Exhibit No.:	______________
Issue(s):	Organizational Structure/ Proposed Management Expense Policy Changes/ KCPL's Cost Allocation Manual/ Capital Structure/ Expense Trackers in Rate Base/ KCPL's Supplemental Executive Retirement Plan ("SERP")
Witness/Type of Exhibit:	Hyneman/Direct
Sponsoring Party:	Public Counsel
Case No.:	ER-2016-0285

DIRECT TESTIMONY

OF

CHARLES R. HYNEMAN

Submitted on Behalf of the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

November 30, 2016

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	))))	Case No. ER-2016-0285

AFFIDAVIT OF CHARLES R. HYNEMAN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Charles R. Hyneman, of lawful age and being first duly sworn, deposes and states:

1. My name is Charles R. Hyneman. I am the Chief Public Utility Accountant for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my direct testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Chas R. Hyneman

Charles R. Hyneman, C.P.A.
Chief Public Utility Accountant

Subscribed and sworn to me this 30th day of November 2016.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037

Jerene A. Buckman

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

TABLE OF CONTENTS

DIRECT TESTIMONY

OF

CHARLES R. HYNEMAN
KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

INTRODUCTION

Q. Please state your name and business address.

A. My name is Charles R. Hyneman. My business address is PO Box 2230, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Office of the Public Counsel ("OPC") as Chief Public Utility Accountant.

Q. What is the role of the Public Counsel?

A. The Public Counsel represents and protects the interests of the public in any proceeding before or on appeal from the Missouri Public Service Commission ("Commission").

Q. Did you conduct an audit of the books and records of Kansas City Power & Light Company ("KCPL")?

A. Yes, with the assistance of other members of the OPC.

Q. What is the purpose of your direct testimony?

A. On July 1, 2016, KCPL filed an application with the Commission to increase its electric utility rates charged to Missouri ratepayers. According to KCPL's Application, it proposes to increase rates by $90.1 million or 10.77%. My direct testimony introduces the OPC witnesses who will be proposing adjustments to KCPL's books and records and/or making other rate case recommendations to the Commission. In my testimony I also provide an explanation of, and support for, certain rate case adjustments to KCPL's test year books and records as well as recommendations concerning the level of KCPL's investment in rate base on which the Commission will set rates in this case. Finally, in this testimony I am submitting a proposed KCPL cost allocation manual ("CAM") and request the Commission approve this CAM for KCPL's use in complying with the Commission's affiliate transaction rule.

EDUCATION AND EXPERIENCE

Q. Please describe your educational background.

A. I earned an Associate degree in Applied Science (AAS) in Contracts Management from the Community College of the Air Force at Wright-Patterson Air Force, a Bachelor of Science degrees in Accounting and Business Administration from Indiana State University at Terre Haute and an MBA from the University of Missouri at Columbia.

Q. Are you a Certified Public Accountant ("CPA") licensed in the state of Missouri?

A. Yes. I hold a CPA license in the state of Missouri. I am also a member of the American Institute of Certified Public Accountants ("AICPA"). The AICPA in an organization that represents the CPA profession nationally regarding rule-making and standard-setting. The AICPA established accountancy as a profession and developed its educational requirements, professional standards, code of professional ethics, licensing status, and its commitment to serve the public interest.

Q. Please summarize your professional experience in the field of utility regulation.

A. My professional experience in accounting and auditing began in 1993 when I was employed by the Missouri Public Service Commission as part of the audit division of the Commission Staff's ("Staff") Accounting Department. As a member of the Staff from 1993 to 2015, I participated in rate cases and other regulatory proceedings involving all major electric, gas, and water utilities operating in the state of Missouri. I also held various positions including Manager of the Commission's Kansas City Auditing Office. I left the Commission Staff in December 2015, holding the position of Regulatory Auditor V.

EXECUTIVE SUMMARY

Q. What is the test year, update period, and true up period in this rate case?

A. The Commission-approved test year is the twelve months ended December 31, 2015. The update period is the twelve months ended June 30, 2016 with a true-up date of December 31, 2016.

Q. Please list the witnesses who will be filing direct testimony on behalf of the OPC in this case and the issues that are addressed in their direct testimonies.

A. The following individuals will be filing direct testimony on behalf of OPC in this case:

Lena Mantle	KCPL's Fuel Adjustment Clause (FAC).
Geoff Marke	Customer Disclaimer Language
John Robinett	Depreciation
John Riley	KCPL's Hedging Practices
Amanda Conner	Rate Case Expense, Management Expenses, Severance Payments
Charles Hyneman	Management Expense Policy Changes, Cost Allocation Manual, Capital Structure, Trackers in Rate Base, Supplemental Executive Retirement Plan

Q. Does the fact that OPC does not address specific revenue requirement issues or other issues in its rate case testimonies filed in this rate indicate that OPC is in agreement

with KCPL, Staff or other parties' ratemaking proposals, proposed ratemaking adjustments or compliance with Commission's rules?

A. No, it does not.

Q. What are OPC's proposals to address problems with KCPL's FAC?

A. In her direct testimony, OPC witness Lena Mantle will propose changes to the FAC structure and design. Ms. Mantle has been working with FACs for Missouri electric utility companies since 2005 and she is arguably the top expert on FACs in the state of Missouri. Her extensive experience with the FAC is documented in her direct testimony.

OPC's FAC recommendation to the Commission in this rate case will allow KCPL's fuel charges, purchased power charges and the related transportation charges to flow through the FAC significantly reducing earnings risk to KCPL. In addition, OPC's proposal will make KCPL's FAC 1) more transparent and manageable for KCPL to administer, 2) easier for the Commission to oversee, 3) easier to facilitate a more thorough and complete FAC prudence audits and 4) less susceptible to errors in KCPL's FAC calculations and charges to its customers.

Q. Summarize OPC's position on KCPL's hedging practices.

A. OPC witness John Riley will describe why KCPL's natural gas hedging practices and purchased power cross-hedging practices are not appropriate in the current long-term low price and non-volatile natural gas price market. In addition, he will explain why changes in KCPL's regulatory environment have reduced any need for KCPL to engage in hedging for purchased power.

Q. Summarize OPC's position on KCPL Management Expenses

A. OPC's position on KCPL's management expenses in this rate case mirrors the position taken by OPC in GMO's most recent rate case, ER-2016-0156. It also mirrors the position taken by Staff in many, if not all, of KCPL's rate cases since 2006. OPC's management expense adjustment in this case is sponsored by OPC witness Amanda Conner.

In the test year, KCPL has recorded in its regulated books of account excessive, unreasonable, imprudent and improperly documented and allocated management expenses related to travel, meals, entertainment, and other purchases. These imprudent actions have been pointed out by the Staff in written testimony before the Commission in most, if not every, KCPL rate case since 2006. Despite this fact, KCPL has continued to engage in these imprudent practices relating to management expenses.

In her direct testimony in this rate case, OPC witness Amanda Conner will provide evidence of the continuation of this inappropriate KCPL management behavior and will support OPC's proposed rate case adjustment. This adjustment is designed to limit the risk of KCPL's customers being held financially responsible for imprudent management expenses. In my direct testimony below I will provide recommendations to the Commission that are designed to reduce the risk, by reducing the opportunity, for KCPL's management to continue to incur and charge ratepayers excessive, imprudent, unreasonable, improperly documented and improperly allocated management expenses.

ORGANIZATIONAL STRUCTURE

Q. Please describe KCPL's organizational structure including KCPL's holding company, Great Plains Energy ("GPE").

A. GPE is a public utility holding company incorporated in 2001. GPE does not own or operate any significant assets other than the stock of its subsidiaries. GPE's wholly-owned direct subsidiaries with significant operations are KCPL, KCP&L Greater Missouri Operations Company ("GMO"), and GPE Transmission Holding Company, LLC ("GPETHC").

Q. How was GPE created?

A. On February 26, 2001, in Case No. EM-2001-464 KCPL filed its application for approval of its plan to reorganize itself as a holding company. On July 31, 2001 the Commission authorized KCPL to reorganize subject to the conditions contained in the First Amended Stipulation and Agreement in that acquisition case. On October 1, 2001, GPE and KCPL consummated an Agreement of Merger and Reorganization (the "Reorganization") that resulted in GPE becoming a holding company over KCPL, Great Plains Power ("GPP") and KLT Inc. In 2001 KCPL owned two subsidiaries, KLT, Inc. and GPP. KCPL subsequently sold KLT, Inc and GPP subsequently ceased operations.

Q. Briefly describe KCPL's organizational structure.

A. KCPL is an integrated, regulated electric utility that provides electricity to customers primarily in the states of Missouri and Kansas. KCPL has one active wholly owned subsidiary, Kansas City Power & Light Receivables Company ("KCREC"). Of all the GPE entities, KCPL is the only entity that has employees. GPE, GMO and other subsidiaries have no employees.

KCPL is also a joint (47%) owner of the Wolf Creek Generating Station, a nuclear power plant in Burlington, Kansas. The Generating Station is owned by Wolf Creek Nuclear Operating Corporation ("WCNOC").

Q. Does KCPL operate as a service company and provide services to all GPE entities, both regulated and non-regulated?

A. Yes. GPE has no employees and no other entity within GPE, with the exception of KCPL has employees. Therefore, all services provided to all of GPE entities, with the exception of services obtained from non-affiliated vendors, are provided by KCPL regulated utility employees.

Q. Briefly describe GMO's organizational structure.

A. GMO is an integrated, regulated electric utility that provides electricity to customers in the state of Missouri. GMO also provides regulated steam service to certain customers in the St. Joseph, Missouri area. GMO has two active wholly owned subsidiaries, GMO Receivables Company and MPS Merchant Services, Inc. ("MPS Merchant"). MPS Merchant has certain long-term natural gas contracts remaining from its former ("Aquila, Inc.") non-regulated trading operations.

Q. Briefly describe GPETHC's organizational structure.

A. The GPE subsidiary GPETHC owns 13.5% of Transource Energy, LLC ("Transource") with the remaining 86.5% owned by AEP Transmission Holding Company, LLC ("AEPTHC"), a subsidiary of American Electric Power Company, Inc. Transource is focused on the development of competitive electric transmission projects.

PROPOSED MANAGEMENT EXPENSE POLICY CHANGES

Q. In addition to proposing a rate case adjustment in this case, is OPC recommending the Commission order KCPL to make changes in how KCPL incurs and pays certain management expenses?

A. Yes. The Commission's primary obligation and responsibility is to protect ratepayers. It does this by allowing only reasonable, necessary, and prudent costs to be included in utility rates. By continuing to engage in a pattern of imprudent management behavior related to management expenses over a period of 10 years, KCPL has demonstrated that it is not capable of addressing and fixing this problem on its own.

KCPL has demonstrated that it needs Commission direction and intervention to fix its management expense reimbursement problems. My testimony and recommendation is based on my ten years of experience auditing KCPL's management expenses. I believe that the adoption of these recommendations is the minimum action needed to be taken by the Commission in this rate case. If the Commission orders KCPL to comply with all of these recommendations, OPC believes the risk of KCPL's ratepayers continuing to be charged with imprudently incurred KCPL management expenses will be reduced to a reasonable level.

Q. Does the Commission have discretion in allowing a utility to continue to engage in activities that cause imprudent, excessive, and unreasonable costs being charged to its regulated books and records?

A. It may have this discretion. However, I do not believe the Commission has discretion to allow such costs to be recovered from regulated utility ratepayers in utility rates. Moreover, I believe it is the primary role of the Commission to prevent this from occurring.

In this rate case, OPC is asking the Commission to look closely at the types of costs that KCPL management charge's its customers. OPC asks the Commission not only to prevent rate recovery of these specific test year charges but to also order, or at least highly recommend to KCPL, that it make significant changes in management expense policies and procedures that will help to reduce imprudent costs from being charged to ratepayers.

Q. Should the actions of KCPL's management in continuing to engage in imprudent actions that increase the risk of customers being charged excessive, unreasonable and improper management expenses be considered by the Commission in its decisions on KCPL's ratemaking proposals and return on equity in this rate case?

A. Yes, it should. KCPL serves its customers by keeping its utility costs to a minimum reasonable level. When KCPL management specifically and intentionally disregards this obligation, this action should be noted and addressed by the Commission. The Commission should use its significant amount of discretion in its decisions on KCPL's ratemaking proposals and allowed ROE in this rate case as an incentive to KCPL management to end this behavior.

Q. Briefly state the management expense policies and procedures OPC is requesting the Commission order KCPL to adopt in this rate case.

A. OPC requests the Commission order KCPL to adopt the following policies and procedures related to management expense reimbursements:

> OPC Recommendations:
> 1. Review its internal controls over management expense reports and adopt basic internal controls such as requiring that an expense report be approved by an employee at least one level above the employee who submits the report for approval.
> 2. Exclude non-travel meal costs, such as management employee meals in the Kansas City, Missouri area from rates.
> 3. Adopt a per diem management meal expense policy for meals, lodging and other costs incurred while on business travel.
> 4. Develop protocol for KCPL's Internal Audit Department to take a more aggressive role in auditing management expenses and make periodic reports on progress improvements to quarterly Board of Director Audit Committee meetings.
> 5. Make mandatory a company rule that no cost of alcoholic beverage will be charged to ratepayers under any circumstances.

Q. Please describe recommendation No.1 related to internal controls over expense report reimbursements?

A. The Commission should order KCPL to adopt, employ, and comply with basic internal control over reimbursement of management expenses. OPC reviewed documentation from KCPL that confirms serious internal control issues in documents provided in response to OPC Data Request 1001 and Staff Data Request 275. Documentation provided in response to questions in these data requests show that many expense reports were paid and closed without any approval at all and many expense reimbursements were approved by subordinate employees including administrative personnel. These actions by KCPL management indicate a very strong disregard for basic internal controls over its management expense report process.

The Commission should order KCPL to adopt, employ and comply with internal control procedures that requires (makes mandatory) that all expense reimbursement requests be reviewed and approved by that employee's supervisor or, at a minimum, a person who is of higher rank than the employee who seeks reimbursement. This is a basic internal control over expenses that should not even have to be addressed in this testimony. However, it is not followed by KCPL management and has not been followed by KCPL management for several years.

Q. Have you pointed out this internal control deficiency to KCPL in past rate cases?

A. Yes, I have. However, KCPL management decided to ignore this concern about KCPL's internal controls over management expense reimbursements. KCPL made the determination that it was perfectly appropriate for subordinate employees to approve higher ranking employee's monthly expense reimbursement requests. KCPL even made the determination that it was appropriate for administrative personnel to approve KCPL officer expenses reimbursements requests.

As noted above, KCPL management expense reports are often approved by a person who is subordinate to the employee seeking reimbursement. I have also examined documentation that shows high-level officer expense reports are approved for payment by KCPL administrative personnel. This KCPL management practice reflects a disregard for very basic internal controls over business expenses. This disregard for basic internal controls also likely contributes to the long-term problems with KCPL's management expense report expenses.

Q. Please describe your second recommendation concerning KCPL management's incurrence of local meal charges.

A. KCPL management records and charges to ratepayers hundreds of meals each year within walking distance from KCPL's headquarters building in downtown Kansas City, Missouri. An example of some of these charges are included in the schedules to OPC witness Conner's direct testimony.

There is, or at least there should be, an expectation that management employees are responsible for paying for their own meals while in the local area. There is even a greater expectation that KCPL officers, who are individually compensated annually by KCPL ratepayers in the hundreds of thousands of dollars, can afford to buy their own lunch. KCPL management does not appear to share that expectation. KCPL management expects that its ratepayers should pay for meals consumed by KCPL management in the local area.

Q. Please describe your third recommendation concerning ordering KCPL to adopt a per diem management meal expense policy for meal costs incurred while on business travel.

A. For over ten years KCPL has been incurring and charging ratepayers for excessive meal costs in the local area as well as while on business travel. These excessive costs have been raised by the Staff in KCPL's rate cases since 2006. OPC also addressed these excessive costs in its testimony filed in GMO's last rate case, ER-2016-0156. Since GMO has no employees, it is allocated a portion of KCPL's management expenses. The problem continues as reflected in OPC's audit of KCPL management expenses in this rate case.

As noted above, KCPL management has demonstrated that it cannot, or is unwilling to, fix the problems with its management expense reimbursements on its own. I believe that a Commission order directing KCPL to adopt a per diem meal reimbursement policy for employees in travel status will go a long way in addressing KCPL's problem with the incurrence and reimbursement of excessive and unreasonable meal expense charges.

Q. Does KCPL have experience with a per diem meal reimbursement policy?

A. Yes. In past rate cases I have reviewed KCPL contracts with vendors that require vendors to use a per diem meal policy of no more than $50 per day. This is a very sound internal control adopted by KCPL's procurement department that could also be adopted and implemented by KCPL management and apply to KCPL management.

OPC made this recommendation in GMO's rate case ER-2016-0156 and was rejected by management. KCPL and GMO apparently believe this $50 per diem limit on vendors is necessary to protect themselves against excessive expense charges, KCPL does not hold this same standard to itself. KCPL and GMO have no standard or restriction on the level of meal charges that its employees incur and are reimbursed. The Commission should require KCPL to apply the same standards to itself that it does to its professional consultants.

Q. Please describe your fourth recommendation concerning KCPL's Internal Audit Department.

A. I believe that KCPL's lack of internal controls over its expense report approval and management expense report process is tolerated and ignored by KCPL's Internal Audit Department. It is a significant concern to OPC that basic internal controls over expense reimbursements and other management expense report processes are not a priority for KCPL's Internal Audit Department. KCPL's Audit Committee of the Board of Directors should to review the quality of the work performed by the Department and investigate why it has not taken a more proactive approach to auditing and reporting non-compliance related to KCPL's management expense report process. KCPL's Internal Audit Department should be independent of KCPL's management and empowered to action to fix these longstanding management expense report problems. The fact that no action has been taken indicates a potential for a lack of independence of this Department.

Q. Has KCPL's Internal Audit Department reviewed KCPL's management expense report polices in the past?

A. Yes it has and it found significant problems. As a member of Staff I reviewed its audit findings and addressed these findings in testimony before the Commission. Yet it does not appear that KCPL's Internal Audit Department advised KCPL's Board of Directors of these serious problems nor did it follow up to make sure that the problems were corrected because the same problems it found in the past continue to exist today.

