

FILED²
JUL 9 2001

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of the Application of Kansas City)
Power & Light Company for an Order Authorizing)
Its Plan to Reorganize Itself Into a Holding)
Company Structure.)

Case No. EM-2001-464

**FIRST AMENDED
STIPULATION AND AGREEMENT**

As a result of discussions among the parties to Case No. EM-2001-464, the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel"), Kansas City Power & Light Company ("KCPL"), Great Plains Energy, Incorporated ("GPE") and Great Plains Power, Incorporated ("GPP), hereby submit to the Missouri Public Service Commission ("Commission") for its consideration and approval the following Stipulation And Agreement:

I. Kansas City Power & Light Company's Application

On February 26, 2001, KCPL filed its Application. KCPL is a vertically integrated electric utility company under the jurisdiction of the Commission. In its Application, KCPL proposed to reorganize into a registered holding company structure as follows:

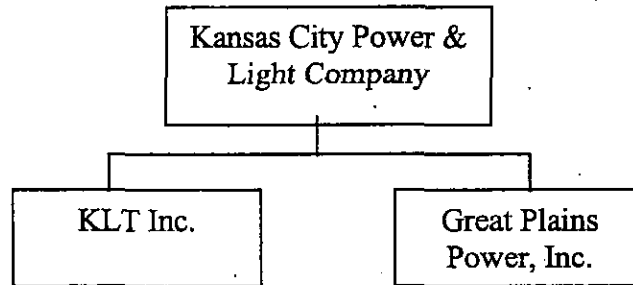
A. After reorganization, a new holding company, GPE¹ will be the sole owner of three subsidiary companies, all of which already exist - *i.e.*, KCPL, KLT Inc. ("KLT") and Great Plains Power, Incorporated ("GPP"). KCPL will remain a vertically integrated electric utility subject to this Commission's jurisdiction and will not transfer any of its generating assets as a part of this proposed restructuring plan. KLT will continue to invest in competitive, high growth businesses. GPP will pursue opportunities in the competitive wholesale generation market. KCPL's existing corporate structure, and the corporate ~~structure that will exist~~

¹ The Articles of Incorporation for GPE were filed with the Missouri Secretary of State on February 26, 2001.

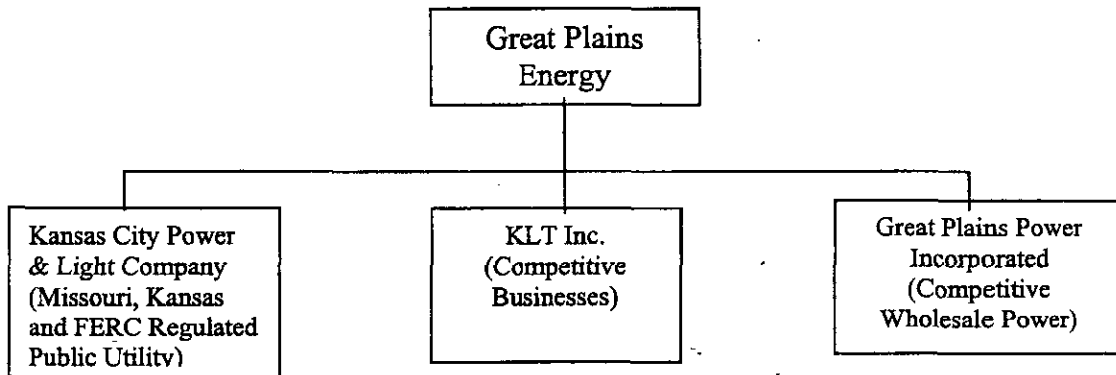
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immediately following the completion of the restructuring plan proposed herein, are illustrated below.

CURRENT CORPORATE STRUCTURE²



RESTRUCTURED COMPANY



The two corporate structures illustrated above are snapshots of KCPL at the beginning and end of the proposed restructuring process. KCPL's restructuring process contains several intermediary steps. KCPL has formed a wholly owned subsidiary, GPE. In turn, GPE will form a wholly owned, new subsidiary, NewCo. Pursuant to a merger agreement ("Merger Agreement") between KCPL, GPE and NewCo, KCPL then will merge with NewCo. A copy of the Merger Agreement was attached to the Application as

² The only other existing subsidiary of KCPL that is relatively significant in terms of its size is Home Services Solutions ("HSS"). It is anticipated that HSS will be sold or otherwise disposed of in the near future. None of KCPL's subsidiaries are involved in the provision of regulated utility services.

Exhibit 1. Under the terms of the Merger Agreement, the separate existence of NewCo will cease and KCPL will continue as the surviving corporation of the merger. At this point, KCPL will be a wholly owned subsidiary of GPE. As a part of the merger, each outstanding share of KCPL stock automatically converts into the right to receive one share of GPE stock. Similarly, each share of KCPL's various series of preferred stock will be converted into one share of an identical series of GPE preferred stock. The pro forma balance sheets and income statements of KCPL before and after the proposed restructuring plan were attached to the Application as Exhibit 2. Once the merger is consummated, KCPL will dividend its stock of KLT and GPP to GPE. At this point, GPE will be a publicly held corporation that owns 100% of KCPL, KLT and GPP.

