Q3 2013 Report

November 6, 2013

IATAN-NASHUA PROJECT QUARTERLY REPORT

This report provides a quarterly project status for the Iatan-Nashua Project in conjunction with the reporting requirements set forth in Case Nos. EO-2012-0271 & EA-2013-0098.

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Introduction

Project Background

The Iatan to Nashua 345kV Transmission Project ("Iatan-Nashua Project") was initiated as a result of the Southwest Power Pool's ("SPP") Balanced Portfolio Network Upgrades. SPP, a Regional Transmission Organization ("RTO") with members in nine states and approved by the Federal Energy Regulatory Commission ("FERC"), has the obligation to plan and develop transmission solutions for the region in which it serves as an RTO. SPP in 2008 to 2009 began to develop a more comprehensive approach to their transmission expansion planning, which would bring about not only traditional reliability-based benefits, but also benefits of reduced regional market congestion, lower regional generation production costs and increased operating efficiencies. The first comprehensive set of such projects were developed as the Balanced Portfolio[1] containing seven major transmission projects within the SPP region.

SPP approved this set of projects in April 2009, and one of these was the Iatan-Nashua Project. The Iatan-Nashua Project will reduce congestion on the region's transmission system and provide essential transmission capacity for long-term efficient delivery of energy within the region. Additionally, the Iatan-Nashua Project will provide an alternate transmission route during emergencies and greater service reliability for the northwest Missouri area.

The Iatan-Nashua Project involves the construction of a new 345kV transmission line in Platte and Clay Counties in Missouri. The transmission line will extend approximately thirty-one (31) miles from an existing substation at the Iatan power plant near Weston, Missouri ("Iatan Substation"), to the Nashua 161kV substation near Smithville, Missouri ("Nashua Substation"). The 161kV Nashua Substation will be expanded and upgraded to accommodate both the new 345kV Iatan-Nashua line, and the connection with the existing St. Joseph-Hawthorn 345kV transmission line, by installing a new 345/161kV autotransformer between the existing 161kV substation and the 345kV facilities at the Nashua Substation.

SPP issued a Notification to Construct ("NTC") to KCP&L on June 19, 2009. SPP initially issued the NTC to KCP&L because KCP&L owns and operates both of the substations at the end points of the new 345kV transmission line. However, after spending more than a year evaluating routing options and meeting with the public, it became clear that the new 345kV transmission line would be located entirely within GMO's service territory. As a result, at KCP&L's request, SPP modified the Iatan-Nashua NTCs to also include GMO as a Designated Transmission Owners ("DTOs") for this project.

On April 17, 2012, SPP issued revised NTCs to both KCP&L and GMO, directing them to coordinate with each other regarding the portion of the project each company would construct.

[1] SPP's description of the Balanced Portfolio is available at http://www.spp.org/section.asp?pageID=120.

On June 22, 2012, KCP&L submitted a response to the revised NTC indicating it would construct the identified network upgrades at its Iatan Substation, and its 161kV Nashua Substation. As noted above, a new 345/161kV autotransformer will be installed at the Nashua Substation between the existing 161kV substation and the new 345kV facilities. On the same day, GMO also submitted a response indicating it would construct the 345kV transmission line between the substations.

Copies of the NTCs, modification requests, and Company responses described above can be found in the Q4 2012 Iatan-Nashua Project Quarterly Report[2], and in prior quarterly reports, in Case No. EO-2012-0271[3].

KCP&L and GMO, however, plan to terminate and release their respective obligations as DTOs under the modified NTCs and designate an alternate DTO to be responsible for building and owning the Iatan-Nashua Project and the Sibley-Nebraska City Project 345kV Transmission Project ("Sibley-Nebraska City Project") (together "the Projects") through a process known as novation. KCP&L and GMO initiated the novation process, which entails various interrelated approvals by SPP, FERC, and the Missouri Public Service Commission ("MPSC" or "Commission"), in mid-2012. The MPSC approvals related to this process have been addressed in Case Nos. EO-2012-0367[4] and EA-2013-0098[5]. The status of this novation process and the associated SPP, FERC, and MPSC approvals is more fully discussed in the Status of Ownership of Iatan-Nashua Project section of this report.

Project Reporting

On March 14, 2012 in Case No. EO-2012-0271[6], the MPSC issued an Order Directing Filing and Denying Motion for Local Public Hearing ("Order Directing Filing")[7].

[2] The Q4 2012 Iatan-Nashua Project Quarterly Report is available through the Electronic Filing and Information System ("EFIS") on the MSPC's website at https://www.efis.psc.mo.gov/mpsc/commoncomponents/view_itemno_details.asp?caseno=EO-2012-0271&attach_id=2013013409

[3] All case filings and submissions for Case No. EO-2012-0271 are available through EFIS at https://www.efis.psc.mo.gov/mpsc/Filing_Submission/DocketSheet/docket_sheet.asp?caseno=EO-2012-0271&pagename=case_filing_submission_FList.asp

[4] All case filings and submissions for Case No. EO-2012-0367 are available through EFIS at https://www.efis.psc.mo.gov/mpsc/Filing_Submission/DocketSheet/docket_sheet.asp?caseno=EO-2012-0367&pagename=case_filing_submission_FList.asp

[5] All case filings and submissions for Case No. EO-2013-0098 are available through EFIS at https://www.efis.psc.mo.gov/mpsc/Filing_Submission/DocketSheet/docket_sheet.asp?caseno=EA-2013-0098&pagename=case_filing_submission_FList.asp

[6] All case filings and submissions for Case No. EO-2012-0271 are available through EFIS at https://www.efis.psc.mo.gov/mpsc/Filing_Submission/DocketSheet/docket_sheet.asp?caseno=EO-2012-0271&pagename=case_filing_submission_FList.asp

[7] The Order Directing Filing is available through EFIS at https://www.efis.psc.mo.gov/mpsc/commoncomponents/view_itemno_details.asp?caseno=EO-2012-0271&attach_id=2012015122

The MPSC ruled in the Order Directing Filing that "throughout the planning, design, and construction process of ***Line 62***[8] ***[emphasis and footnote added]*** (as described in the body of this order), Kansas City Power & Light Company ("KCP&L") and KCPL Greater Missouri Operations ("GMO") shall continue the "the two-way communication, feedback, on-site visits and other meetings" as described in KCP&L and GMO's Response to the Office of the Public Counsel's Motion to Open an Investigation."

The MPSC also ordered that beginning on March 30, 2012, KCP&L and GMO (collectively referred to herein as "the Company") shall file quarterly updates that include at a minimum:

- The progress of the planning, design and construction of the proposed transmission line and any additional information that addresses the safety issues raised in this file
- The status of ownership of ***Line 62***[9] ***[emphasis and footnote added]***
- A summary of KCP&L's and GMO's contact with the public during the previous quarter.

The quarterly reports contain the following quarterly update sections to satisfy the requirements of the Order Directing Filing:

Project Progress Summary
- Overall Status
- Permitting
- Engineering and Design
- Procurement
- Right-of-Way Acquisition
- Construction
- Schedule
- Safety

Summary of KCP&L's and GMO's Contact with the Public
Status of Ownership of Iatan-Nashua Project

The initial report submitted on March 30, 2012 – in addition to the progress summary, owner status, and public contact information required by the Order Directing Filing – also included a summary of the Iatan-Nashua Project History. The Project History section was included in the first report in order to provide a summary of the project, especially with respect to the public interactions, from project inception to the time of the first quarterly report.

[8] The terms, "Line 62" or "Segment 62", have been used somewhat loosely in various contexts and documents, including in the March 14, 2012 Order Directing Filing in this case, to refer to the Iatan-Nashua Project as a whole. Technically, "Segment 62" refers to one of the line segment options that were evaluated and not the entire Iatan-Nashua Project. Additional discussion on this topic can be found in the Project History section of the first quarterly report (dated March 30, 2012) filed in File No. EO-2012-0271. For the purposes of the quarterly reporting in Case No. EO-2012-0271, it should be presumed that all discussion refers the Iatan-Nashua Project as a whole, unless it is specifically stated otherwise.

[9] Id.

In the context of Case No. EA-2013-0098, the Company agreed to continue this quarterly reporting for the Iatan-Nashua Project and to begin similar quarterly reporting for the Sibley-Nebraska City Project. This agreement, as shown below, is included in Appendix 4 of the Report and Order[10] in Case No. EA-2013-0098.

> KCP&L, GMO, and/or Transource Missouri will continue to file quarterly status reports on the Iatan-Nashua Project to the Commission, as KCP&L and GMO are doing in File No. EO-2012-0271.
>
> KCP&L, GMO, and/or Transource Missouri will file in File No. EA-2013-0098, or other case as designated by the Commission, quarterly status reports on the Sibley-Nebraska City Project to the Commission consistent with those provided by KCP&L and GMO in File No. EO-2012-0271.

In addition to the Company's reporting in Case Nos. EO-2012-0271 and EA-2013-0098, the Company also provides project updates to SPP on a quarterly basis. The SPP quarterly project tracking reports[11] contain information on all of the Balanced Portfolio projects, as well as other SPP projects, including Reliability, Transmission Service, Generation Interconnect, High Priority, and IPT10 upgrades. The Iatan-Nashua Project is shown in the SPP quarterly project tracking reports under three NTC IDs (shown in ***Figure 1*** below):

Figure 1 - Iatan-Nashua Project NTCs

NTC_ID	UID	Project Owner	Upgrade Description
200189	50499	GMO	345 kV line from Iatan substation to Nashua substation
200188	10935	KCP&L	Upgrades at the Iatan and Nashua Substations
20042	10945	KCP&L	Nashua 345/161 kV Transformer

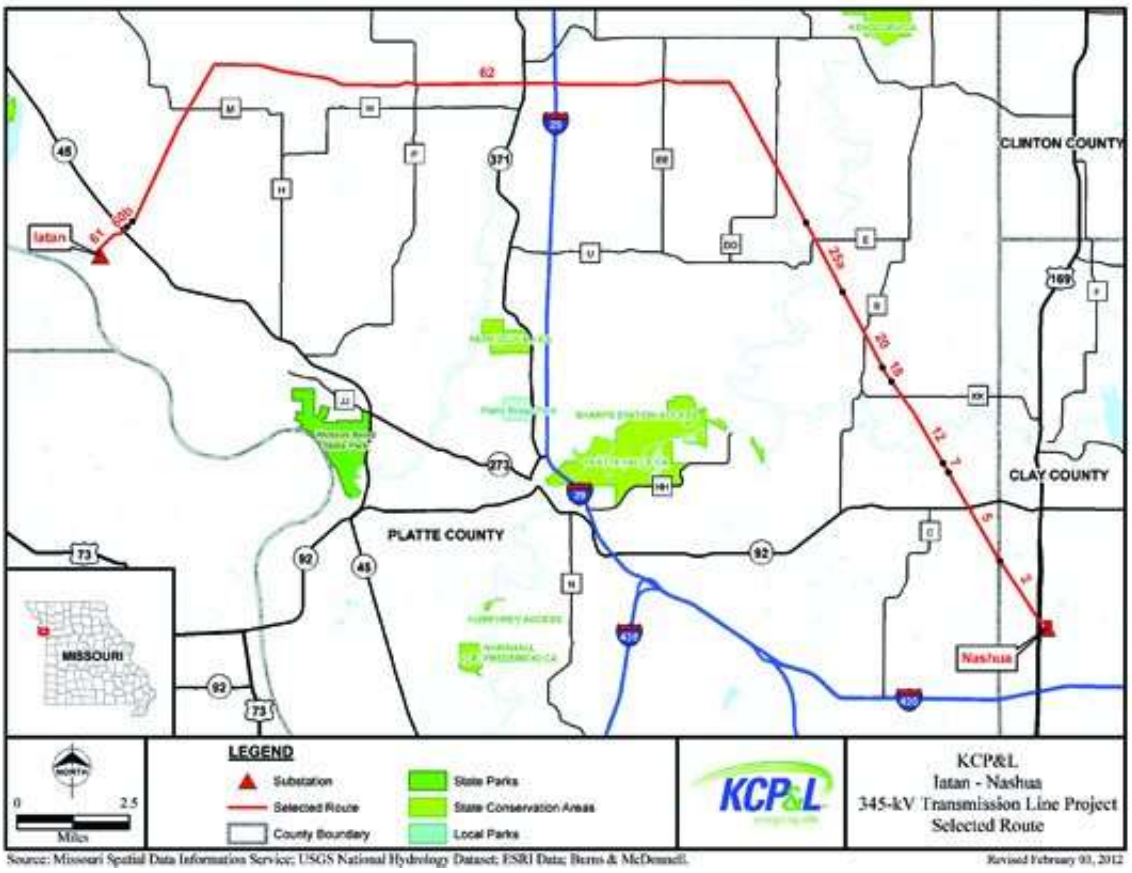
[10] The Report and Order in Case No. EA-2013-0098 is available through EFIS at https://www.efis.psc.mo.gov/mpsc/commoncomponents/view_itemno_details.asp?caseno=EA-2013-0098&attach_id=2014002024

[11] The SPP quarterly project tracking reports are publicly available at http://www.spp.org/section.asp?group=1867&pageID=27

Project Components

As noted above the Iatan-Nashua Project will extend approximately thirty-one (31) miles from the Iatan Substation to the Nashua Substation. The map[12] in ***Figure 2*** below shows the final route chosen for the Project.

