Ratios" amounts in each rate case such that these amounts in aggregate do not exceed the expected cost savings from the amortization mechanism and the lower costs of capital resulting from the investment grade ratings."

d. Page 19, second paragraph on page, new third to last sentence to be added:

"... The 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. . . ."

e. Page 26, top of the page:

"(xiv) material changes in the projected rates and costs to ratepayers resulting from the Resource Plan."

f. Page 26, first full paragraph, new first sentence to be added:

"KCPL will on its own or upon request of any non-KCPL parties reassess the reasonableness and adequacy of the Resource Plan if changed circumstances arise that may impact the reasonableness and adequacy of the Resource Plan during the initial and ongoing implementation of the primary elements of the Resource Plan."

⁴ Although the parties did not state how EF-2005-0498 should be amended, this language appears to be an amendment to paragraph 18 of KCPL's application.

g. Page 26, first full paragraph, revised sentence:

"If KCPL determines that its Resource Plan should be modified because changed factors or circumstances have impacted the reasonableness and adequacy of the Resource Plan, then it shall file notice with the Commission and notify all Signatory Parties in writing within ten (10) days of any such determination."

h. Page 26, second paragraph, new last sentence to be added:

". . . Any agreement concerning modification of the resource plan shall be filed with the Commission."

i. Page 27, new paragraph to be added after first full paragraph:

"In order to provide more assurance that future generation or power supply, including Demand Side Management resources, are acquired at the most reasonable cost and to establish a benchmark of reasonable costs, KCPL agrees that its process for considering or acquiring future resources in addition to those contemplated by this Resource Plan shall include the issuance of a Request for Proposal (RFP) for the supply of such resource by competitive bid. KCPL agrees to consult with the Staff and Public Counsel in the design and content of the RFP before it is issued."

j. Page 45, new bullet point to be added after the first bullet point on the page:

"KCPL contemplates the possibility of building a railroad bridge for coal deliveries to the latan site. The bridge will not be considered a part of the Resource Plan contained in this Agreement. Should KCPL build the bridge, the Signatory Parties reserve the right to take any position on the revenue requirement related to the bridge in a future rate case. KCPL will consult with the Staff and Public Counsel regarding its negotiations for coal delivery arrangements and the need for the bridge before making a decision regarding the bridge."

k. Page 45, new second sentence in bullet point for wind generation to be added:

"As part of the determination respecting proceeding with the construction of the second 100 MW investment in new wind generation, KCPL will issue a Request for Proposal (RFP) for a twenty-year (20-year) purchase power agreement (PPA) for wind generation from independent third parties on a cost per kilowatt-hour basis, which includes any expected tax credits."

l. Page 46, new first paragraph to be added at the beginning of III.B.5:

"In calendar years 2005 through 2009, KCPL commits to implement Demand Response, Efficiency and Affordability programs, subject to the continuing review and prior approval of the Commission on a program-by-program basis. No program will be implemented until such Commission approval has been obtained through the tariff filing process."

m. Page 29, new paragraph to be added after first full paragraph in III.B.5:

"KCPL recognizes that if generation assets are deregulated in the future, it is at risk for recovery of stranded costs related to the acquisition of the new generation. Furthermore, KCPL acknowledges that ratepayers would be entitled to a greater share of a gain on the disposition of the new generation upon deregulation due to possible implementation of the "Additional Amortizations To Maintain Financial Ratios" mechanism."

n. Page 29, second new paragraph to be added after first full paragraph in III.B.5:

"For purposes of determining the cost of debt in the rate proceedings during this Agreement, the lower of the actual cost of debt or the cost of debt for an investment grade rating will be used."

The Commission has already reviewed and approved the parties' original Stipulation and Agreement. That agreement included provisions allowing the parties to amend their agreement to comport with the agreement filed in Kansas. The Commission will therefore approve these amendments without further hearing.

IT IS THEREFORE ORDERED:

1. That the proposed amendments to the March 28, 2005 Stipulation and Agreement, listed above under "Proposed Amendments," are approved.

2. That this order shall become effective on August 23, 2005.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur

Pridgin, Regulatory Law Judge

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of a Proposed Experimental Regulatory) Case No. EO-2005-_
Plan of Kansas City Power & Light Company)

STIPULATION AND AGREEMENT

As a result of discussions among the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel"), Missouri Department of Natural Resources ("MDNR"), Praxair, Inc. ("Praxair"), Missouri Industrial Energy Consumers ("MIEC"), Ford Motor Company ("Ford"), Aquila, Inc., d/b/a Aquila Networks, Aquila Networks-MPS and Aquila Networks-L&P, ("Aquila"), The Empire District Electric Company ("Empire"), Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), Jackson County, Missouri ("Jackson County"), City of Kansas City, Missouri ("Kansas City") and Kansas City Power & Light Company ("KCPL") (collectively "Signatory Parties"), the Signatory Parties hereby submit to the Missouri Public Service Commission ("Commission") for its consideration and approval this Stipulation and Agreement ("Agreement"). The Signatory Parties state as follows:

I. KANSAS CITY POWER & LIGHT COMPANY'S APPLICATION

KCPL is an electric corporation under the jurisdiction of the Commission. On May 6, 2004, KCPL filed an Application in Case No. EO-2004-0577 requesting that the Commission open a docket to investigate emerging issues expected to affect the supply, delivery and pricing of the electric service provided by KCPL in the future. The issues discussed by KCPL, Staff, Public Counsel and other participants in Case No. EW-2004-0596 included the following:

- A. The need for additional generating capacity in the KCPL service territory into the future;
- B. The mix of new generation that would result in a reliable and cost effective service for Missouri customers;
- C. The desirability of proactively addressing environmental concerns relating to new generation and existing generating facilities;
- D. Investment into a highly reliable transmission and distribution infrastructure;
- E. Establishment of customer efficiency and affordability programs and development of new technologies and applications for demand response programs; and
- F. Agreement regarding a regulatory plan that will adequately address the comprehensive undertakings being considered by KCPL, including the timeliness of the recovery of the costs and the financial considerations of such significant investments.

Throughout 2004, KCPL conducted numerous workshops, public forums, and strategic planning seminars, involving employees, customers, energy experts, financial experts, the general public, consumer groups, manufacturers, industrial and trade groups, environmental organizations, and other utility companies, as well as government and community leaders to solicit comment regarding its planning process. Meetings with the Staff, Public Counsel, and other participants to Case No. EW-2004-0596 were also conducted at which KCPL made presentations and answered questions. Requests for information were issued by Staff and other participants in Case No. EW-2004-0596 and responses have been provided by KCPL.

During the course of these proceedings, KCPL has provided to the Staff, Public

Counsel, and the other participants the following information, among other things: (a) a description of KCPL's proposed efficiency, affordability and demand response programs; (b) KCPL's ten-year generation and load forecasts; (c) a description of KCPL's proposed distribution and transmission infrastructure programs; (d) a description of all of the power supply alternatives considered by KCPL to meet its load requirements; and (e) a description of environmental investments considered by KCPL to be necessary for the future.

II. PROCEDURAL HISTORY

1. On May 6, 2004, KCPL filed in Case No. EO-2004-0577 its Application To Establish Investigatory Docket And Workshop Process Regarding Kansas City Power & Light Company. In its Application, KCPL requested that the Commission issue an Order (a) opening an investigatory docket regarding the future supply and pricing of the electric service provided by KCPL; and (b) authorizing the use of the Commission's workshop process to address certain issues related to the future supply and pricing of electricity for KCPL and its customers, and any other issues impacting KCPL that may arise from discussion among the interested participants.

2. On May 25, 2004, the Commission issued an Order Directing Notice And Setting Intervention Deadline in Case No. EO-2004-0577.

3. Participants, including MDNR, Aquila, Empire, Kansas City, Concerned Citizens of Platte County ("Citizens"), Praxair, MIEC and MJMEUC filed applications to intervene in Case No. EO-2004-0577. Subsequently, the Missouri Energy Group ("MEG"), the Sierra Club ("Sierra Club"), Union Electric Company, d/b/a AmerenUE

("AmerenUE"), and Jackson County participated in the workshops conducted in Case No. EW-2004-0596.

4. On June 3, 2004, the Commission issued an Order Establishing Case which granted KCPL's Application to Establish Investigatory Docket and Workshop Process Regarding Kansas City Power & Light Company, filed by KCPL on May 6, 2004, and established an informal, investigatory case designated as Case No. EW-2004-0596. In the June 3, 2004, Order Establishing Case, the parties which filed to intervene in Case No. EO-2004-0577 were also made participants in Case No. EW-2004-0596. On July 1, 2004, the Commission issued its Notice Closing Case in Case No. EO-2004-0577 which formally closed that proceeding.

5. A prehearing conference was held in Case No. EW-2004-0596 on June 30, 2004. A series of presentations and workshops were held on June 21, June 30, July 21, July 30, August 10-11, August 19, August 24-26, September 7, September 15, September 29, and October 29, 2004. During this period KCPL conducted numerous informal meetings with a variety of interested groups and individuals to discuss the many issues raised by this proceeding. The workshop was organized into two teams. Team A reviewed Integrated Resource Planning related issues, including load forecasting, generation planning, demand side management, environmental issues, and distribution and transmission technologies. A subteam within Team A reviewed affordability, efficiency, and demand response programs. Team B reviewed the financial issues associated with KCPL's various plans, including maintaining KCPL's current investment grade rating on its securities. These Teams were led jointly by KCPL and Staff representatives. Meetings also occurred on dates subsequent to October 29, 2004. On

January 18, 2005, the Commission held an on the record conference. On February 18, 2005, the Commission issued its Order Closing Case in Case No. EW-2004-0596.

III. STIPULATION AND AGREEMENT OF THE PARTIES

Having considered the Application that KCPL submitted in Case No. EW-2004-0596, and having participated in workshops, discovery and settlement negotiations, the Signatory Parties agree on certain premises, fundamental concepts, and factual conclusions, as set forth hereafter, and recommend that the Commission adopt as its Order Approving Stipulation and Agreement in this Case No. EO-2005-_____ these agreements and an Experimental Regulatory Plan ("Regulatory Plan") for KCPL as set forth in detail below. For purposes of this Agreement, all obligations and conditions agreed and assumed by KCPL shall become, pursuant to the terms of this Agreement, obligations and conditions of any KCPL affiliate, successor, or assignee, which shall be bound in the same manner and to the same extent as KCPL.