Q. Finally, please describe your fifth and final recommendation concerning KCPL management's seeking reimbursement for alcoholic beverages in management expense reports.

A. This is a problem and has been a problem for some time. OPC's position is that under no circumstances should KCPL employees charge its regulated utility customers for the cost of alcoholic beverages. While KCPL does have a policy that requires pre-approval for the purchase of alcoholic beverages for employees on KCPL business, it does not enforce this policy. KCPL management routinely incurs costs for alcoholic beverages at meals and other events and charges the cost to KCPL's ratepayers. To address this problem, a problem that KCPL itself will not address, OPC is asking the Commission to order KCPL to institute a company-wide policy that no KCPL employee will be reimbursed for the purchase of alcohol beverages.

KCPL'S COST ALLOCATION MANUAL

Q. What is a cost allocation manual?

A. A cost allocation manual or CAM is a document that includes the criteria, guidelines, and procedures a utility will follow to be in compliance with the Commission's affiliate transaction rule, 4 CSR 240-20.015 ("affiliate rule").

The affiliate rule requires Missouri electric utilities conduct affiliate transactions under a Commission-approved CAM. A CAM, as described in Paragraph 2(E) of 4 CSR 240-20.015 states the "regulated electrical corporation shall include in its annual Cost Allocation Manual (CAM), the criteria, guidelines and procedures it will follow to be in compliance with this rule." Paragraph 3(D) of the affiliate rule states that in transactions that involve the purchase of goods and services from an affiliate, the utility will use a "commission-approved" CAM which sets forth cost allocation, market valuation and internal cost methods.

Q. Has KCPL sought Commission approval of its CAM?

A. Yes. On December 16, 2013 in Case No. EO-2014-0189 ("0189 docket") KCPL filed an Application seeking approval of its CAM. KCPL's filing in that docket was a result of the agreement reached by the parties in File No. EA-2013-0098, *In the Matter of the Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity Authorizing it to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects*.

The Stipulation and Agreement and the First Amendment to the Stipulation and Agreement in that case were approved and adopted by the Commission in its Report and Order issued on August 7, 2013. In its Report and Order the Commission ordered the signatory parties to comply with the terms of the agreements. Paragraph 13 of the Stipulation and Agreement states that:

> KCP&L and GMO shall file for Commission approval of their cost allocation manuals ("CAMs") before providing any information, assets, goods, and services to Transource or Transource Missouri after either the novation or transfer of the cost of the Projects, whichever occurs first, but KCP&L and GMO may provide to Transource or Transource Missouri information, assets, goods, and services in a manner consistent with the provisions of the Stipulation prior to Commission approval of their CAMs.

Q. Did KCPL's CAM filing in the EO-2014-0189 docket result in a Commission-approved CAM?

A. No. After testimony was filed by multiple parties, the procedural schedule was suspended so that parties could work together to develop a CAM. Since that time, OPC, KCPL and Staff held many meetings and developed a CAM but no party has filed that CAM document for Commission consideration and approval. OPC is filing its own draft CAM in this rate case for Commission consideration and approval. This CAM is attached as Schedule CRH-D-1 to this testimony.

Q. Is OPC representing its proposed CAM attached as Schedule CRH-D-1 as a document that is a result of settlement discussions between OPC, KCPL and Staff?

A. No. OPC is not in any manner representing this document as a document that resulted from settlement discussions.

Q. Do you believe the CAM attached as CRH-D-1 to this testimony is a significant improvement over the CAMs that are currently used by Missouri's regulated gas and electric utilities?

A. Yes, I do. OPC's proposed CAM includes the required policies, procedures and internal controls that are necessary, given KCPL's organizational structure discussed above, to reduce the opportunity and risk for KCPL to subsidize its affiliate transactions and non-regulated operations. This CAM, if approved by the Commission, will go a long way to assist KCPL in its efforts to comply with the Commission's Affiliate Transaction Rule. This OPC proposed CAM for KCPL will also provide the public with greater assurance that the regulated utility is not subsidizing the operations its affiliates.

Q. What is the purpose of the Commission's Affiliate Transactions Rule?

A. The purpose of the affiliate rule is to prevent regulated utilities from subsidizing their non-regulated operations. The affiliate rule also contains a provision that specifically addresses the treatment of customer information by affiliated and unaffiliated entities. The affiliate rule and the Commission's effective enforcement of these standards and requirements will provide the public the assurance that their rates are not adversely impacted by the utilities' non-regulated activities.

Q. Does the mere existence of the affiliate rule and its enforcement eliminate improper cross-subsidization of a regulated utility's non-regulated affiliates?

A. No. Even with the existence of an affiliate rule and its effective enforcement, the financial incentives for a regulated utility to improperly pass costs to its ratepayers to benefit a non-regulated affiliate are too strong to eliminate the risk of subsidizing non-regulated operations. Effective monitoring and enforcement of the affiliate rule may lessen the risk, but it does not eliminate the risk.

Q. How does the affiliate rule attempt to accomplish this objective?

A. Whenever a regulated utility participates in a transaction with any of its affiliated entities, the Commission put in place: 1) financial standards, 2) evidentiary standards and 3) record keeping requirements with which the utility and its affiliates must comply. Requiring a Commission-approved CAM will aid parties when reviewing the company's compliance with the affiliate rules.

CAPITAL STRUCTURE

Q. What is OPC's recommended capital structure for KCPL in this rate case?

A. OPC recommends GPE's actual consolidated capital structure at September 30, 2016 as adjusted to remove the amounts associated with the asset referred to as Goodwill. Goodwill has historically not been considered as a regulated utility rate base asset and, as such, should not be included in a utility's regulated capital structure.

GPE's September 30, 2016 holding company capital structure consists of 48.5% debt and 51.5% equity as shown below.

GPE Adjusted Capital Structure	30-Sep-16
Common Stock	$2,661.7
Goodwill	($169)
Retained Earnings	$1,092.7
Other Comprehensive Income	($7.5)
Treasury Stock	($3.8)
Total Equity	$3,574.1
Long-Term Debt	$3,365
GPE Actual Capital Structure	$6,939.1
Debt Ratio	48.5%
Equity Ratio	51.5%

Q. Is OPC's recommendation to use GPE's consolidated capital structure consistent with the Commission's longstanding position in KCPL rate cases?

A. Yes. The Commission has consistently ordered the use of GPE's consolidated capital structure in KCPL rate cases since KCPL's 2006 rate case, No. ER-2006-0314. In KCPL's most recent rate case, No. ER-2014-0370, the Commission continued with this position.

The Commission issued its Report and Order in Case No. ER-2014-0370 (“2014 Order”) on September 2, 2015. At page 20 of its 2014 Order the Commission stated it has historically used the actual capital structure of GPE in determining the capital structure of KCPL, as has the Kansas Corporation Commission when setting KCPL’s rates in Kansas.

In its 2014 Order the Commission concluded that in calculating KCPL’s cost of capital, the correct capital structure to use is the actual capital structure of GPE as of May 31, 2015. The Commission noted at page 17 that all of the expert witnesses on the capital structure issue in the 2014 rate case except one recommended using GPE’s capital structure to set electric utility rates for KCPL.

<u>EXPENSE TRACKERS IN RATE BASE</u>

Q. What is OPC’s position on the inclusion of KCPL’s expense trackers and KCPL’s other miscellaneous deferred expenses in its rate base in this case?

A. OPC’s position is no expense trackers or deferred expense projects, except for certain KCPL Demand Side Management (“DSM”) programs costs should be included in its rate base in this rate case. While KCPL’s proposed rate base includes pension and other retirement compensation expense deferred expenses, OPC is not taking a position on the rate base inclusion of these trackers at this time. OPC is currently reviewing and updating its position on the appropriateness of including pension expense trackers in rate base in utility rate cases.

Q. What is the basis of OPC’s position on including deferred expenses in rate base?

A. Expense trackers are simply mechanisms to track 1) the payment or income statement recognition of an expense by the utility and 2) the direct rate recovery by the utility of normal and recurring utility operating expenses. With the exception of certain DSM assets, none of KCPL’s deferred recurring operating expenses should be classified as shareholder investments and included in rate base. Deferred expenses should not be included in rate base as they are not prepayments, working capital, or other capital investments that are appropriately afforded rate base treatment in a rate case.

Similar to expense trackers, KCPL's deferred expenses such as KCPL's Iatan 1 and Iatan 2 construction accounting deferrals, are not rate base assets. These deferred expenses are simply the result of special accounting and ratemaking treatment afforded these normal and recurring operating expenses by the Commission. In substance, these deferrals are nothing more than a special allowance for KCPL to defer normal and routine utility expenses such as depreciation, property tax, operation and maintenance, and fuel outside of a rate case test year.

Q. Are KCPL's deferred construction accounting expenses similar to expenses the Commission has, in the past, afforded special accounting treatment under an Accounting Authority Order ("AAO")?

A. Yes, they are similar to expenses the Commission has allowed to be deferred on a utility's balance sheet under the special accounting treatment afforded under an AAO. An AAO allows utility expenses required to be recognized on the income statement to be deferred on the balance sheet in order that the expenses are preserved to be considered for ratemaking treatment (direct rate recovery) in a future rate case.

Essentially, these income statement expenses are not "capital" costs that would normally be recorded as an asset or liability on the utility's balance sheet and rate base. Capital costs are the types of costs that may qualify for rate base treatment. However, income statement expenses or "period" costs are not allowed to be recognized in rate base absent specific Commission orders allowing for that specific and unusual ratemaking treatment.

Period costs are costs that are normally "expensed" or reflected on the income statement in the year incurred. Once recognized on the income statement in a period, expenses are considered to be "expired" and no longer reflected in the Company's books and records. Capital costs are different.

Capital costs are investments that benefit utility service over a period of years and are reflected on the utility's balance sheet (rate base) over the years in which the capital cost provides benefit. Period costs, or expenses, are not investments as they provide no future benefit and do not qualify for rate base treatment under current Commission guidelines.

Q. Is it typical for period costs or expenses deferred under a Commission AAO to be included in rate base?

A. No. For example, KCPL and GMO have a history of securing special accounting treatment for its deferred ice storm costs. These ice storm costs, while afforded regulatory asset treatment by the Commission, were not included in rate base. The rate recovery of these expenses by KCPL was obtained through income statement amortizations.

Q. In a previous Report and Order, did the Commission express its position on the types of costs eligible to be included in rate base and those costs that are not appropriately included in rate base?

A. Yes, it did. In its *Report and Order* in KCPL's 2006 rate case, ER-2006-0314, the Commission addressed this very issue. The Commission described that additions to rate base must be an "asset". The Commission also described an "asset" as "some sort of possession or belonging worth something that is owned or controlled by the utility."

Q. Did the Commission, in its ER-2006-0314 *Report and Order*, include language relevant to KCPL's proposal to include expense trackers in its rate base in this case?

A. Yes. The Commission stated to include expense projects in rate base, as KCPL proposed, was making a "mockery" out of what constitutes a rate base asset. The Commission stated:

> In order for an item to be added to rate base, it must be an asset. Assets are defined by the Financial Accounting Standards Board (FASB) as 'probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events' (FASB Concept Statement No. 6, Elements of Financial Statements).
>
> Once an item meets the test of being an asset, it must also meet the ratemaking principle of being 'used and useful' in the provision of utility service. Used and useful means that the asset is actually being used to provide service and that it is actually needed to provide utility service. This is the standard adopted by many regulatory jurisdictions, including the Missouri Public Service Commission.
>
> The Commission finds that the competent and substantial evidence supports the position of Staff, and finds this issue in Staffs favor. While KCPL's projects appear to be prudent, KCPL produced insufficient evidence for the Commission to find that these projects rise to the level of an asset, on which the company could earn a rate of return.
>
> What is at issue is not whether a project is a "probable future economic benefit", as KCPL asserts in its brief; what is at issue is the remainder of the FASB definition Mr. Hyneman quoted, which is "obtained or controlled by an particular entity as a result of past transactions or events."
>
> In other words, an asset is some sort of possession or belonging worth something. KCPL obtains or controls assets, such as generation facilities and transmission lines.

> <u>To attempt to turn an otherwise legitimate management expense, such as a training expense, into an asset by dubbing it a "project" makes a mockery of what an asset really is, which is some type of property.</u>
>
> Using KCPL's argument, any expense is potentially an asset by simply calling it a "project", and thus could be included in rate base. KCPL's projects do not rise to the level of rate base. (emphasis added).

Q. Do you believe KCPL must meet its burden to show that the expense trackers and other deferred expenses it seeks to include in rate base in this rate case meet the specific standards for rate base inclusions developed by the Commission in its ER-2006-0314 Report and Order?

A. Yes. Unless KCPL can provide evidence that its proposal to include expense trackers and other normal utility expense deferrals in rate base meets the Commission's standards outlined above, the Commission should not support rate base inclusion of expense trackers. For the deferred expenses KCPL proposes to include in its rate base in this rate case, the Commission should consider the very "rate base inclusion" standards it applied to KCPL in its 2006 rate case.

Q. **In its direct filing did KCPL provide any support for rate base inclusion of expense trackers and deferred construction accounting expense projects?**

A. No. In his direct testimony KCPL witness Ron Klote stated certain expense trackers were included in rate base because of past Stipulations and Agreements to settle rate cases. That was his only support for including these expenses in KCPL's rate base.

Q. What are the expense trackers OPC recommends not be included in KCPL's rate base in this rate case?

A. KCPL includes several expense trackers in its rate base in this rate case. These trackers include expenses related to energy efficiency, Demand Side Management ("DSM"), employee retirement expenses (pensions and other post-retirement expenses), and expenses incurred that were related to construction projects completed between rate cases. In this rate case, OPC is only taking issue with the deferred expenses related to past construction projects. OPC does not oppose rate recovery of these deferred expenses through an amortization to expense on KCPL's income statement, but, for the reasons stated above, OPC does not support rate base treatment for these deferred expenses.

The rate base amount and revenue requirement impact (using KCPL's proposed capital costs for illustration purposes) of the individual expense trackers related to past construction are listed below. The total revenue requirement impact of OPC's proposal using KCPL's pre-tax return on equity of 10.72% is $3.8 million.

	Rate Base @ Projected 12/31/16 (millions)	Revenue Requirement @ KCPL Pretax ROE of 10.7236% (millions)
Iatan 1 & Common Regulatory Asset	$10.5	$1.1
Iatan 2 Regulatory Asset	$25.6	$2.7

Q. Why is OPC not specifically opposing the rate base treatment of deferred pension and other employee retirement compensation expense deferred expenses at this time?

A. The total revenue requirement impact of including these deferred expenses has been decreasing over time for KCPL and some other Missouri utilities. OPC is currently in the process of reviewing its position on these employee compensation related deferred expenses and trackers but does not anticipate advocating a ratemaking position on these items in this rate case.

KCPL'S SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP")

Q. What is a SERP?

A. A SERP is a supplemental pension plan that provides additional retirement benefits to a select group of employees. According to the IRS' June 2015 *Nonqualified Deferred Compensation Audit Techniques Guide* ("IRS Audit Guide") a SERP is classified as a nonqualified deferred compensation ("NQDC") plan.

Q. What is the purpose of a supplemental pension plan such as a SERP?

A. The IRS Audit Guide states that SERPs are maintained primarily for a select group of management or highly compensated employees. In theory, a SERP is designed to supplement qualified retirement plans such as KCPL's all-employee Defined bBenefit ("DB") pension plan by restoring benefits that are not included above a certain compensation threshold. SERPs accomplish this by "making up" for the benefits unavailable in the base qualified pension plan due to IRS employee maximum compensation limits on the qualified pension plan. The SERP plan usually covers only the company's highest compensated employees.

Q. Are there different types of SERPs?

A. Yes. One type of SERP is a basic restoration plan. A basic restoration SERP plan is created solely to restore benefits an employee would receive if the IRS had no maximum income restrictions for qualified pension plans. This is the only type of plan in which the associated expenses should be considered for inclusion in a utility's cost of service.

Another type of SERP is a Restoration Plan "Plus" SERP. Because of a company's freedom to design a SERP as it wishes, it can include all types of compensation and other executive benefits in a SERP, such as executive bonus payments, stock compensation and earnings-based compensation. The expenses associated with a SERP Restoration "Plus" Plan, to the extent they exceed a basic SERP Restoration Plan, should not be included in a utility's cost of service.

Q. Has the Commission traditionally allowed rate recovery of SERP expenses?

A. I am not aware that the Commission has specifically addressed the issue of SERP expenses in a Report and Order. However, in my prior role as a Staff regulatory auditor I have addressed SERP expenses in testimony before the Commission on many occasions. In testimony before the Commission I have previously supported the Staff's policy of recommending rate recovery of SERP restoration plan expenses to the extent the rate recovery was based on a "pay-as-you-go" or cash basis and the dollar amount of the SERP expense was not material.

Q. Do you believe it is time to revisit rate recovery of SERP expenses?

A. Yes. My experience is that utilities are seeking ever-increasing levels of SERP expenses in rate cases. These increases are likely due to the fact that rate recovery is sought for SERP benefits under accrual accounting methods that are only appropriate for qualified pension plans. For several reasons, rate treatment of SERPs, if allowed at all, should only be allowed on a cash basis (as opposed to an accrual basis) of accounting referred to as "pay-as-you-go" accounting.

Also, it is important to review closely the types of compensation on which SERP benefits are calculated. In the past, Missouri utilities have sought rate treatment for SERP benefits that were based on total executive compensation including salary, bonuses, stock compensation, and other compensation that the Commission has found should not be included in utility rates.

Finally, rate recovery of SERP expenses should be evaluated considering the compensation philosophy and practices of the individual utility. SERP Restoration Plans are designed to treat highly-compensated employees on the same basis as non-highly compensated employees as it relates to pension benefits. Therefore, it is important to ensure that the salary and other compensation of the highly-compensated employee do not unreasonably exceed the salaries of average utility management employees.

