

KANSAS CITY POWER & LIGHT COMPANY

P.S.C. MO. No. 7 Original Sheet No. 49F
 Revised
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 Revised
For Missouri Retail Service Area

DEMAND SIDE INVESTMENT MECHANISM RIDER (CYCLE 2) Schedule DSIM

APPLICABILITY:

This rider is applicable to all non-lighting kilowatt-hours (kWh) of energy supplied to customers under the Company's retail rate schedules, excluding kWh of energy supplied to "opt-out" customers.

Charges passed through this DSIM Rider reflect the charges approved to be collected from the implementation of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 2 Plan & any remaining charges from the MEEIA Cycle 1 Plan DSIM. Those charges include:

- 1) Program Costs, TD Share, and Performance Incentive Award (if any) for the MEEIA Cycle 2 Plan, including Program Costs and TD Share for any projects completed in 2016-2018 that were started under the MEEIA 2013-2015 Plan and any earned Performance Incentive earned (and ordered) attributable to MEEIA Cycle 1.
- 2) Reconciliations, with interest, to true-up for differences between the revenues billed under this DSIM Rider and total actual monthly amounts for:
 - i) Program Costs incurred in Cycle 2 and/or remaining true-ups or unrecovered amounts for MEEIA Cycle 1,
 - ii) TD Share incurred in Cycle 2 and/or remaining true-ups or unrecovered amounts for MEEIA Cycle 1, and
 - iii) Amortization of any Performance Incentive Award ordered by the Missouri Public Service Commission (Commission)
- 3) Any Ordered Adjustments. Charges under this DSIM Rider shall continue after the anticipated December 31, 2018 end of MEEIA Cycle 2 Plan until such time as the charges described in items i), ii) and iii) in the immediately preceding sentence have been billed.

Charges arising from the MEEIA Cycle 2 Plan that are the subject of this DSIM Rider shall be reflected in one "DSIM Charge" on customers' bills in combination with any charges arising from a rider that is applicable to post-MEEIA Cycle 2 Plan demand-side management programs approved under the MEEIA. This will include any unrecovered amounts for Program Costs, TD-NSB Share from MEEIA Cycle 1, and/or Performance Incentive, etc. earned/remaining from MEEIA Cycle 1 that is expected to begin recovery in January 2017. Cycle 1 Performance Incentive Award methodology, including Cycle 1 Targets are set out in Sheet Nos. 49 through 49E and can be found in the May 27, 2015 Non-Unanimous Stipulation & Agreement found in EO-2014-0095.

DEFINITIONS:

As used in this DSIM Rider, the following definitions shall apply:

"Company's TD Share" means 32.66% for Residential and 16.06% for Non-Residential of the gross shared benefits multiplied by the Time-Value Adjustment Factor.

"Effective Period" (EP) means the six (6) months beginning with the month of February, and each six month period there-after.

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DEMAND SIDE INVESTMENT MECHANISM RIDER (CYCLE 2) Schedule DSIM (Continued)

DEFINITIONS: (Cont'd.)

"Evaluation Measurement & Verification (EM&V) means the performance of studies and activities intended to evaluate the process of the utility's program delivery and oversight and to estimate and/or verify the estimated actual energy and demand savings, utility lost revenue, cost effectiveness, and other effects from demand-side programs.

"Incentive" means any consideration provided by the Company, including, but not limited to buy downs, markdowns, rebates, bill credits, payments to third parties, direct installation, giveaways, and education, which encourages the adoption of program measures.

"MEEIA Cycle 1 Plan" consists of the 12 demand-side programs and the DSIM (including Program Costs, TD-NSB Share, Performance Incentive, etc.) described in the MEEIA Cycle 1 filing & corresponding tariffs, which became effective June 6, 2014 through December 31, 2015 and approved in the stipulation and agreement under Docket No. EO-2014-0095. Cycle 1 recovery can be found in tariff sheets 49 through 49E.

"MEEIA Cycle 2 Plan" consists of the 18 demand-side programs and the DSIM described in the MEEIA Cycle 2 Filing, which became effective January 1, 2016 through December 31, 2018 and approved under Docket No EO-2015-0240.

"kWh/kW Targets" over the MEEIA Cycle 2 Plan

	Targeted Annual Energy Savings (kWh)	Targeted Annual Demand Savings (kW)
2016 (Jan. – Dec.)	74,147,085	27,090
2017 (Jan. – Dec.)	78,903,625	30,998
2018 (Jan. – Dec.)	81,362,134	33,446
The Sum of the Annual Targets in 2016 through 2018	234,412,844	91,534

"Program Costs" means any program expenditures, including such items as program planning, program design; administration; delivery; end-use measures and incentive payments; advertising expense; evaluation, measurement, and verification; market potential studies; and work on a statewide technical resource manual.