A. DEFINITIONS

Significant change – a change in the related facts and circumstances that would call into question whether the current course of action is still appropriate.

Regulatory Plan – all the terms and conditions contained in this Agreement.

Resource Plan - the capital investments and customer programs contained in this Agreement, as more fully described in Paragraph III.B.4 "Timely Infrastructure Investments" and Paragraph III.B.5 "Demand, Response, Efficiency, and Affordability Programs."

Regulatory Plan Term/Duration – approximate five (5) year period beginning with the effective date of the Commission Order Approving Stipulation and Agreement.

Iatan 2 – coal fired, base load generating unit to be located at the Iatan generating station site near Weston, Missouri

LIST OF APPENDICES

APPENDIX A – SO₂ Emission Allowance Management Policy

APPENDIX B – Anticipated Five Year Budget Financing Plan Summary

APPENDIX C – Affordability, Efficiency and Demand Response Programs

APPENDIX D – Strategic Initiative Projects – Projected In-Service Dates, Regulatory Initiatives, Capital/Amortization Projects, Asset Management Plan

APPENDIX E – Credit Ratio Ranges and Definitions

APPENDIX F – Adjustment of Amortization Amounts

APPENDIX G – Depreciation and Amortization Rates – Missouri Jurisdictional

APPENDIX H – In-Service Criteria

APPENDIX I – Missouri Class Cost of Service Study – Requirements – Rate Filing Number 1

B. STIPULATIONS AND AGREEMENTS

The Signatory Parties submit to the Commission this Agreement:

1. AN EXPERIMENTAL REGULATORY PLAN (“REGULATORY PLAN”)

a. Capital Investments and Programs

KCPL agrees to make the capital investments and initiate the customer programs contained in this Agreement, as more fully described in Paragraph III.B.4 “Timely Infrastructure Investments” and Paragraph III.B.5 “Demand, Response, Efficiency, and Affordability Programs” below (collectively the “Resource Plan”). The Signatory Parties agree that under the unique circumstances respecting KCPL, the capital investment package described in Paragraph III.B.4 and the customer programs described in

Paragraph III.B.5 constitute major elements of a reasonable and adequate resource plan at the time the Signatory Parties entered into this Agreement.

b. Current Rate Levels

KCPL, Staff, Public Counsel and the other Signatory Parties have agreed that, based upon the agreements and commitments contained herein, KCPL's current rates should be maintained at current levels through December 31, 2006, as specified in Paragraph III.B.2 "Rate Moratorium" below.

c. Single-Issue Rate Mechanisms

KCPL agrees that, prior to June 1, 2015, it will not seek to utilize any mechanism authorized in current legislation known as "SB 179" or other change in state law that would allow riders or surcharges or changes in rates outside of a general rate case based upon a consideration of less than all relevant factors. In exchange for this commitment, the Signatory Parties agree that if KCPL proposes an Interim Energy Charge ("IEC") in a general rate case filed before June 1, 2015 in accordance with the following parameters, they will not assert that such proposal constitutes retroactive ratemaking or fails to consider all relevant factors:

- (i) The rates and terms for such an IEC shall be established in a rate case along with a determination of the amount of fuel and purchased power costs to be included in the calculation of base rates.
- (ii) The rate or terms for such an IEC shall not be subject to change outside of a general rate case where all relevant factors are considered.
- (iii) The IEC rate "ceiling" may be based on both historical data and forecast data for fuel and purchased power costs, forecasted retail sales, mix of

generating units, purchased power, and other factors including plant availability, anticipated outages, both planned and unplanned, and other factors affecting the costs of providing energy to retail customers.

- (iv) The duration of any such IEC shall be established for a specified period of time, not to exceed two years.
- (v) A refund mechanism shall be established which will allow any over-collections of fuel and purchased power amounts to be returned to ratepayers with interest following a review and true-up of variable fuel and purchased power costs at the conclusion of each IEC. Any uncontested amount of over-collection shall be refunded to ratepayers no later than 60 days following the filing of the IEC true-up recommendation of the Staff.
- (vi) During any IEC period, KCPL shall provide to the Staff, Public Counsel and other interested Signatory Parties monthly reports that include any requested energy and fuel and purchase power cost data.

d. SO₂ EMISSION ALLOWANCES

KCPL is authorized to manage its SO₂ emission allowance inventory, including the sales of such allowances, under the Stipulation and Agreement in Case No. EO-2000-357. Under such Stipulation and Agreement, KCPL must record all SO₂ emission allowance sales proceeds as a regulatory liability in Account 254, Other Regulatory Liabilities, for ratemaking purposes. The following, including the attached SO₂ Emission Allowance Management Policy ("SEAMP") contained in Appendix A, supersedes the plan approved in the Stipulation and Agreement in Case No.

EO-2000-357. The Signatory Parties agree upon the SEAMP contained in Appendix A. The proceeds and costs of all transactions identified in the SEAMP will be recorded in Account 254 for ratemaking purposes.

The regulatory liability will be amortized over the same time period used to depreciate environmental assets (emission control equipment and other emission control investments). This provision recognizes that the sales of SO₂ emission allowances to fund investments in new environmental control equipment, in order to meet emissions standards required now or in the future by legislation, MDNR or the United States Environmental Protection Agency ("EPA") regulations, are like-kind exchanges of assets. KCPL agrees to provide all correspondence between KCPL and the United States Internal Revenue Service ("IRS") with respect to SO₂ emission allowances to the Signatory Parties, within fourteen (14) days of such correspondence. KCPL shall be obligated to define the correspondence as "Proprietary" or "Highly Confidential" if it so deems the material.

In the event the IRS fails to certify SO₂ emission allowance sales as like-kind exchanges, the Signatory Parties agree that the above agreement on the amortization period for the regulatory liability is no longer binding on, or prejudicial to, KCPL or the other Signatory Parties, and that KCPL and the Signatory Parties are free to, and may, recommend the appropriate amortization period for such regulatory liability to be included in Rate Filing #4 (Iatan 2 case) revenue requirement required herein and to commence on the effective date of tariffs from Rate Filing #4.

KCPL currently purchases coal from vendors under contracts that indicate nominal sulfur content. To the extent that coal supplied has a lower sulfur content than

specified in the contract, KCPL may pay a premium over the contract price. The opportunity to burn coal with lower sulfur content is both advantageous to the environment and reduces the number of SO₂ emission allowances that must be used. To the extent that KCPL pays premiums for lower sulfur coal up until January 1, 2007, it will determine the portion of such premiums that apply to retail sales and will record the proportionate cost of such premiums in Account 254. But in no event will the charges to the Missouri jurisdictional portion of Account 254 for these premiums exceed \$400,000 annually. The portion of premiums applicable to retail will be determined monthly based on the system-wide percentage of MWh's from coal generation used for retail sales versus wholesale sales as computed by the hourly energy costing model. This system-wide percentage will be applied to premiums invoiced during the same period.

e. PENSION EXPENSE

The intent of this pension expense agreement is to:

- A. Ensure that KCPL recovers the amount of the net prepaid pension asset representing the recognition of a negative Statement of Financial Accounting Standards No. 87 (FAS 87) result used in setting rates in prior years;
- B. Ensure that the amount collected in rates is based on the FAS 87 cost using the methodology described below in item 2;
- C. Ensure that once the amount in item A above has been collected in rates by KCPL, all pension cost collected in rates is contributed to the pension trust;
- D. Ensure that all amounts contributed by KCPL to the pension trust per items 3 and 5 below are recoverable in rates; and

E. Ensure that KCPL will receive no more or less than the amount in item 3 below before KCPL is required to fund the plan.

With the exception of item 1 below, this Agreement is consistent with the recent settlement agreement on pension expense in The Empire District Electric Company rate case, Case No. ER- 2004-0570.

To accomplish these goals in items A through E above, the following matters are agreed upon as part of this Agreement, to be applied as of the first day of the calendar year in which the settlement is approved:

1. KCPL's FAS 87 cost, for financial reporting purposes, will differ from the method used for ratemaking purposes described in item 2 below. KCPL made a voluntary decision (not required for compliance with a Commission order) in January 2000, to amortize gains and losses under FAS 87 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. It is KCPL's belief that any method, which recognizes gains and losses over a shorter time frame, is considered a "more preferable" method under Generally Accepted Accounting Principles ("GAAP"). Therefore, KCPL believes that, pursuant to GAAP, it is precluded from changing the method of pension accounting to another method unless the change is to a more preferable method. It is KCPL's contention that, in the case of FAS 87, a more preferable method is a method that amortizes gains and losses more rapidly. The method described in item 2 below does not amortize gains and losses more rapidly and is not considered a more preferable method

under KCPL's belief. Therefore, under KCPL's understanding of this matter, it cannot switch to that method for financial reporting.

Public Counsel and the Staff do not concur in KCPL's belief. Thus, KCPL will establish a regulatory asset or liability for the annual difference in the FAS 87 result from the two different methods. KCPL'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.

2. FAS 87 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; and
- 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.)

3. Any FAS 87 amount (as calculated in item 2 above), which exceeds the minimum Employee Retirement Income Security Act of 1974 ("ERISA") contribution, will reduce the prior net prepaid asset currently recognized in rate base of \$63,658,444 (\$34,694,918 Missouri jurisdictional). When the prior net

prepaid pension asset currently recognized in rate base is reduced to zero (0), any amount of FAS 87 (as calculated in item 2 above), which exceeds the minimum ERISA funding level, must be funded. The Missouri jurisdictional net prepaid pension amount to be included in rate base may be increased as provided in item 5 below. Furthermore, any FAS 87 amount that exceeds the minimum ERISA funding level 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, for the excess collected in rates but not contributed to the trust fund, until such time as the contribution occurs.

4. In the case that FAS 87 expense becomes negative, the Signatory Parties agree that KCPL shall set up a regulatory liability to offset the negative expense. In future years, when FAS 87 expense becomes positive again, rates will remain zero (0) until the prepaid pension asset that was created by negative expense 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.