To the extent that the compensation of certain highly compensated utility executives exceeds average utility management compensation by more than a reasonable amount, it can be assumed that the compensation paid to the highly compensated executive includes the restoration of pension benefits that are designed to be restored under a SERP. Allowing higher than reasonable compensation for utility executives in rates, while also allowing rate recovery of a SERP, would be inappropriate double recovery of SERP Restoration Plan benefits.

Q. What type of SERP is KCPL's SERP?

A. KCPL's SERP can be classified as a SERP Restoration "Plus" plan as opposed to a basic SERP because the benefits provided by KCPL's SERP are not limited to the restoration of pension benefits under IRS compensation restrictions. In addition, KCPL's SERP benefits are based, in part, on certain types of executive compensation such as earnings-based and equity-based compensation. KCPL has included, in its SERP, pension benefits that are based on executive bonuses, stock compensation, and other compensation that the Commission has not recognized as reasonably included in its cost of service.

However, due to the cost in terms of dollars and work hours of the analysis required in separating past SERP benefits into 1) basic SERP Restoration plan benefits and 2) SERP Restoration "Plus" benefits, OPC believes its adjustments to KCPL's SERP in this rate case makes the incurrence of this cost unnecessary and provides for a reasonable level of basic SERP Restoration expenses in KCPL's cost of service in this rate case.

Q. What is the difference between a NQDC and qualified deferred compensation plan?

A. According to the IRS Audit Guide, NQDC plans do not provide employers and employees with the tax benefits associated with qualified plans because NQDC plans do not satisfy all of the requirements of the Internal Revenue Code § 401(a). KCPL's all-employee pension plan is a qualified plan while its SERP is a non-qualified plan. Because KCPL's SERP is a nonqualified plan, KCPL's management and Board of Directors are free to design the SERP in virtually any manner desired.

Q. Is it an easy process to determine what KCPL's SERP expense would be under a basic SERP Restoration plan as opposed to a SERP Restoration "Plus" plan?

A. No. This calculation involves very technical analysis and calculation that would require the work of a pension actuary. While this work can be done, OPC believes its proposed SERP adjustment in this rate case provides KCPL's customers with sufficient protections against being charged additional costs greater than a basic SERP restoration plan.

Q. Has OPC included a prudent and reasonable level of KCPL's recurring SERP payments in its cost of service in this rate case?

A. Yes. OPC is proposing a reasonable and prudent annualized level of actual monthly recurring SERP payments made by KCPL to its former executives and other highly-compensated former employees. OPC is also proposing to include a level of SERP payments related to WCNOC, of which KCPL is responsible for 47% of operating costs.

Q. **What level of SERP expenses is OPC proposing to include in KCPL's cost of service for former KCPL executives?**

A. KCPL's level of actual SERP expenses has remained steady for several years. KCPL provided data in response to Staff Data Request No. 229.2 that shows KCPL's actual cash SERP payments in 2015 totaled $97,169. This amount included SERP payments for a former KCPL employee who worked for KCPL for a very limited time during the Iatan 2 construction project. OPC views this annual payment more as a bonus than as SERP restoration benefit because this former employee would not have been eligible for benefits under KCPL's qualified pension plan and so the related cost should be excluded. Based on this adjustment, OPC recommends an adjusted SERP expense amount of $90,186 for KCPL. Multiplying this total company SERP expense by the KCPL allocation provided in KCPL's adjustment CS-62 of 66.34% results in a net KCPL expense of $59,829.

Q. What level of SERP expenses is OPC proposing to include in KCPL's cost of service for former WCNOC executives?

A. As reflected in KCPL's adjustment CS-62, its level of actual SERP payments to former WCNOC executives has also remained steady for several years with an increase of approximately $10,000 per year since 2011. However, KCPL's payments to former WCNOC are excessive with an average supplemental pension payment in excess approximately $70,000. This is contrasted with an average SERP payment to former KCPL executives of $8,800. OPC calculated an appropriate and reasonable SERP expense for WCNOC by multiplying the seven former WCNOC employees receiving payments by the average KCPL annual SERP payment for an annual amount of $61,834.

Q. Does KCPL allocate the dollar amount of SERP payments between pension expense and plant-in-service?

A. Yes. KCPL allocates a portion of SERP payments to Account 926, Pensions and Benefits, and construction work in progress ("CWIP") plant accounts.

Q. Is it appropriate accounting to "capitalize" SERP payments to CWIP?

A. No. Pension costs recorded under accrual accounting (the method of accounting for KCPL's all-employee defined benefit pension plan) represent costs incurred by KCPL for employees services performed currently. The cost of these employee services are placed in a pension trust to be paid to employees at retirement.

It is appropriate under accrual accounting that a portion of the pension costs incurred currently by KCPL be capitalized to CWIP. These costs are capitalized as utility employees perform services that benefit, not only current utility operations and maintenance, but utility plant construction operations as well.

However, the utility does not benefit in current utility operations or in its capital plant operations from the services provided by retired former executives. The SERP payments made by KCPL currently are very similar in nature to the payments from its all-employee pension fund that it provides to all retirees. The payments to KCPL retirees from its pension fund are not capitalized to CWIP nor should payments for SERP expenses be capitalized as they do not provide a benefit to KCPL's utility operations currently.

Q. Is OPC proposing that KCPL cease capitalizing SERP expenses from its utility plant accounts?

A. Yes. This is OPC's recommendation unless KCPL can show why SERP payments are appropriately capitalized to plant-in-service. In a past rate case, KCPL's expert witness on the SERP issue testified that KCPL agreed that SERP expenses should not be capitalized to CWIP. KCPL apparently has changes its position on this issue without explanation.

Q. Is it likely that the Financial Accounting Standards Board ("FASB") may soon make changes to generally accepted accounting principles ("GAAP") that would prohibit the capitalizing of a significant amount of pension costs, including SERP pension costs?

A. Yes. The FASB has issued an "exposure" draft of a GAAP standard that would significantly limit the types of pension expenses that may be charged to construction projects. My understanding of this exposure draft is that the FASB believes that only the portion of pension expense related to the pension compensation earned by the employee in the current year should be capitalized to construction accounts. I agree with this FASB position and this FASB position supports OPC's SERP expense methodology proposed in its KCPL SERP adjustment.

Q. Does this conclude your direct testimony?

A. Yes, it does.

OPC Proposed Cost Allocation Manual (CAM) For Kansas City Power & Light Company

TABLE OF CONTENTS

TAB A - INTRODUCTION

Great Plains Energy Incorporated (“GPE”), headquartered in Kansas City, Missouri, is a registered public utility holding company with two wholly-owned direct utility subsidiaries—Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations Company (GMO) and three direct non-regulated subsidiaries. All GPE subsidiaries and affiliates are shown on the four (4) pages of Appendix 1 entitled GREAT PLAINS ENERGY INCORPORATED Organizational Structure. Only KCP&L employees operate and manage the business and properties of GPE and its affiliates as well as the non-regulated activities of KCP&L and GMO.

KCP&L is a regulated electric utility serving approximately 515,000 customers as of November 2013 in western Missouri and eastern Kansas and owns Kansas City Power & Light Receivables Company (“KREC”), a wholly-owned subsidiary to whom all its retail electric accounts receivables are sold through an affiliate transaction.

KCP&L is regulated by the Public Service Commission of the State of Missouri (“MoPSC”) and The State Corporation Commission of the State of Kansas (“KCC”) with respect to retail rates, certain accounting matters, standards of service and, in certain cases, the issuance of securities, certification of facilities and service territories. KCP&L is classified as a public utility under the Federal Power Act and is subject to regulation by the Federal Energy Regulatory Commission (“FERC”). KCP&L has a 47% ownership interest in Wolf Creek Generating Station (“Wolf Creek”), which is regulated by the Nuclear Regulatory Commission. KCP&L also has a 47% ownership interest in Wolf Creek Nuclear Operating Corporation ("WCNOC"), which operates Wolf Creek.

GMO operates two separate Missouri-based rate jurisdictions—Missouri Public Service ("MPS") and St. Joseph Light and Power ("L&P"). GMO also wholly owns GMO Receivables Company ("GREC"), a wholly-owned subsidiary to whom all its retail electric accounts receivables are sold through an affiliate transaction and MPS Merchant Services, Inc., an unregulated subsidiary which has certain long-term natural gas contracts, and several unregulated subsidiaries some of which no longer have active operations. These unregulated subsidiaries are:

MPS Gas Pipeline Corporation
MPS Platt County Power LLC
MOPUB Group Inc.
Golden Bear Hydro Inc.
Energia Inc.
LoJamo, LLC MO
MPS Finance Corp.
SJLP Inc.
Trans MPS, Inc.
MPS Europe, Inc.
MPS Canada Holdings, Inc.
Missouri Public Service Company
MPS Networks Canada Corp.
MPS Canada Corp.
MPS Sterling Holdings, LLC

GMO serves approximately 315,000 customers as of November 2013 and is regulated by the MoPSC and FERC. In addition to providing electrical services, L&P also provides industrial steam to a limited number of customers in the St. Joseph service area.

In 2012, Transource Energy, LLC (“Transource”) was formed as a non-MoPSC regulated joint venture between GPE and American Electric Power Company (“AEP”) to pursue competitive transmission projects. GPE owns 13.5% of Transource through its wholly-owned non-MoPSC regulated direct subsidiary GPE Transmission Holding Company, LLC (“GPTHC”) with AEP owning the remaining 86.5%. Transource Missouri, LLC, a wholly-owned subsidiary of Transource, was formed for regional transmission projects in Missouri and is in part MoPSC regulated. AEP will operate Transource and intends to provide the majority of staff and services through its service company. However, KCP&L provides certain services to Transource and will be reimbursed consistent with the Stipulation and Agreement approved by the MoPSC in File No. EA-2013-0098. A copy of the relevant pages of that Report and Order is attached as Appendix 4 for ease of reference.

GPE has two other non-regulated subsidiaries—KLT Inc. and Great Plains Energy Services Incorporated (“GPES”). KLT Inc. is an intermediate holding company that has investments in affordable housing limited partnerships, KCP&L Solar, Inc., a solar supplier and various wholly-owned unregulated companies that have no active operations and only receive corporate governance services from KCP&L at this time. Refer to Appendix 1 for the organizational chart identifying GPE and its affiliates.

This Cost Allocation Manual (“CAM”) is a requirement of the MoPSC Affiliate Transactions Rule (4 CSR 240-20.015). This rule is intended to prevent MoPSC regulated utilities from subsidizing their non-regulated operations. KCP&L will include in its annual CAM the criteria, guidelines, and procedures it will follow to be in compliance with this rule.

In its July 1, 2008, Report and Order in File No. EM-2007-0374 the MoPSC granted GMO and KCP&L a variance to 4 CSR 240-20.015. The MoPSC granted the variance to all regulated transactions between GMO and KCP&L except for wholesale power transactions, which would be based on rates approved by FERC. This variance is referenced below in TAB F – Transfer Pricing.

Also in its July 1, 2008, Report and Order in File No. EM-2007-0374 the MoPSC required GMO and KCP&L to execute a joint operating agreement within ninety (90) days of the effective date of its July 1, 2008, Report and Order approving GPE's acquisition of Aquila Inc. ("GMO"). On October 10, 2008, GMO and KCP&L filed with the MoPSC a Joint Operating Agreement ("JOA") dated October 10, 2008. The purpose of the JOA is to provide the contractual basis for the coordinated planning, construction, acquisition, disposition, operation and maintenance of GMO's and KCP&L's business and properties to achieve synergies, consistent with reliable electric service and all legal and other requirements. A copy of the JOA is included as Appendix 5.

In July 2013, GPE completed a major upgrade of its accounting systems and processes. The upgrade resulted in significant revisions to the accounting chart field codes and to certain cost assignment allocations. These revisions were, effective July 1, 2013.

It is the objective of the KCP&L CAM to provide a high level of assurance that KCP&L has implemented and is monitoring a set of criteria, guidelines, and procedures that also provides a high level of assurance that KCP&L is not subsidizing its affiliated activities or non-regulated operations to the detriment of its regulated electric customers in Missouri.

KCP&L established a fully-functioning KCP&L CAM Team in January 2015 consisting of a necessary number of trained employees to oversee the operations and management of KCP&L's affiliate transactions. The KCP&L CAM Team will ensure that all affiliate transactions are either consistent with the MoPSC's Affiliate Transactions Rule or KCP&L has followed the required variance procedures to allow KCP&L to participate in non-complying affiliate transactions.

KCP&L will apply for a waiver from applicable affiliate transaction requirements consistent with the process specified in 4 CSR 240-20.015(10) or it will not participate in the noncomplying affiliate transaction as required in 4 CSR 240-20.015(2)(D).

Future KCP&L CAM submittals will identify the KCP&L management position that is responsible for the overall governance and enforcement of the KCP&L CAM preparation and implementation of criteria, guidelines, and procedures necessary to provide full compliance with the MoPSC's Affiliate Transactions Rule.

The KCP&L CAM Team will be involved in decision-making regarding all affiliate transactions to the extent necessary to ensure that these decisions will be based on information regarding complying with the MoPSC's Affiliate Transactions Rule.

Anytime there is 1) an addition or 2) a deletion of an affiliated entity or non-regulated activity, the KCP&L CAM Team will be notified within the day of the event.

All additions to or deletions of affiliated entities / non-regulated activities will be submitted in writing to the MoPSC Staff Counsel's Office and the Office of the Public Counsel ("OPC") within thirty (30) days of the event occurring.

TAB B - OVERVIEW OF COSTING METHODOLOGY & SERVICE AGREEMENTS

KCP&L provides information, assets, goods and services to GPE and its subsidiaries/affiliates. Related costs are collected and assigned directly or indirectly to a business unit when applicable, with business unit referring to a legal entity or regulatory jurisdiction within GPE.

Costs are assigned on a fully distributed cost ("FDC") basis to reflect all costs incurred in providing goods, assets, information, and services. Costs specifically related to one business unit are billed directly to that unit while costs related to more than one business unit are allocated or assigned based on a cost causative relationship as well as in the aggregate by a general allocator of truly common costs. Since GPE and all its subsidiaries/affiliates are operated and managed by KCP&L employees, KCP&L will be required to bill out labor charges and related loadings incurred by and benefiting other business and operating units. The allocation and billing of costs is designed to reflect benefits received as closely as practical and to prevent subsidization of any business unit and ensure equitable fair market price ("FMP") or fully distributed cost distributions, as applicable, among GPE and its affiliates.

KCP&L realizes that failure to fully charge affiliates or non-regulated activities for the relevant fully distributed cost or fair market price of goods, services, assets, or information provided to or on the behalf of these affiliated entities or non-regulated operations is expressly prohibited by the MoPSC's Affiliate Transactions Rule.

The regulated utility's billing of direct assigned, and allocated fully distributed cost or fair market price, if higher, is designed to prevent providing a financial advantage to or subsidization of any business unit or non-regulated activity while also ensuring equitable charges among GPE and its subsidiaries/affiliates.

Affiliates are billed on an FDC basis which includes all direct and indirect costs, including cost of capital and overheads, or at the fair market price, whichever is higher. The following three types of cost assignments are utilized to determine proper FDC billings:

1) **Billing between Business Units (TAB C)** – Applies to balance sheet and income statement costs between KCP&L and affiliates. The billing of costs between business

units is based on the operating unit field charged in the account code. The operating unit field identifies what business unit is benefiting from the cost and is required on all capital and expense transactions. For billing purposes, costs are grouped into two basic groups: (a) direct billed projects and (b) indirect billed projects. Direct billed projects are assigned directly to a business unit based on the operating unit, while the indirect billed projects are allocated based on relevant cost allocation factors. In addition, affiliates will be charged for the use of common plant and for the use of capital whenever such charges are appropriate.

2) **Clearings and Loadings (TAB D)** – Applies to types of costs that are assigned based on the usage related to other costs. In some applications, costs are distributed, or “cleared” over a distribution of direct costs, such as fleet clearings. In other applications, costs are distributed, or “loaded” onto a related cost, such as paid absence, and distributed based on a payroll distribution.

3) **Specific Assignment Method (TAB E)** – Applies to costs that can be assigned to the benefiting business unit based on a statistical analysis, usage study, or association with the underlying asset or liability. For instance, depreciation expense is assigned based on the related plant asset.

KCP&L will rely upon its Accounting Department or the group responsible for control of the costs to determine the specific assignments. KCP&L and affiliates shall enter into service agreements which establish the terms and conditions for affiliate transactions, including a general description of goods and services provided, pricing, billing and payment methods and dispute resolution. Refer to Appendix 2 for a listing of services. Additional services may be provided if needed. Appendix 2 and Service Agreements will be updated if additional services are provided or removed. The agreements will comply with all applicable MoPSC rules and orders and to prevent any preferential treatment among the affiliates.

TAB C – SHARED SERVICE BILLINGS BETWEEN BUSINESS UNITS

KCP&L provides goods, services, assets, and information to other entities within GPE including GPE. When goods are provided or services are performed for the benefit of these entities, the fully distributed cost of providing the good or service is accumulated and billed to the affiliate. On a monthly basis, these accumulated fully distributed costs are then compared with the fair market price of the good or service. After the comparison is made, if the fair market price is higher than the fully distributed cost an adjustment will be made for the difference and billed by KCP&L, to the benefiting business unit on a monthly basis.

Since KCP&L is the only business unit among all GPE business units that has employees, KCP&L must bill out labor charges and related loading costs (such as pensions, OPEBs and other loadings) incurred for the benefit of other business units. KCP&L employees enter their time by account code in a time-entry system which allows for payroll to be accurately assigned in one-tenth hour increments. Below is a description of the various billings between business units.

Income Statement Billings – Income and expenses are classified into the following two groups for billings purposes—direct and indirect. Costs are accumulated at the operating unit level of the account code with the operating unit indicating the allocation group where the cost belongs.

1. **Direct Billings** – These are costs incurred by KCP&L to provide a specific service (e.g., filing federal income tax returns, satisfying filing requirements at a specific state or other level) to a specific business unit. There is a direct relationship between the cost incurred and the business unit receiving the benefit of the cost. These costs are billed to the business unit based on the owner of the operating unit charged.