B. KCPL further stated that KCPL anticipates that it will form a service company ("ServCo") within a certain period of time following the completion of the reorganization. The ServCo will provide certain shared services to the affiliated companies. A form of the General Services Agreement that will be used for the provision of support services was attached to the Application as Exhibit 3. A copy of KCPL's cost allocation manual ("CAM"), which describes the bases currently used by KCPL for allocating certain costs related to shared services, was attached to the Application as Exhibit 4. KCPL stated that the new holding company system will continue to use service agreements, work orders and a CAM to assure that costs are properly tracked and assigned. Upon completion of the reorganization, GPE will register with the SEC and become subject to additional regulation under the Public Utility Holding Company Act of 1935 ("PUHCA").

C. The proposed reorganization will not involve the transfer of any assets, including generating assets, from KCPL to affiliates. KCPL will remain a vertically integrated electric utility. It is the intent of this Stipulation And Agreement that this Commission will continue to have the authority to ensure that KCPL's retail electric customers receive electric service that is safe, reliable and reasonably priced.

II. STIPULATIONS AND AGREEMENTS

Having considered the verified Application that KCPL submitted in this matter and having conducted settlement negotiations and discussions with other parties, KCPL and GPE, the Staff and the Public Counsel agree and recommend, subject to the conditions set forth below, that the Commission should approve KCPL's Application to restructure and reorganize, as proposed in its Application and as conditioned and modified in this Stipulation And Agreement.

1. Approval of the Proposed Restructuring and Reorganization

The signatories agree that the Commission should approve the restructuring and reorganization of KCPL as requested in the Application filed February 26, 2001, on the basis that, subject to the conditions and modifications set forth below, said restructuring and reorganization is not detrimental to the public interest. In addition, the Commission should grant KCPL authority to merge with NewCo with KCPL being the surviving corporation, grant GPE the authority to own more than ten percent (10%) of the common stock of KCPL, and grant all other approvals requested in KCPL's Application necessary to implement the restructuring plan described in KCPL's Application, including authority of KCPL to issue the stock dividends to GPE, as conditioned and modified in this Stipulation And Agreement.

2. **State Jurisdictional Issues**

In *Re Western Resources, Inc./Kansas City Power & Light Company*, Case No. EM-97-515, and *Re Union Electric Company/Central Illinois Public Service Company*, Case No. EM-96-149, the Commission approved settlement agreements designed to ensure the protection of customers of Missouri utilities that were to possibly become or became a subsidiary of a Registered Holding Company. KCPL and GPE hereby agree to those same conditions as set forth below. KCPL further commits that it and its affiliates will continue to comply with the provisions of 4 CSR 240-20.015 and 20.017 after the reorganization is completed. As used in this Stipulation And Agreement, and in all attachments to this document, any reference to "GPE" includes both GPE and its successors in interest.

a. Access to Books, Records and Personnel

GPE and KCPL agree to make available to the Staff and Public Counsel, at reasonable times and places, all books, records, employees and officers of GPE, KCPL and any affiliate of KCPL as provided under applicable law and Commission rules; provided that KCPL and any affiliate or subsidiary of GPE shall have the right to object to such production of records or personnel on any basis under applicable law and Commission rules, excluding any objection that such records and personnel of affiliates or subsidiaries are not subject to the Commission's jurisdiction and statutory authority or are not in the control, custody or possession of KCPL, including objections based on the operation of PUHCA.

GPE and its affiliates (including KCPL) will provide the following documents to the Staff and Public Counsel on an annual basis:

- All new, revised and updated business plans for GPE and its affiliates (including KCPL).
- Description of any and all joint marketing/promotional campaigns between KCPL and GPE and any of its affiliates.
- Narrative description of all products and services offered by GPE and its affiliates (including KCPL). KCPL is not required to provide narrative descriptions of its tariffed products and services.
- All information provided under this subsection shall be considered "highly confidential" or "proprietary" as those terms are used in 4 CSR 240-2.085, and shall be treated as highly confidential or proprietary information by the Staff and Public Counsel.

At the Commission's request, officers and employees of GPE or its affiliates will be made available for deposition or cross-examination concerning affiliated transactions affecting KCPL and diversification plans.

b. Contracts Required to be Filed with the SEC

All contracts, agreements or arrangements of any kind, including any amendments thereto, between KCPL and any affiliate, associate, holding, mutual service, or subsidiary company within the same holding company system, as these terms are defined in 15 U.S.C. § 79b, as subsequently amended, that are required to be filed with and/or approved by the Securities and Exchange Commission ("SEC") pursuant to PUHCA, as subsequently amended, shall be conditioned upon the following without modification or alteration: Neither KCPL nor any of its affiliates, will seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost (including cost of capital) or allocation incurred or accrued by KCPL in, or as a result of, a contract, agreement, arrangement, or transaction with any affiliate, associate,

holding, mutual service or subsidiary company on the basis that such expense, charge, cost (including cost of capital) or allocation has itself been filed with or approved by the SEC or was incurred pursuant to a contract, arrangement, agreement or allocation method that was filed with or approved by the SEC.