Figure 2 – Iatan-Nashua Final Route Map



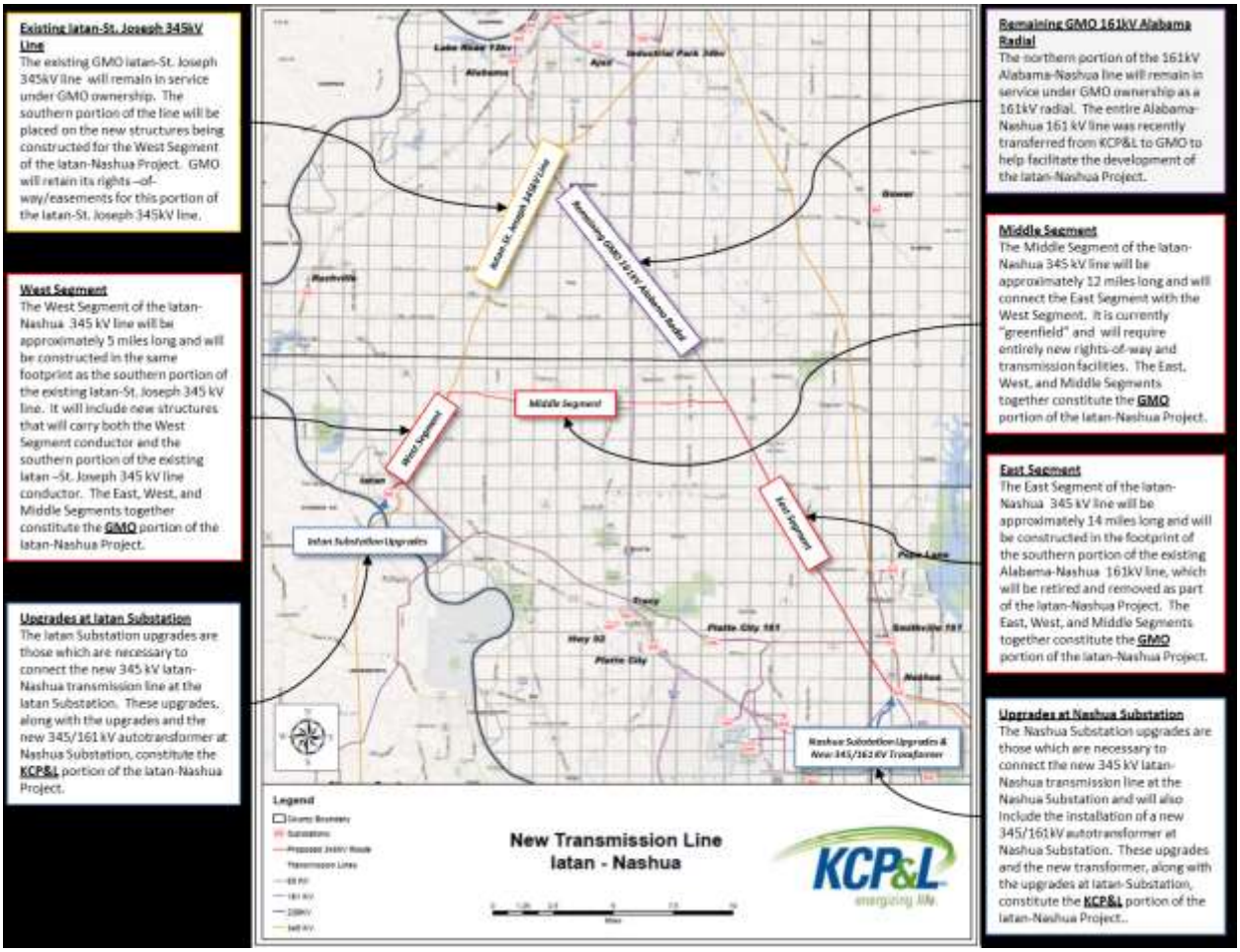
The Iatan-Nashua Project essentially has four distinct components: (i) the **West Segment**; (ii) the **East Segment**; (iii) the **Middle Segment**, which together constitute the GMO portion of the Iatan-Nashua Project; and (iv) the **substation upgrades**, which constitute the KCP&L portion of the Iatan-Nashua Project.

There are also two existing transmission lines - the **Iatan-St. Joseph 345 kV transmission line** and the **Alabama-Nashua 161 kV transmission line** – that, while not technically part of the Iatan-Nashua Project, are related to the Iatan-Nashua Project because of past or future common right-of-way usage.

[12] A larger version of this map of the final route is also included as ***Attachment A – Iatan-Nashua Project Final Route Map***.

A map[13] showing these components is provided in ***Figure 3*** below along with further discussion of the components.

Figure 3 – Iatan-Nashua Project Components



The **West Segment** begins at the Iatan Substation located in Platte County near Weston, Missouri, extending in a northeasterly direction for about five (5) miles. This segment of the new 345kV transmission line will utilize GMO's existing **Iatan-St. Joseph 345 kV transmission line**[14] rights-of-way supplemented by additional rights-of-way as needed for the new construction. To facilitate construction of the new 345kV transmission line from the Iatan Substation, the Companies intend to install new transmission structures that will be able to accommodate both GMO's existing 345kV Iatan-St. Joseph line, as well as the West Segment of the new 345kV Iatan-Nashua line. Consequently, the existing transmission structures along

[13] A larger version of this map of the project components is also included as ***Attachment B – Iatan-Nashua Project Components***.

[14] The existing GMO Iatan-St. Joseph 345 kV transmission line will remain in service under GMO ownership and will not be part of the Iatan-Nashua Project for the purposes of the 100% regional cost allocation. The current retail and wholesale ratemaking will remain unchanged for the existing GMO Iatan-St. Joseph 345 kV transmission line.

approximately five (5) miles of the Iatan-St. Joseph line will be retired and removed and the existing line will be attached to the new structures. Subsequently, the West Segment of the new 345kV transmission line will be added to the new structures as part of the construction of the Iatan-Nashua Project. Both the West Segment of the new 345kV Iatan-Nashua line, and a portion of the existing Iatan-St. Joseph line, will share the new structures. The existing Iatan-St. Joseph line is expected to remain energized and in-service during the construction of the West Segment including, at times, while the Iatan-St. Joseph conductors are being moved from the existing structures to the new jointly used structures.

The **East Segment** begins at KCP&L's Nashua Substation located in Clay County near Smithville, Missouri, extending in a northwesterly direction for approximately fourteen (14) miles. This segment of the new 345kV transmission line will utilize existing rights-of-way (supplemented by additional rights-of-way as needed) that currently are used for a portion of the existing **Alabama-Nashua 161kV transmission line** that was recently transferred from KCP&L to GMO[15]. This southern fourteen (14) mile segment of the Alabama-Nashua Line will be retired and removed and will be replaced by the new 345kV transmission line. The remaining northern portion of the GMO Alabama-Nashua 161kV transmission line, after the southern portion is retired and removed, will remain in service[16] for GMO as a radial line out of the Alabama Substation.

The **Middle Segment** will connect the East and West Segments, running approximately twelve (12) miles east-to-west through an area without any existing rights-of-way/easements – i.e., the Middle Segment is "greenfield." Initial meetings with landowners to discuss right-of-way acquisition in this "greenfield" area began in mid-March 2013.

In order to facilitate the construction and operation of the new 345kV Iatan-Nashua transmission line, certain **substation upgrades** will need to be made at each substation terminus. Notably, the existing 161kV Nashua Substation will be expanded and upgraded to accommodate both the new 345kV Iatan-Nashua line, and connection with the existing St. Joseph-Hawthorn 345kV transmission line, by installing a new 345/161kV autotransformer between the existing 161kV substation and the 345kV facilities at the Nashua Substation. Additionally, upgrades will be required to connect the new 345kV transmission line to the Iatan Substation. As previously noted, the substation upgrades will be performed by KCP&L.

[15] In Case No. EO-2012-0479, the Companies requested Commission approval to transfer the 161kV Alabama-Nashua Line from KCP&L to GMO in order to facilitate the Companies' plan to have GMO construct the entire 345kV Iatan-Nashua line because it will be wholly within GMO's service area. The Commission granted the Companies' application to transfer the Alabama-Nashua Line from KCP&L to GMO on August 15, 2012. The transfer is discussed in further detail in the application and related filings in Case No. EO-2012-0479, which are available through EFIS at https://www.efis.psc.mo.gov/mpsc/Filing_Submission/DocketSheet/docket_sheet.asp?caseno=EO-2012-0479&pagename=case_filing_submission_FList.asp

[16] The remaining GMO 161 kV radial out of Alabama Substation will remain in service under GMO ownership and will not be part of the Iatan-Nashua Project for the purposes of the 100% regional cost allocation. The current retail and wholesale ratemaking will remain unchanged for this GMO 161 kV Alabama radial.

Project Progress Summary

Overall Status

Overall, the Project is on track with no critical path issues.

West Segment
Construction of the West Segment foundations and structures was completed during the second quarter. Activity during the third quarter related only to finalizing condemnation awards on a few parcels.

East Segment
Project activity during the third quarter was focused on the installation of the new foundations and structures on the East Segment and continued efforts to finalize right-of way acquisition and condemnation awards

Middle Segment
Project activity on the Middle Segment during the third quarter continued to be primarily related to right-of-way acquisition.

Substation Upgrades
Preliminary substation upgrade work is continuing as planned with anticipated completion in the fourth quarter of 2014 for the Nashua Substation upgrades and in the second quarter of 2015 for the Iatan Substation upgrades.

Permitting

During the third quarter, permits/approvals related to roadway crossings necessary for work on the East Segment were requested and received, as needed.

Other permitting including necessary notices, filings, and submittals previously requested/received include:

- Federal - US Army Corps of Engineers ("USACE"), US Fish and Wildlife Service ("USFWS"), Federal Aviation Administration ("FAA")
- State – State Historic Preservation Office ("SHPO"), Missouri Department of Natural Resources - National Pollutant Discharge Elimination System (Storm Water Pollution Prevention Plan) ("MDNR-NPDES (SWPPP)"), Missouri Department of Conservation ("MDC")
- County/City - Floodplain & Public Right-of-Way Use

Engineering and Design

Detailed design engineering work continues on the project with the bulk of the work being performed in-house by the KCP&L Transmission Engineering Department. Engineering and design will not be fully finalized until all of the right-of-way/easements are obtained, which is currently scheduled for the first quarter of 2014. Engineering and design efforts during the third quarter were focused on developing the specifications for tree clearing and steel poles for the Middle Segment.

Procurement

The Company has issued requests for proposals ("RFPs"), evaluated the subsequent bids, and executed the contracts necessary to procure all of the essential services, materials and equipment required to meet the construction schedule. The Company recently awarded contracts for the necessary tree clearing on the "greenfield" Middle Segment and for the steel poles, which will be installed on the Middle Segment. The contracted suppliers for the major services, materials and equipment are shown below:

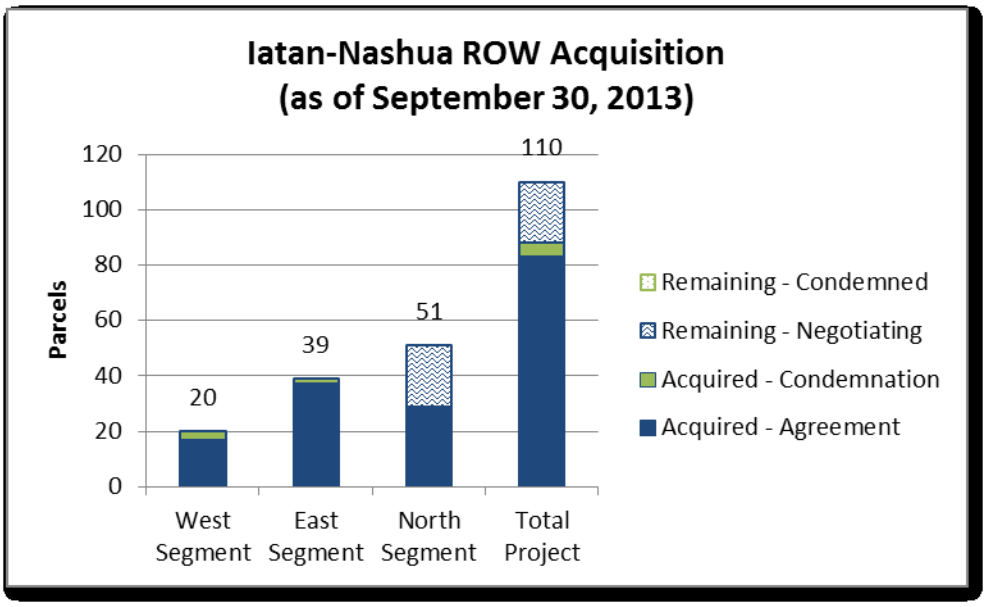
Figure 4 - Contracted Services, Materials, & Equipment

Services, Materials, & Equipment	Supplier	Contract Award
ROW/Easement Acquisition & Permitting	Burns & McDonnell Engineering	July 2012
Geotechnical Services	Alpha Omega Geotech	August 2012
Steel Poles - West Segment	TransAmerican Power Products	September 2012
Steel Poles - East Segment	FWT	October 2012
Steel Poles - Middle Segment	FWT	October 2013
Tree Clearing	Asplundh Tree Expert	October 2013
Line Construction	PAR Electrical Contractors	December 2012
Autotransformer (345 to 161 kV 650MVA)	GE Prolec Transformers	March 2013
Conductor	Southwire Company	November 2012
Fiber Optic/Ground Wire ("OPGW")	Brugg Cables	November 2012
Insulators	MacLean Power	December 2012
Hardware	HD Supply Utilities	February 2013
Numbering	Tech Products	December 2012

Right-of-Way Acquisition

The status of the easement and right-of-way acquisition process reflects the distinct characteristics of the West, East, and Middle Segments of the Project and the construction schedule related to those segments. The West Segment is being constructed on existing right-of-way that will contain a double circuit when the Project is completed. The East Segment is being constructed on existing right-of-way, but the transmission line previously occupying that right-of-way has been de-energized in conjunction with the Project. The Middle Segment is greenfield construction with no previously existing rights-of-way.

Figure 5 - ROW Acquisition Status



On the West Segment, all of the required rights-of-way have been obtained. Only three of the 20 parcels needed were acquired through condemnation, with the other 17 parcels acquired through negotiated agreements. Condemnation awards and payments were finalized in October of 2013.

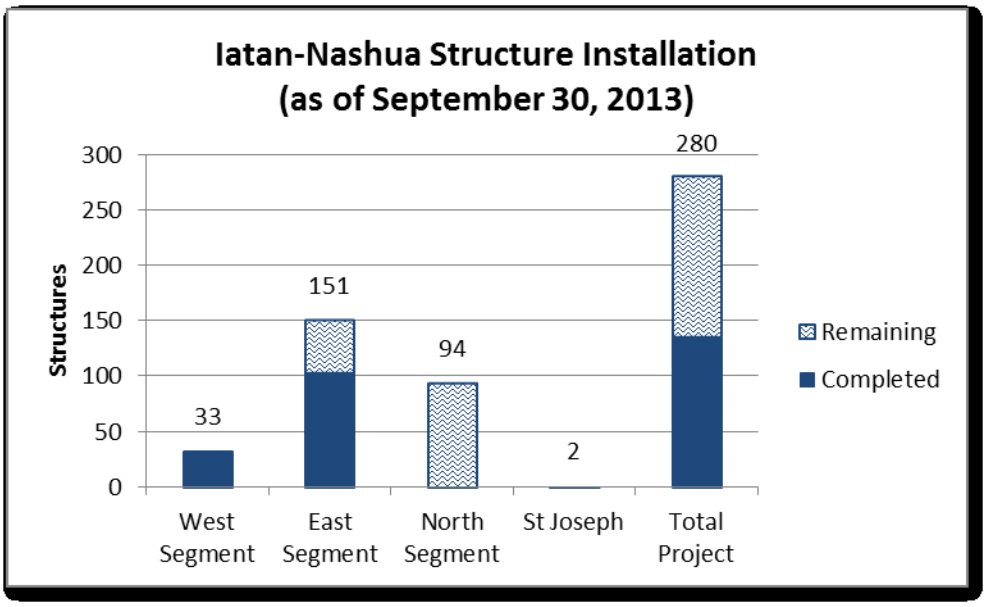
On the East Segment, all of the required rights-of-way have been obtained. Only two of the 39 parcels needed were acquired through condemnation, with the other 37 parcels acquired through negotiated agreements. Condemnation awards and payments will be finalized in the fourth quarter of 2013.