5. The Signatory Parties agree to allow KCPL rate recovery for contributions made to the pension trust in excess of the FAS 87 expense, calculated pursuant to item 2 above for the following reasons: the minimum required contribution is greater than the FAS 87 expense level, avoidance of Pension Benefit Guarantee Corporation ("PBGC") variable premiums, and avoidance of the recognition of a

minimum pension liability (i.e., with associated charge to Other Comprehensive Income (“OCI”)). A regulatory asset will be established and will be allowed rate base treatment for the excess of any contribution (as defined above) over the annual FAS 87 amount calculated in accordance with item 2 above.

6. The Signatory Parties agree that a regulatory asset or liability will be established on KCPL’s books to track the difference between the level of FAS 87 expense calculated, pursuant to item 2 above, during the rate period, and the level of pension expense built into rates for that period, after consideration for pension costs capitalized. The level of FAS 87 current period costs, before capitalization, built into rates for the initial period, is established as \$22,000,000. If the FAS 87 expense during the period is more than the expense built into rates for the period, KCPL will establish a regulatory asset. If the FAS 87 expense during the period is less than the expense built into rates for the period, KCPL will establish a regulatory liability. If the FAS 87 expense becomes negative, a regulatory liability equal to the difference between the level of pension expense built into rates for that period and \$0 will be established. Since this is a cash item, the regulatory asset or liability will be included in rate base and amortized over five (5) years at the next rate case.

7. Any FAS 87 net prepaid pension asset, other than the amount identified in item 3 above, will not earn a return in future regulatory proceedings. The regulatory assets/liabilities identified in items 5 and 6 above address the inclusion of any additional rate base amounts.

The Signatory Parties agree that KCPL should follow the accounting treatment prescribed by the Federal Energy Regulatory Commission ("FERC") in General Instruction No. 23 regarding pension-related OCI and transfer existing and future pension OCI amounts to a regulatory asset. This regulatory asset will not be included in Rate Base.

f. FINANCING PLAN TO BE SUBSEQUENTLY FILED BY KCPL FOR COMMISSION AUTHORIZATION

The Signatory Parties understand that making the capital investments and initiating the customer programs described in Paragraph III.B.4 and Paragraph III.B.5 of this Agreement will require KCPL to issue debt securities. The Signatory Parties also understand that KCPL will be required to refinance all or a portion of debt securities currently scheduled to mature during the Regulatory Plan. Further, KCPL has advised the Signatory Parties that the time that would be required for it to prefile with the Commission for approval of each offering of debt securities during the term of the Regulatory Plan could unduly restrict its ability to access the capital markets under the most advantageous terms and conditions.

In the course of the workshop and subsequent discussions, KCPL has provided the Signatory Parties with a long-term financing plan outlining the anticipated issuance of new debt securities and refinancing of existing debt securities. Thus, related to KCPL's Regulatory Plan, is KCPL's issuance of debt securities at future dates for both new expenditures and refinancing purposes. KCPL will soon make a filing with the Commission seeking Commission authorization to engage in these issuances of new debt securities and refinancing of existing debt securities. This future filing of KCPL will

apply to debt securities to be issued in the aggregate by KCPL during the Regulatory Plan.

The debt securities that subsequently would be issued under the Commission authorization that will be sought in the near term by KCPL will have maturities of from one (1) year to 40 years and will be issued by KCPL or through agents or underwriters for KCPL in multiple offerings of differing amounts at different times with different interest rates (including variable interest rates) and other negotiated terms and conditions. Interest rates on the debt securities will not exceed ten percent (10%) on (i) fixed rate debt securities or (ii) the initial rate on any variable or remarketed debt securities. The net proceeds from the issuance of these securities will be used for general corporate purposes, including the repayment of short-term debt.

The debt securities may be senior or subordinated and may be issued as unsecured or secured under KCPL's existing general mortgage debt indentures, depending on cost differentials and market conditions at the time of issuance. The debt securities may take the form of "fall-away" mortgage debt in which it is initially secured debt but converts to unsecured debt based on certain conditions. Finally, the debt securities may include subordinated debt securities to be sold to one or more special purpose financing entities, such as trusts, established by KCPL that, in turn, would issue preferred securities. KCPL will seek Commission authorization to guarantee the distributions, redemption price and liquidation payments respecting such preferred securities.

KCPL will also request Commission authorization to enter into interest rate hedging instruments in conjunction with the debt securities to be issued as a result of the Regulatory Plan. KCPL will continue to maintain separate Commission-granted

authority to enter into interest rate hedging instruments to manage the portfolio of variable rate debt, particularly pollution control bonds, that KCPL currently has outstanding separate from the Regulatory Plan.

Attached to this Agreement, as Appendix B, is the long-term "Financial Plan" that has been provided by KCPL to the Signatory Parties. Also attached to this Agreement, as Appendix D, is the KCPL "Strategic Initiative Projects Projected In-Service Dates" listing the specific generation, environmental and distribution projects included in KCPL's Regulatory Plan and their projected in-service dates as provided by KCPL's response to Staff Data Request No. 3025.

g. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION ("AFUDC")

KCPL agrees to a 1.25% or 125 basis point reduction in the equity portion of the AFUDC rate applicable to Iatan 2. KCPL shall use this 125 basis point reduction in the AFUDC rate from the effective date of the Order Approving Stipulation and Agreement in this proceeding, and in all subsequent calculations of AFUDC on Iatan 2 until the in-service date of Iatan 2.

h. CURRENT AMORTIZATIONS

KCPL will continue to include as a component of cost of service \$3.5 million in Missouri jurisdictional amortization expense, from the effective date of this Agreement until the effective date of the tariffs resulting from Rate Filing #1, per Paragraph III.B.3.a of this Agreement, to be filed in 2006, for rates effective in 2007. KCPL shall maintain adequate records that identify the \$3.5 million of annual amortization expense originally authorized in *Re Customer Class Cost of Service and Comprehensive Rate Design Investigation of Kansas City Power & Light Company*, Order Approving Stipulation and

Agreement, Case No. EO-94-199, 5 Mo.P.S.C.3d 76 (1996) on a state specific basis, by vintage year so that Missouri customers will receive recognition, of the amortization funds they have provided, in the determination of rate base for the Missouri jurisdiction, in future rate proceedings.

KCPL shall record additional amortization expense in the amount of \$10.3 million on an annual Missouri jurisdictional basis beginning with the effective date of this Agreement until the effective date of the tariffs resulting from Rate Filing #1, per Paragraph III.B.3.a of this Agreement. This amount is equal to the change in depreciation expense reflecting a change in service life span of the Wolf Creek Nuclear Generating Station from 40 to 60 years provided for in Paragraph III.A.3.n of this Agreement.

KCPL, Staff, Public Counsel and other Signatory Parties may propose that these amortizations be directed toward specific plant accounts: Provided, however, that the Wolf Creek amortizations will be assigned only to the nuclear generation plant accounts. Any such accumulated amortizations will be used as an offset to rate base, in future rate proceedings of KCPL or its successors.

i. ADDITIONAL AMORTIZATIONS TO MAINTAIN FINANCIAL RATIOS

In Re Application of Kansas City Power & Light Company For An Order Authorizing Its Plan to Reorganize Itself Into a Holding Company Structure, Case No. EM-2001-0464, 10 Mo.P.S.C.3d 394 (2001), KCPL agreed to maintain its debt at investment grade. The Signatory Parties agree that it is desirable to maintain KCPL's debt at investment grade rating during the period of the construction expenditures contained in this Agreement. KCPL understands it has the responsibility to take prudent

and reasonable actions in an effort to achieve the goal of maintaining its debt at investment grade levels. KCPL understands that it is incumbent upon it to take prudent and reasonable actions that do not place its investment grade debt rating at risk. KCPL further agrees that any negative impact from its failure to be adequately insulated from the Great Plains Energy, Inc. ("GPE") business risks as perceived by the debt rating agencies will not be supported by its Missouri jurisdictional customers. KCPL recognizes its obligation to continue to prudently manage costs, continuously improve productivity, and maintain service quality during the Regulatory Plan. KCPL further recognizes that any finding by the Commission that KCPL has failed to prudently manage its costs, continuously improve productivity, and maintain service quality during the Regulatory Plan will negate the obligation of the Signatory Parties contained in this section.

The non-KCPL Signatory Parties commit to work with KCPL to ensure that based on prudent and reasonable actions, KCPL has a reasonable opportunity to maintain its bonds at an investment grade rating during the construction period ending June 1, 2010. As part of this commitment, the non-KCPL Signatory Parties agree to support the "Additional Amortizations to Maintain Financial Ratios", as defined in this section and related appendices, in KCPL general rate cases filed prior to June 1, 2010. The "Additional Amortization to Maintain Financial Ratios" will only be an element in any KCPL rate case when the Missouri jurisdictional revenue requirement in that case fails to satisfy the financial ratios shown in Appendix E through the application of the process illustrated in Appendix F.

The "Additional Amortizations to Maintain Financial Ratios", is designed to satisfy two of three financial ratios shown in Appendix E "Credit Ratio Ranges &

Definitions.” The three selected financial ratios are: Total Debt to Total Capitalization, Funds from Operations Interest Coverage and Funds from Operations as a Percentage of Average Total Debt. The Total Debt to Total Capitalization ratio will be addressed in the KCPL financing application that will be filed in the near future. The values for these ratios were selected to meet the lower end of the top third of the three financial ratios under the BBB columns as shown in Appendix E “Credit Ratio Ranges & Definitions.” If these ratio guidelines or ranges are changed or modified before June 1, 2010, the Signatory Parties will work together to determine the appropriate values for these ratios, including consideration of the use of the last published ranges for these ratios.

The Signatory Parties agree to support an additional amortization amount added to KCPL’s cost of service in a rate case when the projected cash flows resulting from KCPL’s Missouri jurisdictional operations, as determined by the Commission, fail to meet or exceed the Missouri jurisdictional portion of the lower end of the top third of the BBB range shown in Appendix E, for the Funds from Operations Interest Coverage ratio and the Funds from Operations as a Percentage of Average Total Debt ratio. The Signatory Parties agree to adopt an amortization level necessary to meet the Missouri jurisdictional portion of these financial ratios.