c. Electric Contracts Required to be Filed with FERC

All wholesale electric energy or transmission service contracts, tariffs, agreements or arrangements of any kind, including any amendments thereto, between KCPL and any GPE subsidiary or affiliate, that are required to be filed with and/or approved by the Federal Energy Regulatory Commission ("FERC"), pursuant to the Federal Power Act, as subsequently amended, shall be conditioned upon the following without modification or alteration: Neither KCPL nor any of its affiliates will seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost (including cost of capital) or allocation incurred or accrued by KCPL in, or as a result of, a wholesale electric energy or transmission service contract, agreement, arrangement or transaction on the basis that such expense, charge, cost (including cost of capital) or allocation has itself been filed with or approved by FERC, or was incurred pursuant to a contract, arrangement, agreement or allocation method that was filed with or approved by FERC.

d. No Pre-Approval of Affiliated Transactions

KCPL agrees to provide the Commission and Public Counsel with copies of all documents that must be filed with the SEC or FERC relating to affiliate transactions. KCPL and GPE further agree that the Commission may make its determination regarding the ratemaking treatment to be accorded these transactions in a subsequent ratemaking proceeding.

**e. Contingent Procedure Stipulation Regarding
Affiliate Contracts Required to be Filed With FERC**

KCPL agrees that in the exclusive event that any court with jurisdiction over KCPL, GPE or any of their affiliates or subsidiaries issues an opinion or order that invalidates a decision or order of the Commission pertaining to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost (including cost of capital) or allocation incurred or accrued by KCPL on the basis that such expense, charge, cost (including cost of capital) or allocation has itself been filed with or approved by FERC, then the Contingent Procedure Stipulation, attached hereto as Exhibit A, shall apply to FERC filings according to its terms, at the option of the Commission.

**f. Contingent Procedure Stipulation Regarding
Affiliate Contracts Required to be Filed with SEC**

KCPL agrees that in the exclusive event that any court with jurisdiction over KCPL, GPE or any of their affiliates or subsidiaries issues an opinion or order that invalidates a decision or order of the Commission pertaining to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost (including cost of capital) or allocation incurred or accrued by KCPL on the basis that such expense, charge, cost (including cost of capital) or allocation has itself been filed with or approved by SEC, then the Contingent Procedure Stipulation, attached hereto as Exhibit A, shall apply to SEC filings according to its terms, at the option of the Commission.

g. Stipulation Regarding the Creation of the Service Company

KCPL agrees that it will file an Application with the Commission, pursuant to 4 CSR 240-2.060(7), and obtain the Commission's approval, before KCPL sells, assigns, leases or transfers any assets from KCPL to its proposed ServCo. KCPL agrees to provide the Staff and Public Counsel with copies of all documents that must be filed with the SEC or FERC relating to creation of ServCo.

4 CSR 240-20.015, Affiliate Transactions, sets forth financial standards, evidentiary standards and record-keeping requirements applicable to any Commission regulated electrical corporation whenever such corporation participates in transactions with any affiliated entity (except with regard to HVAC services as defined in Section 386.754, RSMo 2000). Section (5) (Records of Affiliated Entities) of said Rule provides, *inter alia*, that:

(A) Each regulated electrical corporation shall ensure that its parent and any other affiliated entities maintain books and records that include, at a minimum, the following information regarding affiliate transactions:

* * * *

5. Names and job descriptions of the employees from the regulated electrical corporation that transferred to a nonregulated affiliated entity;

In addition to the above-stated requirements, KCPL agrees to seek agreement with the Staff and Public Counsel concerning an appropriate notification procedure to be utilized regarding the transfer of functions to ServCo from KCPL.

KCPL further agrees that the Commission may make its determination regarding the ratemaking treatment to be accorded the creation of ServCo in a subsequent ratemaking proceeding. All contracts, agreements or arrangements of any kind, including any amendments thereto, between KCPL and ServCo, as these terms are defined in 15 U.S.C. § 79b, as

subsequently amended, that are required to be filed with and/or approved by the SEC pursuant to PUHCA, as subsequently amended, shall be conditioned upon the following without modification or alteration: Neither KCPL nor any of its affiliates, will seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost (including cost of capital) or allocation incurred or accrued by KCPL in, or as a result of, a contract, agreement, arrangement, or transaction with ServCo on the basis that such expense, charge, cost (including cost of capital) or allocation has itself been filed with or approved by the SEC or was incurred pursuant to a contract, arrangement, agreement or allocation method that was filed with or approved by the SEC.

3. Surveillance Condition

KCPL agrees that, following the close of the transaction, KCPL will continue to provide the Commission with annual surveillance reports on a total company and Missouri jurisdictional basis similar to the annual surveillance reports currently provided by KCPL.

4. Modification and Enhancement to KCPL's Cost Allocation Manual

KCPL agrees to the various modifications and enhancements of its Cost Allocation Manual ("CAM"), as identified in Exhibit B to the Stipulation And Agreement, and agrees to submit to the Staff a modified and enhanced CAM within 120 days of the close of the transaction.

5. Financial Projections in Pro Forma Financial Statements

KCPL believes that the financial information and accompanying adjustments contained in Exhibit 2 of the Application, as amended, are reasonable projections of the actual and expected financial condition of KCPL and its affiliates, based upon the information available at the time of the filing of Exhibit 2. However, KCPL also acknowledges that the financial information contained in Exhibit 2 may change before the transaction closes, as a result of normal business operations. KCPL agrees to provide to the Staff and Public Counsel a copy of the actual journal entries that are made by KCPL within thirty (30) days of completion of the journal entries on the books and records of KCPL following the close of the transaction. In the event that the actual results at the close of the transaction deviate from the projections contained in Exhibit 2, as amended, by more than ten (10%) percent, KCPL agrees to provide the Staff and Public Counsel with an explanation for any deviation from the projections contained in Exhibit 2, as amended.