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"Cycle 2 Performance Incentive Award" means the earned incentive as a result of actual performance against planned targets as determined through EM&V.

Percent of KWh (57%)/Kw (43%) Target**	Performance Incentive Award (\$MM)
≤ 60	\$0.00
70	\$7.00
80	\$8.00
90	\$9.00
100	\$10.00
110	\$11.00
120	\$12.00
≥ 130	\$13.00

Note: The percentage of target and the performance incentive are interpolated linearly between award levels.

*Includes income taxes (i.e. results in revenue requirement without adding income taxes). EM&V would reflect no change in avoided costs used in original MEEIA filing made on August 28, 2015 and approved by the Commission.

** Weighting of Energy & Demand Targets are based on the ratio of Energy and Demand Gross Benefits

"Short-Term Borrowing Rate" means (i) the daily one-month USD LIBOR rate, using the last previous actual rate for weekends and holidays or dates without an available LIBOR rate, plus (ii) the Applicable Margin for Eurodollar Advances as defined in the Pricing Schedule of the current KCP&L Revolving Credit Agreement. A simple mathematical average of all the daily rates for the month is then computed.

"Throughput Disincentive Benefits" means the lifetime avoided costs, used in the August 28, 2015 MEEIA filing and approved by the Commission, discounted to the applicable program year, (i.e., avoided energy, capacity, transmission and distribution, and probable environmental compliance costs) for the MEEIA Cycle 2 Plan using the deemed values as described on in section 4 I of the MEEIA Cycle 2 Report. Present values are determined using the Time-Value Adjustment Factor.

"Time-Value Adjustment Factor" means the factor used each month to convert amounts to present value. The factor is $[1.065841 ^ (\text{Calendar Year (i.e. applicable program year) - 2016 or 2017 or 2018})]$.

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DEMAND SIDE INVESTMENT MECHANISM RIDER (CYCLE 2) Schedule DSIM (Continued)

DETERMINATION OF DSIM RATES:

The DSIM during each applicable EP is a dollar per kWh rate for each rate schedule calculated as follows:

$$DSIM = [NPC + NTD + NPI + NOA]/PE$$

Where:

NPC = Net Program Costs for the applicable EP as defined below,

$$NPC = PPC + PCR$$

PPC = Projected Program Costs is an amount equal to Program Costs projected by the Company to be incurred during the applicable EP, including any Program Costs incurred for projects completed in 2016-2018 that were started under/during the MEEIA Cycle I Plan..

PCR = Program Costs Reconciliation is equal to the cumulative difference, if any, between the PPC revenues billed resulting from the application of the DSIM through the end of the previous EP and the actual Program Costs incurred through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short-Term Borrowing Rate.

NTD = Net Throughput Disincentive for the applicable EP as defined below,

$$NTD = PTD + TDR$$

PTD = Projected Throughput Disincentive is the Company's TD Share projected by the Company to be incurred during the applicable EP, including any Program Costs incurred for projects completed in 2016-2018 that were started under/during the MEEIA Cycle 1 Plan.

TDR = Throughput Disincentive Reconciliation is equal to the cumulative difference, if any, between the PTD revenues billed during the previous EP resulting from the application of the DSIM and the Company's TD Share through the end of the previous EP calculated pursuant to the MEEIA Cycle 2 Application, (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short-Term Borrowing Rate.

NPI = Net Performance Incentive for the applicable EP as defined below,

$$NPI = PI + PIR$$

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DETERMINATION OF DSIM RATES: (Cont'd.)

PI = Performance Incentive is equal to the Performance Incentive Award monthly amortization multiplied by the number of billing months in the applicable EP.

The monthly amortization shall be determined by dividing the Performance Incentive Award by the number of billing months from the billing month of the first DSIM after the determination of the Performance Incentive Award and 24 calendar months following that first billing month.

PIR = Performance Incentive Reconciliation is equal to the cumulative difference, if any, between the PI revenues billed during the previous EP resulting from the application of the DSIM and the monthly amortization of the Performance Incentive Award through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short-Term Borrowing Rate.

NOA = Net Ordered Adjustment for the applicable EP as defined below,

$$NOA = OA + OAR$$

OA = Ordered Adjustment is the amount of any adjustment to the DSIM ordered by the Commission as a result of prudence reviews and/or corrections under this DSIM Rider. Such amounts shall include monthly interest at the Company's monthly Short-Term Borrowing Rate.