The right-of-way acquisition process is underway on the Middle Segment, and over half of the 51 parcels have been obtained to date. Condemnation filings were made the week of July 15, 2013 for parcels not yet obtained at the time. The Company, however, has continued to negotiate with landowners to acquire rights-of-way and will continue to do so throughout the process.

Construction

PAR completed installation of the new foundations and new steel structures on the West Segment during the second quarter. This work included moving the existing conductors on the southern portion of the existing Iatan-St. Joseph 345kV transmission line from the existing wood structures to the newly installed West Segment steel structures. As mentioned in the Project Components section above, the new West Segment steel structures will carry both the new conductors for the Iatan-Nashua Project and the existing conductors from the southern portions of the existing Iatan-St. Joseph 345kV transmission line. After the existing Iatan-St. Joseph line conductors were moved to the new West Segment steel structures, the existing wooden structures on the southern portion of the Iatan-St. Joseph line were removed. The new conductors for the Iatan-Nashua Project will be strung and attached to the new steel structures during the 2014 Iatan 2 maintenance outage.

Figure 6 - Structure Installation Status



Foundation and structure installation is underway on the East Segment[17]. The southern portion of the Alabama-Nashua 161kV transmission line was de-energized prior to the commencement of construction on the East Segment. The old structures and conductor on the southern portion of the Alabama-Nashua 161kV will be utilized to facilitate the pulling and stringing of the new conduit for the East Segment when that is installed. After installation of the new East Segment conductor, the structures and conductor on the southern portion of the Alabama-Nashua 161kV transmission line will be removed.

[17] Some pictures of the foundations and structure installation in progress on the East Segment are included as Attachment C – Iatan-Nashua East Segment Structure Installation (HIGHLY CONFIDENTIAL/PROPRIETARY).

Schedule

Overall, the Project is on track with no critical path issues. Estimated completion dates for the major Project activity categories are shown in ***Figure 7*** below:

Figure 7 - Estimated Completion Dates

Project Category	Estimated Completion
Right-of-Way Acquisition	December 2013
Permitting	January 2014
Engineering and Design	July 2014
Procurement	December 2014
Construction	June 2015
Project In-Service	June 2015
Post In-Service Project Completion	May 2016

The Level 1 Project Schedule outlines the major milestones and engineering, procurement, and construction activities that will need to be completed to support the current estimated in-service date of June 2015. It includes the current forecast/actual start and finish dates for the Level 1 summarized activities, as well as the baseline start and finish dates against which project status is tracked and reported. The current Level 1 Schedule as of September 22, 2013 for the overall Iatan-Nashua Project is included as ***Attachment D – Level 1 Schedule (HIGHLY CONFIDENTIAL/PROPRIETARY)***.

Safety

There have been no work-related safety issues on the Project.

During the public meetings an issue was raised with the final route being in the proximity of petroleum or gas pipelines. Pipelines and transmission lines are located near one another in other locations in the Company's transmission system. The Company is aware of the existing ONEOK pipeline near the final route and has continued to work with ONEOK on easement and safety issues. Many of these issues cannot be totally resolved until the engineering design work is complete. The Company will follow all electric industry safety guidelines as well as those provided by ONEOK during construction of the transmission line. The Company will communicate on this particular issue in each report as the engineering work progresses until it is resolved. The Company is waiting for the acquisition of the easements along the northern route in order to complete the final location of structures and center line. The Company anticipates this work to be completed and the easements obtained during the first quarter of 2014. This detailed design information will be sent to ONEOK upon completion in order to start the development of a mitigation plan for the protection of their pipelines.

Summary of KCP&L's and GMO's Contact with the Public

Interactions with the public during the third quarter of 2013 primarily consisted of communications and negotiations with individual landowners regarding the acquisition of necessary easements for the Project.

Initial meetings with Middle Segment landowners regarding easements began in mid-March 2013. Sixty-day condemnation notice letters were sent to Middle Segment landowners in mid-April 2013, and condemnation filings on the remaining parcels on which agreement had not yet been reached were made the week of July 15, 2013. The Company, however, has continued and will continue to negotiate with landowners to acquire rights-of-way throughout the process.

The Company and the various contractors working on the Project will communicate, as necessary, with landowners on the West, East, and Middle Segments to ensure that construction activities occur within the acquired easements and rights-of-way. The Company remains willing to meet with landowners, as requested, during any stage of the Iatan-Nashua Project. The Company will continue to communicate with affected landowners prior to key points in the Iatan-Nashua Project (such as the beginning of easement negotiations, initial construction work, and other key activities as needed).

Throughout the life of the Iatan-Nashua Project the Company will continue to proactively meet with citizens, local and state officials and the local news media.

The Company has also agreed to provide reports on the public outreach efforts for the Projects. This agreement, as shown below, is included in Appendix 4 of the Report and Order[18] in Case No. EA-2013-0098.

> KCP&L and GMO will provide the Commission with a report and information in File No. EA-2013-0098 within 90 days of the effective date of a Commission order approving this Stipulation outlining its public outreach efforts for siting, routing, easement acquisition and right-of-way acquisition for the Projects. KCP&L and GMO will update the report at least quarterly thereafter.

The initial public outreach report for the Iatan-Nashua Project was filed in EA-2013-0098 on November 5, 2013[19].

[18] The Report and Order in Case No. EA-2013-0098 is available through EFIS at https://www.efis.psc.mo.gov/mpsc/commoncomponents/view_itemno_details.asp?caseno=EA-2013-0098&attach_id=2014002024

[19] The initial public outreach report is available through EFIS at https://www.efis.psc.mo.gov/mpsc/commoncomponents/view_itemno_details.asp?caseno=EA-2013-0098&attach_id=2014007274

Status of Ownership of Iatan-Nashua Project

The process governing the construction of transmission facilities within the SPP region and the basis for SPP issuing NTCs are set forth in Section VI of Attachment O to the SPP Open Access Transmission Tariff ("SPP Tariff")[20]. Section VI also describes the process by which transmission owners designated to build projects are to accept or reject such designation by SPP, as well as how they may proceed to relinquish such designation and arrange for another entity to build and own a project in its place, subject to certain qualifications.

Current Ownership Status of Iatan-Nashua Project

As discussed in the Introduction section above, both KCP&L and GMO currently are DTOs for portions of the Iatan-Nashua Project, but plan to terminate and release their respective obligations as DTOs and designate an alternate DTO to be responsible for building and owning the Iatan-Nashua Project and the Sibley-Nebraska City Project through a process known as novation.

GMO is currently the DTO for the 345kV line components of the Iatan-Nashua Project, which includes the East Segment, West Segment, and Middle Segment of the line as described in the Introduction section above. KCP&L is currently the DTO for the substation upgrades portion of the Iatan-Nashua Project, which includes the new 345/161kV autotransformer to be installed at the Nashua Substation and the other necessary upgrades at the both the Iatan and Nashua Substations.

The KCP&L and GMO plan to novate the Projects and the status of the associated approvals are discussed below.

Planned Transource Ownership of Iatan-Nashua Project

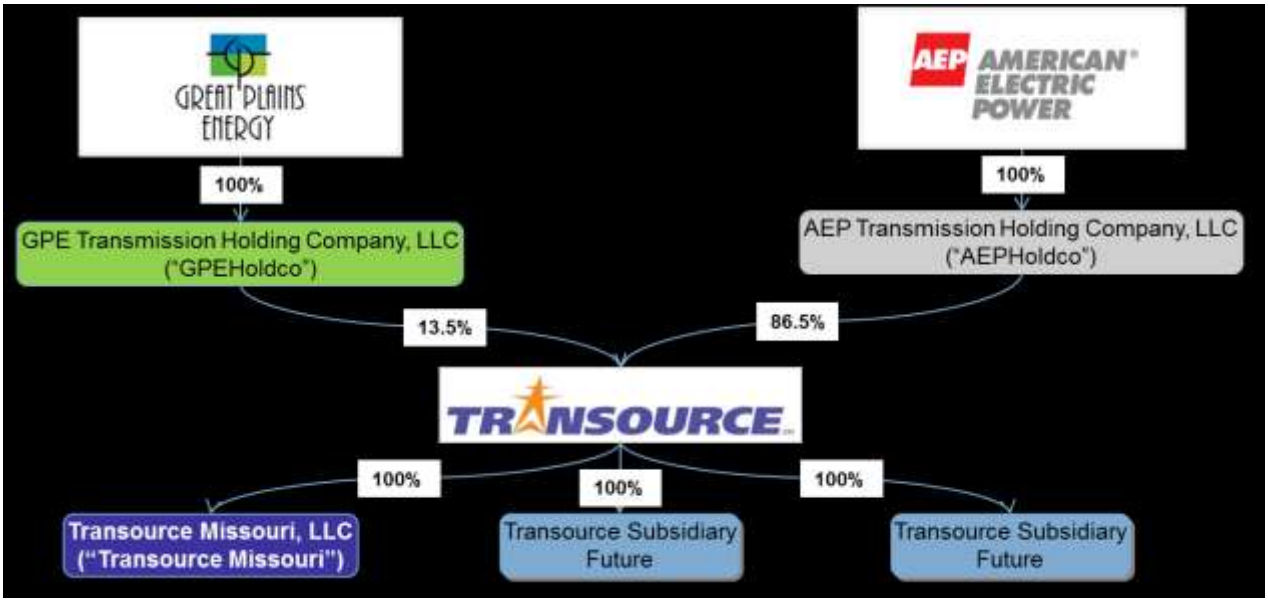
On April 4, 2012 Great Plains Energy ("GXP") and American Electric Power ("AEP"), announced that they had formed a company to build and invest in transmission infrastructure. The new company, Transource Energy[SM] LLC ("Transource")[21], will pursue competitive transmission projects, initially in the Southwest Power Pool ("SPP"), Midwest Independent Transmission System Operator ("MISO") and PJM Interconnection ("PJM") regions, with the potential for expanding to other regions in the future. GXP owns 13.5 percent of Transource, and AEP owns 86.5 percent.

[20] The full SPP Tariff as well as individual Schedules and Attachments can be found at http://www.spp.org/tariff-viewer.asp

[21] The GXP and AEP news releases announcing the formation of Transource as well as other information about Transource can be found at http://www.transourceenergy.com

Transource Missouri, LLC ("Transource Missouri") is a wholly-owned subsidiary of Transource. The corporate structure of Transource is shown in ***Figure 8*** below.

Figure 8 – Transource Corporate Structure



It is the Company's intention that Transource will be the entity under which it will participate in any future regional transmission projects including the Iatan-Nashua Project and the Sibley-Nebraska City Project. Specifically KCP&L and GMO plan to terminate and release their respective obligations as DTOs under the modified NTCs, and to designate Transource Missouri as the alternate DTO responsible for building and owning the Iatan-Nashua Project (and Sibley-Nebraska City Project) pursuant to Section VI of Attachment O to the SPP Tariff[22] .

Status of MPSC Transource Cases

On August 31, 2012, in Case No. EO-2012-0367, KCP&L and GMO filed an application with the MPSC for approval to transfer certain transmission property to Transource Missouri and for other related determinations. This request before the Commission is part of the process to help facilitate the novation of the NTCs for the Iatan-Nashua Project (and the Sibley-Nebraska City Project) to Transource Missouri. Specifically in this application, KCP&L and GMO requested that the Commission:

1. Authorize the transfer of certain electric transmission property from the Applicants to Transource Missouri under Section 393.190.1;

[22] The full SPP Tariff as well as individual Schedules and Attachments can be found at http://www.spp.org/tariff-viewer.asp

2. Find that no approval is required under Missouri law to novate the Notifications to Construct ("NTC") received from SPP regarding the two regional, high-voltage transmission Projects, or otherwise express no objection to or approve the Applicants' plans in this regard; and
3. Grant a waiver of or variance from the Commission's Affiliate Transactions Rule, 4 CSR 240-20.015.

More detail regarding this application can be found in the application and the associated direct testimony that was filed along with the application in Case No. EO-2012-0367[23].

Concurrent with the KCP&L and GMO's application in Case No. EO-2012-0367, Transource Missouri also filed a related application in Case No. EA-2013-0098 for a line Certificate of Convenience and Necessity ("CCN") to construct, finance, own, operate, and maintain the regional Iatan-Nashua Project (and the Sibley-Nebraska City Project). More detail regarding this Transource Missouri CCN application can be found in the application and the associated direct testimony that was filed along with the application in Case No. EA-2013-0098[24].

The EO-2012-0367 case ("Transfer Case") and the EA-2013-0098 case ("CCN Case") were consolidated for procedural purposes on November 7, 2012 with Case No. EA-2013-0098 as the lead.

The MPSC Staff and the Office of the Public Counsel ("OPC") filed rebuttal testimony in the consolidated cases on January 30, 2013. Missouri Industrial Energy Consumers ("MIEC") is also an intervenor in the cases but did not file testimony. The Company, Transource Missouri, and OPC filed surrebuttal testimony on March 6, 2013.

Subsequently the Company and Transource engaged in extensive settlement discussions with Staff and OPC. The parties were able to negotiate an agreement to settle the issues[25] in the cases, and they filed the Non-Unanimous[26] Stipulation and Agreement ("Original Stipulation") with the Commission on April 12, 2013.

The Commission held a hearing on the Original Stipulation on April 16, 2013. A few issues, primarily related to future reporting requirements that were not adequately addressed in the Stipulation, were noted during the hearing. The signatories to the Original Stipulation addressed those issues in the "First Amendment to Non-Unanimous Stipulation and Agreement", which the signatories filed with the Commission on May 6, 2013. The First Amendment and the Original

[23] All case filings and submissions for Case No. EO-2012-0367 are available through EFIS at https://www.efis.psc.mo.gov/mpsc/Filing_Submission/DocketSheet/docket_sheet.asp?caseno=EO-2012-0367&pagename=case_filing_submission_FList.asp
[24] All case filings and submissions for Case No. EO-2013-0098 are available through EFIS at https://www.efis.psc.mo.gov/mpsc/Filing_Submission/DocketSheet/docket_sheet.asp?caseno=EA-2013-0098&pagename=case_filing_submission_FList.asp
[25] Certain issues, as specifically noted in the Stipulation, may, however, require future Commission action.
[26] The Company, Transource Missouri, Staff, and OPC are signatories to the Stipulation and Agreement. MIEC is not a signatory but advised the other parties that it will not oppose the Stipulation and Agreement.

Stipulation (together "Amended Stipulation") were not opposed by any non-signatory parties and, as such, are now considered Unanimous.