6. Financial Conditions

In order to resolve concerns raised by the parties regarding financing issues, GPE and KCPL agree to the following:

- a. GPE ("Holding Company") and its subsidiaries will not conduct any material business activities that are not part of the "electric industry or natural gas industry business" or are not reasonably related to business activities derived from changes in the electric industry or natural gas industry as a result of competition, without Commission approval. With regard to expansion of KCPL's current operations in the telecommunications and information businesses, activities will be limited to those considered reasonably related to current operations.
- b. GPE will not pledge KCPL's common stock as collateral or security for the debt of the Holding Company or a subsidiary without Commission approval.

- c. KCPL will not guarantee the notes, debentures, debt obligations or other securities of the Holding Company or any of its subsidiaries, or enter into any "make-well" agreements without prior Commission approval.
- d. GPE agrees to maintain consolidated common equity of no less than 30 percent of total consolidated capitalization. GPE and KCPL agree to maintain KCPL's common equity at no less than 35 percent. Total capitalization is defined as common equity, preferred stock, long-term debt and short-term debt in excess of CWIP. Common equity is defined as par value of common stock, plus additional paid-in capital, plus retained earnings, minus treasury stock.

e. Reports:

KCPL shall submit quarterly to the Financial Analysis Department of the Missouri Public Service Commission certain key financial ratios as defined by Standard and Poor's Credit Rating Service, as follows:

- (1) Pre-tax interest coverage;
 - (2) After-tax coverage of interest and preferred dividends;
 - (3) Funds flow interest coverage;
 - (4) Funds from operations to total debt;
 - (5) Total debt to total capital (including preferred); and
 - (6) Total common equity to total capital
- f. KCPL's total long-term borrowings including all instruments shall not exceed KCPL's regulated rate base.
 - g. KCPL shall maintain separate debt. KCPL agrees to maintain its debt at investment grade. This condition should not be construed to mean the Staff recommends or will recommend in any future application to the Commission or Commission proceeding the approval of any preferred stock issuance below investment grade.
 - h. GPE, KCPL and the Staff agree that the allowed return on common equity and other costs of capital will not increase as a result of the reorganization.
 - i. GPE and KCPL guarantee that the customers of KCPL shall be held harmless if the reorganization creating GPE, with KCPL as a subsidiary, results in a higher revenue requirement for KCPL than if the reorganization had not occurred.
 - j. GPE and KCPL shall provide the Staff and Public Counsel unrestricted access to all written information provided to common stock, bond, or bond rating analysts, which directly, or indirectly, pertains to KCPL or any affiliate that exercises influence or control over KCPL, or has affiliate transactions with KCPL. Such information includes, but is not limited to, reports provided to, and presentations made to, common stock analysts and bond rating analysts. For purposes of this condition,

“written” information includes, but is not limited to, any written and printed material, audio and videotapes, computer disks, and electronically stored information. Nothing in this condition shall be deemed to be a waiver of GPE’s or KCPL’s right to seek protection of the information.

- k. The Holding Company will provide the Staff and Public Counsel, upon request and with appropriate notice, all information needed to verify compliance with the conditions authorized in this proceeding and any other information relevant to the Commission’s ratemaking, financing, safety, quality of service and other regulatory authority over KCPL.

7. Prospective Merger Conditions

GPE agrees that it will not, directly or indirectly, acquire or merge with a public utility or the affiliate of a public utility, where such affiliate has a controlling interest in a public utility unless GPE has requested prior approval for such a transaction from the Commission and the Commission has found that no detriment to the public would result from the transaction. In addition, GPE agrees that it will not allow itself to be acquired by a public utility or the affiliate of a public utility, where such affiliate has a controlling interest in a public utility, unless GPE has requested prior approval for such a transaction from the Commission and the Commission has found that no detriment to the public would result from the transaction.

8. Transaction Costs

KCPL agrees that it shall not seek to recover the amount of any transaction costs in rates associated with the transactions that are the subject of this proceeding in any Missouri proceeding, and agrees to account for transaction costs in a manner that will enable the Staff and Public Counsel to quantify and seek disallowances of such transaction costs, if necessary, from rates in any Missouri rate proceeding.

9. Combustion Turbines

Following the close of the transactions that are the subject of this proceeding, KCPL, GPE, and GPP expect that five (5) combustion turbine generation units will be leased and operated by GPP. KCPL currently has a memorandum of understanding dated January 10, 2001, with General Electric Company that gives KCPL the opportunity to enter into a contract to purchase or lease five (5) combustion turbine generation units.