OAR = Ordered Adjustment Reconciliation is equal to the cumulative difference, if any, between the OA revenues billed during the previous EP resulting from the application of the DSIM and the actual OA ordered by the Commission through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short-Term Borrowing Rate.

PE = Projected Energy, in kWh, forecasted to be delivered to the customers to which the DSIM Rider applies during the applicable EP.

The DSIM components and total DSIM applicable to the individual rate schedules shall be rounded to the nearest \$0.00001.

Allocation of costs for each rate schedule for the MEEIA Cycle 1 Plan will be made in accordance with the Stipulation. Subsequent MEEIA Cycle Plans will be allocated as outlined in those original filings, unless otherwise settled via Stipulation.

This DSIM Rider shall not be applicable to customers that have satisfied the opt-out provisions contained in

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DEMAND SIDE INVESTMENT MECHANISM RIDER (CYCLE 2) Schedule DSIM (Continued)

Section 393.1075.7, RSMo.

FILING:

After the initial DSIM Rider rate adjustment filing, the Company shall make a DSIM Rider rate adjustment filing to take effect each August and February under the Term of this MEEIA Rider. DSIM Rider rate adjustment filings shall be made at least sixty (60) days prior to their effective dates.

PRUDENCE REVIEWS:

A prudence review shall be conducted no less frequently than at twenty-four (24) month intervals in accordance with 4 CSR 240-20.093(10). Any costs, which are determined by the Commission to have been imprudently incurred or incurred in violation of the terms of this DSIM Rider, shall be returned to customers through an adjustment in the next DSIM Rider rate adjustment filing and reflected in factor OA above.

Discontinuing the DSIM:

The Company reserves the right to discontinue DSM Programs that drive the costs included in this DSIM Rider. The Company will file a notice with the PSC indicating that it is discontinuing the Programs. The Company will honor all requests for the Programs received within 30 days of the notice. As a result of these Program changes, the Company may file to discontinue this DSIM. Similar to Program Discontinuance, the Company would file a notice with the PSC indicating that it is discontinuing the DSIM Rider. This notice would include a methodology for recovering any unrecovered Program Costs, TD, and Performance Incentive.

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DEMAND SIDE INVESTMENT MECHANISM RIDER (Cycle 2) Schedule DSIM (Continued)

DEMAND SIDE INVESTMENT MECHANISM CHARGE:

Applicable to determination of DSIM Charge for the billing months of January 2016 through December 2018:

DSIM Components and Total DSIM

Rate Schedule	NPC/PE (\$/kWh)	NTD/PE (\$/kWh)	NPI/PE (\$/kWh)	NOA/PE (\$/kWh)	Total DSIM (\$/kWh)
Residential Service	\$0.00306	\$0.00203	\$0.00000	\$0.00000	\$0.00509
Non- Residential Service	\$0.00242	\$0.00092	\$0.00000	\$0.00000	\$0.00334

OPT-OUT PROVISIONS (Non-Residential Customers):

Pursuant to Missouri Rule 4 CSR 240-20.094(6)(A): Any customer meeting one (1) or more of the following criteria shall be eligible to opt-out of participation in utility-offered demand side programs:

1. The customer has one (1) or more accounts within the service territory of the electric utility that has a demand of the individual accounts of five thousand (5,000) kW or more in the previous twelve (12) months;
2. The customer operates an interstate pipeline pumping station, regardless of size; or
3. The customer has accounts within the service territory of the electric utility that have, in aggregate across its accounts, a coincident demand of two thousand five hundred (2,500) kW or more in the previous twelve (12) months, and the customer has a comprehensive demand side or energy efficiency program and can demonstrate an achievement of savings at least equal to those expected from utility-provided programs.
 - A. For utilities with automated meter reading and or advanced metering infrastructure capability, the measure of demand is the customer coincident highest billing demand of the individual accounts during the twelve (12) months preceding the opt-out notification.

A customer electing to opt-out under requirements 1 and 2 above must provide written notice to the electric utility no earlier than September 1 and not later than October 30 to be effective for the following calendar year. Customers electing to opt-out under requirement 3 above must provide notice to the utility and the manager of the energy resource analysis section of the commission during the stated timeframe. Customers electing to opt-out shall still be allowed to participate in interruptible or curtailable rate schedules or tariffs offered by the electric utility.

Customers who have satisfied the opt-out provisions of 4 CSR 240-20.094(6) to opt-out of both the DSIM Charge and the Non-MEEIA rate will not be charged the DSIM Charge and receive an offset of the Non- MEEIA rate amount on the same bill, based on their actual usage. The current Non-MEEIA rate is found in Section 8.09 of the Rules and Regulations, Sheet 1.28.

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