On August 7, 2013, the Commission issued its Report and Order in Case No. EA-2013-0098. In its Report and Order, which had an effective date of September 6, 2013, the Commission approved disposition of the Transfer and CCN applications by settlement. In its Report and Order the Commission incorporated the Amended Stipulation and delineated in Appendix 3 (Conditions Determined on the Merits) and Appendix 4 (Consent Order) of the Report and Order the individual provisions of the Amended Stipulation.

Status FERC Transource Cases

In a related FERC case (Docket No. ER12-2554[27]), Transource Missouri requested approval of certain project-specific incentives as well as a transmission formula rate through which costs of the Iatan-Nashua Project, the Sibley-Nebraska City Project, and other future Transource Missouri transmission projects will be charged to transmission customers in the future. The FERC approved certain aspects[28] of the Transource Missouri application on October 31, 2012. Transource Missouri and the Kansas Corporation Commission ("KCC"), which was the only active intervenor in the case, reached a settlement on the remaining issues[29] in the case and filed it with FERC on February 27, 2012. On May 6, 2013, FERC issued a letter order accepting the settlement, which resolved all remaining issues in the case. FERC determined the settlement to be fair and reasonable and in the public interest.

The Company and Transource Missouri have subsequently made several other FERC filings to facilitate Transource Missouri ownership of the Iatan-Nashua Project (and the Sibley-Nebraska City Project).

On September 13, 2013, in Docket No. EC13-145[30], KCP&L, GMO, and Transource Missouri filed an application requesting FERC authorization for the transfer – from KCP&L and GMO to Transource Missouri – of certain transmission equipment in connection with the development of the Projects and related books and records, including construction work in progress ("CWIP") accounts for the Projects.

[27] All case filings and submissions for FERC Docket No. ER12-2554 are available by searching on the docket number in FERC's online eLibrary at http://elibrary.ferc.gov/idmws/docket_search.asp.
[28] In the October 31, 2012 order the FERC granted certain rate-making treatments and incentives including the establishment of a regulatory asset for pre-construction costs, the use of CWIP in rate base, recovery of abandoned plant costs, use of hypothetical capital structure prior to commercial operation, a 50-basis point ROE adder for RTO participation, and a 100-basis point ROE adder for the Sibley-Nebraska City Project to reflect risks and challenges associated with that project.
[29] The remaining issues on which settlement was reached were primarily related to base return on equity (9.8%), post-construction capital structure (55% equity cap), and some miscellaneous protocol changes.
[30] All case filings and submissions for FERC Docket No. EC13-145 are available by searching on the docket number in FERC's online eLibrary at http://elibrary.ferc.gov/idmws/docket_search.asp.

On September 20, 2013[31], in Docket No. ES13-56[32], Transource Missouri filed an application requesting FERC authorization to enter into one or more secured or unsecured loans, credit or financing agreements, and issue short-term and long-term debt securities in an amount up to $350 million to finance the development of the Projects.

On October 30, 2013, SPP submitted to FERC for its acceptance the Designee Qualification and Novation Agreement in Docket No. ER14-224[33] that reassigns the obligation to develop the Projects to Transource Missouri. The status of the Status SPP Novation Approval for the Projects is described more fully below.

On November 1, 2013, Transource Missouri, KCP&L, and GMO submitted several agreements to FERC for its acceptance that are necessary to facilitate operations between the Transource Missouri and the Companies after the novation of the Projects is final and the transaction has closed.

- In Docket No. ER14-276[34], Transource Missouri submitted an Agreement for the Licensing of Transmission Structures, which sets forth the terms and conditions of the pole attachment agreement related to the double-circuited portion of the West Segment on which GMO's Iatan-St. Joseph 345kV line will be attached to the new Iatan-Nashua Project structures.
- In Docket No. ER14-298[35], KCP&L submitted a Substation Upgrade Agreement, which sets forth the terms and conditions under which KCP&L and GMO will undertake certain upgrades to the Iatan, Nashua, Sibley substations owned by GMO. In Docket No. ER14-301[36], GMO submitted its Concurrence for Substations Upgrade Agreement filed by KCP&L in ER14-298.
- In Docket No. ER14-300[37], KCP&L submitted the Services Agreement By and Between Transource Energy, LLC and Kansas City Power & Light Company, dated April 3, 2012, as amended by Amendment No. 1 to Services Agreement, dated October 31, 2013. The Services Agreement sets forth the terms and conditions under which KCP&L provides certain services to Transource.

[31] Errata to September 20, 2013 application was filed on September 25, 2013. Amendments were filed on October 29, 2013 and October 31, 2013.
[32] All case filings and submissions for FERC Docket No. ES13-56 are available by searching on the docket number in FERC's online eLibrary at http://elibrary.ferc.gov/idmws/docket_search.asp.
[33] All case filings and submissions for FERC Docket No. ER14-224 are available by searching on the docket number in FERC's online eLibrary at http://elibrary.ferc.gov/idmws/docket_search.asp.
[34] All case filings and submissions for FERC Docket No. ER14-276 are available by searching on the docket number in FERC's online eLibrary at http://elibrary.ferc.gov/idmws/docket_search.asp.
[35] All case filings and submissions for FERC Docket No. ER14-298 are available by searching on the docket number in FERC's online eLibrary at http://elibrary.ferc.gov/idmws/docket_search.asp.
[36] All case filings and submissions for FERC Docket No. ER14-301 are available by searching on the docket number in FERC's online eLibrary at http://elibrary.ferc.gov/idmws/docket_search.asp.
[37] All case filings and submissions for FERC Docket No. ER14-300 are available by searching on the docket number in FERC's online eLibrary at http://elibrary.ferc.gov/idmws/docket_search.asp.

FERC has not yet ruled on the applications and submissions in Docket Nos. EC13-145, ES13-56, ER14-224, ER14-276, ER14-298, ER14-301, ER14-300.

Status SPP Novation Approval

Following the issuance of the MPSC's issuance of the Report and Order in EA-2012-0098 on August 7, 2013, the Company verbally informed SPP of its intent to novate the Projects. The Company memorialized its intent in a letter to SPP on September 26, 2013[38].

SPP engaged a consultant, Quanta Technology, to perform due diligence with respect to the novation. The due diligence analysis was used by SPP to evaluate Transource Missouri's ability to construct and operate the Projects, including such things and its creditworthiness and its technical expertise.

On October 18, 2013 the SPP Staff presented a report to the SPP Market and Operation Policy Committee ("MOPC")[39], which included and overview[40] of the proposed novation as well as the results of the due diligence analysis[41]. The MOPC voted to recommend approval of the novation to the SPP Board.

On October 28, 2013, the SPP Staff also provided the information regarding the proposed novation to the SPP Regional State Committee ("RSC")[42].

On October 29, 2013, the SPP Staff presented information regarding the proposed novation to the SPP Board of Directors, which approved the novation. As previously noted, on October 30, 2013, SPP then submitted the approved novation agreement to FERC for its acceptance.

Future Steps Related to Planned Transource Ownership

If all of the remaining FERC approvals are received by the end of 2013, as currently anticipated, Transource Missouri ownership of the Iatan-Nashua and Sibley-Nebraska City Projects could potentially be consummated as early as January 2014. At that point, Transource Missouri will assume all ownership rights and obligations for the construction and operation of the Projects.

[38] A copy of the letter is included as ***Attachment E – Intent to Novate Projects***
[39] The SPP MOPC consists of a representative from each member company in SPP. The MOPC reports directly to the SPP Board of Directors.
[40] The SPP Staff overview is included as ***Attachment F - SPP Novation Presentation***
[41] The report containing the due diligence analysis is included as ***Attachment G - SPP Novation Due Diligence Report***
[42] The SPP RSC provides collective state regulatory agency input on matters of regional importance related to the development and operation of bulk electric transmission. The SPP RSC is comprised of retail regulatory commissioners from agencies in Arkansas, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

The Company has, however, continued to proceed with the necessary construction activities independent of the Transource proceedings. The Company's operating and service agreements with Transource, as well as the Stipulation in Case Nos. EO-2012-0367 & EA-2012-0098, allow for the Company to continue construction activities until such time that it is determined that it is appropriate for a seamless transition to occur.

Iatan-Nashua Ownership Status Timeline

The table below outlines some of the key dates related to the various approvals by SPP, the MPSC, and the FERC regarding the ownership status of the Iatan-Nashua Project. The dates and approval items shown in *red* have yet to occur.

Figure 9 - Iatan-Nashua Ownership Status Timeline

	SPP	MPSC	FERC
April 2009	SPP approved Balanced Portfolio Projects including Iatan-Nashua Project		
June 19, 2009	NTC issued to KCP&L for Iatan-Nashua Project		
April 17, 2012	Revised NTCs issued to both GMO & KCP&L for Iatan-Nashua Project		
June 22, 2012	KCP&L & GMO responses to revised NTCs for Iatan-Nashua Project		
August 31, 2012		KCP&L, GMO, & Transource Missouri Applications in EO-2012-0367 & EA-2013-0098	Transource Missouri Application in ER12-2554
October 31, 2012			FERC approval of certain aspects of Transource Application in ER12-2554 (approval of some requested incentives)
November 7, 2012		Cases EO-2012-0367 & EA-2013-0098 consolidated under EA-2013-0098	
February 27, 2013			Settlement Agreement between Transource Missouri and KCC resolving remaining issues in ER12-2554
April 12, 2013		Non-Unanimous Stipulation and Agreement between the Applicants, Staff, and OPC filed with MPSC	
April 16, 2013		Hearing on Stipulation and Agreement	
May 6, 2013		First Amendment to Non-Unanimous Stipulation and	FERC approval of Settlement Agreement

	SPP	MPSC	FERC
		Agreement filed (together with April 12, 2013 Non-Unanimous Stipulation and Agreement these agreements are now considered unanimous)	between Transource Missouri and KCC resolving remaining issues in ER12-2554
August 7, 2013		MPSC issued its Report and Order issued in EA-2013-0098 approving disposition of the Transfer and CCN applications by settlement	
September 13, 2013			Transource Missouri, KCP&L, & GMO filed request to transfer certain transmission equipment and CWIP, etc. from KCP&L/GMO to Transource Missouri
September 20, 2013			Transource Missouri filed request for approval to enter into debt financing
September 26, 2013	KCP&L & GMO letter to SPP regarding Intent to Novate Projects		
October 18, 2013	MOPC recommendation to approve novation		
October 28, 2013	Novation information provided to RSC		
October 29, 2013	SPP Board Approval of Novation		
October 30, 2013			SPP filed novation agreement in ER14-224
November 1, 2013			Transource Missouri filed Pole Attachment Agreement in ER14-276
November 1, 2013			KCP&L filed Substation Agreement in ER14-298
November 1, 2013 (electronic filed date: November 4, 2013)			GMO filed concurrence with Substation Agreement in ER14-301
November 1, 2013 (electronic filed date: November 4, 2013)			KCP&L filed Services Agreement (as amended) in ER14-300
The dates and approval items shown below have yet to occur			
TBD (anticipated Q4 2013)			*FERC acceptance of SPP-approved novation in ER14-224*
TBD (anticipated Q4 2013)			*FERC approvals in EC13-145 and ES13-56*
TBD (anticipated Q1 2014))	*Transaction Close after all necessary regulatory approvals are received*		

Attachments

Attachment A – Iatan-Nashua Project Final Route Map

Attachment B – Iatan-Nashua Project Components

Attachment C – Iatan-Nashua East Segment Structure Installation (HIGHLY CONFIDENTIAL/PROPRIETARY)

Attachment D – Level 1 Schedule (HIGHLY CONFIDENTIAL/PROPRIETARY)

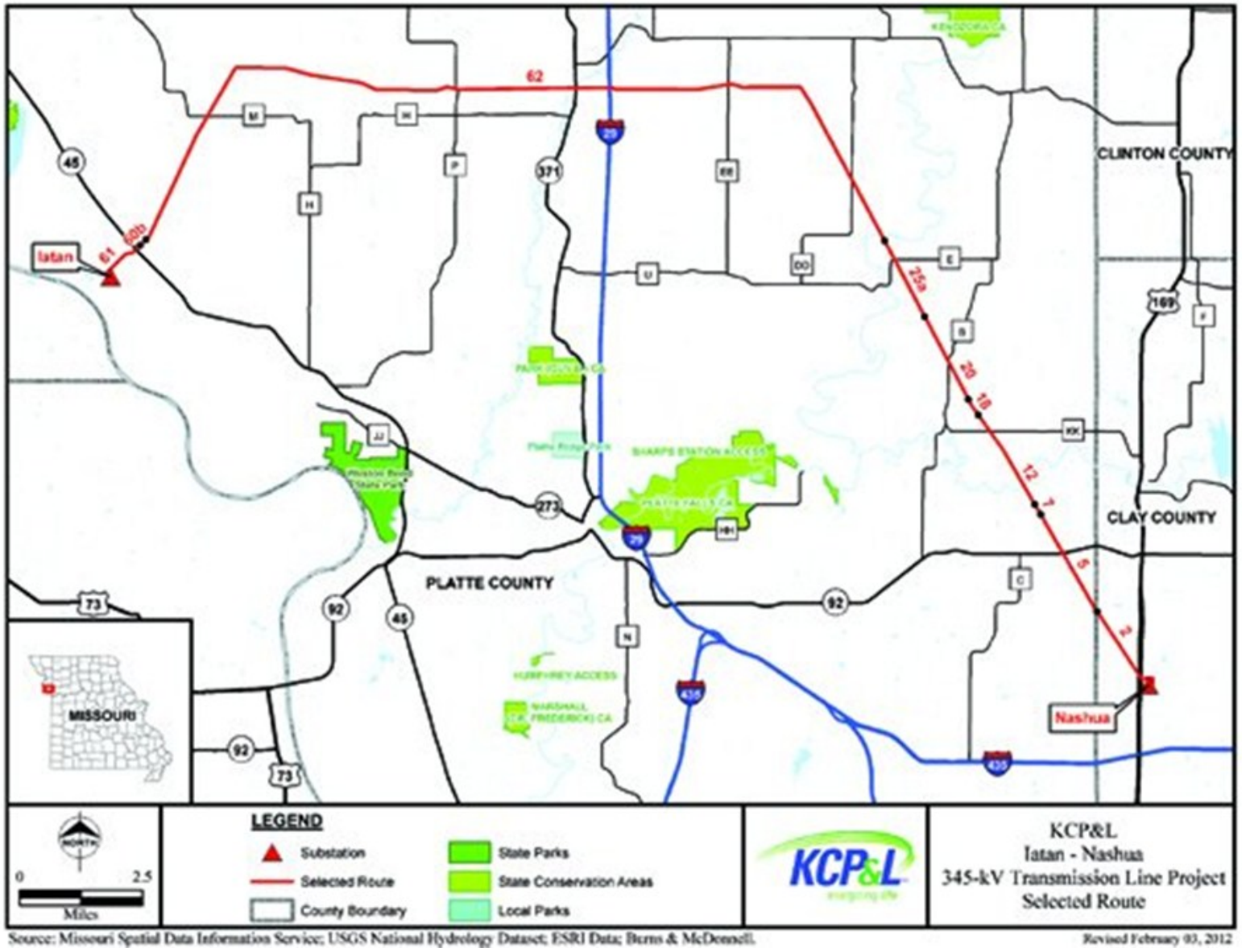
Attachment E – Intent to Novate Projects