Appendix F “Illustration: Adjustment of Amortization Amounts” illustrates the adjustment process that the Signatory Parties agree to use to determine the Missouri jurisdictional amortization levels discussed herein. The additional amortization shown in Appendix F will exclude any consideration of amounts related to imprudent actions as determined by the Commission. The Missouri jurisdictional portion and amounts of the additional amortization will be determined by the Commission in each relevant rate case.

The prudence of the "Capitalized Lease Obligations" and "Off-Balance Sheet Obligations" will be determined in the first general rate case that affords the Commission the opportunity to review the matter, if the matter has not been approved by the Commission in a prior proceeding. Additional taxes will be added to the amortization to the extent that the Commission finds such taxes to be appropriate. The additional amortization will not reflect any negative cash flow impacts related to special contracts. For purposes of calculating additional amortization pursuant to this section, these special contract customers will be treated as if they were paying the full generally applicable tariff rate. In addition, any other provisions and special contracts will not affect rate base for regulatory purposes.

The Signatory Parties recognize that credit rating agencies review other financial indicators and that these three ratios are not definitive in and of themselves. Credit rating agencies acknowledge that other factors, some subjective, do impact their financial ratings. The Signatory Parties recognize the fact that KCPL may not earn an investment grade rating even if it meets the BBB+ ratio guidelines. Conversely, the Signatory Parties recognize the fact that KCPL may earn a BBB+ credit rating without meeting the values set out for a BBB+ credit rating. If KCPL meets the BBB+ credit rating values but does not receive an investment grade credit rating, KCPL agrees that the Signatory Parties are under no obligation to recommend any further cash flow or rate relief to satisfy the obligations under this section. KCPL also recognizes and agrees that its Missouri operations are only responsible for and will only provide cash flow for its Missouri operating share of the necessary cash flows as set out in this Paragraph III.B.1.i. Therefore, if KCPL is unable to meet the BBB+ credit ratio values in Appendix E

because of (1) inadequate cash flows from its regulated Kansas or other non-Missouri retail regulated operations, (2) inadequate cash flows from any wholesale operations, (3) inadequate cash flows from the non-regulated subsidiaries of GPE, (4) any risk associated with GPE that is unrelated to KCPL's Missouri regulated operations, or (5) any KCPL or GPE imprudent costs, KCPL will not argue for or receive increased cash flows from its Missouri regulated operations in order to meet the BBB+ credit ratio values.

The Signatory Parties will not be precluded from suggesting other amortizations or other relief to address cash flow concerns resulting from a significant event such as those identified in Paragraphs III.B.2.b.i-iv. No Signatory Party is precluded from supporting an amortization amount that exceeds the requirements of this Paragraph III.B.1.i.

j. Off-System Sales

KCPL agrees that off-system energy and capacity sales revenues and related costs will continue to be treated above the line for ratemaking purposes. KCPL specifically agrees not to propose any adjustment that would remove any portion of its off-system sales from its revenue requirement determination in any rate case, and KCPL agrees that it will not argue that these revenues and associated expenses should be excluded from the ratemaking process.

k. Transmission Related Revenues

KCPL agrees that transmission related revenues and related costs will continue to be treated above the line for ratemaking purposes. KCPL specifically agrees not to propose any adjustment that would remove any portion of its transmission related

revenues from its revenue requirement determination in any rate case, and KCPL agrees that it will not argue that these revenues and associated expenses should be excluded from the ratemaking process.

k. Depreciation on Wind

Wind assets, when included in rate base, will be depreciated over a 20 year life, as contained in Appendix G "Depreciation & Amortization Rates, Missouri Jurisdictional."

l. In-Service Criteria

KCPL, Staff and Public Counsel have agreed to the in-service criteria in Appendix H for the below list of existing generating units, the future Iatan 2 coal unit, and the future wind units in accordance with the requirements specified under Section 393.135 RSMo 2000. KCPL agrees that all units will meet these in-service criteria before being included in rate base:

- (1) Hawthorn Unit 6/9. Combined cycle.
- (2) Hawthorn 7. Simple cycle combustion turbine.
- (3) Hawthorn 8. Simple cycle combustion turbine.
- (4) Hawthorn Boiler Number 5. Coal fired.
- (5) Hawthorn Turbine Number 5. Steam turbine.
- (6) West Gardner Unit 1. Simple cycle combustion turbine.
- (7) West Gardner Unit 2. Simple cycle combustion turbine.
- (8) West Gardner Unit 3. Simple cycle combustion turbine.
- (9) West Gardner Unit 4. Simple cycle combustion turbine.
- (10) Osawatomie Unit 1. Simple cycle combustion turbine.

KCPL, Staff and Public Counsel agree that in-service criteria will be developed for the emissions equipment that is to be installed on KCPL coal fired units prior to the equipment installation, and the equipment will meet the criteria before the costs for the equipment will be included in rate base.

m. Wolf Creek Depreciation Reserve

KCPL agrees to determine the effect on the depreciation reserve related to the difference in depreciation rates for the Wolf Creek Nuclear Generating Station resulting from the depreciation rates approved in Missouri and Kansas prior to this Agreement. KCPL further agrees to include this information in its filing related to Rate Filing #1 required in this Agreement for review by the Signatory Parties and Commission approval. The identified amount of depreciation reserve resulting for Missouri operations shall be identified and be assigned specifically to Missouri jurisdictional operations in Rate Filing #1 and all subsequent cases involving KCPL or its successors. It is the intent of this requirement to ensure Missouri ratepayers receive credit (via the rate base deduction afforded depreciation reserve funds) for providing additional depreciation expense to KCPL and eliminating the possibility of these funds being allocated in future cases to the Kansas jurisdiction or other jurisdictions that did not provide the funds.

n. Wolf Creek Depreciation

Upon the effective date of this Agreement, KCPL will begin recording depreciation expense for the Wolf Creek Nuclear Generating Station based on a 60-year life span. The Signatory Parties agree the Commission should authorize KCPL to use depreciation rates for the various nuclear plant accounts, as contained in Appendix G “Depreciation & Amortization Rates, Missouri Jurisdictional”.

o. Resource Plan Monitoring

KCPL agrees to actively monitor the major factors and circumstances which influence the need for and economics of all elements of its Resource Plan (the term “Resource Plan” is defined for purposes of this Agreement in Paragraph III.B.1.a.) until

the capital investments described in Paragraph III.B.5 below are completed. Such factors and circumstances would include, but not be limited to:

- (i) terrorist activity or an act of God;
- (ii) a significant change in federal or state tax laws;
- (iii) a significant change in federal utility laws or regulations or a significant change in GAAP;
- (iv) an unexpected, extended outage or shutdown of a major generating unit(s), other than any major generating unit(s) shut down due to an extended outage at the time of the filing of this Agreement (these units are the major coal burning facilities identified as Hawthorn 5, Iatan, LaCygne 1 & 2 and Montrose 1, 2 & 3, and the nuclear unit Wolf Creek);
- (v) a significant change in the cost and/or reliability of power generation technologies;
- (vi) a significant change in fuel prices and wholesale electric market conditions;
- (vii) a significant change in the cost and/or effectiveness of emission control technologies;
- (viii) a significant change in the price of emission allowances;
- (ix) a significant change in KCPL's load forecast;
- (x) a significant change in capital market conditions;
- (xi) a significant change in the construction costs of elements of the resource plan;
- (xii) a significant change in the scope or effective dates of environmental regulations; or

(xiii) a significant change in federal or state environmental laws.

If KCPL determines that its Resource Plan should be modified because changed factors or circumstances have impacted the reasonableness and adequacy of the resource plan, then it shall notify all Signatory Parties in writing within forty-five (45) days of any such determination. In its notification, KCPL shall: (1) explain the reason(s) (e.g., changed circumstances) for the proposed change in the Resource Plan; (2) specify the new proposed Resource Plan; (3) provide a description of the alternatives that it evaluated and the process that it went through in choosing the new proposed Resource Plan; and (4) provide detailed workpapers that support the evaluation and the process whereby a new proposed Resource Plan was chosen.

If any Signatory Party has concerns regarding KCPL's new proposed Resource Plan, it shall notify KCPL and all Signatory Parties in writing within thirty (30) days of KCPL's written notification to the Signatory Parties. Upon receipt of any such written notification from a Signatory Party, KCPL shall promptly schedule a meeting (KCPL must provide reasonable advance notice of the meeting to all Signatory Parties) where the participants will make good faith efforts to reach consensus regarding how the Resource Plan should be modified in order to create a modified plan that is reasonable and adequate in light of changed factors or circumstances. Any disputes about the need to modify the Resource Plan and the manner in which it should be modified will be discussed among the interested Signatory Parties and these Signatory Parties will cooperate to resolve the dispute in good faith. If the Signatory Parties cannot resolve the dispute within ninety (90) days of KCPL's written notification, the matter will be brought to the Commission for its determination.

If any Signatory Party believes that there have been significant changes in factors or circumstances that have not been acknowledged by KCPL, any Signatory Party may notify KCPL and all other Signatory Parties and request a meeting of all Signatory Parties to discuss the specific changes in factors or circumstances that give rise to the concern of the Signatory Party giving such notice. If the interested Signatory Parties cannot resolve the dispute within ninety (90) days of a Signatory Party's written notification, the matter will be brought to the Commission for its determination. The burden of proof to demonstrate the continued reasonableness and prudence of the new resource plan shall remain with KCPL in any dispute regarding changed factors or circumstances.

Signatory Parties by signing this Agreement do not waive any rights to contest, in any proceeding, that KCPL did not properly monitor significant factors or circumstances and as a result did not properly execute its Resource Plan.

Nothing in this section shall be construed to interfere with KCPL's ability to meet its obligations to provide safe and adequate service by obtaining the resources necessary to meet the short-term reserve margin requirements of KCPL's regional reliability organization (KCPL's current regional reliability organization is the Southwest Power Pool, Inc.).

p. Amortizations: Ten (10) Year Recognition of Future Benefits

In order to ensure that the benefits of offsetting the rate base related to the amortizations contained in this Agreement accrue to KCPL's customers in future rate proceedings, KCPL agrees that any such benefits shall be reflected in its 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 this proceeding.

q. Cost Control Process for Construction Expenditures

KCPL must develop and have a cost control system in place that identifies and explains any cost overruns above the definitive estimate during the construction period of the Iatan 2 project, the wind generation projects and the environmental investments.