2. **Indirect Billings** – These are costs incurred by KCP&L to provide services benefiting more than one business unit. These costs are billed to the business units based on predefined allocation factors or the results of periodic allocation studies. The allocation factors are determined based on a cost causative relationship as well as in the aggregate by a general allocator of truly common costs. KCP&L is aware that all costs are to be directly or indirectly charged to GPE or its affiliates to the maximum extent possible. Common costs result from residual costs that could not reasonably be directly or indirectly assigned. Refer to Appendix 3 for a list of allocation factors and how the factors are calculated.

The Utility Massachusetts Formula will only be used as a general allocator to allocate common costs that apply only to KCP&L and GMO regulated operations and activities. All other residual common costs will be allocated using the new General Allocator calculation. The General Allocator allocates costs based on an entity's relative ratio of direct and assigned expenses to total direct and assigned expenses incurred.

Balance Sheet Billings – All costs incurred by a business unit for the benefit of another business unit that are charged to a construction, undistributed stores expense or clearing account, are then billed to the benefiting business unit based on the operating unit designations. These costs are primarily direct billings from one business unit to another, however, there may be charges to undistributed stores expense or clearing accounts that are billed out based on an assignment or allocation factor.

Common Use Plant and Asset Transfers

Common Use Plant – In the ordinary course of business, assets belonging to KCP&L may be used by another entity. This property, referred to as common use plant, is primarily service facilities, telecommunications equipment, network systems and software. In order to ensure the regulated entities do not subsidize GPE and its other companies, KCP&L charges costs for the use of its common assets. Monthly billings are based on the depreciation and/or amortization expense of the underlying asset and a rate of return applied to the net plant. The total cost is then assigned or allocated on an applicable factor to the business unit benefiting from the use of the asset. All direct costs incurred to common plant are directly charged to the GPE entity causing those costs.

Asset Transfers – KCP&L will not sell, lease, assign, mortgage, transfer, or otherwise dispose or encumber the whole or any part of its franchise, works, or system, necessary or useful in the performance of its duties to the public, nor by any means, direct or indirect, merge or consolidate such works or system, or franchises, or any part thereof, with any other corporation, person, or public utility, without having first secured from the MoPSC an order authorizing it so to do. (Section 393.190 RSMo).

Compensation for the Use of Capital -- Transactions between legal entities result in the creation of intercompany receivables or payables with settlement due in the following month. In addition to the above charges, a charge for the use of capital based on the outstanding intercompany receivable balance and the daily Commercial Paper Rate published by the Board of Governors of the Federal Reserve System for A2/P2 non-financial issuers will be applied. Any receivables outstanding after thirty (30) days from month end will result in a late payment fee which will be based on the late payment fee charged to KCP&L's regulated customers.

TAB D - CLEARINGS & LOADINGS

Paid Absence Loadings – KCP&L is required to follow the FERC Uniform System of Accounts ("USOA") that describes how the various paid absence costs will be allocated over the "at work" activities. Monthly, costs charged to the various paid absence accounts are allocated to capital and expense accounts based on each account's respective straight-time payroll activity for the month. KCP&L employees will directly or indirectly[1] charge labor to GPE and its affiliates for each and every activity performed by KCP&L that benefits GPE and its affiliates, including KCP&L based on the goods or services provided by KCP&L to these entities. Paid absence loading will be assigned to these labor charges at the time of these direct and indirect charges.

Payroll Tax Loadings – Payroll taxes are loaded to labor charged to expense accounts, work orders and clearing accounts based on a projected rate applied to direct labor charged to these accounts. This process allows for payroll taxes to follow the original labor distribution and to be included in construction costs. KCP&L employees will directly or indirectly[2] charge labor to GPE and its affiliates and non-regulated operations for each and every activity benefitting GPE and its affiliates and non regulated operations. Payroll taxes will be assigned to these labor charges at the time of these direct and indirect charges.

Pensions and Other Benefits Loadings – Pension, post-retirement, employee insurance and other benefits are applied to labor costs to ensure that an appropriate portion of benefits is capitalized and to provide management with costs per project. Loadings are based on a projected rate applied to direct labor. KCP&L employees will

[1] Employees will directly charge labor that can be directly assigned to an affiliate. Employees will indirectly charge labor that cannot be directly assigned.

[2] See footnote 1.

directly or indirectly[3] charge labor to GPE and its affiliates for each and every activity benefitting GPE and its affiliates and non-regulated operations. Pensions and other benefit costs will be assigned to these labor charges at the time of these direct and indirect charges.

Material and Tool Loading – The FERC USOA requires the use of undistributed stores expense accounts (163 accounts) to accumulate purchasing and store keeping costs of inventory materials. These costs are cleared based on historical loading rates. The rates are applied to materials issued to O&M and capital projects.

Administrative and General ("A&G") Loading – The purpose of this loading is to capitalize a portion of the various A&G costs that are incurred in support of capital activities. Based on a time study, specific departments monthly labor charges are allocated to all open construction projects.

T&D Division Overheads – The purpose of this loading is to capitalize a portion of the delivery division service costs that are related to construction and removal activity but impractical to charge directly. Certain capital projects are loaded with a flat rate per labor dollar using account 184780 to accumulate and clear the applicable charges.

Generation Division Clearing – The purpose of this clearing is to capitalize a portion of the generation service costs that are related to construction and removal activity but

[3] See footnote 1.

impractical to charge directly. The overhead costs are cleared through account 184781 based on current month generation labor charges.

Flyash Clearings – This clearing distributes general costs in account 502010, Steam Operations Solid By-Products, to the appropriate coal fired plants. Current month activity in this account is cleared to expense plant projects based on a twelve months ended MMBTU's factor.

Unit Train Maintenance Clearing – The purpose of this clearing is to distribute general unit train maintenance charges to coal fired plants. Labor and non-labor in account 151601, Unit Train Maintenance, are spread to specific coal fired plant expense projects based on train cars assigned to each plant.

Combustion Turbine ("CT") Fuel Clearing – The purpose of this clearing is to distribute general charges in fuel expense and CT expense accounts 547101-554000, to the appropriate combustion turbines. This allocation transfers the monthly activity of general projects in these accounts to specific CT projects based on the twelve months ended MMBTU's factor.

Fuel Clearing – This clearing distributes general charges in fuel expense and steam accounts 500000 and 501500-514001, to the appropriate coal fired plants. This allocation transfers the monthly activity of general projects in these accounts to specific coal fired plant projects based on the twelve months ended MMBTU's factor.

Fleet Clearings – The purpose of this clearing is to spread the cost of vehicles to the appropriate departments and capital and expense accounts. Fleet vehicles are owned by specific departments with a vehicle rate assigned to each department based on the type and number of vehicles. Account 184004, Transportation, is used to accumulate the operations and maintenance expenses. The monthly charges are then cleared from this account to each departmental owner with the clearing following labor.

TAB E - SPECIFIC ASSIGNMENT METHOD

Specific assignment of costs among business units is used 1) when a statistical analysis of the underlying cost indicates the benefiting business unit or 2) when the cost can be assigned based on the ownership of the related assets or liabilities. Specific assignment methods could be used for such transactions as property insurance premiums which are allocated based on an appropriate cost causative driver or depreciation expense which follows the ownership of the related assets.

For example, property insurance premiums may provide coverage to more than one business unit but the premiums are billed with one invoice. Under the FDC method, to allocate the premium to the benefiting business units, an analysis is done to determine the appropriate cost causative driver which determines the amount related to each business unit. The invoice amount is then charged to all applicable business units.

In addition, the specific assignment method may be utilized to track costs that are or potentially will benefit non-regulated activities. When a potential new non-regulated activity is identified, a project may be assigned to help identify and accumulate costs associated with the new non-regulated activity. Ultimately, these projects will be used to segregate those costs from regulated activities.

TAB F - TRANSFER PRICING

Affiliate transactions between regulated and non-regulated affiliates follow a "best for the business" transfer pricing policy designed to prevent cross subsidization between affiliates. For example, a business would not provide a good, service, information, or asset below fully distributed cost unless it was operating under distressed circumstances. Also, a business would not provide a good, service, information, or asset at fully distributed cost if the fair market price was greater than the cost to create or provide the good or service. The MoPSC's Affiliate Transactions Rule is predicated on the utility acting in the utility's best interests when dealing with affiliates or its non-regulated activities. If a utility provides a good, service, asset, or information to an affiliate at cost when the fair market value is greater than fully distributed cost, the utility will experience the opportunity loss while the affiliate or non-regulated activity extracts the higher fair market value that the utility forfeited when it charged the affiliate the lower fully distributed cost-based price. All information, assets, goods or services provided by a regulated GPE affiliate to a non-regulated affiliate/product will be charged at the greater of fair market price or the fully distributed cost incurred to provide the good or service.

Information, assets, goods or services provided by a non-regulated affiliate to a regulated affiliate will be priced at the lower of fair market price or the fully distributed cost. The regulated affiliates will document the fair market price either through competitive bids or other measures and will analyze the fully distributed costs to determine appropriate pricing. KCP&L can and should acquire the good or service at fair market price from a non-affiliate source whenever it is below the fully distributed cost to produce the good or service itself. KCP&L should acquire the good or service at its fully distributed cost when fair market price is higher.

Transactions between GMO and KCP&L

As noted above in TAB A, in its July 1, 2008 Report and Order in File No. EM-2007-0374 the MoPSC granted GMO and KCP&L a variance to the Affiliate Transactions Rule for all transactions between GMO and KCP&L except for wholesale power transactions, which would be based on rates approved by FERC. At paragraph 589, page 187, of the MoPSC Report and Order, the MoPSC noted that "[r]ather than the asymmetrical pricing prescribed in the rule, the Applicants request that the Commission grant a waiver from the rules to the extent necessary to allow KCPL and Aquila to provide services at fully distributed costs, except for wholesale power transactions, which would be based on rates approved by FERC."

The MoPSC explained the variance at page 264 of its Report and Order:

> G. Conclusions of Law Regarding the Commission’s Affiliate Transactions Rule
>
> * * * *
>
> 3. Final Conclusions Regarding the Affiliate Transactions Rule
>
> The Commission determines that substantial and competent evidence in the record as a whole supports the conclusions that: (1) the Commission’s Affiliate Transactions Rule, 4 CSR 240.015, applies to KCPL and Aquila

> because these entities meet the Rule's definition of "affiliates"; (2) the purpose of the Commission's Affiliate Transactions Rule is to prevent cross-subsidization of regulated utility's non-regulated operations, not to prevent transactions at cost between two regulated affiliates; (3) to the extent that the Affiliate Transactions Rule is applicable to transactions between KCPL and Aquila, a variance shall be granted; and (4) more specifically, the variance shall be granted for all transactions except for wholesale power transactions, which would be based on rates approved by FERC.

Finally, at page 265 of the Report and Order the Commission noted that:

> …although both KCPL and Aquila will continue to be subject to the Commission's recordkeeping requirements for regulated electrical corporations, the sections of 4 CSR 240.015 which relate to recordkeeping will not be waived. . . .

Fully Distributed Costs ("FDC"): FDC as described in this CAM include all costs to produce a product or service including direct, indirect, capital and overhead costs. First, labor and non-labor costs that are directly assignable to an affiliate are billed to that affiliate. These include costs that directly benefit the affiliate or product. Secondly, indirect costs are billed. These include costs attributable to affiliates which are allocated based on a cost causative relationship and general service costs that are allocated using the general allocator. The general allocator will be used with the exception of transactions that only benefit directly or indirectly KCP&L's or GMO's regulated operations between KCP&L and GMO. In transactions only between KCP&L and GMO, the Utility Massachusetts Formula may be used in lieu of the General Allocator. The Utility Massachusetts Formula is currently based on a three-factor formula which includes investments/net fixed assets, operating revenues and labor charged to operations and maintenance. The specific components of the Utility Massachusetts Formula should be adjusted as necessary to more closely fit (result in a more reasonable allocation) the type of cost that is being allocated based on the characteristics of the entities receiving the allocation. Refer to Appendix 3 for more information on the allocation factors.

FDC includes but is not limited to billings for the following:

1) Labor-the cost of human capital associated with the service provided.
2) Loadings-the benefits, pensions, OPEBs, insurance, paid absences, payroll taxes, etc. associated with labor and capital loadings associated with functional parts of the organization.
3) Plant, including Common Use Plant, which includes the use of common facilities such as telecommunication and network systems used in support of the organization.
4) Non-Labor-all other charges for materials, services and overheads.

Fair Market Price ("FMP"): The fair market price is the price that would be received to sell or acquire a good or service in an orderly transaction (i.e., not a forced liquidation or distressed sale) between market participants at or near the measurement date, under current market conditions. The fair market price will be used to document the pricing of goods and services to KCP&L's affiliates, with the exception of GMO's MoPSC regulated operations. In the absence of current comparable market prices, benchmarking, if approved by the MoPSC, may be used. The transaction to sell a good or provide a service is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the good or provides the service. The objective is to determine the price that would be received to sell or paid to acquire the good or service at or near the measurement date (an exit price).

Fair Value Measurement ("FMV"): Fair value measurement guidelines under generally accepted accounting principles ("GAAP") can be found in Accounting Standards Codification 820 ("ASC 820," formerly "FAS 157").

For purposes of this CAM, assets and liabilities in this definition will be the same for goods and services. Also for the purposes of this CAM, the term "fair value" or "fair value measurement" as used in this CAM and ASC 820 has the same meaning as "fair market price" as used in this CAM and the MoPSC's Affiliate Transactions Rule. KCP&L shall use a valuation technique that is appropriate for the circumstances and for which sufficient data is available to measure the fair market price, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The objective of using a fair market valuation technique, such as the one reflected in this CAM, is to determine the price at which an orderly transaction to transfer or acquire goods or provide or acquire services would take place between market participants at the measurement date under current market conditions. KCP&L will use the market approach described in this CAM to determine fair market prices. The market approach is described in ASC 820.

The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) goods and services. (A quoted price in an active market provides the most reliable evidence of fair value.) A fair market price is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing the good or service. As a basis for considering market participant assumptions in fair market price determinations, this CAM uses a fair value hierarchy (described below) that distinguishes between:

1) market participant assumptions developed based on market data obtained from sources independent of the regulated utility (observable inputs) and
2) the regulated utility's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The use of unobservable inputs is allowed only in situations in which there is little, if any, market activity for the good or service at or near the measurement date. In those situations, KCP&L need not undertake all reasonable efforts to obtain information about market participant assumptions. However, KCP&L will not ignore information about market participant assumptions that is reasonably available without undue cost and effort.

The fair market price of the good or service shall be determined based on the assumptions that market participants would use in pricing the good or service. In developing those assumptions, KCP&L may, but need not identify specific market participants. Rather, KCP&L should identify characteristics that distinguish market participants generally, considering factors specific to:

a) the good or service,

b) the principal (or most advantageous) market for the good or service, and

c) market participants with whom KCP&L would transact in that market.

Market participants are buyers and sellers in the principal (or most advantageous) market for goods or services that are:

a) Not related parties,

b) Knowledgeable, having a reasonable understanding about the good or service and the transaction based on all available information, including information that might be obtained through due diligence efforts that are usual and customary,

c) Able to transact for the good or service, and

d) Willing to transact --motivated but not forced or otherwise compelled to do so.

Inputs refer broadly to the assumptions that market participants would use in pricing a good or service. Inputs may be observable or unobservable:

a) Observable inputs are inputs that reflect the assumptions market participants would use in pricing the good or service developed based on market data obtained from sources independent of the regulated utility.

b) Unobservable inputs are inputs that reflect the regulated utility's own assumptions about the assumptions market participants would use in pricing the good or service developed based on the best information available in the circumstances.

Fair Market Pricing Process: In the process of determining the fair market price for a good or service provided to or received from an affiliate, KCP&L will use a process based on obtaining the highest quality of information reasonably available to determine the fair market price of an affiliate transaction. The process for determining fair market price prioritizes the inputs to valuation techniques used to measure fair market price into three broad levels based on quality of information. The process used by KCP&L gives the highest priority to quoted prices (unadjusted) in active markets for identical goods and services and the lowest priority to unobservable inputs.

High Quality inputs (observable)

High quality inputs are quoted prices (unadjusted) in active markets for identical goods or services that the regulated utility has the ability to access at or near the measurement date (date of the transaction). An active market for a good or service is a market in which transactions for the good or service occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of a fair market price and shall be used to measure the fair market price (as required by 4 CSR 240-20.015(2)(A) whenever available. The MoPSC's Affiliate Transactions Rule requires at 4 CSR 240-20.015(3)(A) that when a utility purchases information, assets, goods or services from an affiliate, the utility shall either obtain competitive bids or demonstrate why competitive bids were neither necessary nor appropriate. Assuming a reasonably-designed bidding process, the obtaining of competitive bids for the purchase of goods or services by the utility may constitute a high quality input for the purposes of this CAM.

Medium Quality inputs (observable)

Medium quality inputs are inputs other than quoted prices that are observable for the good or service, either directly or indirectly. If the good or service has a specified (contractual) term, a medium quality input must be observable for substantially the full term of the good or service. Medium quality inputs include the following:

a) Quoted prices for similar goods or services in active markets.
b) Quoted prices for identical or similar goods or services in markets that are not active.
c) Inputs other than quoted prices that are observable for the good or service.
d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Depending on the nature of the benchmark, benchmarking practices that have the characteristics of medium quality inputs (if approved by the MoPSC - 4 CSR 240-20.015(3)(D)), can constitute a medium quality input.

Lower Quality inputs (unobservable)

Lower quality inputs are unobservable inputs for the good or service. Unobservable inputs shall be used to measure the fair market price to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the good or service at or near the measurement date. Unobservable inputs shall reflect the regulated utility's own assumptions about the assumptions that market participants would use in pricing the good or service. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the regulated utility's own data. Due to the lower quality nature of these unobservable inputs, greater effort will be made to ensure the fair market price determination using this data reviewed closely for reasonableness using the Conservatism Principle of Accounting. In developing unobservable inputs, KCP&L need not undertake all possible efforts to obtain information about market participant assumptions. However, KCP&L shall not ignore information about market participant assumptions that is reasonably available without undue cost and effort. Therefore, KCP&L's own data used to develop unobservable inputs shall be adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

KCP&L's Labor Costs

Since GPE and all its subsidiaries/affiliates are operated and managed by KCP&L employees, KCP&L will be required to bill out labor costs benefiting affiliates and non-regulated activities. To determine the fair market price of a good or service provided by KCP&L to an affiliate, the market approach as described above will be used.