KCPL presently anticipates that it will need an additional 231 megawatts of capacity in the next three years. KCPL, GPE, and GPP agree that, prior to the transfer of the rights contained in the memorandum of understanding, KCPL and GPP and/or any GPE affiliate to which the transfer of rights is made will initiate a proceeding before the Commission to address all issues related to the transfer of the rights contained in the memorandum of understanding. KCPL further agrees that, prior to the transfer of rights contained in the memorandum of understanding to any entity other than GPP and/or any GPE affiliate, it will provide timely notice to Staff and Public Counsel relating to the transfer of the rights contained in the memorandum of understanding. KCPL, Staff and Public Counsel reserve the right to assert their respective positions regarding this matter in this future proceeding.

KCPL might enter into a purchase supply agreement with GPP to acquire capacity and energy. Any purchase supply agreement that KCPL enters into with GPP or any GPE affiliate to acquire capacity and associated energy will be cost based. Any purchase supply agreement between KCPL and GPP and/or any GPE affiliate will be submitted by KCPL for review and approval by the Commission.

10. **Membership In A Regional Transmission Organization (RTO) and Transfer of Control of Assets Related To Membership In An RTO**

Commission approval shall be required for the sale, assignment, lease or other disposition, including but not limited to a transfer of control, of transmission facilities by KCPL to an affiliated or unaffiliated regional transmission organization, independent system operator, or similar entity that is subject to the jurisdiction of FERC. In the event that KCPL seeks to withdraw from its participation in an affiliated or unaffiliated regional transmission organization, independent system operator, or similar entity that is subject to the jurisdiction of FERC, KCPL shall file a notice of withdrawal with the Commission. Such withdrawal shall become effective when the Commission and other applicable regulatory bodies approve or authorize such withdrawal.

11. **The Commission's Rights**

Nothing in this Stipulation And Agreement is intended to impinge or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, or any statutory obligation.

12. **Staff Requirement**

The Staff shall file suggestions or a memorandum in support of this Stipulation And Agreement and other parties shall have the right to file responsive suggestions or a memorandum.

13. **Staff's Rights**

If requested by the Commission, the Staff shall have the right to submit to the Commission an additional memorandum addressing the matters 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. All memoranda submitted by

the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation And Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation And Agreement, whether or not the Commission approves and adopts this Stipulation And Agreement.

The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation And 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 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 disclosures, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

14. No Acquiescence

None of the signatories to this Stipulation And Agreement 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 Stipulation And Agreement, or for which provision is made in this Stipulation And Agreement.

15. Negotiated Settlement

This Stipulation And Agreement represents a negotiated settlement. Except as specified herein, the signatories to this Stipulation And Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation And 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 Stipulation And Agreement in the instant proceeding, or in any way condition its approval of same.

16. Provisions Are Interdependent and Effect Of Failure To Receive Commission's Total, Unconditional Approval

The provisions of this Stipulation And Agreement have resulted from negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation And 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.

If the Commission does not unconditionally approve this Stipulation And Agreement without modification, and notwithstanding its provision that it shall become void thereon, neither this Stipulation And 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 Stipulation And 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 Stipulation And Agreement had not been presented for approval, and any testimony or exhibits that have been offered or received in support of this Stipulation And Agreement shall thereupon become privileged as reflecting the substantive content of settlement discussions and

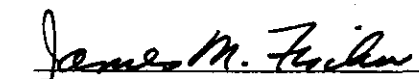
shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.


17. Waiver Of Rights Upon Commission Acceptance

In the event the Commission accepts the specific terms of the Stipulation And 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 Report And Order respecting this Stipulation And 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 Stipulation And Agreement.

WHEREFORE the Staff, the Office of the Public Counsel and Kansas City Power & Light Company, Great Plains Energy, Incorporated, and Great Plains Power, Incorporated hereby request that the Commission approve the instant Stipulation And Agreement.

Respectfully submitted:

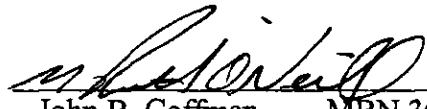

James M. Fischer MBN 27543
Fischer & Dority, P.C.
101 Madison, Suite 400
Jefferson City, Missouri 65101
Telephone: (573) 636-6758
Facsimile: (573) 636-0383
E-mail: jfischerpc@aol.com


Steven Dottheim MBN 29149
Chief Deputy Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102
Telephone: (573) 751-7489
Facsimile: (573) 751-9285
E-mail: sdotthei@mail.state.mo.us
Attorney for
Missouri Public Service Commission Staff

And

William G. Riggins MBN 42501
General Counsel
Kansas City Power & Light Company
1201 Walnut, 20th Floor
P.O. Box 418679
Kansas City, Missouri 64141-9679
Telephone: (816) 556-2645
Facsimile: (816) 556-2787
E-mail: bill.riggings@kcpl.com

Attorneys for
Kansas City Power & Light Company
Great Plains Energy, Incorporated
And Great Plains Power, Incorporated



John B. Coffman MBN 36591
Deputy Public Counsel
Ruth O'Neill MBN 49456
Assistant Public Counsel
Office of the Public Counsel
P.O. Box 7800
Jefferson City, Missouri 65102
Telephone: (573) 751-4857
Facsimile: (573) 751-5562
E-mail: jcoffman@mail.state.mo.us

Attorneys for
Office of the Public Counsel

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing Entry of Appearance has been hand-delivered or mailed, First Class, postage prepaid, this 9th day of July, 2001, to:

John B. Coffman,
Office of the Public Counsel
P.O. Box 7800
Jefferson City MO 65102