2. RATE MORATORIUM

a. The Signatory Parties to this Agreement (excluding the Office of the Attorney General) agree not to request, or encourage or assist in any request for, (i) a general increase or decrease in KCPL's Missouri retail electric rates, or (ii) rate credits or rate refunds respecting KCPL's Missouri retail electric rates, that would become effective for service rendered prior to January 1, 2007.

b. The Signatory Parties agree that KCPL's rates should remain at their current levels through December 31, 2006, unless a significant event that has a major impact on KCPL occurs, including, but not limited to:

- (i) terrorist activity or an act of God;
- (ii) a significant change in federal or state tax laws;
- (iii) a significant change in federal utility laws or regulations or a significant change in GAAP;
- (iv) an unexpected, extended outage or shutdown of a major generating unit(s), other than any major generating unit(s) shut down due to an extended outage at the time of the filing of this Agreement (these units are the major coal burning facilities identified as Hawthorn 5, Iatan, LaCygne

1 & 2 and Montrose 1, 2 & 3, and the nuclear unit Wolf Creek); or

(v) KCPL does not fulfill its commitments to make the investments described in the Resource Plan, Paragraphs III.B.4 and III.B.5 in this Agreement.

3. EXPECTED RATE CASES DURING REGULATORY PLAN

During the period beginning with the effective date of the Commission's Order Approving Stipulation and Agreement, and ending on June 1, 2010, KCPL may file rate schedules incorporating increases at the times and under the conditions detailed below. KCPL is not required to file Rate Filing #2 and Rate Filing #3. However, KCPL agrees to file Rate Filing #1, and a rate case to include the investments related to the completion of Iatan 2. KCPL will not seek any additional rate increases during the Regulatory Plan, other than as specified below as Rate Filing ##1, 2, 3, and 4 unless at least one of the contingencies specified in Paragraph III.B.2.b applies.

If one or more of the investments specified in Paragraphs III.B.3.b-e is not included in a rate case filing, as specified herein, KCPL may include the investments in a later rate case filing. In such an instance, the Signatory Parties' commitment not to take the position that the investments should be excluded from KCPL's rate base will extend to the filing that includes such investments consistent with the "Infrastructure" subparagraph of each "Rate Filing" section immediately below. KCPL further commits to work to develop mutually agreeable procedures in these rates cases to streamline the rate case process.

Because of the magnitude of these investments and the length of time in the Regulatory Plan, KCPL may need to adjust the timing of the rate filings to reflect additional information regarding the construction and timing of investments and other factors. KCPL and the Signatory Parties agree to work together to adjust the rate filing schedules to reflect these needs.

a. RATE FILING # 1 (2006 RATE CASE)

(i) Schedule. Rate schedules with an effective date of January 1, 2007 will be filed with the Commission on February 1, 2006. The test year will be based upon a historic test year ending December 31, 2005, (initially filed with nine (9) months actual and three (3) months budget data), with updates for known and measurable changes, as of June 30, 2006, and with a true-up through September 30, 2006. On or about October 21, 2006, KCPL will file in a true-up proceeding a reconciliation as of September 30, 2006. The specific list of items to be included in the true-up proceeding shall be mutually agreed upon between KCPL and the Signatory Parties, or ordered by the Commission during the course of the rate case. However, the Signatory Parties anticipate that the true-up items will include, but not necessarily be limited to, revenues including off-system sales, fuel prices and purchased power costs, payroll and payroll related benefits, plant-in-service, property taxes, depreciation and other items typically included in true-up proceedings before the Commission.

(ii) Interventions. Each of the Signatory Parties shall be considered as having sought intervenor status in the 2006 Rate Filing without the necessity of filing an application to intervene and KCPL consents in advance to such

interventions. The Signatory Parties expect that the Commission's standard procedures and rules will be applicable to this rate filing including public notice, local public hearings and evidentiary hearings at appropriate times and places, and an opportunity for interested parties other than the Signatory Parties to seek to intervene.

(iii) Infrastructure. The 2006 Rate Case will include prudent expenditures made related to 100 megawatts of wind generation, and the additions to transmission and distribution infrastructure identified in Appendix D that are in service prior to the agreed upon true-up date of the rates approved in this case. The Signatory Parties agree that they will not take the position that these investments should be excluded from KCPL's rate base on the ground that the projects were not necessary or timely, or that alternative technologies or fuels should have been used by KCPL, so long as KCPL proceeds to implement the Resource Plan described herein (or a modified version of the Resource Plan where the modified plan has been approved by the Commission) and KCPL is in compliance with Paragraph III.B.1(o) "Resource Plan Monitoring." Nothing in this Agreement shall be construed to limit any of the Signatory Parties' ability to inquire regarding the prudence of KCPL's expenditures, or to assert that the appropriate amount to include in KCPL's rate base or its cost of service for these investments is a different amount (e.g., due to imprudent project management) than that proposed by KCPL.

(iv) Amortization Expense. The 2006 Rate Case will include an amortization expense anticipated to be \$17 million on a Missouri jurisdictional

basis and as this amount may be adjusted to address the requirements as set out in Paragraph III.B.1.i. Conditioned upon KCPL's continued performance pursuant to the Regulatory Plan, the Signatory Parties agree that they will not contest this amortization in the 2006 Rate Case. After the 2006 Rate Case, KCPL will continue to book this amortization annually, which shall continue until the Commission approves a change either upon agreement of the Signatory Parties made with due regard to KCPL's then existing situation, or in the course of a general rate proceeding as further set out in Paragraph III.B.1.i.

Paragraph III.B.1.i does not preclude KCPL, or any other party from requesting that this amortization be directed toward specific plant accounts or from requesting additional changes in depreciation rates that may result from depreciation studies. Any such accumulated amortization balance booked pursuant to this Agreement will be used as an offset to rate base in future rate proceedings of KCPL. KCPL shall maintain adequate records that identify the amortizations on a state specific basis by vintage year so that Missouri customers will receive recognition of the amortization funds they have provided, in the determination of rate base in future rate proceedings.

The Signatory Parties agree that the portion of the amortization expense as provided for in Paragraph III.B.1.i. allocated to Missouri shall reflect the cash flow effect of any difference in depreciation expense due to different service lives (currently 40 years for Missouri and 60 years for Kansas) between Missouri and Kansas with respect to the Wolf Creek Nuclear Generating Station. The Signatory Parties recognize that the failure to recognize this difference will result

in Missouri retail customers providing cash flows in excess of the equitable level provided via the special amortization and depreciation expense for Wolf Creek.

(v) Demand Response, Efficiency and Affordability Programs. The 2006 Rate Case will also include an amortization related to the Demand Response, Efficiency and Affordability Programs, as more fully described in Paragraph III.B.5 below. The Signatory Parties agree not to contest this amortization on any basis other than KCPL's failure to prudently implement the Demand Response, Efficiency and Affordability Programs described in Paragraph III.B.5 below.

(vi) Revenue Computation Inputs. KCPL will provide to Staff monthly billed kWh sales, revenues, customer and billing units aggregated by jurisdiction, by rate class (Small General Service, Medium General Service, Large General Service, Large Power Service, etc.), and by voltage level (primary, secondary, sub-transmission, etc.) for all rate classes. In addition, this data would be provided by usage period (read cycle) for the weather-sensitive groupings. This data would be provided for the nine (9) months of test year actual data that is available when KCPL files the case and for the other three (3) months of the test year as soon as the data is available.

(vii) Class Cost of Service Study. KCPL agrees that the 2006 Rate Case will also include the filing of a Class Cost of Service Study by KCPL. No later than February 1, 2006, KCPL will submit to the Signatory Parties a Missouri jurisdictional revenue requirement cost of service study and a Missouri jurisdictional customer class cost of service study covering the twelve months

ending December 31, 2005. KCPL agrees that the Missouri customer class cost of service study will include the requirements shown in Appendix I, and all underlying workpapers associated with these studies, including but not limited to what is shown in Appendix I, will be provided to all Signatory Parties and any additional intervenors in the 2006 Rate Filing at that time.

(viii) Special Contracts. KCPL agrees that for ratemaking determinations, Praxair, Ford and other special contracts will be treated as if they were paying the full generally applicable tariff rate for service from KCPL and other provisions in special contracts will not affect rate base for regulatory purposes.

b. RATE FILING # 2 (2007 RATE CASE)

(i) Schedule. Rate schedules with an effective date of January 1, 2008 may be filed with the Commission on February 1, 2007. The test year will be based upon a historic test year ending December 31, 2006, (initially filed with nine (9) months actual and three (3) months budget data), with updates for known and measurable changes, as of June 30, 2007, and with a true-up through September 30, 2007. On or about October 21, 2007, KCPL will file in a true-up proceeding a reconciliation as of September 30, 2007. The specific list of items to be included in the true-up proceeding shall be mutually agreed upon between KCPL and the Signatory Parties, or ordered by the Commission during the course of the rate case. However, the Signatory Parties anticipate that the true-up items will include, but not necessarily be limited to, revenues including off-system sales, fuel prices and purchased power costs, payroll and payroll benefits, plant-

in-service, depreciation and other items typically included in true-up proceedings before the Commission.

(ii) Interventions. Each of the Signatory Parties shall be considered as having sought intervenor status in the 2007 Rate Filing without the necessity of filing an application to intervene and KCPL consents in advance to such interventions. The Signatory Parties expect that the Commission's standard procedures and rules will be applicable to this rate filing including public notice, local public hearings and evidentiary hearings at appropriate times and places, and an opportunity for interested parties other than the Signatory Parties to seek to intervene.

(iii) Revenue Computation Inputs. KCPL will provide to Staff monthly billed kWh sales, revenues, customer and billing units aggregated by jurisdiction, by rate class (Small General Service, Medium General Service, Large General Service, Large Power Service, etc.), and by voltage level (primary, secondary, sub-transmission, etc.) for all rate classes. In addition, this data would be provided by usage period (read cycle) for the weather-sensitive groupings. This data would be provided for the nine (9) months of test year actual data that is available when KCPL files the case and for the other three (3) months of the test year as soon as the data is available.