KCP&L's CAM Team, which includes representatives across several KCP&L functions, including KCP&L's Procurement Department, will conduct current fair market pricing analysis which will determine whether the appropriate amount to record an affiliate transaction is at FDC or fair market price.

KCP&L's Non-Labor Purchases

For all non-labor affiliate purchases exceeding corporate established competitive bid Policies ($100,000 for all purchases for the Transource affiliate, $75,000 for all other affiliates), KCP&L will do the following:

The KCP&L Procurement Department will solicit and obtain three competitive bids from non-affiliated vendors in addition to the bid from the affiliate. Prior to awarding the bid to an affiliate, the Procurement Department will review the bids received and use its procurement expertise to determine if the price proposed by the affiliate is within the range of the responsive bids received from the non-affiliated vendors. For transactions that are below the referenced competitive bid thresholds, the market approach as described in this Tab will be used.

Allocation of Costs Between KCP&L / GMO

The above language is subject to the Commission variance from the Affiliate Transactions Rule granted to KCP&L and GMO in File No. EM-2007-0374.

KCP&L provides goods, services, assets, and information to other entities within GPE, including GPE. When goods are provided or services are performed for the benefit of these entities, the fully distributed cost of providing the good or service is accumulated and billed to the affiliate. On a monthly basis, these accumulated fully distributed costs are then compared with the fair market price of the good or service. After the comparison is made, if the fair market price is higher than the fully distributed cost an adjustment will be made for the difference and billed to the benefiting business unit on a monthly basis.

TAB G - AFFILIATE MARKETING MATERIALS

Any marketing materials or advertisements for the unregulated affiliates with similar names, logos or trademarks to regulated affiliates will state in a font size no smaller than the smallest font size on the page and will clearly display that it is "Not Regulated by the Missouri Public Service Commission." Copies of all such material for each reporting period will be available for review on or before the submittal date of the CAM.

TAB H - RECORD KEEPING REQUIREMENTS

KCP&L's affiliate transactions policies and procedures are governed by the rules and regulations of FERC and the MoPSC. KCP&L will maintain each affiliate's books and records separately and each will be maintained so affiliate transactions are auditable on KCP&L's books. Affiliate transaction records will document the cost of transactions, the methods used to assign costs and descriptions of the services provided. Affiliate transactions will be retained for a period of at least six years or as required to meet MoPSC rules. Any non-assignment of affiliate costs or variances from the costing methods outlined in the CAM will be tracked and provided for MoPSC regulatory review on an annual basis.

An Affiliate Transactions Report will be submitted annually for review or as required to meet all regulatory requirements. The annual filing will include the following:

1) A list of affiliate entities
2) A description and dollar amount of all affiliate transactions
3) A list of all contracts between affiliates
4) A list of affiliate transactions without a written contract
5) The basis used for pricing the affiliate transactions (FDC or fair market price)
6) A Code of Conduct which discusses training, enforcements and audits
7) Cost Allocation Manual

KCP&L will conduct periodic audits to review affiliate transactions for compliance with the CAM's documented policies and procedures and with FERC and MoPSC rules and orders.

TAB I - TRAINING

Annually, employees are required to complete GPE's Code of Ethical Business Conduct which includes training and proper compliance with accounting and record keeping rules and procedures, antitrust regulations, fair trading and various ethical issues. The on-line training is mandatory for all employees and requires passage of an on-line test following completion of the training and a compliance questionnaire and certification.

New supervisors are required to complete Supervisor's Training. Beginning in 2017, a portion of the training will be dedicated to the rules governing affiliate transactions to ensure new supervisors are properly trained and informed regarding KCP&L's affiliate transaction policies and procedures and how they impact their departments.

KCP&L will identify the functional areas that will be involved in the provision of goods, services, information, or assets to GPE and its affiliates per executed written agreements.

All KCP&L employees (including supervisors and executives) who will be involved in the provision of goods, services, information, or assets to GPE, its affiliates, and non-regulated operations are to receive overall training regarding the MoPSC's Affiliate Transactions Rule.

All KCP&L employees (including supervisors and executives), who will be involved in the provision of goods, services, information, or assets to GPE, its affiliates, and non-regulated operations, will be given training materials that (1) identifies all of the goods, services, information, or assets identified in service agreements with affiliates they may provide to GPE and its affiliates and (2) indicates that goods, services, information, or assets are not to be provided in the absence of a service agreement.

In addition, employees (including supervisors and executives) are to be trained as to the proper recording required for the goods, services, information, or assets they will be providing to GPE and its affiliates. The training materials are maintained to provide continued support for affiliate transactions reporting and recording questions and issues. KCP&L will provide individual training as needed.

Beginning in 2017, training courses will be enhanced to include detailed information regarding the MoPSC Affiliate Transactions Rule and expectations to each designated employee (including supervisors and executives) regarding the specific goods, services, information, or assets he/she provides to GPE and its affiliates. Employees will be requested to certify if they have knowledge of any potential abuses specific to affiliate transactions, and that those abuses have been communicated in writing to the KCP&L CAM Team. Internal communications, department Intranet sites and new employee orientation will be updated and maintained to provide additional information on affiliated entities and affiliate rules and requirements. Internal communications may include company-wide leadership meetings, various staff meetings, manager-specific communications, company-wide e-mail announcements and printed communications regarding the MoPSC's Affiliate Transactions Rule and related topics.

TAB J - VARIANCES

The Affiliate Transactions Rule variance process is described in 4 CSR 240-20.015(10).

KCP&L understands that with limited exceptions an exemption needs to be granted by or be in process before the MoPSC from an applicable standard pursuant to the Affiliate Transactions Rule, 4 CSR 240-20.015, before KCP&L may participate in an affiliate transaction that is not consistent with the MoPSC's Affiliate Transactions Rule.

The limited exception as outlined in the rule is related to the affiliated transaction pricing standard and only when KCP&L believes complying with the standards set out in the Affiliate Transactions Rule would to its best knowledge and belief not be in the best interests of its regulated customers. If any such pricing variance were to occur, KCP&L must request a variance through a written application to the MoPSC or provide notice to the Secretary of the MoPSC and the OPC within ten (10) days of the non-complying transaction.

To comply with Missouri Affiliate Transactions Rule 4 CSR 240-20.015(2)(D) and (10)(A)2, KCP&L will file notice of any non-complying affiliate transaction occurrence. The notice will contain a detailed explanation of why the affiliate transaction was exempt from affiliate requirements and why the variance was in the best interest of regulated customers.

At this time, KCP&L has variances/waivers granted by the MoPSC regarding transactions with GMO (File No. EM-2007-0374) and the provision of goods, services, information, and assets to Transource and Transource Missouri (File No. EA-2013-0098 – See Appendix 4 in Tab O).

Any revisions, additions and deletions, to the CAM will be filed with the Secretary of the MoPSC and OPC within ten (10) days of the occurrence of the change as either a variance application: (1) in accordance with 4 CSR 240-20.015(10)(A)1 and 4 CSR 240-2.060(4), KCP&L cannot act in accordance with the variance application until the request receives MoPSC approval; or (2) in accordance with 4 CSR 240-20.015(10)(A)2, KCP&L can operate under the revised CAM before final MoPSC determination as explained below. The notice shall explain in detail the reasons for the change and explain why the change is in the best interest of regulated customers.

Within thirty (30) days of the notice, OPC, Staff, or any entity shall have the right to request a hearing on the change. The MoPSC may grant or deny a request for a hearing. If the MoPSC denies a request for hearing, the denial shall not in any way prejudice an entity's ability to challenge the revision at the time of the annual KCP&L CAM filing. At the time of the filing of KCP&L's CAM, KCP&L shall provide to the Secretary of the MoPSC a listing of all revisions, additions and deletions, which occurred between the period of the last filing and the current filing. Any revisions shall remain interim, pending final MoPSC determination on whether each revision is in the best interests of the regulated customers.

TAB K - REPORTING PERIOD RESULTS

Reporting period results should include:

- A summary of charges by absolute total with the amount charged to or billed from each subsidiary or affiliate of GPE including KCP&L. The KCP&L portions should identify charges to both regulated and each of its non-regulated activities.
- "Affiliate Transactions Report" (the document titled "kcpl affiliate transaction filing 2013.pdf" in KCP&L's 2013 CAM filing) for KCP&L in its CAM.
- "KCP&L Additional Affiliate Transaction Information" (the document titled "KCPL Add'l Affiliate Transaction Information 2013.pdf" in KCP&L's 2013 CAM filing) for KCP&L in its CAM.
- A schedule listing all changes from prior CAM filing.
- A listing of all CAM changes that have not been approved by MoPSC.

TAB L - GLOSSARY OF TERMS

Cost Allocation Manual (“CAM”) – a document that includes the criteria, guidelines and procedures a regulated utility will follow to be in compliance with the MoPSC's Affiliate Transactions Rule (4 CSR 240-20.015).

FERC – Federal Energy Regulatory Commission.

GAAP – Generally accepted accounting principles. As used in this CAM, GAAP refers to FASB Statement 157 and ASC 820 (Codification Topic 820) *Fair Value Measurements and Disclosures* (on July 1, 2009, FASB Statement 157 was codified into ASC Topic 820).

General Allocator – A “last resort” allocation method only used when neither direct nor indirect measures of cost causation can be found to charge a cost to a specific entity. KCP&L may use a three factor formula made up of operating revenues, labor charged to O&M and Net Plant as an allocator for costs allocated between KCP&L and GMO. For all other costs, KCP&L uses a General Allocator which allocates based on an entity’s relative ratio of direct and assigned expenses to total direct and assigned expenses incurred.

GMO – KCP&L Greater Missouri Operations Company, a wholly-owned subsidiary of Great Plains Energy Incorporated, whose primary purpose is to provide electricity to customers within its regulated Missouri territories of MPS and L&P.

GPE – Great Plains Energy Incorporated, the holding company. GPE subsidiaries include: KCP&L, GMO, GPES, GPTHC and KLT.

GPE’s Code of Ethical Business Conduct – a document together with GPE's "Guiding Principles" provides GPE the structure for decisions it makes and how it deals with legal and ethical issues. In addition, these documents, located on GPE's website, describe how GPE treats it employees, customers, shareholders, regulators, legislators and communities.

GPES – Great Plains Energy Services Incorporated, a wholly-owned subsidiary of GPE.

GPTHC – GPE Transmission Holding Company, LLC, a wholly-owned subsidiary of GPE.

IRS Form 7004 (Rev Dec 2012) – *Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns* for GPE’s and Subsidiaries’ Affiliated Group Information Statement 1 which lists the name and address of each member of the affiliated group.

KCC – The State Corporation Commission of the State of Kansas.

KCP&L – Kansas City Power & Light Company, a wholly-owned subsidiary of GPE, whose primary purpose is to provide electricity to customers within its regulated service territory in Missouri and Kansas.

KCP&L CAM Team – Team made up of KCP&L employees to implement and supervise the KCP&L CAM.

KCP&L Receivables Company ("KREC") – a wholly-owned subsidiary of KCP&L to whom all regulated retail electric accounts receivables are sold through an affiliate transaction.

KCP&L Solar, Inc. – a subsidiary of KLT.

KLT – KLT Inc. is a wholly-owned non-regulated subsidiary of GPE.

L&P – St. Joseph Light & Power, a regulated division within GMO.

MoPSC – Public Service Commission of the State of Missouri.

MPS – Missouri Public Service, a regulatory division within GMO.

MPS Merchant Services, Inc. – a wholly-owned subsidiary of GMO which has certain long-term natural gas contracts, and several unregulated subsidiaries some of which no longer have active operations.

Service Agreement – a written agreement detailing the scope of any information, assets, goods or services that KCP&L is obligated to provide to any affiliated entity or KCP&L is obliged to receive and compensate any affiliated entity.

Transource Energy, LLC ("Transource") – formed in 2012 by GPE and American Electric Power Company ("AEP") to pursue competitive transmission projects. GPE owns 13.5% of Transource through its wholly-owned direct subsidiary GPE Transmission Holding Company, LLC ("GPTHC") with AEP owning the remaining 86.5%.

Transource Missouri, LLC – a wholly-owned subsidiary of Transource Energy LLC formed for regional transmission projects in Missouri.

Variance – A variance from the standards of the MoPSC's Affiliate Transactions Rule may be obtained by compliance with paragraphs (10)(A)1 or (10)(A)2 of the MoPSC Affiliate Transactions Rule (4 CSR 240-20.015).

Wolf Creek Generating Station ("Wolf Creek") – a nuclear generating station located near Burlington Kansas in which KCP&L has a 47% ownership interest.

Wolf Creek Nuclear Operating Corporation ("WCNOC") – the Company that operates the Wolf Creek Generating Station. The ownership is divided among KCP&L (47%), Westar Energy (47%) and Kansas Electric Power Cooperative, Inc. (6%).

TAB M - TESTS

KCP&L will complete the following tests and report the results of the tests in its annual CAM filing as a function of quality control for each future reporting period:

- Employees who complete or assist in the completion of IRS Form 7004 are to notify the KCP&L CAM Team within five business days of any material changes from KCP&L's prior year tax return filing. The KCP&L CAM will be checked to see whether entities identified in the Form 7004 are addressed in the CAM or an explanation is included in the CAM justifying why no costs were assigned to entities that are included on the Form 7004.

- Annual charges to GPE and each of its subsidiaries will be identified in a Summary Schedule and included in Tab K Reporting Period Results. An explanation must be given as to the appropriateness of the absence of any charges to GPE or any of its affiliates.

- The controller will affirm that he/she has examined the Affiliate Transactions Report and to the best of his/her knowledge, information and belief, all statements, information and material contained in the Affiliate Transactions Report are complete and correct in compliance with the MoPSC's Affiliate Transactions Rule 4 CSR 240-20.015.

- The KCP&L CAM Team, under the direction of the controller, will be responsible to ensure that:

    1) all contracts that exist are reported in the CAM;
    2) all contracts reported in the CAM are currently in effect;
    3) all contracts no longer in effect have been removed from the CAM;
    4) all affiliates that engage in transactions with KCP&L have a current contract or the CAM includes an explanation of why no contract exists and a certification that this treatment (engaging in transactions with no written contract) is consistent with the treatment KCP&L provides to non-affiliated entities;
    5) to the extent KCP&L finds that contracts exist that were not reported and contracts reported in the CAM are no longer effective, KCP&L will take action to correct the discrepancies and institute appropriate controls to minimize the likelihood of future discrepancies;
    6) internal controls are created and employed to ensure that employees who provide or assist in the provision of affiliate services are charging time to the affiliates; and
    7) all documents used to support affiliate transaction fair market price determinations are reasonable and current.

- In all cases where GPE affiliates have no charges during the reporting year, KCP&L will provide an explanation of how it did not provide any goods or services for that entity to exist and/or that none of its employees or officers are employees or officers of the affiliate.

TAB N - AUDITS

Audits Completed or Currently Pending:

KCP&L shall list all audits completed or currently pending regarding affiliate transactions or non-regulated utility activity. The list for KCP&L shall contain the title of the audits as well as a reference to the location where each audit report is or will be retained. KCP&L and GMO should consider that the MoPSC Staff and OPC will want to receive a copy of each audit report in a mutually agreeable medium with work papers upon completion of the audit.

Audits Planned:

KCP&L shall list all audits planned regarding affiliate transaction or non-regulated utility activity that will occur in the upcoming year (or a longer period of time if consistent with the audit planning horizon) following the reporting period. KCP&L shall provide a description of the audit areas of each planned audit.

Independent Attestation:

OPC or Staff may request the MoPSC establish an independent attestation engagement of the CAM and propose a cost allocation for the engagement.

TAB O - CUSTOMER INFORMATION

4CSR 240-20.015(2)(C) requires that customer information be made available to "affiliated or unaffiliated" entities only with the consent of the customer or as otherwise allowed by Commission rules or orders. KCP&L will comply with the rule as explained by the Commission's May 27, 2016 Order in EC-2015-0309.

TAB P Appendix 2 - DESCRIPTION OF SERVICES PROVIDED BY KCP&L[4]

Corporate Services

Corporate Services is responsible for providing information technology, purchasing and facilities and resource protection services.

Information Technology: Supports existing applications, technology and infrastructure to ensure business continuity and leverage capabilities. Systems include Customer Information System, PeopleSoft, desktop, real-time systems, radio and telecommunications.

Purchasing: Provides procurement services in acquiring goods and services for operations, maintenance and construction projects.

Facilities: Responsible for planning and management of existing company buildings and grounds as well as new building construction and remodeling. Also provides print, courier, mailroom and records management services.

Delivery

Delivery is responsible for providing customer, transmission and distribution services. This includes business performance services, claims services, customer services, major outage event management services, energy efficiency and demand response services, metering, resource management, safety training and incident response services. Delivery also includes transmission and distribution operations, maintenance and construction, engineering, planning and compliance.

Business Performance Services: Develops and gathers data to create financial and reliability delivery reports.

Claims Services: Administers claims received for property damage and/or service issues.

[4] KCP&L may not be providing all of these services.

Community Liaison and Communications Services: Acts as a liaison with government agencies, civic organizations and other community stakeholders.

Customer Services: Receives and processes customer requests though all customer contact channels; answers customer questions, creates and enters service orders, educates customers and manages energy assistance programs. Also records meter data and manages field collection process at the customer premise, invoices customers, manages payment process and investigates complaints.

Economic Development Services: Manages and administers business development initiatives, and programs for retention, expansion and recruitment of customers.

Energy Efficiency and Demand Response Service (EE/DSM): Identifies and develops EE/DSM projects including market analysis, technology reviews, load research and tariff development. Also provides marketing and education of EE/DSM programs to customers.