Dana K. Joyce, General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City MO 65102

Steven Dottheim, Chief Deputy Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City MO 65102

William B. Moore
City Counselor
111 East Maple
Independence MO 64050

Duncan Kincheloe
2407 W. Ash
Columbia MO 65203

William D. Geary
Assistant City Attorney
2700 City Hall
414 E. 12th Street
Kansas City MO 64106

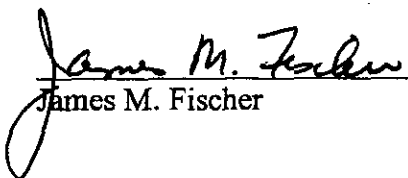
Paul A. Boudreau
Brydon Swearingen & England P.C.
P.O. Box 456
Jefferson City MO 65102-0537

Mark W. Comley
Newman Comley & Ruth P.C.
P.O. Box 537
Jefferson City MO 65102-0456

Gary W. Duffy
Brydon Swearingen & England P.C.
P.O. Box 456
Jefferson City MO 65102-0537

Lelia Y. Dietiker
Assistant County Counselor
415 East 12th Street
Kansas City MO 64106

Robert C. Johnson
Lisa C. Langeneckert
Law Office of Robert C. Johnson
720 Olive Street
Suite 2400
St. Louis MO 63101


James M. Fischer

CONTINGENT PROCEDURE STIPULATION

1.0 APPLICABILITY

- 1.1 Principles stated in this Contingent Procedure Stipulation ("Procedure Stipulation") shall govern the situations described in Sections II (e) and (f) of the Stipulation And Agreement.
- 1.2 Changes to this Procedure Stipulation may be proposed from time-to-time by Kansas City Power & Light Company ("KCPL") or Great Plains Energy, Incorporated ("GPE"), the Commission Staff or the Office of the Public Counsel ("OPC" or "Public Counsel"), subject to the approval of the Commission; provided, however, that KCPL, the Commission Staff and the OPC shall meet and discuss any such proposed changes prior to the submission of such changes to the Commission by KCPL or GPE, the Commission Staff or the OPC.

2.0 DEFINITIONS

When used in this Procedure Stipulation, the following terms shall have the respective meanings set forth below:

- 2.1 "Affiliate" means an entity that is GPE, a subsidiary of KCPL, a subsidiary of GPE (other than KCPL), or other subsidiary within the Holding Company organization.
- 2.2 "Affiliate Contract" means an Affiliate Operating Contract, an Affiliate Sales Contract, an Affiliate Surety Contract, a Section 205 Contract, a Service Agreement, or an amendment to any such contract.
- 2.3 "Affiliate Operating Contract" means a contract, other than a Section 205 Contract, between KCPL and one or more of its Affiliates providing for the operation of any part of KCPL's generating, transmission and/or distribution facilities by such Affiliate(s).
- 2.4 "Affiliate Sales Contract" means a contract, other than an Affiliate Operating Contract or a Section 205 Contract, between KCPL and one or more of its Affiliates involving the purchase of Assets, Goods or Services.
- 2.5 "Affiliate Surety Contract" means a contract between KCPL and one or more of its Affiliates involving the assumption by KCPL of any liability as a guarantor, endorser, surety, or otherwise in respect of any security or contract of an Affiliate.

- 2.6 "Assets" means any land, plant, equipment, franchises, licenses, or other right to use assets.
- 2.7 "Commission" means the Missouri Public Service Commission or any successor governmental agency.
- 2.8 "Commission Staff" or "Staff" means the Staff of the Missouri Public Service Commission.
- 2.9 "Entity" means a corporation or a natural person.
- 2.10 "FERC" means the Federal Energy Regulatory Commission, or any successor governmental commission.
- 2.11 "Goods" means any goods, inventory, materials, supplies, appliances, or similar property (except electric energy and capacity).
- 2.12 "Non-Utility Affiliate" means an Affiliate which is neither a public utility nor a Utility Service Company.
- 2.13 "OPC" or "Public Counsel" means the Office of the Public Counsel.
- 2.14 "Review Period" means a period of ninety (90) consecutive calendar days commencing on the first day immediately following the date that KCPL or GPE submits an Affiliate Contract to the Commission for the Commission Staff's review. Any part of the Review Period for a particular Affiliate Contract may be waived by agreement of KCPL, the Commission Staff and the OPC.
- 2.15 "SEC" means the United States Securities and Exchange Commission, or any successor governmental agency.
- 2.16 "Section 205 Contract" means an interconnection, interexchange, pooling, operating, transmission, power sale or ancillary power services contract or similar contract entered into between KCPL and an Affiliate and subject to regulation by the FERC pursuant to § 205 of the Federal Power Act, 15 U.S.C. § 824d, or any successor statute.
- 2.17 "Service Agreement" means the agreement entered into between KCPL, GPE, and an affiliated or subsidiary service company, under which services are provided by such services company to KCPL and GPE.
- 2.18 "Services" means the performance of activities having value to one party, such as managerial, financial, accounting, legal, engineering, construction, purchasing, marketing, auditing, statistical, advertising, publicity, tax, research, and other similar services.