Attachment F - SPP Novation Presentation

Attachment G - SPP Novation Due Diligence Report

Attachment A – Iatan-Nashua Project Final Route Map

Iatan-Nashua Final Route Map



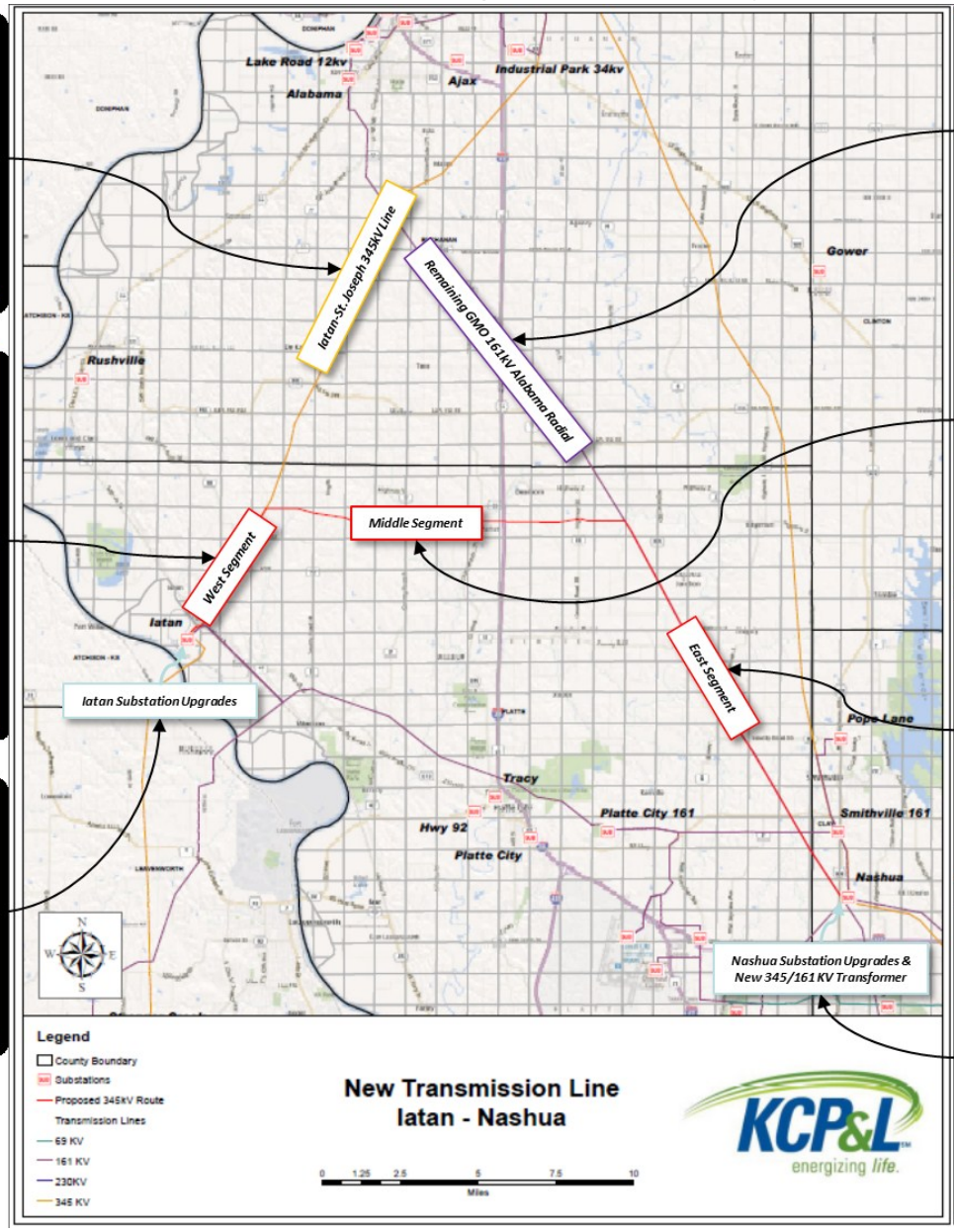
Attachment B – Iatan-Nashua Project Components

Iatan-Nashua Project Components

Existing Iatan-St. Joseph 345kV Line
The existing GMO Iatan-St. Joseph 345kV line will remain in service under GMO ownership. The southern portion of the line will be placed on the new structures being constructed for the West Segment of the Iatan-Nashua Project. GMO will retain its rights –of-way/easements for this portion of the Iatan-St. Joseph 345kV line.

West Segment
The West Segment of the Iatan-Nashua 345 kV line will be approximately 5 miles long and will be constructed in the same footprint as the southern portion of the existing Iatan-St. Joseph 345 kV line. It will include new structures that will carry both the West Segment conductor and the southern portion of the existing Iatan –St. Joseph 345 kV line conductor. The East, West, and Middle Segments together constitute the GMO portion of the Iatan-Nashua Project.

Upgrades at Iatan Substation
The Iatan Substation upgrades are those which are necessary to connect the new 345 kV Iatan-Nashua transmission line at the Iatan Substation. These upgrades, along with the upgrades and the new 345/161 kV autotransformer at Nashua Substation, constitute the **KCP&L** portion of the Iatan-Nashua Project.



Remaining GMO 161kV Alabama Radial
The northern portion of the 161kV Alabama-Nashua line will remain in service under GMO ownership as a 161kV radial. The entire Alabama-Nashua 161 kV line was recently transferred from KCP&L to GMO to help facilitate the development of the Iatan-Nashua Project.

Middle Segment
The Middle Segment of the Iatan-Nashua 345 kV line will be approximately 12 miles long and will connect the East Segment with the West Segment. It is currently "greenfield" and will require entirely new rights-of-way and transmission facilities. The East, West, and Middle Segments together constitute the **GMO** portion of the Iatan-Nashua Project.

East Segment
The East Segment of the Iatan-Nashua 345 kV line will be approximately 14 miles long and will be constructed in the footprint of the southern portion of the existing Alabama-Nashua 161kV line, which will be retired and removed as part of the Iatan-Nashua Project. The East, West, and Middle Segments together constitute the **GMO** portion of the Iatan-Nashua Project.

Upgrades at Nashua Substation
The Nashua Substation upgrades are those which are necessary to connect the new 345 kV Iatan-Nashua transmission line at the Nashua Substation and will also include the installation of a new 345/161kV autotransformer at Nashua Substation. These upgrades and the new transformer, along with the upgrades at Iatan-Substation, constitute the **KCP&L** portion of the Iatan-Nashua Project..

Attachment C – Iatan-Nashua East Segment Structure Installation (HIGHLY CONFIDENTIAL/PROPRIETARY)

Pages 28-31 contain Highly Confidential/Proprietary Information

These pages are removed in the Non-Proprietary public version of the report.

Attachment D – Level 1 Schedule (HIGHLY CONFIDENTIAL/PROPRIETARY)

Page 33 contains Highly Confidential/Proprietary Information

These pages are removed in the Non-Proprietary public version of the report.

Attachment E – Intent to Novate Projects

Mike Deggendorf
Senior Vice President – Corporate Services

September 26, 2013

Mr. Paul Suskie
General Counsel & Senior Vice President Regulatory Policy
Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223-4936

RE: Intent to Novate

Dear Paul:

This letter is to memorialize our communication to the Southwest Power Pool Inc. (SPP) on August 7, 2013 indicating Kansas City Power & Light and KCP&L – Greater Missouri Operations Company (Companies) intent to novate two SPP directed projects (Projects) to another established transmission entity – Transource Missouri, LLC. The Projects being novated are: 1) Iatan – Nashua 345kV, original SPP-NTC-20042 to KCP&L and SPP-NTC-200189 to KCP&L-GMO and 2) Sibley-Nebraska City 345kV, SPP-NTC-20097 to KCP&L-GMO.

The Companies through their parent, Great Plains Energy Incorporated have established Transource Energy, LLC as a joint transmission venture with American Electric Power Company Incorporated to develop, own and operate high voltage transmission projects. Transource Missouri, LLC is the subsidiary of Transource that will develop, own and operate the Projects once they are novated by the Companies. Transource Missouri has established and received FERC approval for its formula rate and received approval from the Missouri Public Service Commission for the transfer of certain assets from the Companies and a Certificate of Convenience and Necessity to develop these Projects in Missouri.

I look forward to working with the SPP stakeholders, Regional State Committee and SPP Board of Directors during the novation approval process.

Please contact me if you have any questions regarding this novation.

Sincerely,

Cc: Terry Bassham
Scott Heidtbrink
Darrin Ives
Denise Buffington
Todd Fridley
Antonio Smyth – AEP
Carl Monroe - SPP

Attachment F - SPP Novation Presentation

Novation from KCP&L and GMO to Transource Missouri

of the
Iatan-Nashua 345 kV
and
Sibley-NE City 345kV
Projects

Lanny Nickell
VP Engineering
Southwest Power Pool

SPP Southwest Power Pool

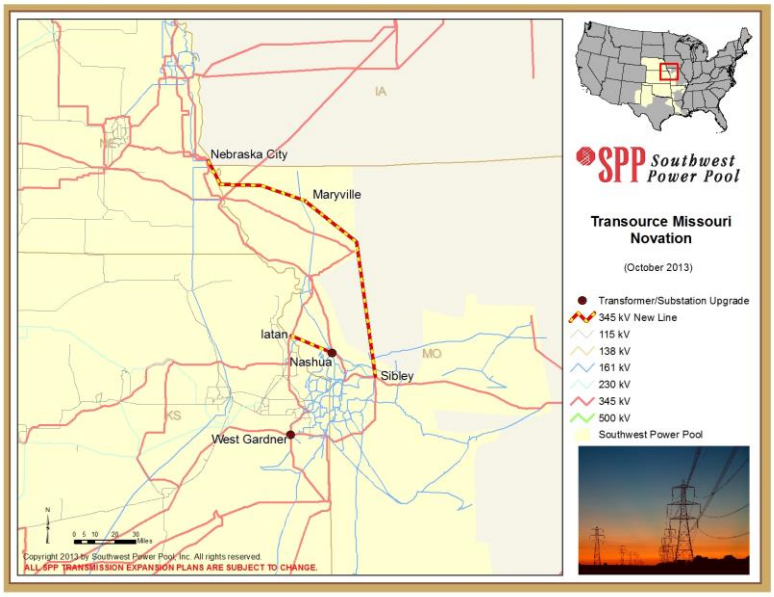
1

Background

- KCP&L and KCP&L GMO propose to novate two projects to Transource Missouri, LLC:
  1) Iatan to Nashua 345kV line, NTC-20042
     - *~$65M, 2015 in-service, Balanced Portfolio Project*
  2) Sibley to Nebraska City 345kV line, NTC-20097
     - *~$380M, 2017 in-service, Priority Project*
- Transource Missouri is a subsidiary of Transource Energy, a company jointly owned by American Electric Power and Great Plains Energy Inc. (GPE)
- GPE is the parent company of KCP&L and KCP&L GMO

SPP | 2

Sibley-NE City and Iatan-Nashua



SPP | 3

SPP Novation Process

- **Per Attachment O, Section VI.6 of the SPP OATT**

  "At any time, a Designated Transmission Owner may elect to arrange for another entity or another existing Transmission Owner to build and own all or part of the project in its place subject to the qualifications in Subsections i, ii, iii, and iv above."

- **Per SPP Business Practice 7070**

  "A novation is the release of the original DTO's obligation to ensure that a project is built. After the DTO's assignment of the right to build and the approval and execution of a novation, the new TO will have the right and obligation to build the project."

SPP | 4

SPP Novation Process

- **Qualifications prescribed by Attachment O of OATT**
  - ☑ Obtain necessary state regulatory authority
  - ☑ Meet SPP's creditworthiness requirements
  - ☑ Sign/willing to sign the Membership Agreement as a TO
  - ☑ Meet other technical, financial and managerial qualifications as specified in SPP's business practices
- **BP 7070 requires additional information be made available for transparency purposes**
  - Provided in form of a Due Diligence Review
  - Due Diligence Review performed by Quanta Technologies

SPP | 5

Due Diligence Review

Due Diligence findings summarized in three primary areas:

1) Financing Assumptions

- **Capital cost of project essentially same for Transource as for KCP&L**
- **Cost could be lower for Transource when buying power of AEP is used**

2) Cost to SPP Customers

- **Approximately $5.8M savings to Transmission Customers over 40 years on a net present value basis**
- **Savings due to reduced ROE and long-term debt costs**

3) Project Development, Operations and Maintenance

- **Approach chosen by Transource is equivalent or superior to KCP&L**

SPP | 6

MPSC's Related Order

- Missouri Public Service Commission issued orders regarding these projects on Aug. 7, 2013
  - KCP&L/KCP&L GMO's application to transfer certain assets for the projects to Transource Missouri, LLC was granted
  - The Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity was granted
- Missouri Public Service Commission File No. EA-2013-0098, Effective Date: September 6, 2013, reference page 17.

SPP 7

Next Steps and Filing Requirements

- Present information to SPP's Regional State Committee on Oct 28th, 2013
- Present to the SPP Board of Directors on Oct 29th, 2013
- Following Board approval, SPP will:
  - File the Novation at FERC
  - File the Formula Rate Template at FERC to incorporate Transource Missouri as a new transmission owner in SPP
- 60 day FERC filing review window begins after the Novation and Formula Rate filings

SPP 8

Attachment G - SPP Novation Due Diligence Report

Quanta Technology
4020 Westchase Blvd, Suite 300
Raleigh, NC 27607

Donald J. Morrow, P. E.
Partner & SVP Corporate Strategy
919 334 3023 Office
610-757-1722 fax

October 4, 2013

Mr. Dan Jones
Lead Regulatory Engineer
Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223

Dear Mr. Jones,

Subject: Transource Missouri, LLC Due Diligence Review

This letter presents the results of the due diligence review of Transource Missouri, LLC ("Transource") conducted by Donald J. Morrow of Quanta Technology, LLC ("Quanta Technology"). The purpose of the due diligence review was to provide insights to Southwest Power Pool, Inc. ("SPP") in evaluating the ability of Transource to assume the responsibility for the development and operation of the 345 kV line from Sibley to Maryville to Nebraska City and the 345 kV line from Iatan to Nashua (collectively, the "Projects").