Major Outage/Catastrophic Event Management Services: Provides "command and control" management including allocation of resources, communication with stakeholders, coordination with the Mutual Assistance Group, and analysis of operation and performance data.

Metering and Infrastructure Technology Services: Plans, designs and implements integrated technologies to supply, manage, and enable more efficient use of energy for utility and customers.

Resource Management: Provides supervision of resource procurement, including strategic sourcing, vendor development, order and supplier management, consignment systems and contract governance. Also manages vegetation, infrastructure and fleet services.

Safety Training and Incident Response Services: Creates and presents public safety education and training demonstrations and responds to incidents of personal injury and property damage.

Transmission and Distribution Construction Maintenance Management: Analyzes, coordinates and supports work for system expansion, system improvements, construction and corrective and preventive maintenance. Also provides patrolling services of infrastructure and acts as company liaison.

Transmission and Distribution Operations and Maintenance: Provides first response to outage and irregular system operations and coordinates and supports work to restore service.

Transmission, Distribution and Substation Engineering and Asset Management: Analyzes, coordinates and supports work for delivery and substation system expansions and improvements, and provides corrective and preventive maintenance. Also provides engineering, planning, design, mapping services, right-of-way and zoning services.

Transmission Policy, Planning and Compliance Services: Develops policies, monitors key developments, policies and procedures and participates in industry groups related to transmission reliability, operations and policy issues including FERC, North American Electric Reliability Corporation, Southwest Power Pool, Midcontinent Independent System Operator, Inc., Edison Electric Institute, Kansas Electric Transmission Authority. Services also include monitoring system reliability and security.

Supply

Supply is responsible for all aspects of providing the electric energy necessary to reliably fulfill the electric demands of customers. Supply may provide the following services: resource planning, plant operations and maintenance, fuel procurement, generation dispatch, power purchases and sales, new construction and Black Start.

Resource Planning: Develops integrated resource plans, provides capacity testing, reliability reporting and interconnection applications and maintains fleet generation statistics.

Plant Operations and Maintenance: Conducts safety training and incident investigations, manages plant operation and maintenance, maintains facilities and equipment, manages inventory, environmental compliance and reporting.

Fuel Procurement and Logistics: Develops fuel procurement plans, arranges fuel delivery handling and storage, and the sale or off-site disposal of coal combustion products.

Generation Dispatch: Provides unit scheduling, maintenance of reserve requirements, coordination with the Regional Transmission Organization (RTO) and coordination of generation stations and load balancing.

Power Purchases and Sales: Manages day ahead and real time sales and/or purchases to meet customer demand, secure transmission paths, manage wholesale customers and tracks and manages RTO transactions.

New Unit Construction: Organizes and manages the construction efforts to place new generating assets into service or to retro-fit existing facilities and also manages the removal of abandoned equipment.

Black Start: Maintains and periodically tests the system black-start capability.

Human Resources

Human Resources (HR) is responsible for the planning, development and implementation of all aspects of human capital.

Employee Relations: Provides generalists to work with operating groups as business partners to support operating needs.

Labor Relations: Works with the International Brotherhood of Electrical Workers locals in labor strategy, negotiations, grievances, arbitration, job bidding and other union activities.

Staffing and Recruitment: Oversees the recruiting, interviewing, testing, placement and on-boarding processing. Also manages internship and diversity programs.

Compensation and Benefits: Develops and maintains the overall reward programs including base salary, incentives and benefits. Also oversees the Affirmative Action programs.

Safety and Medical: Manages workers' compensation, return-to-work, Department of Transportation and other health and safety programs.

Training and Development: Ensures an effective professional workforce through the development and delivery of training programs, leadership development, work force planning, surveys and performance management systems.

Human Resource Information System: Ensures secure and effective systems to report employee-related information, provide employee self-service and other HR systems.

HR Strategy and Planning: Establishes goals, metrics and plans to enhance HR services and implement workforce strategies.

Finance and Accounting Services

Finance and Accounting Services is responsible for all aspects of financial services to KCP&L.

Accounting Systems: Provides system support operations and maintenance of all financial systems including PeopleSoft financial and HR systems, CIS customer billings systems, and PowerPlant.

Accounts Payable: Provides accounts payable transaction processing and reporting.

Audit Services: Examines and evaluates the adequacy and effectiveness of KCP&L's governance and risk management processes and internal control structure. This includes the review of reliability and integrity of financial and operation information, compliance with Sarbanes-Oxley Act of 2002 and other laws and regulations and safeguarding of assets.

Corporate Accounting: Maintains the accounting books and records of all GPE companies and provides internal and external reporting and other financial support as required.

Corporate Finance: Directs KCP&L's corporate finance function including development, analysis and implementation of financial plans and capital structure. Corporate finance is also responsible for the management of relationships with rating agencies and the financial community.

Corporate Planning and Budgeting: Develops budgets and financial forecasts including total company and department operating and capital budgets.

Corporate Treasury: Responsible for all cash management activities including short-term financing facilities, cash monitoring and controls and customer remittance activities.

Income and Transaction Taxes: Responsible for all aspects of maintaining the tax books and records including the preparation and filing of consolidated and separate federal, state and local income, franchise, sales, use, gross receipts, fuel excise, property and other miscellaneous tax returns and payments

Insurance: Provides insurance services including management of insurance policies and filing of claims.

Property Accounting: Maintains all fixed assets and intangible property records.

Risk Management: Provides credit risk management services related to wholesale counterparties, reviews contracts, monitors credit markets and develops policies to mitigate market risk.

Strategic Planning and Development: Provides long-term strategic development and coordination for major asset decisions, renewable energy, climate change, nuclear power, energy efficiency and other energy related issues.

Legal and Environmental Services

Legal and Environmental Services is responsible for providing legal advice and representation and environmental services.

Legal Advice and Representation: Services include advising and representing KCP&L on litigation matters, contract negotiations, regulatory compliance, security filings and general corporate matters.

Environmental Services: Responsible for compliance with applicable environmental laws and regulations and obtainment of environmental permits.

Regulatory Affairs

Regulatory Affairs is responsible for supporting and representing KCP&L in all regulatory processes and procedures including developing regulatory strategies and policies, filing for changes in rate levels, responding to MoPSC investigations and the administration of tariff filings and rate designs.

Corporate Secretary and Governance

The Corporate Secretary and Governance area is responsible for compliance with applicable corporate laws and regulations, development and maintenance of corporate documents, compliance with corporate policies and procedures, and acts as a liaison between KCP&L management and the Board of Directors.

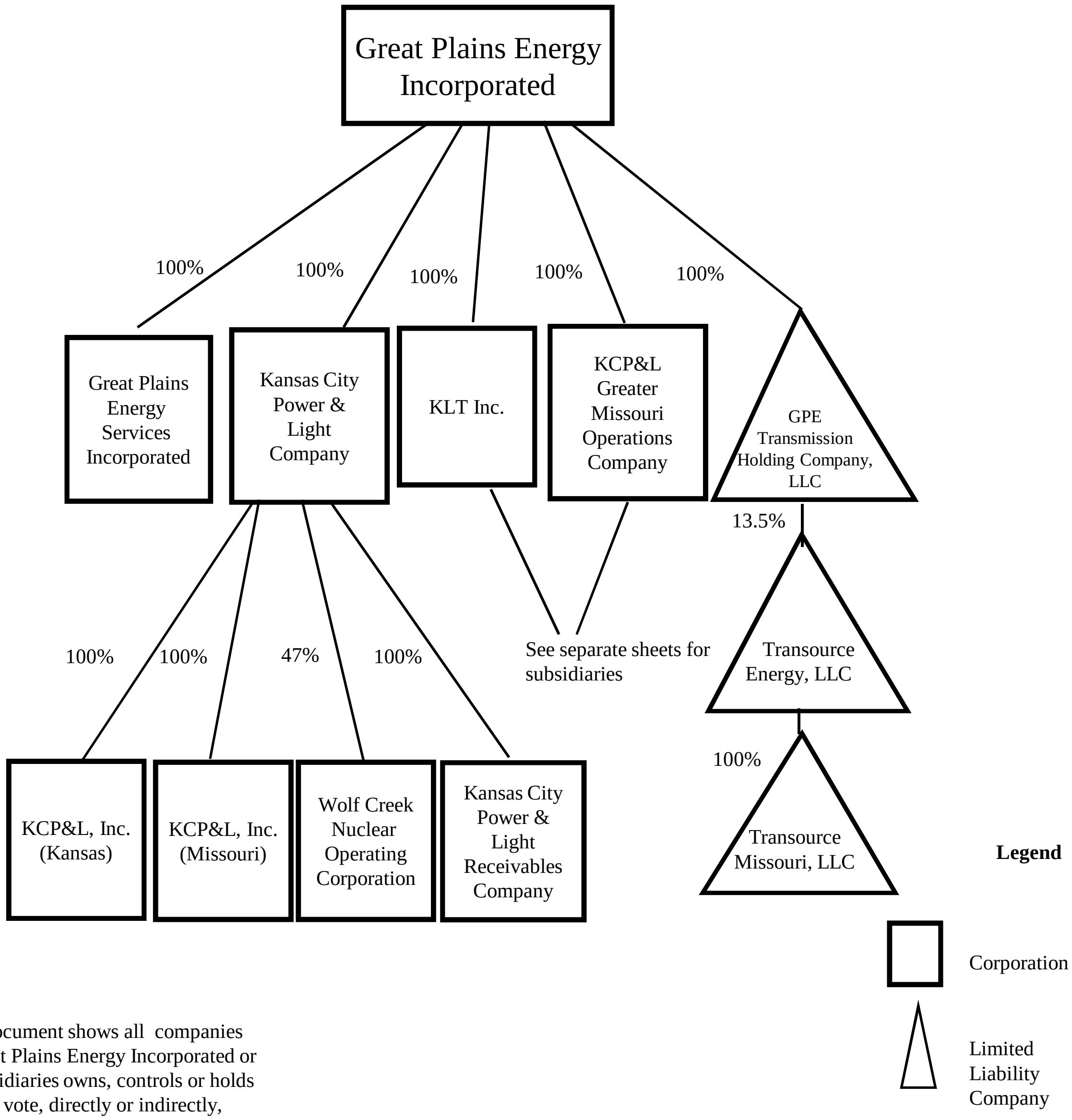
Management Services

Management Services provides overall management advice, guidance and/or direction concerning corporate functions and operations.

Board Services

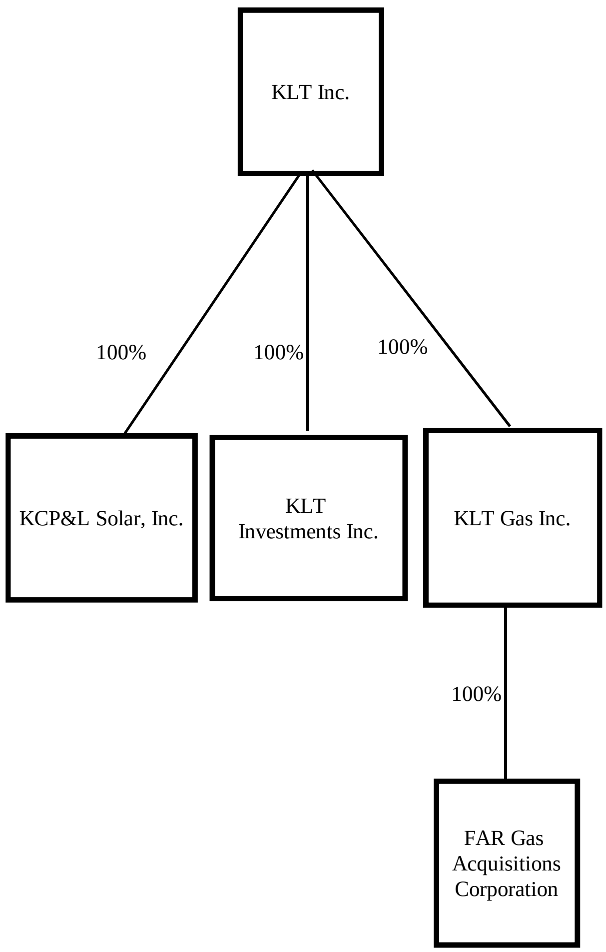
Board Services provides oversight to the management of affiliates.

GREAT PLAINS ENERGY INCORPORATED
Organizational Structure

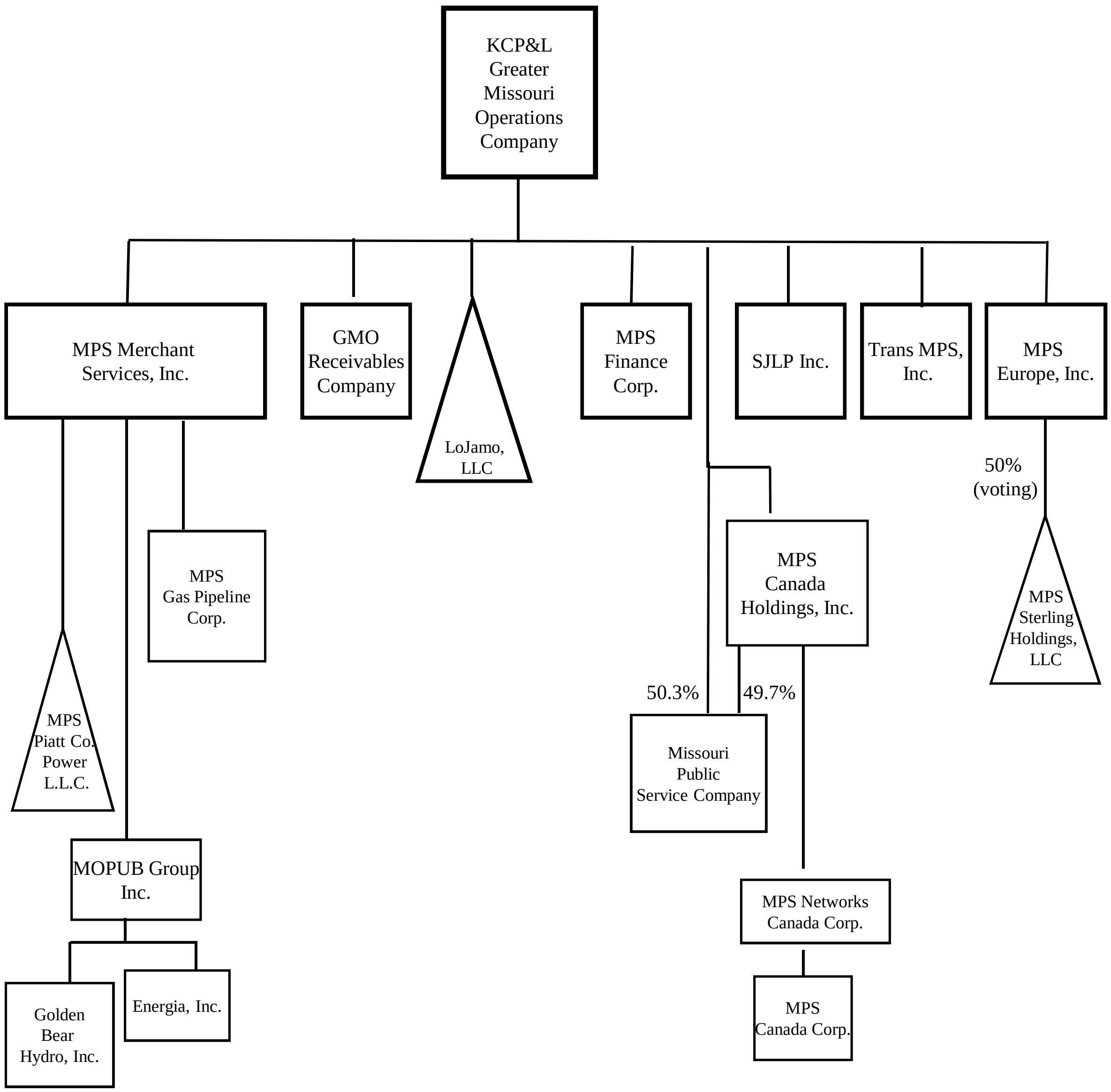


Note: This document shows all companies in which Great Plains Energy Incorporated or one if its subsidiaries owns, controls or holds with power to vote, directly or indirectly, 10% or more of the voting securities. Interests with no or limited voting rights in general or limited partnerships are either omitted or described in notes.

GREAT PLAINS ENERGY INCORPORATED
Organizational Structure



GREAT PLAINS ENERGY INCORPORATED
Organizational Structure



Notes: (a) All wholly-owned companies except where indicated
(b) Golden Bear Hydro, Inc. and Energia, Inc. hold a 0.5% general partnership and 99.0% limited partnership interest, respectively, in G.B. Hydro Partners L.P. which in turn holds a 50% partnership interest in Mega Renewables.