(iv) Rate Design. The Signatory Parties agree not to file new or updated class cost of service studies or to propose changes to rate structures in Rate Filing #2.

(v) Infrastructure. The 2007 Rate Case will include prudent expenditures for the installation of a Selective Catalytic Reduction (SCR) facility at La Cygne 1, and the additions to transmission and distribution infrastructure identified in Appendix D that are in service prior to the agreed upon true-up date. The Signatory Parties agree that they will not take the position that these investments should be excluded from KCPL's rate base on the ground that the projects were not necessary or timely, or that alternative technologies or fuels should have been used by KCPL, so long as KCPL proceeds to implement the Resource Plan described herein (or a modified version of the Resource Plan where the modified plan has been approved by the Commission) and KCPL is in compliance with Paragraph III.B.1(o) "Resource Plan Monitoring." Nothing in this Agreement shall be construed to limit any of the Signatory Parties' ability to inquire regarding the prudence of KCPL's expenditures, or to assert that the appropriate amount to include in KCPL's rate base or its cost of service for these investments is a different amount (e.g., due to imprudent project management) than that proposed by KCPL.

(vi) Amortization Expense. The 2007 Rate Case will include an amortization expense of \$17 million on a Missouri jurisdictional basis, as may be adjusted upward or downward as set out in Paragraph III.B.1.i. Conditioned upon KCPL's continued performance pursuant to the Regulatory Plan, the Signatory Parties agree that they will not contest this amortization in the 2007 Rate Case. After the 2007 Rate Case, KCPL will continue to book this amortization annually, which shall continue until the Commission approves a change either upon

agreement of the Signatory Parties made with due regard to KCPL's then existing situation, or in the course of a general rate proceeding as further set out in Paragraph III.B.1.i. Paragraph III.B.1.i does not preclude KCPL, or any other party from requesting that this amortization be directed toward specific plant accounts or from requesting additional changes in depreciation rates that may result from depreciation studies. Any such accumulated amortization balance booked pursuant to this Agreement will be used as an offset to rate base in future rate proceedings of KCPL.

(vii) Demand Response, Efficiency And Affordability Programs. The 2007 Rate Case will also include the amortization related to the Demand Response, Efficiency and Affordability Programs, as more fully described in Paragraph III.B.5 below. The Signatory Parties agree not to contest the continuation of this amortization in the 2007 Rate Case on any basis other than KCPL's failure to prudently implement the Demand Response, Efficiency and Affordability Programs described in Paragraph III.B.5 below.

(viii) Special Contracts. KCPL agrees that for ratemaking determinations, Praxair, Ford and other special contracts will be treated as if they were paying the full generally applicable tariff rate for service from KCPL and other provisions in special contracts will not affect rate base for regulatory purposes.

c. RATE FILING #3 (2008 RATE CASE)

(i) Schedule. Rate schedules with an effective date of January 1, 2009 may be filed with the Commission on February 1, 2008. The test year will be based upon a historic test year ending December 31, 2007, (initially filed with

nine (9) months actual and three (3) months budget data), with updates for known and measurable changes, as of June 30, 2008, and with a true-up through September 30, 2008. On or about October 21, 2008, KCPL will file in a true-up proceeding a reconciliation as of September 30, 2008. The specific list of items to be included in the true-up proceeding shall be mutually agreed upon between KCPL and the Signatory Parties, or ordered by the Commission during the course of the rate case. However, the Signatory Parties anticipate that the true-up items will include, but not necessarily be limited to, revenues including off-system sales, fuel prices and purchased power costs, payroll and payroll related expenses, plant-in-service, depreciation and other items typically included in true-up proceedings before the Commission.

(ii) Interventions. Each of the Signatory Parties shall be considered as having sought intervenor status in the 2008 Rate Filing without the necessity of filing an application to intervene and KCPL consents in advance to such interventions. The Signatory Parties expect that the Commission's standard procedures and rules will be applicable to this rate filing including public notice, local public hearings and evidentiary hearings at appropriate times and places, and an opportunity for interested parties other than the Signatory Parties to seek to intervene.

(iii) Revenue Computation Inputs. KCPL will provide to Staff monthly billed kWh sales, revenues, customer and billing units aggregated by jurisdiction, by rate class (Small General Service, Medium General Service, Large General Service, Large Power Service, etc.), and by voltage level (primary, secondary,

sub-transmission, etc.) for all rate classes. In addition, this data would be provided by usage period (read cycle) for the weather-sensitive groupings. This data would be provided for the nine (9) months of test year actual data that is available when KCPL files the case and for the other three (3) months of the test year as soon as the data is available.

(iv) The Signatory Parties agree not to file new or updated class cost of service studies or to propose changes to rate structures in Rate Filing #3.

(v) Infrastructure. The 2008 Rate Case will include prudent expenditures for the installation of an SCR facility, a Flue Gas Desulphurization ("FGD") unit and a Baghouse at Iatan 1; 100 MWs of wind generation; and the additions to transmission and distribution infrastructure identified in Appendix D that are in service prior to the agreed upon true-up date. The Signatory Parties agree that they will not take the position that these investments should be excluded from KCPL's rate base on the ground that the projects were not necessary or timely, or that alternative technologies should have been used by KCPL, so long as KCPL proceeds to implement the Resource Plan described herein (or a modified version of the Resource Plan where the modified plan has been approved by the Commission) and KCPL is in compliance with Paragraph III.B.1(o) "Resource Plan Monitoring." Nothing in this Agreement shall be construed to limit any of the Signatory Parties' ability to inquire regarding the prudence of KCPL's expenditures, or to assert that the appropriate amount to include in KCPL's rate base or its cost of service for these investments is a

different amount (e.g., due to imprudent project management) than that proposed by KCPL.

(vi) Amortization Expense. The 2008 Rate Case will include an amortization expense of \$17 million on a Missouri jurisdiction basis, as may be adjusted upward or downward as set out in Paragraph III.B.1.i. Conditioned upon KCPL's continued performance pursuant to the Regulatory Plan, the Signatory Parties agree that they will not contest this amortization in the 2008 Rate Case. After the 2008 Rate Case, KCPL will continue to book this amortization annually, which shall continue until the Commission approves a change either upon agreement of the Signatory Parties made with due regard to KCPL's then existing situation, or in the course of a general rate proceeding as further set out in Paragraph III.B.1.i. Paragraph III.B.1.i does not preclude KCPL, the Staff, Public Counsel, or any other party from requesting that this amortization be directed toward specific plant accounts or from requesting additional changes in depreciation rates that may result from depreciation studies. Any such accumulated amortization balance booked pursuant to this Agreement will be used as an offset to rate base in future rate proceedings of KCPL.

(vii) Demand Response, Efficiency and Affordability Programs. The 2008 Rate Case will also include the amortization related to the Demand Response, Efficiency and Affordability Programs, as more fully described in Paragraph III.B.5 below. The Signatory Parties agree not to contest the continuation of this amortization in the 2008 Rate Case on any basis other than

KCPL's failure to prudently implement the Demand Response, Efficiency and Affordability Programs described in Paragraph III.B.5 below.

(viii) Special Contracts. KCPL agrees that for ratemaking determinations, Praxair, Ford and other special contracts will be treated as if they were paying the full generally applicable tariff rate for service from KCPL and other provisions in special contracts will not affect rate base for regulatory purposes.

d. RATE FILING #4 (2009 RATE CASE)

(i) Schedule. Rate schedules with an effective date of September 1, 2010, will be filed with the Commission on October 1, 2009, or eight (8) months prior to the commercial in service operation date of Iatan 2. The test year will be based upon a historic test year ending December 31, 2009, (initially filed with nine (9) months actual and three (3) months budget data), with updates for known and measurable changes, as of March 31, 2010, and with a true-up through May 31, 2010. On or about July 1, 2010, KCPL will file in a true-up proceeding a reconciliation as of May 31, 2010. The specific list of items to be included in the true-up proceeding shall be mutually agreed upon between KCPL and the Signatory Parties, or ordered by the Commission during the course of the rate case. However, the Signatory Parties anticipate that the true-up items will include, but not necessarily be limited to, revenues including off-system sales, fuel prices and purchased power costs, payroll and payroll related benefits, plant-in-service, depreciation and other items typically included in true-up proceedings before the Commission.

(ii) Interventions. Each of the Signatory Parties shall be considered as having sought intervenor status in the 2009 Rate Filing without the necessity of filing an application to intervene and KCPL consents in advance to such interventions. The Signatory Parties expect that the Commission's standard procedures and rules will be applicable to this rate filing including public notice, local public hearings and evidentiary hearings at appropriate times and places, and an opportunity for interested parties other than the Signatory Parties to seek to intervene.

(iii) Revenue Computation Inputs. KCPL will provide to Staff monthly billed kWh sales, revenues, customer and billing units aggregated by jurisdiction, by rate class (Small General Service, Medium General Service, Large General Service, Large Power Service, etc.), and by voltage level (primary, secondary, sub-transmission, etc.) for all rate classes. In addition, this data would be provided by usage period (read cycle) for the weather-sensitive groupings. This data would be provided for the nine (9) months of test year actual data that is available when KCPL files the case and for the other three (3) months of the test year as soon as the data is available.

(iv) Infrastructure. The 2009 Rate Case will include prudent expenditures for Iatan 2; the FGD unit and the Baghouse at La Cygne 1; and the additions to transmission and distribution infrastructure identified in Appendix D that are in service prior to the agreed upon true-up date. The Signatory Parties agree that they will not take the position that these investments should be excluded from KCPL's rate base on the ground that the projects were not

necessary or timely, or that alternative technologies should have been used by KCPL, so long as KCPL proceeds to implement the Resource Plan described herein (or a modified version of the Resource Plan where the modified plan has been approved by the Commission) and KCPL is in compliance with Paragraph III.B.1(o) "Resource Plan Monitoring." Nothing in this Agreement shall be construed to limit any of the Signatory Parties' ability to inquire regarding the prudence of KCPL's expenditures, or to assert that the appropriate amount to include in KCPL's rate base or its cost of service for these investments is a different amount (e.g., due to imprudent project management) than that proposed by KCPL.