SPP had originally issued a Notification to Construct ("NTC") to Kansas City Power and Light – GMO ("KCPL") for both of the Projects. KCPL now proposes to transfer the responsibility to own, develop, operate and maintain the Projects to Transource. Before granting such a Novation, SPP requested that a due diligence review of the candidate organization be performed by a qualified subject matter expert in the area of transmission development, operations and maintenance.

Due Diligence Process

Quanta Technology followed the process specified in Work Order 2 under the Master Services Agreement made as of August 31, 2012, between Quanta Technology and SPP. The process followed was similar to that used in 2009 for ITC Great Plains and in 2010 for Prairie Wind, but was updated to reflect recent changes to the SPP business practices. These changes defined the technical, financial and managerial qualifications necessary for transmission developers to receive a novation from a Designated Transmission Owner ("DTO") for a project that has been issued a NTC by SPP. A description of the updated procedure is included as Attachment A to this report.

Document Review

The due diligence review started with a data request for Transource. The data request list is provided as Attachment B to this report.

Transource provided 31 documents in response to the data request. These documents were reviewed by Quanta Technology to evaluate Transource qualifications. Table 1 lists the documents provided by Transource.

Table 1: Data Request Response by Transource

Document No.	Date Received	Document Name
1	9/13/2013	Transource Missouri Report & Order
2	9/13/2013	TMO Compliance Filing ER12-2554
3	9/13/2013	Order on Transmission Rate Incentives and Formula Rate Proposal
4	9/13/2013	TMO Letter Order Accepting Compliance Filing ER12-2554
5	9/13/2013	TMO Letter Order Accepting Settlement ER12-2554
6	9/13/2013	Application for Authorization for Disposition and Consolidation of Jurisdictional Facilities
7	9/13/2013	TMO Settlement ER12-2554
8	9/18/2013	Iatan Nashua 345 kV NTC
9	9/18/2013	NTC 200097_Kansasa City Power & Light Greater Missouri Operations Company
10	9/18/2013	Transource Background Presentation
11	9/18/2013	Transource Energy Formation
12	9/18/2013	Transource Energy Written Consent
13	9/18/2013	Transource Missouri Formation
14	9/18/2013	Transource Missouri Intercompany Support Agreement
15	9/18/2013	Transource Missouri qualification in MO
16	9/18/2013	Transource AEPSC SA
17	9/18/2013	Transource KCPL SA

18	9/18/2013	Nebraska City Sibley Line Loss Email
19	9/18/2013	Iatan Nashua Line Loss Email
20	9/18/2013	Transource Org Resos
21	9/18/2013	Balanced Portfolio Cost Estimate Survey Iatan to Nashua
22	9/18/2013	Financial Analysis for Novation of Iatan-Nashua Sibley NE City to Transource Missouri
23	9/18/2013	Iatan-Nashua SCDERT 7-12-12 no AFUDC
24	9/18/2013	Delivery Safety Book Feb 2011 Rev 2 221210
25	9/18/2013	KCP&L Substation OSHA History
26	9/18/2013	KCPLGMO Priority Project Updated cost estimates 10 08 2010
27	9/20/2013	2013 Safety Pre-Qualification - 401 H005
28	9/20/2013	Project Execution Safety-Security Plan
29	9/20/2013	Procurement Guide
30	9/20/2013	Safety Datasheet
31	9/20/2013	Contractor Safety Requirements R6
32	10/2/2013	Financial Analysis for Novation of Iatan-Nashua Sibley NE City to Transource Missouri w CWIP

Observations from Document Review

The documents provided by Transource show that -

- Transource is a Delaware corporation and is registered as a foreign corporation in the state of Missouri (Document Nos. 10, 11, 12, 13 and 15).
- KCPL has been approved to transfer the plant and operating rights to Transource for the Projects and Transource has been issued a Certificate of Convenience and Necessity for the Projects by the State of Missouri (Document No. 1).
- Transource has a FERC approved tariff and has reached a settlement agreement with the Missouri Commission (Document Nos. 2, 3, and 7).
- Transource will secure services through Transource Energy, LLC which has agreements in place with both KCPL and American Electric Power ("AEP") to develop, operate and

maintain the Project. The services provided to Transource include business support, tax compliance, risk management, siting/land acquisition, regulatory support, procurement, engineering/design (including environmental), construction, operations, maintenance, and web hosting (Document Nos. 12, 14, 16 and 17).

- KCPL's safety program will be used during construction, operation and maintenance of the Projects. Detailed information was provided which included KCPL's safety policy, safety records, and safety program - both internal and external (Document Nos. 25, 27, 28, 29, 30, and 31).
- The Iatan to Sibley 345 kV line will be single circuit, steel H-frame construction with a "heavy" NESC loading zone assumption and a design capacity of 4100A @ 200^0 C (Document No. 21).
- The Sibley to Nebraska City 345 kV line will be single circuit, steel H-frame construction with a "heavy" NESC loading zone assumption and a design capacity of 4178A @200^0 C (Document No. 26).

Financial Review

Quanta Technology used the information provided by Transource to assess the cost impact to SPP's members. Please note that Quanta Technology's expertise is in engineering, operations, maintenance and management of transmission and distribution organizations. We are not an accounting firm and we do not represent ourselves as financing experts. Therefore, for this aspect of the review, our focus was on the methodology used to assess the cost impact to SPP's members, the data inputs utilized in the analysis, the factors leading into the FERC authorized return on equity (ROE) and the estimated expenses related to the operations and maintenance of the Projects. Quanta Technology is not qualified and did not render an opinion on the appropriateness of tax benefits claimed by Transource, consistency of Transource's financial accounting practices with GAAP or the cost of short-term and long-term debt used by Transource in the analysis.

The analysis reviewed by Quanta Technology for this review was titled "Financial Analysis for Novation of Iatan-Nashua Sibley NE City to Transource Missouri w CWIP" (Document No. 32).

FERC has authorized a base Return on Equity ("ROE") of 9.8% for Transource. FERC has also granted certain incentives to Transource. For both Projects, FERC granted a 50 point basis adder for RTO membership and CWIP in rate base treatment. For the Sibley to Nebraska City project, FERC has approved an additional 100 point basis adder for size, scope, benefits and risks of the Project. Therefore, Transource will have an ROE of 10.3% for Iatan to Nashua and 11.3% for Sibley to Nebraska City. The financial analysis provided by Transource assumed that KCPL would have received the same incentives but on a higher base ROE.

FERC put a limit on the capital structure for Transource. FERC set an equity cap of 55% of the Capital Structure. This compares with 50% for KCPL.
For long term debt, Transource assumed its cost of debt would be 5.25% and the cost of debt for KCPL would be 5.77%.

Table 2 compares the financial assumptions between Transource and KCPL[1] .

Table 2: Financial Comparison Table

Item	Transource	KCPL (assumed)
Base ROE	9.8%	10.6% (actual)
RTO Membership	50 basis points	50 basis points
Size, Scope, Benefits, Risks	100 basis points (Sibley only)	100 basis points (Sibley only)
CWIP in Rate Base?	Yes	Yes
Capital Structure	55% Equity	50% Equity
Long Term Interest Rate	5.25%	5.77%

Quanta Technology reviewed the information provided by Transource and noted that the O&M costs for Iatan were 6.7% higher for Transource than those assumed for KCPL and those for Sibley were 3% higher for Transource than those assumed for KCPL. For both KCPL and Transource, the assumptions provided show that O&M costs make up less than .2% of the annual revenue requirement for the Projects combined (.19% for Transource and .18% for KCPL).

Transource indicated that the O&M costs include KCPL performance of line inspections, vegetation management, switching, substation O&M, relay maintenance, and control center monitoring.

For this analysis, we assume the difference in O&M costs between Transource and KCPL is that the AEP A&G is not included in the annual revenue requirement in case of KCPL.

Quanta Technology notes that losses were not included in the O&M cost estimate. For this analysis, we assume that losses will be recovered through Attachment M of the SPP Tariff.

Cost to Customers

Quanta Technology used the information provided by Transource to evaluate the impact on the cost to SPP members for the Projects. Quanta Technology spot checked formulas used in the spreadsheet and found no errors in our sampling.

The data provided by Transource shows that the annual cost to SPP customers is expected to be less than if KCPL retained the Projects. The main reason for this decrease is that the ROE and the long-term debt are lower for Transource than for KCPL. These savings are lessoned somewhat by the lower debt-to-equity ratio for Transource and its slightly higher O&M charges. In its analysis, Transource calculated a total savings of about $18.3M over a 40 year period. However, this was calculated as a sum of year-of-occurrence savings.

[1] Per discussions with Transource, these same financial assumptions were filed as testimony by Transource in the Missouri Commission docket investigating approval for transfer of the Projects.

Quanta Technology and SPP did an adjusted calculation that discounted the year-of-occurrence savings by the standard 8% SPP discount rate (the average of its members). If the costs were discounted back to 2013, we noted that the discounted savings total is $5.8M for SPP's members.

The calculation in Transource's spreadsheet did include the impacts of CWIP in rate base. The calculation provided showed the Annual Transmission Revenue Requirement (ATRR) starting at the date the Projects go into service (2015 for Iatan and 2017 for Sibley) as well as the impacts of development costs incurred before the Projects are placed in-service.

Transource Interview

An interview of the Transource executive team was conducted via conference call on September 24, 2013. SPP sat in on the call as an observer. Table 3 lists the participants in the call.

Table 3: Conference Call Participants

Name	Organization	Title
Donald Morrow	Quanta Technology	Partner & SVP Corporate Strategy
Dan Jones	SPP	Lead Regulatory Engineer
Todd Fridley	Transource Missouri & Transource Energy	VP Transource Missouri
Julie Shull	KCPL	Director Transmission Construction
Antonio Smyth	Transource Missouri & Transource Energy	President
Mike Higgins	AEP	Managing Director of Transmission
Raja Sundararajan	Transource Missouri & Transource Energy	VP Finance

Following is a summary of the discussions during the interview. A copy of Quanta Technology's notes from the conference call is provided as Attachment C to this report.

Financing and Cost to Customers

During the interview, Transource stated that long term interest rate used in the analysis was based upon discussions with financial institutions for financing the Projects. The KCPL long term interest rate was the historical marginal cost of long-term debt.

Transource indicated that they have not locked the long term debt yet since the Projects have yet to be novated to them. They also noted that Transource does not have a credit rating yet for the same reason. However, with respect to the marginal cost of long-term debt, they expect that Transource's cost of debt will always be lower than that for KCPL since the financial community views a pure transmission play investment as lower risk than a blended portfolio in a vertically integrated utility.

Transource stated that it may be possible that the financial climate could change and their assumptions may be imperfect. However, because of the view of risk by the financial

community, Transource indicated that the spread in the cost of debt should still be lower for Transource and the spread should not be impacted by any financial climate change.

With respect to the FERC rates, Transource stated that they strongly believe that KCPL would have received the same incentives as Transource. They noted that since KCPL had intended to novate the Projects to Transource, KCPL did not put together a FERC rate filing for the Projects.

Staffing Levels

Transource indicated that Transource will have no employees. Instead, Transource will contract all services from KCPL and from AEP through Transource Energy, LLC.

Engineering

Transource indicated that will it contract all engineering services primarily from KCPL and secondarily from APE. They expect that KCPL will provide the engineering services related to the Projects' design through the provision of engineering services using a qualified engineering firm. It was noted that Transource expects KCPL to use their existing contracts with engineering firms, which would be the same firms that KCPL would use if they retained the Projects.

Permitting

Transource indicated that it will contract all permitting services from KCPL with backup services provided by AEP.

ROW Acquisition

Transource indicated that it will contract all ROW acquisition services from KCPL. It was noted that KCPL has already begun the ROW acquisition process for the Iatan to Nashua line.

Procurement

Transource indicated that it will contract procurement services primarily from AEP with KCPL as a backup. Since AEP has preferred vendor contracts, the capital costs are expected to be less than if KCPL developed the Projects. It was noted, though, that these cost savings have not been factored into the capital estimates provided for this due diligence review.

Project Management

Transource indicated that it will contract all project management services from KCPL.

Construction

Transource indicated that it will contract all construction services from KCPL. They expect that KCPL will sub contract construction work to their construction contractors. It was noted that use of the established KCPL safety practices and procedures would be required for any of the contractors to be used by KCPL to construct the Projects.

Commissioning

Transource indicated that it will contract all commission services from KCPL.

Technology Content

Transource indicated that no special technology (e.g., composite core conductor) or construction techniques will be used to develop the Projects. The KCPL transmission line design standards will be used as the basis of their design.

Operations

Transource indicated that its intent is to have KCPL operate and maintain the facilities through the services agreement. They noted that the KCPL' control center operates 24 hours per day and that the Projects would be monitored and controlled by the KCPL EMS. The losses for the projects will be included in the KCPL Balancing Authority ("BA") area. Transource noted that KCPL's storm response plan will be applicable to the Projects and that AEP may also provide assistance during storms and offer stores services and spare parts to keep the Projects in service.

Because KCPL is anticipated to be the contract operator of the Projects, it is Transource's intent that the obligation to satisfy applicable NERC requirements would be passed through to KCPL. Transource noted, however, that because the Projects have not yet been developed the terms of this arrangement have not yet been negotiated.

Maintenance

Transource indicated that it anticipates contracting with KCPL for maintenance services and may use AEP as a backup. Similar to the approach discussed in the operations section above, it is Transource's intent that the obligation to satisfy NERC requirements applicable to maintenance would be passed through to KCPL.

Findings

Due Diligence Findings with Respect to Financing Assumptions

It is the opinion of Quanta Technology that the FERC basis point incentives that were granted to Transource would have been granted to KCPL.

- In forming this opinion, Quanta Technology notes that KCPL is a member of SPP and would likely have received the 50 basis point incentive for membership in an RTO.

- In forming this opinion, Quanta Technology notes FERC granted the 100 basis point incentive for Sibley on the risks associated with the project and not based upon the attributes of the developer. Therefore, since the project dynamics would not change if KCPL built the project, it is reasonable to assume that the 100 basis point adder would have been granted to KCPL as well.

Quanta Technology is not able to render an opinion on whether or not KCPL would have also been granted the CWIP in Rate Base incentive.

- In making this statement, we note that FERC had granted KCPL CWIP in rate base treatment for projects in Kansas.

- However, we also note that Missouri only grants CWIP in rate base treatment on an exception basis. In the case of Transource, the Missouri commission was willing to agree to this incentive in the settlement agreement.

- To render an opinion that KCPL would or would not have reached a settlement with the Missouri commission on CWIP in rate base would require a detailed regulatory assessment that factors in many other issues in play between KCPL and the Missouri commission. Such an assessment is outside the scope of this project.

It is the opinion of Quanta Technology that the capital cost of the Project would be essentially the same for Transource as for KCPL.