- 2.19 "Subsidiary" means any corporation 10 percent (10%) or more of whose voting capital stock is controlled by another Entity; Subsidiaries of GPE are those corporations in which GPE owns directly or indirectly (or in combination with GPE's other Affiliates) 10 percent (10%) or more of such corporation's voting capital stock.
- 2.20 "KCPL's Holding Company" means GPE or its successor in interest.
- 2.21 "Utility Affiliate" means an Affiliate of KCPL which is also a public utility.
- 2.22 "Utility Service Company" means an Affiliate whose primary business purpose is to provide administrative and general or operating services to KCPL and Utility Affiliate(s).

3.0 AFFILIATE CONTRACTS REQUIRED TO BE FILED WITH THE SEC

The following will apply to Affiliate Contracts that are required to be filed with the SEC.

- 3.1 Prior to filing any such Affiliate Contract with the SEC or the Commission, KCPL will submit to the Commission Staff, the OPC, and the appropriate parties requesting a copy, a copy of the Affiliate Contract which it proposes to file with the SEC and the Commission.
- 3.1.1 If the Commission Staff clears the contract for filing, or does not object to it, and no objections from affected parties are submitted to KCPL (with a copy to the Commission Staff) during the Review Period for such contract, KCPL may file such contract with the SEC and the Commission. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.
- 3.1.2 If, during the expiration of the Review Period for such contract, the Commission Staff recommends that the Commission reject, disapprove or establish a proceeding to review such contract, or if an objection(s) is submitted to KCPL (with a copy to the Commission Staff) by an affected party (or parties), KCPL may file the contract with the Commission, but shall not file the contract with the SEC until at least thirty (30) days after the date that it is filed with the Commission; provided, that both such filings shall disclose the Commission Staff's recommendation or the objection(s) regarding the contract; provided, further, that if the Commission, within twenty (20) days after the contract is filed, institutes a proceeding to review such contract, KCPL shall not file the contract with the SEC unless and until KCPL receives a Commission Order which resolves issues raised with regard to the contract and which does not reject or disapprove the contract. The contract will become effective upon the receipt of all necessary

regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary authorizations.

- 3.2 After the Affiliate Contract has been filed with the Commission, the Commission may in accordance with Missouri law, reject or disapprove the contract, and upon such rejection or disapproval:
- 3.2.1 If such contract has not yet been accepted or approved by the SEC, KCPL will, as soon as possible, file to seek to withdraw its filing requesting SEC acceptance or approval of such contract; or
- 3.2.2 If such contract has been accepted or approved by the SEC and none of the other contracting parties are Utility Affiliates subject to any other state utility regulatory commission's jurisdiction, KCPL will:
- a. terminate such contract according to its terms; or
 - b. at its sole option, take such steps as are necessary to cause such contract to be amended in order to remedy the Commission's adverse findings with respect to such contract; KCPL will refile such amended contract with both the Commission and the SEC; such amendment will become effective only upon the receipt of all necessary regulatory authorizations, and the previous contract (to the extent already in effect) will remain in effect until such authorizations are received; if the SEC does not finally accept or approve such amendment within one (1) year from the date of KCPL's filing of such amendment with the SEC, KCPL will, upon request of the Commission, terminate the contract according to its terms.
- 3.2.3 If such contract has been accepted or approved by the SEC, and one or more of the other contracting parties are Utility Affiliates subject to another state utility regulatory commission's jurisdiction, KCPL will make a good faith effort to terminate, amend or modify such contract in a manner which remedies the Commission's adverse findings with respect to such contract. KCPL will request to meet with representatives from the affected state commissions and make a good faith attempt to resolve any differences in their respective interests regarding the subject contract. If agreement can be reached to terminate, amend, or modify the contract in a manner satisfactory to the contracting parties and the representatives of each state commission, KCPL shall file such amended contract with the Commission and the SEC under the procedures set forth in this Section 3. If no agreement can be reached satisfactory to each contracting party and to each affected state commission, after good faith negotiations, KCPL has no further obligations under this Procedure Stipulation. Nothing herein affects, modifies or

alters in any way the rights and duties of the Commission under applicable state and federal law.

4.0 AFFILIATE CONTRACTS REQUIRED TO BE FILED WITH THE FERC

The following will apply to Affiliate Contracts that are required to be filed with the FERC.

- 4.1 Prior to filing any Affiliate Contract with the FERC or the Commission, KCPL will submit to the Commission Staff, the OPC and appropriate parties requesting a copy, a copy of the Affiliate Contract which it proposes to file with the FERC and the Commission.
 - 4.1.1 If the Commission Staff clears the contract for filing, or does not object thereto, and no objections from affected parties are submitted to KCPL, (with a copy to the Commission Staff) during the Review Period for such contract, KCPL may file such contract with the FERC and the Commission. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.
 - 4.1.2 If, during or upon the expiration of the Review Period for such contract, the Commission Staff recommends that the Commission reject, disapprove or establish a proceeding to review such contract, or if any objection(s) is submitted to KCPL (with a copy to the Commission Staff) by an affected party (or parties), KCPL may file the contract with the Commission, but shall not file the contract with the FERC until at least thirty (30) days after the date that it is filed with the Commission; provided, that if the Commission, within twenty (20) days after the contract is filed, institutes a proceeding to review such contract, KCPL shall not file the contract with the FERC unless and until KCPL receives a Commission Order which resolves issues raised with regard to the contract and which does not reject or disapprove the contract. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.
- 4.2 After the Affiliate Contract has been filed with the Commission, the Commission may in accordance with Missouri law, reject or disapprove the contract, and upon such rejection or disapproval:
 - 4.2.1 If such contract has not yet been accepted or approved by the FERC, KCPL will, as soon as possible, file to seek to withdraw its filing requesting the FERC acceptance or approval of such contract; or