GREAT PLAINS ENERGY INCORPORATED
Organizational Structure

Revisions to Organizational Structure Chart:

1. Original Issuance on September 22, 2004.
2. Revised on February 11, 2005 to reformat and to reflect sale of Worry Free Service, Inc. and dissolution of Forest City Gathering, LLC.
3. Revised on March 14, 2005, to reflect that KLT Gas Inc. is not an Energy Affiliate.
4. Revised on October 12, 2005, to reflect dissolution of Advanced Measurement Solutions, Inc.
5. Revised on October 19, 2005, to reflect dissolution of Municipal Solutions, L.L.C. and Telemetry Solutions, L.L.C.
6. Revised on October 25, 2005, to reflect dissolution of Copier Solutions, LLC.
7. Revised on December 28, 2005 to reflect dissolution of Great Plains Power Incorporated and to correct the name of KLT Energy Services on slide 5.
8. Revised on May 24, 2006, to reflect dissolution of KLT Gas Operating Company.
9. Revised on June 6, 2006, to reflect merger of KLT Investments II Inc. into KLT Inc.
10. Revised on June 12, 2006, to reflect dissolution of Apache Canyon Gas, L.L.C.
11. Revised on June 26, 2006, to reflect merger of Forest City, LLC into KLT Gas Inc.
12. Revised on April 23, 2007, to reflect dissolution of Patrick KLT Gas, LLC.
13. Revised on June 11, 2007, to reflect issuance of stock by Gregory Acquisition Corp. to Great Plains Energy. Deleted slide depicting only KLT Inc. – KLT Telecom Inc.
14. Revised on October 1, 2007, to reflect creation of Strategic Receivables, LLC.
15. Revised on January 2, 2008, to reflect transfer of Home Service Solutions Inc. from Kansas City Power & Light to KLT Inc.
16. Revised on June 5, 2008, to reflect the sale of Strategic Energy and the dissolution of Custom Energy Holdings, L.L.C.
17. Revised on July 7, 2008, to reflect the merger of Innovative Energy Consultants, Inc. and KLT Energy Services Inc. into KLT Inc.
18. Revised on July 22, 2008, to reflect the acquisition of Aquila, Inc., effective July 14, 2008.
19. Revised on October 23, 2008, to reflect name changes of Aquila, Inc. and certain subsidiaries effective October 17, 2008.
20. Revised on December 31, 2008 to reflect dissolution of KLT Telecom Inc. effective December 31, 2008.
21. Revised on April 6, 2009, to reflect dissolution of Aquila Energy (Bermuda) Ltd. effective December 19, 2008, and to correct ownership interests in Missouri Public Service Company.
22. Revised on July 2, 2009, to reflect merger of MPS NZ, Limited into Trans MPS, Inc. on June 18, 2009, and the issuance of stock by KCP&L, Inc. (a Missouri corporation) and KCP&L, Inc. (a Kansas corporation) to Kansas City Power & Light Company.
23. Revised on November 20, 2009, to reflect merger of MPS Colorado, LLC into Trans MPS, Inc. effective August 21, 2009, termination of Levasy Jagdverein, LLC effective August 26, 2009, the pending liquidation of Aquila Energy Re Ltd., and clarification of interests in G.B. Hydro Partners, L.P. and Mega Renewables.
24. Revised on December 1, 2009, to reflect creation of GMO Receivables Company as a subsidiary of KCP&L Greater Missouri Operations Company.
25. Revised on December 7, 2009, to reflect the dissolution of Aquila Energy Re Ltd.
26. Revised on May 11, 2010, to reflect the merger of Everest Global Technologies Group LLC and Everest Holdings II, LLC into Trans MPS, Inc. effective March 31, 2010.
27. Revised on April 4, 2012, to reflect formation of Transource Energy, LLC with AEP Transmission Holding Company, LLC effective March 22, 2012, and the formation of GPE Transmission Holding Company, LLC effective April 2, 2012.
28. Revised on June 19, 2012, to reflect formation of Transource Missouri, LLC effective June 19, 2012.
29. Revised on August 23, 2013, to reflect name change of Home Service Solutions Inc. to KCP&L Solar, Inc., effective August 23, 2013, as well as to reflect the dissolution of MZ Nebraska Partners in 2012.

TAB P – Appendix 3 Allocation Factors

Allocation Factor	Description
Customers/Transmission Miles	Company/business unit average of jurisdictional retail customers and transmission pole miles as a percent of total.
Number of Customers	Jurisdictional retail customers as a percent of total retail customers.
Plant Capacity Factor	Jurisdictional plant capacity as a percent of total plant capacity.
Transmission Miles	Jurisdictional transmission pole miles as a percent of total pole miles.
Utility Massachusetts Formula	Utility companies KCP&L, GMO (MPS & L&P) average of 1) Operating revenues, 2) Labor charged to O&M, and 3) Net plant. This is the Massachusetts Formula.
General Allocator	A "last resort" allocation method only used when neither direct nor indirect measures of cost causation can be found to charge a cost to a specific entity. KCP&L may use a three factor formula made up of operating revenues, labor charged to O&M and Net Plant as an allocator for costs allocated between KCP&L and GMO. For all other costs, KCP&L uses a General Allocator which allocates based on an entity's relative ratio of direct and assigned expenses to total direct and assigned expenses incurred. See following page for an illustrative example.

(1) Factors are updated annually or as necessary if allocation basis changes significantly.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Transource Missouri	)	
Missouri, LLC for a Certificate of Convenience	)	
and Necessity Authorizing It to Construct,	)	File No. EA-2013-0098
Finance, Own, Operate, and Maintain the	)	
Iatan-Nashua and Sibley-Nebraska City	)	
Electric Transmission Projects	)	

REPORT AND ORDER

Issue Date: August 7, 2013

Effective Date: September 6, 2013

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 7th day of August, 2013.

In the Matter of the Application of Transource Missouri Missouri, LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects	))))))	File No. EA-2013-0098

REPORT AND ORDER

Issue Date: August 7, 2013 Effective Date: September 6, 2013

The Missouri Public Service Commission is approving disposition by settlement, granting the applications,[1] and incorporating the proposed conditions and terms. The applications relate to two transmission projects: the Iatan-Nashua line and the Sibley-Nebraska City line ("the projects"):

For authorization to	Applicant	Title
Transfer plant and operating rights for the projects	Kansas City Power & Light Company ("KCPL"), and KCP&L Greater Missouri Operations Company ("GMO")	*Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company*[2] ("transfer application")
Construct and operate the projects	Transource Missouri, LLC ("Transource Missouri")	*Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity and Request for Waiver*[3] ("CCN application")

[1] Consolidated under this file number is the action in File No. EO-2012-0367, *In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company Regarding Arrangements for Approval to Transfer Certain Transmission Property to Transource Missouri, L.L.C. and for Other Related Determinations*.

[2] File No. EO-2012-0367, Electronic Filing and Information System ("EFIS)" No. 4. All other EFIS citations refer to File No. EA-2013-0098. EFIS is accessible at http://psc.mo.gov/default.aspx.

[3] EFIS No. 1.

Contents

I. Jurisdiction

The Commission has jurisdiction over the subject matter because the Commission's jurisdiction generally includes electrical corporations.[4] That includes KCPL and GMO, because KCPL and GMO own electric plant, and will include Transource Missouri when it owns and operates transmission facilities.[5] The Commission also has jurisdiction over the disposition of certain utility property,[6] including operating rights,[7] and the construction and operation of the utility projects[8] proposed by Transource Missouri. The signatories cite other statutes supporting the Commission's jurisdiction over the applications as set forth in Appendix 2 of this report and order. Therefore, the Commission concludes that it has jurisdiction to rule on the applications.

II. Docket

KCPL, GMO, and Transource Missouri ("applicants") filed the transfer application and the CCN application ("applications").[9] The Commission gave notice,[10] and additional notice,[11] of the applications and set a deadline for filing applications to intervene. The

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[4] Sections 386.250(1) and 393.140(1), RSMo 2000; and 386.020(43), RSMo Supp. 2012.

[5] Sections 393.110 and 386.020(15) and (14), RSMo Supp. 2012.

[6] Sections 393.190.1 and 386.250(1), RSMo 2000.

[7] Section 386.250(1), RSMo 2000, and 4 CSR 240-3.110(1)(A).

[8] Section 393.170.1, RSMo 2000.

[9] On August 31, 2012.

[10] EFIS No. 7, *Order Directing Notice, Setting Intervention Deadline, Directing Filing and Scheduling a Conference*.

[11] EFIS No. 9, *Order Directing Additional Notice*; EFIS No. 60, *Order Directing Notice to County Clerks*.

Commission granted an application to intervene from Missouri Industrial Energy Consumers ("MIEC").[12] The Commission issued notice of a contested case. [13]

Applicants, Staff, and the Office of the Public Counsel ("signatories") filed a stipulation and agreement.[14] The signatories also filed an amendment to the stipulation and agreement.[15] No party filed any objection to the stipulation and agreement or amendment ("together, "settlement") within the time provided by regulation. [16] The Commission convened an evidentiary hearing.[17] The signatories filed a proposed report and order,[18] and a supporting memorandum. [19]

The Commission convened a settlement conference. [20] The signatories filed a proposed report and order and consent order[21] with supporting suggestions. [22] The

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[12] EFIS No. 12, *Order Granting Requests to Intervene.*

[13] EFIS No. 40, *Notice of Contested Case*.

[14] EFIS No. 54, *Non-Unanimous Stipulation and Agreement*.

[15] EFIS No. 92, *First Amendment to Non-Unanimous Stipulation and Agreement*.

[16] 4 CSR 240-2.115(2)(C).

[17] EFIS No. 61, Transcript volume 2.

[18] EFIS No. 100, *Joint Proposed Order Approving Unanimous Stipulation and Agreement*.

[19] EFIS No. 99, *Joint Memorandum in Support of the Stipulation*.

[20] EFIS No. 106, *Order Setting Conference*.

[21] EFIS No. 110, *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*.

[22] EFIS No. 111, *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement*.

Commission ordered the record supplemented[23] with materials that Transource Missouri filed setting forth the final route for the Sibley-Nebraska City line. [24]

III. Findings, Conclusions, and Orders

The Commission's decision must stand on the law.[25] The Commission must always state its conclusions of law.[26] The Commission makes each ruling on consideration of each party's allegations and arguments.

A. Procedure

In any Commission proceeding, formalities do not invalidate any order.[27] Specifically in a contested case, parties may waive any procedural formality up to the final decision.[28] Parties to a contested case may submit a proposed resolution of this action under the Commission's regulations: The parties may at any time file a stipulation and agreement as a proposed resolution of all or any part of a contested case. A stipulation and agreement shall be filed as a pleading. [29] A pleading includes the following.

> Each pleading shall include a clear and concise statement of the **relief** requested, a specific reference to the statutory provision or other **authority** under which relief is requested, and a concise statement of the **facts** entitling the party to relief. [[30]]

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[23] EFIS No. 109, *First Order Supplementing Record*.

[24] EFIS No. 104, *Applicants' Supplemental Filing*.

[25] Mo. Const., Art. V, Section 18.

[26] Section 386.420.2, RSMo 2000.

[27] Section 386.410, RSMo 2000.

[28] Sections 536.060(3), RSMo 2000.

[29] 4 CSR 240-2.110(1)(A).

[30] 4 CSR 240-2.080(4) (emphasis added).

That regulation also allows the Commission to treat the settlement as unanimous when no party files an objection. [31] The Commission is doing so, and for that reason the signatories refer to the settlement's components as "Unanimous."[32] A stipulation of fact eliminates the need for evidence on the matter stipulated. [33] But that does not end the Commission's duty for the following reasons.

First, while a stipulation of fact conclusively establishes the matter stipulated,[34] no stipulation can control procedure, bind the Commission to a conclusion of law,[35] or contravene a statute.[36] A remedy statutorily committed to the commission's discretion is therefore not subject to stipulation. [37] The Commission must therefore independently make its conclusions of law and determine the relief that is due.

Second, the Commission is charged by statute with protecting the public interest. Also, unlike a private party or State agency, Staff has no authority of its own to settle an action. Therefore, Commission approval is necessary for Staff's participation in the settlement.

Third, the signatories premise their proposed resolution on a Commission determination that the settlement includes no term that is contrary to the public interest. The General Assembly has further specified what the public interest means for certain

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[31] 4 CSR 240-2.115(2) (emphasis added).

[32] Which is why they carry that designation in Appendix 3 and Appendix 4.

[33] *Howard v. Missouri State Bd. of Educ.*, 847 S.W.2d 187, 191 (Mo. App., S.D. 1993).

[34] *Howard v. Missouri State Bd. of Educ.*, 847 S.W.2d 187, 191 (Mo. App., S.D. 1993).

[35] *Bull v. Excel Corp.*, 985 S.W.2d 411, 417 (Mo. App., W.D. 1999).

[36] *Tidwell v. Walker Const.*, 151 S.W.3d 127, 133 (Mo. App. S.D. 2004).

[37] *Tidwell v. Walker Const.*, 151 S.W.3d 127, 133 (Mo. App. S.D. 2004).

actions[38] in the statutes cited in the signatories' *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement*,[39] as set forth in Appendix 2. The signatories call the determination, that the settlement does not offend those standards, "approval."[40]

Neither the Commission's procedural regulations in 4 CSR 240-2, nor any statute cited in the applications, define "approval" of a stipulation and agreement.[41] As the signatories use that term, they explain, it means reviewing a document to determine whether it is contrary to the public interest. The signatories are correct that the public interest is a consideration in every action before the Commission. Therefore, the Commission rules on the applications accordingly.

B. Merits

The settlement seeks an order granting the applications subject to the provisions of the settlement.

i. Law

The applications are subject to statutory standards that describe the Commission's authority to grant the permissions sought.

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[38] The courts have held that such a standard for Commission decisions is an expression of the public interest. *Public Serv. Comm'n of State v. Missouri Gas Energy*, 388 S.W.3d 221, 228 (Mo. App., W.D. 2012).

[39] EFIS No. 111.

[40] This does not tell the Commission what any other set of parties in any other action want when they ask the Commission to "approve" a stipulation and agreement.

[41] The Commission expressly may approve a stipulation related to the Missouri Energy Efficiency Initiative Act under Section 393.1075(11), RSMo Supp. 2012. That statute provides a specific standard for approval. But those provisions do not apply to the applications in this case.

For the CCN application, the standard is public convenience and necessity, [[42]]" which means that an additional service would be an improvement that justifies the cost,[43] and includes such conditions as the Commission "may deem reasonable and necessary."[44]

For the transfer application, the standard implicit in the applicable statute[45] is the absence of public detriment.[46] Like the standard, the authority to condition the transfer is not express. But guarding against public detriment implicitly includes conditions to that end, which is more efficient than denial of an imperfect application.

Among the proposed terms conditions are waivers of specified Commission regulations. For those regulations, the standard for waiver is good cause.[47] Good cause means a good faith request for reasonable relief. [48]

The signatories also ask that no term or condition that is contrary to the public interest, on its face or as explained in the record, and as gauged by the standards in Appendix 2, find its way into the Commission's order.

ii. Fact

Meeting those standards requires evidence, or a substitute for evidence like stipulated facts, on the record. [49] Applicants have the burden of proof.[50] The quantum of

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[42] Section 393.170.3, RSMo 2000.

[43] *State ex rel. Intercon Gas, Inc., v. Public Serv.Comm'n*, 848 S.W.2d 593, 597 (Mo. App., W.D. 1993).

[44] Section 393.170.3, RSMo 2000

[45] Section 393.190.1, RSMo 2000.

[46] *State ex rel. City of St. Louis v. Public Service Comm'n of Missouri,* 73 S.W.2d 393, 395 (Mo. 1934).

[47] 4 CSR 240-2.060(4)(B).

[48] *American Family Ins. Co. v. Hilden*, 936 S.W.2d 207, 210 (Mo. App., W.D. 1996).

[49] Mo. Const., Art. V, Section 18.

proof necessary to carry that burden is the preponderance of the evidence[51]or reasonable inferences from the evidence. [52] Generally in any proceeding, technical rules of evidence do not bind the Commission. [53]

This record includes evidence relevant to the standards. All findings needed to support this decision stand on the facts stipulated in the settlement and in the *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*, the testimony provided at the evidentiary hearing,[54] and the prepared testimony of the parties received into the record. That testimony is in the record pursuant to the signatories' waiver of procedural formalities.[55]

The Commission has considered the substantial and competent evidence on the whole record. Where the evidence conflicts, the Commission determines which evidence is the most credible, and this report and order reflects the Commission's determinations of credibility implicitly.[56] No law requires the Commission to make any statement as to what portions of the record the Commission accepted or rejected.[57] The Commission need not separately state any finding of fact when a stipulation, agreed settlement, or a consent

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[50] *Central Cnty. Emergency 911 v. International Ass'n of Firefighters Local 2665*, 967 S.W.2d 696, 699 (Mo. App., W.D. 1998).

[51] *State Board of Nursing v. Berry*, 32 S.W.3d 638, 641 (Mo. App., W.D. 2000).

[52] *Farnham v. Boone*, 431 S.W.2d 154 (Mo. 1968).

[53] Section 386.410, RSMo 2000.

[54] EFIS No. 61, Transcript volume 2.

[55] EFIS No. 54, *Non-Unanimous Stipulation and Agreement* page 16.

[56] *Stone v. Missouri Dept. of Health & Senior Servs.*, 350 S.W.3d 14, 26 (Mo. banc 2011).

[57] *Stith v. Lakin*, 129 S.W.3d 912, 919 (Mo. App., S.D. 2004).

order disposes of the case.[58] Nevertheless, a brief description of the projects illustrates the factual basis for this report and order.

Transource Missouri is a Delaware limited liability corporation qualified to conduct business in Missouri, with its principal place of business in Columbus, Ohio. Transource Missouri is a wholly-owned subsidiary of Transource Energy, LLC ("Transource"). Transource was established by Great Plains Energy Incorporated ("GPE"), the Companies' parent corporation, and American Electric Power Company, Inc. ("AEP") to build wholesale regional transmission projects within SPP, as well as other regional transmission organizations.

The two projects are regional, high-voltage, wholesale transmission projects approved by Southwest Power Pool, Inc. ("SPP") known as the Iatan-Nashua 345kV transmission project ("Iatan-Nashua Project") and the Sibley-Nebraska City 345kV transmission project ("Sibley-Nebraska City Project") (collectively, the "Projects").

The plant that the Companies requested be transferred to Transource Missouri is property of GMO. KCP&L and GMO previously requested and received authorization from the Commission to transfer at cost from KCP&L to GMO certain transmission property owned and operated by KCP&L between GMO's Alabama Substation and KCP&L's Nashua Substation ("Alabama-Nashua Line"). The southern portion of the Alabama-Nashua Line will be retired and removed, and the corridor will be used to construct the East Segment of the Iatan-Nashua Project. The remaining portion of this existing 161kV line, which runs to GMO's Alabama Substation near St. Joseph, Missouri, will remain the

[58] Section 536.090, RSMo 2000.

property of GMO and is not to be transferred. This line will continue intact and energized at 161kV as a radial line and will not be a part of the new 345kV facilities.