- In forming this opinion, Quanta Technology notes that Transource will be contracting all necessary development services from KCPL, supplemented by AEP. Therefore, while there may be differences in difficult-to-quantify administrative costs, there should be no material difference in the final capital cost of the Project.

- In forming this opinion, Quanta Technology also notes that the buying power of AEP will be used when possible to lower the cost of the Projects. Having this option introduces the possibility that the capital costs of the Projects could actually be lower than if KCPL retained ownership.

It is the opinion of Quanta Technology that the difference in O&M between Transource operating and maintaining the facility and KCPL operating and maintaining the facility will not result in a material difference in ATRR.

- In forming this opinion, Quanta Technology notes that the percentage of O&M in the annual revenues is less than .2% for both Transource and KCPL.

- In forming this opinion, Quanta Technology notes that losses have not been included in the O&M cost estimate. However, Quanta Technology does not expect a material difference would exist between Transource and KCPL owning and operating the Project with respect to the cost of losses since that the actual amount of energy lost would be the same and the lines will be included in the KCPL BA area.

Due Diligence Finding with Respect to Cost to SPP Customers

Is the opinion of Quanta Technology that Transource's calculation showing that the cost to SPP Customers is lower for Transource than for KCPL is reasonable.

- In forming this opinion, Quanta Technology notes that the ROE and the cost of debt are lower for Transource than for KCPL.

- In forming this opinion, Quanta Technology agrees that the risk profile for a pure transmission play investment is different than the risk profile for a vertically integrated entity that includes generation and distribution investments.

- In forming this opinion, Quanta Technology notes that treatment of CWIP in rate base in was properly accounted for in the financial analysis provided by Transource. We note that this analysis assumed both had the same FERC incentives.

Due Diligence Finding with Respect to Project Development, Operations and Maintenance

It is the opinion of Quanta Technology that the approach chosen by Transource to develop, operate and maintain the Project is equivalent or superior to KCPL developing, operating and maintaining the Project.

- In forming this opinion, Quanta Technology notes that Transource has chosen to outsource all design, construction, ROW acquisitions, environmental controls operations and maintenance to KCPL, the organization which received the original NTC from SPP for the Projects. Transource also intends to use a similar set of services from AEP as a backup to those offered by KCPL.

- In forming this opinion, Quanta Technology notes that Transource has chosen to outsource procurement from AEP and to use procurement services from KCPL as a supplement. This arrangement should allow Transource to maximize its leverage with vendors and service providers to achieve the lowest overall cost for the Projects.

- In forming this opinion, Quanta Technology reviewed the safety material provided by Transource in the data request. This material included safety requirements for KCPL staff and for contractors used on the system. It included the safety record for contractors currently utilized by KCPL. The safety material showed that contractors must maintain an acceptable safety record for their contracts to be renewed by KCPL. The contractor safety program addresses safety culture, attitude toward safety rules, accountability, pre-job planning, project communications, safety training expectations and safety audits.

- In forming this opinion, Quanta Technology has reviewed the contracts between Transource and KCPL and between Transource and AEP to engage their services. These services are discussed above and are sufficient to cover all aspects of the development, operation and maintenance of the Project.

- In rendering this opinion, Quanta Technology notes that services will be provided by KCPL and AEP. Both KCPL and AEP are established utilities in the SPP region, are members of SPP in good standing, and have a history of successful transmission project development, operation and maintenance. In addition, Quanta Technology notes that KCPL originally received the NTC from SPP for the Projects and, therefore, had been deemed qualified to develop, operate and maintain the Projects by SPP.

- In forming this opinion Quanta Technology expects that Transource, if it has not already, will be required to register with SPP as a Transmission Owner and Transmission

Operator and will, therefore, be compelled to abide by applicable NERC and SPP Reliability Standards.

Because of the various complications and external factors that enter into the successful development of transmission projects (e.g., legal challenges to regulatory approval, difficulty in securing easements, supply chain issues, etc.), this opinion constitutes neither a warrantee nor a guarantee on the part of Quanta Technology that Transource will actually develop, successfully operate and/or adequately maintain the Projects. Rather, this opinion is rendered based upon demonstration at the time of this review that Transource has engaged qualified partners for the provision of all necessary services throughout the life of the Projects.

SME Qualifications

The resume for Donald J. Morrow is provided as Attachment D to this report.

If there are any questions or comments on this report summarizing the findings from the due diligence review of the ability of Transource to develop, operate and maintain the Projects, please contact me at 919-334-3023.

Respectfully Submitted,

Donald J. Morrow
Partner & SVP Corporate Strategy
Quanta Technology, LLC.

Attachments

ATTACHMENT A

SPP Qualification Process for Novation Agreements

April 1, 2009
Revised September 16, 2013

Introduction

Note: This document was revised to reflect additional requirements to be included in the qualification review that were identified in SPP's Business Practices, updated on August 7, 2013.

This document provides guidance to SPP when considering approval of a Novation Agreement. A Novation Agreement applies when a Designated Transmission Owner (original "DTO") has been issued a Notification to Construct ("NTC") for a transmission facility, but the party wishes to transfer the responsibility to build and/or own this facility to another party ("Candidate"). Before approval of the Novation Agreement, SPP should qualify the candidate organization as being capable of adequately performing the transferred responsibility for the facility. The qualification process of a Candidate described herein is consistent with the most recent versions of the SPP Membership Agreement, Attachment O of the SPP OATT and SPP's Business Practices.

For the qualification process, SPP should consider three phases in the life of a project. The phases are:

1. **Financing Phase** (Test ability to raise sufficient funds from qualified parties to finance the construction project and compare the cost of customers for the Candidate with estimated cost of customers for the original DTO.)
2. **Development Phase** (Test ability to execute engineering, permitting, environmental strategies, real-estate acquisition, procurement, project management, construction, and commissioning of the project.)
3. **Operational Phase** (Test ability to provide on-going operation and maintenance of the project.)

Suggested Criteria

The following tables provide guidance in judging the qualifications of Candidate in key areas related to the three phases in the life of the project.

In general, for item 1 below the legal right for an organization to incorporate and engage in commercial activities is a necessary condition to determine if a Candidate may be qualified. Also, the ability to raise financing should be tested and verified.

In general, for items 2 and 3 below a Candidate has three options. Perform the duties internally, contract with outside parties to execute, or some combination of the two. A Candidate should be able to describe how it plans to proceed with the project using one of these options.

ATTACHMENT A

SPP Qualification Process for Novation Agreements

April 1, 2009
Revised September 16, 2013

Item 1 – Financing and Rate Analysis Phase:

Item	Tests
Organizational Viability	✓ Articles of Incorporation exist and have been registered ✓ Certificate of Public Convenience granted for applicable states ✓ Favorable regulatory rulings related to transmission construction authorization and/or operation if necessary
Capital Financing	✓ FERC 203 Filing has been made ✓ FERC 205 Filing has been made ✓ Evidence of previous bond issuances ✓ Capital budgeting and cash flow forecasting processes exist ✓ Credit rating of BBB or better
Cost to Customers	✓ Perform a NPCC and a CWIP analysis (As indicated by SPP, this factor does significantly affect the rate impact analysis over the life of a transmission project. During the performance of this analysis, Consultant will work closely with SPP staff to assess this aspect of the review.) ✓ Compare total cost of Project for Candidate vs original DTO ✓ Compare financing costs for Candidate vs original DTO ✓ Compare FERC incentives ✓ Compare lifetime costs to customers

ATTACHMENT A

SPP Qualification Process for Novation Agreements

April 1, 2009
Revised September 16, 2013

Item 2 – Development Phase:

Item	Internal Tests	External Tests
Engineering	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficiency of staff (note 3) to cover breadth of detailed engineering required ✓ Professional Engineering License for supervisory engineer ✓ Existence of engineering standards	✓ Contracts in place with qualified firms
Permitting	✓ Relevant previous experience (notes 1 & 2) ✓ Environmental and regulatory expertise on staff at state & federal level ✓ Demonstrated understanding of overall application process and its impact on critical path for the project ✓ Attorney's on staff with relevant experience with CPCN or equivalent state regulatory filings ✓ (Local relations? – Discuss with David and/or Les)	✓ Contracts in place with qualified firms
Environmental	✓ Environmental Permits identified and applied for ✓ Environmental Plan for project developed	✓ Contracts in place with qualified firms

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SPP Qualification Process for Novation Agreements

April 1, 2009
Revised September 16, 2013

Item	Internal Tests	External Tests
ROW Acquisition	✓ Relevant previous experience (notes 1 & 2) ✓ Easements for ROW (transferrable from initial party?) ✓ On-going process for dealing with land owners ✓ Attorney's with expertise in drafting & filing easements & condemnation ✓ Certified real estate agents on staff ✓ Public ROW franchises	✓ Contracts in place with qualified firms ✓ Easements transferred from previous initial party
Procurement	✓ Relevant previous experience (notes 1 & 2) ✓ Demonstrated understanding of key equipment providers, procurement timeline, and impacts on critical path ✓ Procurement systems in place (HW, SW, PO forms, etc.) ✓ Sufficiency of staff (note 3) ✓ Contracts with critical vendors in place	✓ EPC contract(s) in place with qualified firms ✓ Contracts in place with qualified firms
Project Management	✓ Relevant previous experience (notes 1 & 2) ✓ Systems in place to track tasks on the project, resources, progress, expenses, cost forecasts, cash flows, and critical path ✓ Sufficiency of staff (note 3)	✓ Some level of monitoring should be performed internal to Candidate Organization ✓ Embedded in construction contracts ✓ Project management contracts in place with qualified firms

ATTACHMENT A

SPP Qualification Process for Novation Agreements

April 1, 2009
Revised September 16, 2013

Item	Internal Tests	External Tests
Construction	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficiency of staff (notes 3 & 4) ✓ Ownership of equipment such as cranes, bucket trucks, trenchers, helicopters, or contracts for their lease ✓ Presence of safety program ✓ Crew training program	✓ Contracts in place with qualified firms ✓ Project update processes
Commissioning	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficiency of staff (notes 3 & 4) ✓ Pre-existing testing procedures ✓ Established criteria for judging acceptance	✓ Process in place for internal sign off and designating equipment in-service and "used & useful" ✓ Contracts in place with qualified firms
Technology Content	✓ Consistent with NTC issued by SPP ✓ Type of construction (material, loading, etc.) compared with Original DTO ✓ Estimated life of plant ✓ Losses	✓ n/a

ATTACHMENT A

SPP Qualification Process for Novation Agreements

April 1, 2009
Revised September 16, 2013

Item 3 – Operations Phase:

Item	Internal Tests	External Tests
Operations	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficient staff (notes 3 & 4) ✓ 24 hour control center operation ✓ 24 hour field coverage with qualified field staff (note 5) ✓ SCADA system with key points monitored (breaker status & line flows) ✓ Established storm/outage response plan ✓ Articulated safety program with clearly defined tagging and clearance procedures covering both internal personal and contractors ✓ Safety record exists & comparison to industry ✓ Presence of a NERC and SPP standards compliance process ✓ Compliance history	✓ Contracts in place with qualified firms ✓ Regular reporting of activities provided ✓ Outage Response times tracked

ATTACHMENT A

SPP Qualification Process for Novation Agreements

April 1, 2009
Revised September 16, 2013

Item	Internal Tests	External Tests
Maintenance	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficient staff (notes 3 & 4) ✓ Qualified field staff (note 5) ✓ Ownership of equipment such as cranes, bucket trucks, trenchers, helicopters, or contracts in place for their lease ✓ Presence of safety program ✓ On-going training program for crews ✓ Written maintenance program ✓ Able to articulate testing criteria for items monitored ✓ Presence of a NERC and SPP standards compliance process ✓ Compliance history	✓ Contracts in place with qualified firms ✓ Regular reporting of activities provided

Table Notes:

1. "Relevant experience" means experience designing, constructing, operating and maintaining similar voltage transmission facilities. As an example, an IPP would not have relevant experience if its previous assets were only generation facilities.
2. "Experience" means having performed relevant work either at the Candidate or at previous organizations.
3. "Sufficiency" means both having staff with the breadth of experience to cover all aspects of the work and enough staff to adequately perform the work.
4. Construction for EHV transmission is rarely performed internally in the US.
5. "Qualified field staff" means labor that has received appropriate, regular, and on-going safety and skills training necessary to execute the work required. Typically, field staff should progress through an apprentice oriented job progression.

ATTACHMENT A

SPP Qualification Process for Novation Agreements

April 1, 2009
Revised September 16, 2013

Suggested Qualification Process:

The suggested qualification process for Candidates before approval of a Novation Agreement is based upon the establishment of a "Reasonable Professional" standard. The tables above provide guidance in the issues and suggest tests to use to determine if a Candidate satisfies this Reasonable Professional standard. The assessment of the Candidate should be conducted by a subject matter expert(s) in the area of transmission development, operations and maintenance.

1. Review formation documents of Candidate (focus is on item 1)
    a. Articles of incorporation
    b. State authorizations of Convenience and Authority
    c. FERC Filings – 203, 205, and 206

2. Conduct an interview with an officer of Candidate to cover the following items (focus is on items 2 & 3):
    a. Discussion of Candidate's plans for addressing the issues in the table
    b. Describe staffing levels, plans and capability for internal groups performing either all or a portion of the tasks
    c. Describe the safety program and manual for the organization, with a special emphasis on field safety
    d. Identify key contracts in place to cover any of the above items, including provider of outside services
    e. Identify major external partners
        i. Attorneys
        ii. Detail Engineering
        iii. ROW acquisition
        iv. Equipment procurement
        v. Project Management
        vi. Construction Management
        vii. Construction Contractors
        viii. Environmental
    f. Discuss procurement methods and expectations
    g. Describe real-estate acquisition process
    h. Describe understanding of project timeline & critical path
    i. Describe equipment owned and leased by Candidate
    j. Describe NERC & RRO compliance history and corporate compliance program and/or process
    k. Describe the metrics used to track project development, operations and maintenance
    l. Describe training programs in place at the organization

ATTACHMENT A

SPP Qualification Process for Novation Agreements

April 1, 2009
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3. Contract reviews (focus is on items 2 & 3):
    a. Contract(s) exists
    b. Contract(s) cover appropriate time periods for the facility in question
    c. Contract(s) covers key areas identified in the tables above that are not covered internal to the Candidate Organization
    d. Contract(s) includes reporting and feedback to provide a measure of control over external partner
    e. Contract(s) include NERC & RRO standards compliance expectations (applicable to O&M phase)
    f. Contract(s) include response time requirements and/or expectations for outages (applicable to O&M phase)
    g. Contract(s) contain appropriate incentives to ensure personal safety and Bulk Electric System reliability

Attachment B
Data Request List sent 9/12/2013

Data Request No.