4.2.2 If such contract has been accepted or approved by the FERC and none of the other contracting parties are Utility Affiliates subject to any other state utility regulatory commission's jurisdiction, KCPL will:

- a. terminate such contract according to its terms; or
- b. at its sole option, take such steps as are necessary to cause such contract to be amended in order to remedy the Commission's adverse findings with respect to such contract; KCPL will refile such amended contract with the Commission and the FERC; such amendment will become effective only upon the receipt of all necessary regulatory authorizations, and the previous contract (to the extent already in effect) will continue in effect until such authorizations are received; if the FERC does not finally accept or approve such amendment within one (1) year from the date of KCPL's filing of such amendment with the FERC, KCPL will, upon request of the Commission, terminate the contract according to its terms.

4.2.3 If such contract has been accepted or approved by the FERC and one or more of the other contracting parties are Utility Affiliates subject to another state utility regulatory commission's jurisdiction, KCPL will make a good faith effort to terminate, amend or modify such contract in a manner which remedies the Commission's adverse findings with respect to such contract. KCPL will request to meet with representatives from the affected state commissions and make a good faith attempt to resolve any differences in their respective interests regarding the subject contract. If agreement can be reached to terminate, amend, or modify the contract in a manner satisfactory to the contracting parties and the representatives of each state commission, KCPL shall file such amended contract with the Commission and the FERC under the procedure set forth in this Section 4. If no agreement can be reached satisfactory to each contracting party and each affected state commission, after good faith negotiations, KCPL has no further obligations under this Procedure Stipulation. Nothing herein affects, modifies or alters in any way the rights and duties of the Commission under applicable state and federal law.

**CAM MODIFICATIONS
STIPULATION AND AGREEMENT
KANSAS CITY POWER & LIGHT COMPANY
CASE NO. EM-2001-464**

1. KCPL's Cost Allocation Manual ("CAM") will be modified to identify and describe all KCPL functions that will provide support to nonregulated affiliated business units, including the Holding Company.
The information provided will include:
 - A. A listing of each function.
 - B. The positions and numbers of employees providing each function.
 - C. The procedures to be used to measure and assign costs to nonregulated business units for each function provided by KCPL.

2. The CAM will be modified to include:
 - A. A description of all services and goods that will be provided to KCPL from each affiliate of KCPL.
 - B. A description of all services and goods that will be provided to affiliated companies from KCPL.
 - C. The dollar amount of each service and good charged to each affiliate by KCPL, and the total cost related to each service and good listed.
 - D. The dollar amount of each service and good bought from each affiliate from KCPL, and the total cost related to each service and good listed.
 - E. A detailed discussion of the basis for determining the charges from the regulated utility, affiliated companies and the Holding Company, including:
 - a. If costs are allocated, a description of the cost allocation process employed for each service and good.
 - b. How direct, indirect and common activities are assigned for each service and good.
 - c. How market value for each service and good is determined.
 - d. A description of the criteria employed to determine whether volume discounts or other pricing considerations are to be provided to KCPL or affiliates.

3. The CAM will be modified to include a Code of Conduct to ensure adherence to the policies and procedures incorporated within the CAM.
 - A. Training will be provided and information disseminated regarding the current policies and procedures and any future modification to them.
 - B. KCPL will enforce penalties, up to and including possible termination, for noncompliance with its policies and procedures.
 - C. A designated person will be responsible for enforcement of the policies and procedures.

- D. KCPL will conduct regularly scheduled internal and/or external audits to examine compliance with its policies and procedures.
 - E. At least once a year, KCPL will consider whether modifications to the Code of Conduct are necessary to support appropriate compliance with the Company's policies and procedures. If modifications to the Code of Conduct are made by KCPL, they will be provided as part of the overall CAM filing.
- 4. KCPL will file as part of the CAM the following organization charts:
 - A. Total family of companies within the Holding Company.
 - B. KCPL alone.
 - C. Affiliates doing business with KCPL.
 - 5. The CAM will be modified to include a listing of all deregulated activities that will be provided within the regulated company (KCPL) to nonaffiliated third party customers following formation of the Holding Company. The information to be provided in this area shall include:
 - A. The amount of revenues and expenses for each deregulated activity for the last calendar year.
 - B. Listings of all KCPL cost centers/functions that will directly assign, indirectly assign, or allocate costs to each deregulated activity listed.

All of the above information (Items 1 through 5) shall be provided by KCPL to the Commission on an annual basis through the CAM filing process.

- 6. All CAM modifications agreed to as part of the Stipulation And Agreement resolving this case shall be filed with the Commission within 120 days of the effective date of the approval of the Stipulation And Agreement by the Commission.

Note: Any direct activities related to the study or formation of the Holding Company, or study or formation of new corporate entities after the Holding Company is implemented, will not be subject to allocation to regulated operations.