(v) Demand Response, Efficiency and Affordability Programs. The 2009 Rate Case will also include the amortization related to the Demand Response, Efficiency and Affordability Programs, as more fully described in Paragraph III.B.5 below. The Signatory Parties agree not to contest the continuation of this amortization in the 2009 Rate Case on any basis other than KCPL's failure to prudently implement the Demand Response, Efficiency and Affordability Programs described in Paragraph III.B.5 below.

(vi) Special Contracts. KCPL agrees that for ratemaking determinations, Praxair, Ford and other special contracts will be treated as if they were paying the full generally applicable tariff rate for service from KCPL and other provisions in special contracts will not affect rate base for regulatory purposes.

(vii) Construction Accounting. The Signatory Parties agree that KCPL should be allowed to treat the Iatan 2 project under "Construction Accounting" to

the effective date of new rates in the 2009 Rate Case. Construction Accounting will be the same treatment for expenditures and credits consistent with the treatment for Iatan 2 prior to Iatan 2's commercial in service operation date. Construction Accounting will include treatment for test power and its valuation consistent with the treatment of such power prior to Iatan 2's commercial in service operation date with the exception that such power valuation will include off-system sales. The AFUDC rate that will be used during this period will be consistent with the AFUDC rate calculation in Paragraph III.B.1.g. The amortization of the amounts deferred under this Construction Accounting method will be determined by the Commission in the 2009 Rate Case. The non-KCPL Signatory Parties reserve the right to challenge amounts deferred under this Paragraph in the event that they contend that the Iatan 2 commercial in service operation date was delayed due to imprudence relating to its construction.

e. Post Iatan 2 Rates

KCPL may file rate requests and any Signatory Party with standing may file a rate decrease request at any time subsequent to the effective dates of the tariffs approved in Rate Filing #4 described above.

4. TIMELY INFRASTRUCTURE INVESTMENTS

KCPL agrees to undertake commercially reasonable efforts to make energy infrastructure investments as specified in Appendix D from January 1, 2005 through December 31, 2009 and as generally identified in Paragraph III.B.3.a.(iii), III.B.3.b.(iv), III.B.3.c.(iv) and III.B.3.d.(iv), described above. This commitment includes the completion or substantial progress being made on the following construction projects:

- 800-900 MW of new generation capacity, Iatan 2, to be regulated capacity excepting that interest that may be owned by a municipality or joint municipal utility commission, located at the Iatan site near Weston, Missouri, of which KCPL will own approximately 500 MWs;
- Environmental investments related to Iatan 1 and LaCygne 1 for accelerated compliance with environmental regulations; the Iatan 1 and LaCygne 1 environmental equipment will provide significant reductions in site emissions of SO₂, NO_x, Particulate and Mercury and will position the units to meet compliance requirements in the EPA's Clean Air Interstate Rule. With the addition of Iatan 2 at this site, compliance on Iatan 1 will ensure that total site emissions after completion of Iatan 2 will be less than the current site emissions from Iatan 1 and will help address the environmental concerns of citizens living in the area around the Iatan site. In addition, the early installation of the LaCygne 1 SCR is designed to help maintain attainment of the 8-Hour Ozone standard within the metropolitan Kansas City region. Installation of this SCR before the 2007 Ozone season is considered a significant component of the region's proposed Ozone mitigation plan by Mid-America Regional Council, regional EPA officials, Kansas Department of Health & Environment and MDNR. With respect to any of the expenditures anticipated for environmental compliance, KCPL will continue to assess the environmental laws to ensure that its expenditures will comply with existing or expected environmental regulations.
- 100 MW of new wind generation facilities to be installed in 2006. An additional 100 MW of new wind generation facilities will be installed in 2008 if a detailed evaluation (made with input from interested Signatory Parties) supports such an action to proceed with its construction. KCPL's detailed evaluation shall include information obtained from a tall tower wind assessment performed for KCPL at two sites in Missouri. The detailed evaluation will utilize the KCPL tall tower wind assessment information (and other Missouri-specific information, if available) to analyze the cost effectiveness of wind generation in Missouri before installing the second 100 MW of wind generation in any state other than Missouri. The Signatory Parties agree that KCPL will perform an assessment of wind

energy resources at Missouri sites determined in concert with MDNR and other interested Signatory Parties. KCPL will obtain access to two (2) Missouri wind assessment locations and will contract to install wind measuring equipment and evaluate data collected at levels between 50 meters up to and including 100 meters above ground level for the ultimate purpose of producing site-specific measurements that can be used to quantify the wind resources in Missouri. The two (2) Missouri tall tower installations will be in place and operating by December 31, 2005. The initial report analyzing the first 12 months of tall tower data will be completed by March 31, 2007. The final report analyzing the first 18 to 21 months of data will be completed by December 31, 2007.

KCPL shall provide status updates on these infrastructure commitments to the Staff, Public Counsel, MDNR and all other interested Signatory Parties on a quarterly basis. Such reports will explain why these investment decisions are in the public interest. In addition, KCPL will continue to work with the Staff, Public Counsel and all other interested Signatory Parties in its long-term resource planning efforts to ensure that its current plans and commitments are consistent with the future needs of its customers and the energy needs of the State of Missouri.

5. DEMAND RESPONSE, EFFICIENCY AND AFFORDABILITY PROGRAMS

KCPL and the many participants in the subteam of Team A workshop process have developed or recommended a number of Demand Response, Efficiency and Affordability Programs ("Customer Programs"). The current estimated cost associated with Demand Response, Efficiency and Affordability Programs for the five (5) year period is \$52.8 million split between Missouri (\$29 million) and Kansas (\$23.8 million) as detailed on Appendix C. The initially budgeted expenditures for the five (5) year period for Missouri shall be \$13.8 million for Demand Response Programs, \$2.5 million for Affordability Programs, and \$12.7 million for Efficiency Programs.

The Staff, Public Counsel, MDNR and any other interested Signatory Party will serve as an advisory group ("Customer Programs Advisory Group" or "CPAG") to KCPL in the development, implementation, monitoring and evaluation of the Demand Response, Efficiency and Affordability Programs. KCPL agrees to meet with and provide updates to the CPAG at least once every six months on the following subjects: (1) the status of program implementation including the amount of expenditures for each program and the level of customer participation, (2) the status of program evaluations including evaluation consultants chosen, evaluation budgets, evaluation expenditures and copies of completed evaluations, and (3) the status of new program selection and design efforts, including copies of program screening results.

KCPL commits to implement the Demand Response, Efficiency and Affordability Programs detailed in Appendix C, beginning in 2005. Further evaluation needs to be made on the Efficiency Programs detailed in Appendix C prior to implementation to determine the impact of the Efficiency Programs on KCPL and the anticipated cost-effectiveness of the Efficiency Programs presented. KCPL will work with the CPAG to complete the necessary pre-implementation evaluations to determine the initial implementation plan for the Efficiency Programs within four (4) months of the effective date of an Order Approving Stipulation and Agreement. The initial implementation plan for Efficiency Programs may be modified (such modifications may include deleting currently proposed programs or adding new programs, as well as increases in the overall funding level for Efficiency Programs) based on results from the pre-implementation evaluations and input from the CPAG.

KCPL shall complete a detailed post-implementation review of the initial two (2) years of each program within six (6) months of the end of each program's second year. This review will include both process evaluations and cost effectiveness evaluations. These evaluations will then be used in the selection and design of future programs. KCPL shall consider input from the CPAG regarding the post-implementation evaluation process as well as the selection and design of future programs. Input from the CPAG regarding post-implementation cost effectiveness evaluations may include recommendations about the appropriate screening tests (e.g., the Total Resource Cost Test) to calculate and/or utilize in selecting and designing future programs.

For both the pre-implementation and post-implementation analysis described above, KCPL shall, at a minimum, use the Total Resource Cost Test and MIDAS present value of revenue requirements analysis in its decision-making process for selecting future Efficiency and Demand Response Programs. KCPL's documentation of its decision-making process for selecting future Efficiency and Demand Response Programs shall identify and explain considerations, if any, other than the minimization of the present value of revenue requirements (e.g., rate impact or risk mitigation considerations) that were used in its decision-making process.

Any Signatory Party's participation in the CPAG shall not be construed as a waiver of that Signatory Party's rights to make arguments in general rate proceedings regarding (1) the appropriate design, selection or expenditure level, for Customer Programs or (2) the appropriate methodology for allocating the costs of Customer Programs to customer classes.

KCPL will accumulate the Demand Response, Efficiency and Affordability Program costs in regulatory asset accounts as the costs are incurred. Beginning with the 2006 Rate Filing, KCPL will begin amortizing the accumulated costs over a ten (10) year period. KCPL will continue to place the Demand Response, Efficiency and Affordability Program costs in the regulatory asset account, and costs for each vintage subsequent to the 2006 Rate Filing will be amortized over a ten (10) year period. Signatory Parties reserve the right to establish a fixed amortization amount in any KCPL rate case prior to June 1, 2011. The amounts accumulated in these regulatory asset accounts shall be allowed to earn a return not greater than KCPL's AFUDC rate. The class allocation of the costs will be determined when the amortizations are approved.

6. AGREEMENT CONDITIONED ON REGULATORY PLAN APPROVAL BY KANSAS CORPORATION COMMISSION

From the beginning of these proceedings, KCPL has represented that the viability of the Regulatory Plan is dependent upon approval by both the Kansas Corporation Commission ("KCC") and this Commission. The Signatory Parties other than KCPL concur. The Signatory Parties other than KCPL understand that KCPL expects to file with the KCC a Regulatory Plan agreed upon by entities in Kansas for approval by the KCC. KCPL understands and agrees that in addition to the other Signatory Parties' approval of the instant Regulatory Plan being conditioned upon the approval of a Regulatory Plan by the KCC, the other Signatory Parties' approval of the instant Regulatory Plan is conditioned upon the terms of the Regulatory Plan approved by the KCC being substantially similar to the terms of the Regulatory Plan agreed to and approved in Missouri.