1 ➢ Articles of incorporation
2 ➢ State authorizations to act as utility and which establish eligibility to own and operate transmission
3 ➢ FERC Filings – 203, 205, & 206
4 ➢ Tariff filing
➢ Plans for or contracts to provide the following
5 o Engineering services
6 o Permitting/ROW Acquisition services
7 o Material Procurement
8 o Project/Construction Management services
9 o Construction services
10 o Commissioning services
11 o System Operation services
12 o Field operation/response services
13 o Maintenance services
➢ Most recent "Standardized Cost Estimate Reporting Template" (SCERT) identified in BP 7060, Section 9. Per that BP, there should be one submitted by KCPL before the NCT was issued. There may be an updated one after the NCT was issued.
14
15 ➢ Description of Safety Program – internal and for contractors
16 ➢ Safety record of Transource or the company that will provide field operation & maintenance services
17 ➢ Design Characteristics of the line (wood, steel, tower type, conductor type, insulators, etc.)
18 ➢ Estimated total owing cost
19 ➢ Estimated losses on the facility
20 ➢ Estimate of useful life of the facility
➢ Financial Information (this may be available in a spreadsheet you have provided to FERC, State of Kansas and/or SPP)
21 o NPCC cost estimate
22 o WACOC
23 o Authorized ROR
24 o Long term debt interest rate
25 o Short term interest rate
26 o Equity Ratio
27 o Estimate of annual operating costs – field & control center
28 o Estimate of annual maintenance costs
29 ➢ NTC Letters

Attachment C
Transource Due Diligence Review
9/24/13 Interview Notes
Donald J. Morrow

Background

This document presents a summary of Quanta Technology's notes during the interview session of Transource Energy and Transource Missouri conducted during the due diligence review for the Novation of the Iatan to Nashua 345 kV Line (SPP Project ID: 703) and a portion (approximately 140 miles) of the Nebraska City to Maryville to Sibley 345 kV Line (SPP Project ID: 938). This interview was conducted via conference call on September 24, 2013 between 2pm and 5pm EDT.

Participants

The following table shows the participants in the Q&A:

Name	Organization	Title
Donald Morrow	Quanta Technology	Partner & SVP Corporate Strategy
Dan Jones	SPP	Lead Regulatory Engineer
Todd Fridley	Transource Missouri & Transource Energy	VP Transource Missouri
Julie Shull	KCPL	Director Transmission Construction
Antonio Smyth	Transource Missouri & Transmource Energy	President
Mike Higgins	AEP	Managing Director of Transmission
Raja Sundararajan	Transource Missouri & Transource Enertgy	VP Finance

Attachment C
Transource Due Diligence Review
9/24/13 Interview Notes
Donald J. Morrow

Interview Notes

Item 1 – Financing and Rate Analysis Phase:

Item	Tests	Notes from Q&A
Organizational Viability	✓ Articles of Incorporation exist and have been registered ✓ Certificate of Public Convenience granted for applicable states ✓ Favorable regulatory rulings related to transmission construction authorization and/or operation if necessary	✓ Delaware certificate ✓ Settlement accepts Iatan to Nashua and CPCN for a utility operation in Missouri ✓ A few items of a reporting nature, routing and siting of the line is a key issue – outreach has been done – putting a filing together and targeting end of the month – not trying to further qualify
Capital Financing	✓ FERC 203 Filing has been made ✓ FERC 205 Filing has been made ✓ Evidence of previous bond issuances ✓ Capital budgeting and cash flow forecasting processes exist ✓ Credit rating of BBB or better	✓ The basis for the interest rate for Transource was based upon bank indications ✓ In testimony did a savings case assuming Transource Missouri ✓ Backed by investment ✓ Have not locked the 5.25% - put a construction facility in place – will take out in form of long term debt. ✓ 5.77% for KCPL historical integrated debt – estimated marginal cost of long-term debt. ✓ Difference would be financing only that project – no other risks are incorporated into estimated Transource rate. ✓ No credit rating yet. There is a cost to get it done, so will do it later once the novation occurs. ✓ Electric Transmission Texas – offered

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Item	Tests	Notes from Q&A
Cost to Customers	✓ Perform a NPCC and a CWIP analysis (As indicated by SPP, this factor does significantly affect the rate impact analysis over the life of a transmission project. During the performance of this analysis, Consultant will work closely with SPP staff to assess this aspect of the review.) ✓ Compare total cost of Project for Candidate vs original DTO ✓ Compare financing costs for Candidate vs original DTO ✓ Compare FERC incentives ✓ Compare lifetime costs to customers	✓ Assumed the incentives for the projects would be the same in both cases. ✓ SPP had done some previous analysis – very small change ✓ Formula rate for KCP&L 10.6 base, RTO adder of 50 basis points. Assumed 100 basis adder for Sibley for risk of development would also be approved. ✓ Transource Missouri does not believe that the financial assumptions have changed since the filing. It was noted that the spread is the key issue and that should not be affected by financial climate changes.

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Item 2 – Development Phase:

Item	Internal Tests	External Tests	Notes from Q&A
Engineering	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficiency of staff (note 3) to cover breadth of detailed engineering required ✓ Professional Engineering License for supervisory engineer ✓ Existence of engineering standards	✓ Contracts in place with qualified firms	✓ Transource Energy & Transource Missouri are LLC's – acquired through KCPL, will use the KCPL standards & design – KCPL may use their sub-contracts, AEP is may also be called upon to help.
Permitting	✓ Relevant previous experience (notes 1 & 2) ✓ Environmental and regulatory expertise on staff at state & federal level ✓ Demonstrated understanding of overall application process and its impact on critical path for the project ✓ Attorney's on staff with relevant experience with CPCN or equivalent state regulatory filings ✓ (Local relations? – Discuss with David and/or Les)	✓ Contracts in place with qualified firms	✓ Will be outsourced to KCPL with AEP as a backup.
Environmental	✓ Environmental Permits identified and applied for ✓ Environmental Plan for project developed	✓ Contracts in place with qualified firms	✓ Outsource back to KCPL with AEP as a backup.

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Item	Internal Tests	External Tests	Notes from Q&A
ROW Acquisition	✓ Relevant previous experience (notes 1 & 2) ✓ Easements for ROW (transferrable from initial party?) ✓ On-going process for dealing with land owners ✓ Attorney's with expertise in drafting & filing easements & condemnation ✓ Certified real estate agents on staff ✓ Public ROW franchises	✓ Contracts in place with qualified firms ✓ Easements transferred from previous initial party	✓ Outsourced. Securing the easement for Transource Missouri.
Procurement	✓ Relevant previous experience (notes 1 & 2) ✓ Demonstrated understanding of key equipment providers, procurement timeline, and impacts on critical path ✓ Procurement systems in place (HW, SW, PO forms, etc.) ✓ Sufficiency of staff (note 3) ✓ Contracts with critical vendors in place	✓ EPC contract(s) in place with qualified firms ✓ Contracts in place with qualified firms	✓ Outsourced from AEP with KCPL as a backup. ✓ Potential procurement savings would be factored into the final capital costs.
Project Management	✓ Relevant previous experience (notes 1 & 2) ✓ Systems in place to track tasks on the project, resources, progress, expenses, cost forecasts, cash flows, and critical path ✓ Sufficiency of staff (note 3)	✓ Some level of monitoring should be performed internal to Candidate Organization ✓ Embedded in construction contracts ✓ Project management contracts in place with qualified firms	✓ Outsourced to KCPL.

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Item	Internal Tests	External Tests	Notes from Q&A
Construction	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficiency of staff (notes 3 & 4) ✓ Ownership of equipment such as cranes, bucket trucks, trenchers, helicopters, or contracts for their lease ✓ Presence of safety program ✓ Crew training program	✓ Contracts in place with qualified firms ✓ Project update processes	✓ Outsourced to KCPL. ✓ KCPL safety practices and procedure would be in effect for the contractor relationships.
Commissioning	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficiency of staff (notes 3 & 4) ✓ Pre-existing testing procedures ✓ Established criteria for judging acceptance	✓ Process in place for internal sign off and designating equipment in-service and "used & useful" ✓ Contracts in place with qualified firms	✓ Contracted out to KCPL.
Technology Content	✓ Consistent with NTC issued by SPP ✓ Type of construction (material, loading, etc.) compared with Original DTO ✓ Estimated life of plant ✓ Losses	✓ n/a	✓ no special conductor or construction techniques. ✓ Combined set of organizations allows for the best of both organizations – therefore it's been helpful vs KCPL-GMO only – especially cost. ✓ KCPL design standard will be used. ✓

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Item 3 – Operations Phase:

Item	Internal Tests	External Tests	Notes from Q&A
Operations	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficient staff (notes 3 & 4) ✓ 24 hour control center operation ✓ 24 hour field coverage with qualified field staff (note 5) ✓ SCADA system with key points monitored (breaker status & line flows) ✓ Established storm/outage response plan ✓ Articulated safety program with clearly defined tagging and clearance procedures covering both internal personal and contractors ✓ Safety record exists & comparison to industry ✓ Presence of a NERC and SPP standards compliance process ✓ Compliance history	✓ Contracts in place with qualified firms ✓ Regular reporting of activities provided ✓ Outage Response times tracked	✓ Intent is to have KCPL operate & maintain the facilities through the services agreement. ✓ KCPL control center 24 hour operating. ✓ EMS, metered output to KCPL control center ✓ In KCPL balancing authority ✓ NERC liabilities and requirements would be set up through KCPL – intent is to set that up. ✓ Transource is the ultimate owner of the line and ultimate legal owner of the line. So Transource has the obligation, but pass it on through the services agreement. This will be yet to come. ✓ KCPL's storm response plan will govern the facilities – AEP may also provide assistance and will offer up stores & spares as needed.

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Item	Internal Tests	External Tests	Notes from Q&A
Maintenance	✓ Relevant previous experience (notes 1 & 2) ✓ Sufficient staff (notes 3 & 4) ✓ Qualified field staff (note 5) ✓ Ownership of equipment such as cranes, bucket trucks, trenchers, helicopters, or contracts in place for their lease ✓ Presence of safety program ✓ On-going training program for crews ✓ Written maintenance program ✓ Able to articulate testing criteria for items monitored ✓ Presence of a NERC and SPP standards compliance process ✓ Compliance history	✓ Contracts in place with qualified firms ✓ Regular reporting of activities provided	✓ KCPL would be contracted – with AEP assistance.

Table Notes:

1. "Relevant experience" means experience designing, constructing, operating and maintaining similar voltage transmission facilities. As an example, an IPP would not have relevant experience if its previous assets were only generation facilities.
2. "Experience" means having performed relevant work either at the Candidate or at previous organizations.
3. "Sufficiency" means both having staff with the breadth of experience to cover all aspects of the work and enough staff to adequately perform the work.
4. Construction for EHV transmission is rarely performed internally in the US.
5. "Qualified field staff" means labor that has received appropriate, regular, and on-going safety and skills training necessary to execute the work required. Typically, field staff should progress through an apprentice oriented job progression.

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Additional Notes

1. Review formation documents of Candidate (focus is on item 1)
    a. Articles of incorporation
    b. State authorizations of Convenience and Authority
    c. FERC Filings – 203, 205, and 206

2. Conduct an interview with an officer of Candidate to cover the following items (focus is on items 2 & 3):
    a. Discussion of Candidate's plans for addressing the issues in the table
    b. Describe staffing levels, plans and capability for internal groups performing either all or a portion of the tasks – ***The intent is loaned staff from the owners. There will be no direct employees in either Transource Missouri or Transource Energy.***
    c. Describe the safety program and manual for the organization, with a special emphasis on field safety -
    d. Identify key contracts in place to cover any of the above items, including provider of outside services
    e. Identify major external partners– ***Transource does not have it's own contracts for support, all support is through KCPL and AEP.***
        i. Attorneys
        ii. Detail Engineering
        iii. ROW acquisition
        iv. Equipment procurement
        v. Project Management
        vi. Construction Management
        vii. Construction Contractors
        viii. Environmental
    f. Discuss procurement methods and expectations
    g. Describe real-estate acquisition process
    h. Describe understanding of project timeline & critical path – ***On course for both projects w/in budget and in service 2015 for Iatan to Nashua, Sibley in 2017.***
    i. Describe equipment owned and leased by Candidate
    j. Describe NERC & RRO compliance history and corporate compliance program and/or process
    k. Describe the metrics used to track project development, operations and maintenance – ***None, all through the contracts.***
    l. Describe training programs in place at the organization

3. Contract reviews (focus is on items 2 & 3):
    a. Contract(s) exists

b. Contract(s) cover appropriate time periods for the facility in question
c. Contract(s) covers key areas identified in the tables above that are not covered internal to the Candidate Organization
d. Contract(s) includes reporting and feedback to provide a measure of control over external partner
e. Contract(s) include NERC & RRO standards compliance expectations (applicable to O&M phase)
f. Contract(s) include response time requirements and/or expectations for outages (applicable to O&M phase)
g. Contract(s) contain appropriate incentives to ensure personal safety and Bulk Electric System reliability

Attachment D

Donald J. Morrow, PE

Donald J. Morrow, P. E. *Partner & SVP Corporate Strategy.* During the course of his career, Don has held a wide range of technical and management responsibilities in the areas of system planning, control area operations, transmission operations, energy trading, maintenance scheduling, operator training, protection, distribution operations, energy management systems, and natural gas dispatch. Don originally joined Quanta Technology to start the Transmission consulting practice and oversaw its growth to become the largest team within Quanta Technology. In his current role at Quanta Technology he continues to provide consulting to transmission clients. Prior to joining Quanta Technology, he was Director of Operations at American Transmission Company ("ATC"). In that role, Don was charged with the formation of the system operations department for the startup of ATC on 1/1/2001. He was responsible for the successful operation of two control centers overseeing operations in Wisconsin, Iowa and the upper peninsula of Michigan. While at ATC, Don also served as Director of System Planning & Protection ATC. In this role, Don was responsible for the development and justification of an annual capital budget of over $300M and a ten year capital budget of over $3B.

Areas of Expertise

- System Planning
- System Operations
- Transmission Development
- NERC and RRO Reliability Standards Compliance

Experience and Background

- 31 years of experience in the electric power industry ..... 1982 – 2013
- Director System Planning and Protection, American Transmission Co..... 2004 – 2006
- Director System Operation, American Transmission Co. ..... 2000 – 2004
- Senior Director System Operations Center, Madison Gas and Electric ..... 1992 – 2000
- Engineer (various levels), Madison Gas and Electric ..... 1982 – 1992

Accomplishments and Industry Recognition

- Member IEEE
- Former Member of various NERC & MRO Committees
- Principal author of "Future Vision: The Challenge of Effective Transmission Planning" published in IEEE PES Magazine
- Registered Professional Engineer in Wisconsin & Arkansas

Education

- BSEE – University of Wisconsin, Madison
- MBA – University of Wisconsin, Madison

Don can be contacted at dmorrow@quanta-technology.com