KCPL agrees that it will timely file with this Commission the Regulatory Plan approved by the KCC and that the other Signatory Parties in Missouri will have seven (7) days from that filing with this Commission to indicate whether they still support approval of the Regulatory Plan agreed upon herein and required by this Commission. If the terms of the Regulatory Plan agreed upon in Kansas and/or required by the KCC are not comparable to the terms agreed to in Missouri and required by this Commission, KCPL agrees that it will offer to the other Signatory Parties in Missouri and accept comparable terms to those terms agreed upon in Kansas and/or required by the KCC. Specifically, the agreement to the level of funding of the Demand Response, Efficiency and Affordability Programs contained herein is contingent upon the indicated level of funding in Kansas of these programs.

7. SURVEILLANCE REPORTS

KCPL shall continue to submit to the Staff, Public Counsel and all other Signatory Parties who request them its annual surveillance report in the same format previously provided by KCPL.

8. CUSTOMER SERVICE STANDARDS

KCPL agrees to provide the Staff and the Office of Public Counsel monthly data submitted quarterly (within forty-five (45) days of end of the period) on the following quality of service measures:

Call Center Data

Total Calls Offered to the Call Center
Call Center Staffing including Call Center Management Personnel
Average Speed of Answer
Abandoned Call Rate

Reliability Indicators

Customer Average Interruption Duration Index ("CAIDI")
System Average Interruption Duration Index ("SAIDI")
System Average Interruption Frequency Index ("SAIFI")
Momentary Average Interruption Frequency Index ("MAIFI")

CAIDI, SAIDI, and SAIFI will be reported on both a weather adjusted and unadjusted basis.

9. PARTNERSHIP ISSUES INVOLVING THE IATAN 2 PLANT

a) Empire and Aquila are partners in the Iatan 1 plant, with a combined share of 30% of Iatan 1, and desire to participate in the Iatan 2 plant. KCPL will consider these entities as preferred potential partners in the Iatan 2 generating plant project of at least a 30% combined share of Iatan 2, if these entities can demonstrate that they have a commercially feasible financing plan for meeting their financial commitments to participate in the ownership of the Iatan 2 plant by the later of August 1, 2005, or such date that KCPL shall issue its request(s) for proposal(s) related to Iatan 2. Such a financing plan must not adversely affect KCPL's ability to finance its share of the Iatan 2 plant or complete construction on a time frame connected with this Agreement. This Agreement shall not be deemed to change or modify any contractual rights or responsibilities that Aquila and/or Empire may have, or may not have, under existing agreements.

b) MJMEUC has a desire to participate in the Iatan 2 plant. KCPL will consider MJMEUC as a preferred potential partner in the Iatan 2 plant of at least 100 MW of Iatan 2, if it can demonstrate that it has a commercially feasible financing plan for meeting its financial commitment to participate in the ownership of the Iatan 2 plant by August 1, 2005, or such date that KCPL shall issue its request(s) for proposal(s) related to

Iatan 2. Such a financing plan must not adversely affect KCPL's ability to finance its share of the Iatan 2 plant or complete construction on a time frame connected with this Agreement.

c) In addition, KCPL specifically reserves the right to continue to discuss with other entities, including other entities not regulated by the Commission, the potential participation of those entities in the Iatan 2 plant, notwithstanding the specific provisions of this Paragraph.

10. EFFECT OF THIS NEGOTIATED SETTLEMENT

a. None of the Signatory Parties shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence that may underlie this Agreement, or for which provision is made in this Agreement. This Agreement shall not be construed as fulfilling any requirements for environmental permits necessary for construction or operation of the infrastructure investments delineated in this Agreement. Participation by MDNR in this Agreement shall not be construed as an indication that MDNR has taken any position on any KCPL application for construction of new generation facilities.

b. This Agreement is based on the unique circumstances presented by KCPL to the Signatory Parties. This Agreement shall not be construed to have precedential impact in any other Commission proceeding.

c. The Signatory Parties enter into this Agreement in reliance upon information provided to them by KCPL. In the event that the Commission finds that KCPL failed to provide the Signatory Parties with material and relevant information in its possession, or which should have been available to KCPL through reasonable investigation, or in the event that the Commission finds that KCPL misrepresented facts relevant to this Agreement, this Agreement shall be terminated.

d. This Agreement represents a negotiated settlement. Except as specified herein, the Signatory Parties 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 in the instant proceeding, or in any way condition its approval of same.

e. The provisions of this Agreement have resulted from negotiations among the Signatory Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

f. When approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Signatory Parties hereto. The Signatory Parties shall cooperate in defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

g. This Agreement does not constitute a contract with the Commission. Acceptance of this Agreement by the Commission shall not be deemed as constituting an

agreement on the part of the Commission to forego, during the Regulatory Plan, the use of any discovery, investigative or other power which the Commission presently has. For example, non-signatories to this Agreement may request or file for an earnings/revenues investigation of KCPL, and in response the Commission may direct the Staff to conduct an earnings/revenues investigation of KCPL. Thus, nothing in this Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation. Nothing in this Agreement is intended to impinge, restrict or limit in any way Public Counsel's discovery powers, including the right to access information and investigate matters related to KCPL. Nothing in this Agreement is intended to impinge, restrict or limit in any way the Office of the Attorney General's discovery powers, including the right to access information and investigate matters related to KCPL. Nothing in this Agreement or participation in this case by MJMEUC shall be deemed to establish or enlarge the jurisdiction of the Commission beyond that provided in existing law with respect to the MJMEUC or any ownership or interest that it may acquire in the Iatan 2 plant or related facilities and assets.

h. This Agreement contains the entire generally-applicable agreements or arrangements of the Signatory Parties. There are no other generally-applicable agreements or arrangements that pertain to these matters. Silence in this Agreement on a particular topic or issue indicates that the Signatory Parties reached no agreement on the handling of that topic or issue.

11. COMMISSION APPROVAL OF THE STIPULATION AND AGREEMENT

a. KCPL will and any other Signatory Party may file testimony and/or schedules in support of this Agreement no later than April 11, 2005.

b. Public Counsel reserves the right to request local hearings in the KCPL service area in this case. Notwithstanding any other provision of this Agreement, Public Counsel also specifically reserves the right to assert a position on any new issue raised at local hearings which Public Counsel believes has not been adequately addressed in this Agreement.

c. The Staff shall file suggestions or a memorandum in support of this Agreement and the other Signatory Parties shall have the right to file responsive suggestions or prepared testimony.

d. If requested by the Commission, the Staff shall have the right to submit to the Commission an additional memorandum addressing the matter requested by the Commission. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of the Staff's memorandum, a responsive memorandum, which shall also be served on all parties. The contents of any memorandum provided by any Signatory Party are its own and are not acquiesced in or otherwise adopted by the other Signatory Parties to this Agreement, whether or not the Commission approves and adopts this Agreement.

e. The Staff shall also have the right to provide, at any agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other Signatory Parties with advance notice of when

the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

f. If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void thereon, 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 party has to a hearing on the issues presented by the Agreement, for cross-examination, or for a decision in accordance with Section 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the parties 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 thereupon 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.

g. In the event the Commission accepts the specific terms of the Agreement, the Signatory Parties waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and 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; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. This waiver applies only to a

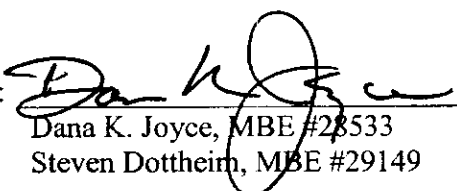
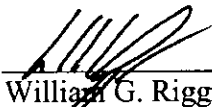
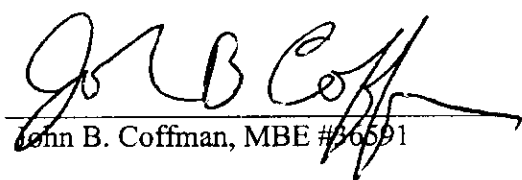
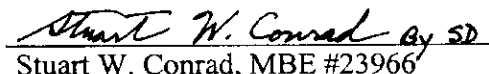
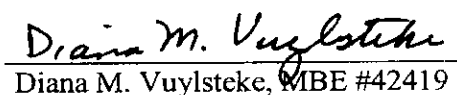
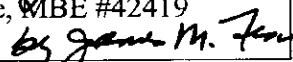
Commission Order Approving Stipulation and Agreement or other Report And Order approving this Agreement issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement.

12. THE TERMS OF THIS AGREEMENT.

The terms of this Agreement (once approved by the Commission) will be deemed to have become effective as of the date the Order of the Commission approving this Agreement becomes final, and will expire June 1, 2010, except where otherwise specified in this Agreement.

WHEREFORE, the Signatory Parties respectfully request that the Commission approve this Agreement to be effective by May 15, 2005, if possible.

Respectfully submitted,

STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION By:  Dana K. Joyce, MBE #28533 Steven Dottheim, MBE #29149	KANSAS CITY POWER & LIGHT COMPANY By:  William G. Riggins, MBE #42501 James M. Fischer, MBE #27543 Karl Zobrist, MBE #28325
OFFICE OF THE PUBLIC COUNSEL By:  John B. Coffman, MBE #36591	MISSOURI DEPARTMENT OF NATURAL RESOURCES By: _____ Shelley Woods, MBE #33525
PRAXAIR, INC. By:  Stuart W. Conrad, MBE #23966	MISSOURI INDUSTRIAL ENERGY CONSUMERS By:  Diana M. Vuylsteke, MBE #42419 

THE EMPIRE DISTRICT ELECTRIC COMPANY By: <u>Dean L. Cooper by Jane M. Finken</u> Dean L. Cooper, MBE #36592	AQUILA, INC. By: <u>Dean L. Cooper by Jane M. Finken</u> Dean L. Cooper, MBE #36592
CITY OF KANSAS CITY, MISSOURI By: _____ Mark W. Comley, MBE #28847	JACKSON COUNTY, MISSOURI By: _____ Jeremiah Finnegan, MBE #18416
CONCERNED CITIZENS OF PLATTE COUNTY AND THE SIERRA CLUB By: _____ Kathleen G. Henry, MBE #39504	MISSOURI JOINT MUNICIPAL ELECTRIC UTILITY COMMISSION By: <u>Duncan Kincheloe</u> Duncan Kincheloe, MBE #25497 by Jane M. Finken
FORD MOTOR COMPANY By: <u>Diana M. Vuylsteke</u> Diana M. Vuylsteke, MBE #42419 by Jane M. Finken	