There is a need for the service to be rendered by the Projects based upon studies performed by SPP in 2009 and 2010. These studies demonstrated that the Projects will improve electric grid reliability, minimize transmission congestion effects, bring economic benefits to SPP members, and help support public policy goals regarding renewable energy. The studies also demonstrated that the Projects will provide estimated benefits and savings that exceed the Projects' estimated costs.

Transource Missouri is qualified to construct, finance, own, operate, and maintain the Projects given the support by the transmission and related expertise of KCP&L and of American Electric Power Company, Inc. ("AEP"). Transource Missouri will have the financial ability to construct, own, operate and maintain the Projects given the equity funding that the subsidiaries of Great Plains Energy Incorporated ("GPE"), the parent corporation of KCP&L and GMO, and AEP will provide to Transource Missouri, and Transource Missouri's plan to issue debt. Furthermore, Transource Missouri will fully recover the cost of the Projects once completed, as the Projects' costs are regionally allocated under the FERC-approved SPP Tariff Schedule 11. Transource Missouri's construction of the Projects is economically feasible by virtue of the cost/benefit analysis conducted by SPP, as well as its FERC-approved cost allocation methodology under its Tariff Schedule 11.

The Projects as proposed to be built by Transource Missouri are in the public interest, given all the above, as well as the agreement of KCP&L, GMO, and Transource

Missouri to follow the provisions of Paragraphs 27, 28, and 29 of the stipulation and agreement regarding the final route of the Sibley-Nebraska City Project.

iii. Ruling

The record weighs in favor of granting the applications with the provisions proposed, including the proposed waivers. The Commission finds no term or condition of the settlement contrary to the public interest. Therefore, the Commission will grant the applications subject to the settlement's provisions as set forth in Appendix 3 and Appendix 4.

C. Consent Order

Appendix 4 sets forth the settlement's provisions that are outside the Commission's authority to mandate. The signatories have clarified that they seek no resolution on the merits for those terms,[59] and the law encourages freedom of contract and settlements in lieu of litigation.[60] In that spirit, the statutes provide that any contested case is subject to disposition by consent order as follows.

i. Authority

The signatories argue that a consent order is not authorized for any matter except as described in one statute that does not apply to the Commission. In support, the signatories rely on a reading of Section 536.060, RSMo 2000. That statute's history refutes the signatories' reading.

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[59] EFIS No. 110, *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*, page 2 third paragraph. EFIS No. 111, *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement* page 3 paragraph 6.

[60] *Walley v. La Plata Volunteer Fire Dep't*, 368 S.W.3d 224, 231 (Mo. App., W.D. 2012).

Section 536.060's current language is the result of a 1995 amendment. The amendment deleted language (in brackets and italics below) and added language (underscored below) as follows.

> *[Nothing contained in sections 536.060 to 536.095 shall preclude the informal disposition of]* Contested cases and other matters involving licensees and licensing agencies described in section 621.045, RSMo, may be informally resolved by consent agreement or agreed settlement or may be resolved by stipulation, consent order, or default, or by agreed settlement where such settlement is permitted by law. Nothing contained in sections 536.060 to 536.095 shall be construed (1) to impair the power of any agency to take lawful summary action in those matters where a contested case is not required by law, or (2) to prevent any agency authorized to do so from assisting claimants or other parties in any proper manner, or (3) to prevent the waiver by the parties (including, in a proper case, the agency) of procedural requirements which would otherwise be necessary before final decision, or (4) to prevent stipulations or agreements among the parties (including, in a proper case, the agency). [[61]]

Informal disposition of all agencies' contested cases was the original subject of that statute as the bracketed and italicized language shows.[62] The amendment simply added the specified "noncontested cases and other matters [.]"[63]

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[61] 1995 Mo. Laws 1032, 1246 (88th Gen. Assem., 1st Reg. Sess., S.B. 3, Section 536.060).

[62] The original language provided that the opportunity for hearing:

> . . . shall not preclude the informal disposition of such case by stipulation, consent order or default, or by agreed settlement where such settlement is permitted by law.

1945 Mo. Laws 1504, 1505 (63rd Gen. Assem., S.B.196, Section 6). Similar language appears in the 1961 Model State Administrative Procedure Act adopted by many states:

> Unless precluded by law, informal disposition may be made of any contested case by stipulation, agreed settlement, consent order, or default.

15 U.L.A. 1961 *Model State Administrative Procedure Act*, Section 9(d).

[63] In response to the amended judgment in *Bodenhausen v. State Bd. of Regis'n for the Healing Arts*, Case No. CV192-1105CC (Jan. 6, 1994, Cir. Ct. Cole Cnty), McHenry, J.; and the affirming opinion in *Bodenhausen v. State Bd. of Regis'n for the Healing Arts*, WD 48914, 1994 WL 532696 (Mo. App., W.D. Oct. 4, 1994). As to the latter action, the Missouri Supreme Court ordered transfer on January 30, 1995. In each action, the court

Section 536.060, original and current, is expansive. It offers remedies in conformance with the public policy favoring settlement by contractual arrangement. If there were any ambiguity on this issue, the law would require the Commission to read the statute generously in the direction of the intended remedy. The signatories' reading bars resolution by "consent order, or default, or by agreed settlement" in all contested cases, except the specified matters, which furthers no conceivable beneficial end. Therefore, the Commission concludes that a contested case before the Commission is subject to disposition by consent order—just as it is subject to disposition by stipulation, default, or agreed settlement—under Section 536.060.

ii. Characteristics

The signatories describe the properties of a consent order by comparison to a consent judgment. The analogy is correct. The analogous properties, as described by the signatories, include the following.

> Missouri courts have held that a judgment by consent "is based on an agreement between the parties as to the terms, amount or conditions of the judgment to be rendered." In this context it is important to recognize: "Consent decrees do not arise from a judicial determination of the rights of the parties or the merits of the case [.]" It is also important to note: "A consent judgment needs no cause or consideration other than an adjustment of differences and a desire to set at rest all possibility of litigation. In exchange for the saving of cost and elimination of risk, the parties each give up something that they might have won had they proceeded with litigation." [[64]]

barred informal resolution of contested cases and other matters involving licensees and licensing agencies under section 621.045, RSMo. The Missouri Supreme Court issued its decision on May 30, 1995, also affirming the judgment. *Bodenhausen v. Missouri Bd. of Regis'n for the Healing Arts*, 900 S.W.2d 621 (Mo. banc 1995).

[64] EFIS No. 111, *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement* page 6 paragraph 13.

Also, a judgment issued pursuant to the parties' agreement does not aggrieve any such party so, if aggrievement is necessary for standing to appeal, no appeal is available to any such party.[65] In Missouri, a consent judgment has the same force and effect as any other judgment.[66]

In Missouri, whenever the issue has arisen, the courts have applied the analogy between a consent judgment and a consent order. For example, the courts hold that a consent order does not constitute the agency's decision on the merits but, at most, a review as to whether a parties' agreement comports with the public policy entrusted to the respective agencies.[67] Further, where the General Assembly has comprehensively delegated the regulation of a subject matter to an agency, that agency is the first resort for enforcing settlement of an action before that agency.[68]

iii. Ruling

As the signatories note, chapter 536, RSMo, applies when chapters 386 and 393 provide nothing to the contrary.[69] The signatories also note that "approval of the [settlement] here would not be inconsistent with the concept of a consent order [.]" [70] Therefore, the Commission will order memorialize the proposed provisions that are beyond the Commission's authority as a consent order, as set forth in Appendix 3. As explained in

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[65] *Strawhun v. Strawhun*, 164 S.W.3d 536 (Mo. App., S.D. 2005).

[66] *Household Fin. Corp. v. Jenkins,* 213 S.W.3d 194, 196 (Mo. App., E.D. 2007).

[67] *Seifner v. Treasurer of State-Custodian of Second Injury Fund*, 362 S.W.3d 59, 65 (Mo. App., W.D. 2012).

[68] *State ex rel. St. Joseph School Dist. v. Missouri Dept. of Elem. And Sec. Educ.*, 307 S.W.3d 209, 213-17 (Mo. App., W.D. 2010). filing

[69] *State ex rel. Praxair, Inc. v. Missouri Pub. Serv. Comm'n*, 344 S.W.3d 178, 184 (Mo. 2011).

[70] EFIS No. 111, *Joint Suggestions of the Signatories in Support of an Order by the Commission Approving the Unanimous Stipulation and Agreement* page 6 paragraph 13.

part III.A of this report and order, the approval procedure that the Commission applies in this action is based on the approval that the parties asked for, the authorities that they cited, and the documents that they filed. That procedure does not necessarily apply under any other relief, law, or facts.

THE COMMISSION ORDERS THAT:

1. Disposition of the applications by settlement is approved.

2. Transfer Application. The *Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company* ("transfer application") is granted. The transfer of the items as described in the transfer application is authorized. This paragraph includes the notices to construct as described in the transfer application.

3. The *Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity and Request for Waiver* ("CCN application") is granted. A certificate of convenience and necessity for the projects, as described in the CCN application, shall issue to Transource Missouri, LLC.

4. The following are incorporated into this report and order as if fully set:

    a. *Non-Unanimous Stipulation and Agreement*;

    b. *First Amendment to Non-Unanimous Stipulation and Agreement*; and

    c. *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*.

5. Ordered paragraphs 1, 2, 3, and 4, are subject to the provisions of Appendix 3 and Appendix 4.

6. This order shall become effective on September 6, 2013.

BY THE COMMISSION

Morris L Woodruff

Morris L. Woodruff
Secretary

R. Kenney, Chm., Jarrett, Stoll, and
W. Kenney, CC., concur;
and certify compliance with the
provisions of Section 536.080, RSMo.

Dated at Jefferson City, Missouri,
on this 7th day of August, 2013.

Appendix 1: Appearances

Party	*Counsel*	*Counsel's Address*
A. Applicants		
Kansas City Power & Light Company KCP&L Greater Missouri Operations Company	Roger W. Steiner	1200 Main, PO Box 418679, Kansas City, MO 64141-9679
Transource Missouri, LLC	Karl Zobrist Lisa A. Gilbreath	4520 Main, Suite 1100, Kansas City, MO 64111
	Larry W. Brewer	400 West 15th Street, Suite 1500, Austin, TX 78701
B. Parties under 4 CSR 240-2.010(10)		
Staff of the Commission	Steven Dottheim Nathan Williams	200 Madison Street, Suite 800, Jefferson City, MO 65102
Office of the Public Counsel	Lewis Mills	P.O. Box 2230, 200 Madison Street, Suite 650, Jefferson City, MO 65102
C. Intervenors		
AG Processing, Inc. a Cooperative and Midwest Energy Users' Group	Stuart Conrad	3100 Broadway, Suite 1209, Kansas City, MO 64111
Midwest Energy Consumers Group	David Woodsmall	807 Winston Court, Jefferson City, MO 65101
Missouri Department of Natural Resources	Jessica L. Blome	221 W. High Street P.O. Box 899 Jefferson City, MO 65102
Missouri Industrial Energy Consumers	Diana M. Vuylsteke	211 N. Broadway, Suite 3600 St. Louis, MO 63102

Appendix 2: Statutes cited by the Signatories

386.250. The jurisdiction, supervision, powers and duties of the public service commission herein created and established shall extend under this chapter:

(1) [To] electric plants, and to [entities] owning, leasing, operating or controlling the same;

*   *   *

(7) To such other and further extent, and to all such other and additional matters and things, and in such further respects as may herein appear, either expressly or impliedly.

386.310. 1. The commission shall have power, after a hearing . . . to require every . . . public utility to maintain and operate its . . . plant . . . in such manner as to promote and safeguard the health and safety of its employees, customers, and the public, and to this end to prescribe . . . appropriate safety and other devices or appliances, to establish uniform or other standards of equipment, and to require the performance of any other act which the health or safety of its employees, customers or the public may demand [.]

386.610. . . . The provisions of this chapter shall be liberally construed with a view to the public welfare, efficient facilities and substantial justice between patrons and public utilities.

393.130. 1. [E]very electrical corporation . . . shall furnish and provide such service instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable. All charges made or demanded by any such . . . electrical corporation . . . for . . . electricity . . . rendered or to be rendered shall be just and reasonable and not more than allowed by law or by order or decision of the commission. Every unjust or unreasonable charge made or demanded for . . . electricity . . . or in connection therewith, or in excess of that allowed by law or by order or decision of the commission is prohibited.

2. No . . . electrical corporation . . . shall directly or indirectly by any special rate, rebate, drawback or other device or method, charge, demand, collect or receive from any person or corporation a greater or less compensation for . . . electricity . . . or for any service rendered or to be rendered or in connection therewith, except as authorized in this chapter, than it charges, demands, collects or receives from any other person or corporation for doing a like and contemporaneous service with respect thereto under the same or substantially similar circumstances or conditions.

3. No . . . electrical corporation . . . shall make or grant any undue or unreasonable preference or advantage to any person, corporation or locality, or to any particular description of service in any respect whatsoever, or subject any particular person, corporation or locality or any particular description of service to any undue or unreasonable prejudice or disadvantage in any respect whatsoever [.]

393.140. The commission shall:

(1) Have general supervision of all . . . electrical corporations . . . having authority under any special or general law or under any charter or franchise to lay down, erect or maintain wires, pipes, conduits, ducts or other fixtures in, over or under the streets, highways and public places of any municipality, for the purpose of . . . transmitting electricity for light, heat or power, or maintaining underground conduits or ducts for

electrical conductors, . . . , and all . . . electric plants . . . owned, leased or operated by any . . . electrical corporation [.]

(2) [E]xamine or investigate the methods employed by such persons and corporations in manufacturing, distributing and supplying . . . electricity for light, heat or power and in transmitting the same, . . , and have power to order such reasonable improvements as will best promote the public interest, preserve the public health and protect those using such . . . electricity, . . . and those employed in the manufacture and distribution thereof, and have power to order reasonable improvements and extensions of the works, wires, poles, pipes, lines, conduits, ducts and other reasonable devices, apparatus and property of . . . electrical corporations [.]

(3) Have power . . . to prescribe from time to time the efficiency of the electric supply system, of the current supplied and of the lamps furnished by the persons or corporations generating and selling electric current [.]

(4) Have power, in its discretion, to prescribe uniform methods of keeping accounts, records and books, to be observed by . . . electrical corporations . . . engaged in the manufacture, sale or distribution of . . . electricity for light, heat or power [.]

(5) [To determine whether] rates or charges or the acts or regulations of any such persons or corporations are unjust, unreasonable, unjustly discriminatory or unduly preferential or in any wise in violation of any provision of law, [and] determine and prescribe the just and reasonable rates and charges thereafter to be in force for the service to be furnished, notwithstanding that a higher rate or charge has heretofore been authorized by statute, and the just and reasonable acts and regulations to be done and observed; and whenever the commission shall be of the opinion, after a hearing had upon its own motion

or upon complaints, that the property, equipment or appliances of any such person or corporation are unsafe, insufficient or inadequate, the commission shall determine and prescribe the safe, efficient and adequate property, equipment and appliances thereafter to be used, maintained and operated for the security and accommodation of the public and in compliance with the provisions of law and of their franchises and charters.

* * *

(8) Have power . . . after hearing, to prescribe by order the accounts in which particular outlays and receipts shall be entered, charged or credited.

* * *

(11) Have power to require every . . . electrical corporation . . . to file with the commission and to print and keep open to public inspection schedules showing all rates and charges made, established or enforced or to be charged or enforced, all forms of contract or agreement and all rules and regulations relating to rates, charges or service used or to be used, and all general privileges and facilities granted or allowed by such . . . electrical corporation [.] The commission shall have power to prescribe the form of every such schedule, and from time to time prescribe by order such changes in the form thereof as may be deemed wise [.]

Appendix 3: Conditions Determined on the Merits

The Commission grants the CCN application and the transfer application subject to the following provisions, as drawn verbatim from the *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*,[71] which are subject to the report and order. The parties refer to the settlement, defined in the body of this report and order, as the "Unanimous Stipulation and Agreement" the "Unanimous First Amendment [.]"

1. The Unanimous Stipulation and Agreement, attached hereto as Attachment 1, and the Unanimous First Amendment to that Stipulation, attached hereto as Attachment 2, are approved and adopted, and the signatory parties are ordered to comply with their terms. The Commission is not a party to the Stipulation and only approves the agreements that have been entered into by the Signatories.

2. KCP&L and GMO's Transfer Application is granted conditioned upon the terms of the Unanimous Stipulation and Agreement and the Unanimous First Amendment, including the Commission making specific findings after the final selection of the Sibley-Nebraska City route.

3. KCP&L and/or GMO shall file a copy of the final purchase agreement, detail of the costs included in CWIP, and detail of the property to be transferred at the time of transfer of the Projects' facilities.

4. To the extent that the SPP NTCs regarding the Projects are assets, the Commission approves KCP&L and GMO's plans to novate those NTCs.

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[71] EFIS No. 110, page 14 through 16, part I.D., paragraphs 1 through 11.

5. The Commission's Affiliate Transactions Rule sections 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 are waived with respect to:

a. The transfer, license, or assignment of transmission assets, easements, or right of ways (or use thereof) owned by GMO or KCP&L associated with the Projects;

b. Materials and services provided by KCP&L or GMO to Transource, Transource Missouri, or a subsidiary for the Projects prior to novation or transfer of the cost of the Projects to Transource Missouri; and

c. Information, assets, goods, and services provided by KCP&L or GMO to Transource, Transource Missouri, or a subsidiary until the Projects are in service.

6. The Commission's Affiliate Transactions Rule sections 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 are waived to the extent necessary to allow KCP&L and GMO to use a 20% markup to their fully distributed cost methodology in lieu of using the fair market value under the Rule with respect to:

a. Non-Project goods and services (if the Signatories cannot agree regarding the reasonableness of these charges, this matter shall be taken to the Commission for resolution);[72] and

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[72] Although the Signatories have not expressly requested a waiver of the Rule in Paragraph 6 of the Stipulation, the Commission finds that the provisions of Paragraph 6 propose treating non-Project goods and services in a manner different from the requirements of the Rule and, therefore, the Commission will treat Paragraph 6 as requesting a waiver of the Rule to the extent of its provisions.

b. Information, assets, goods, and services provided by KCP&L or GMO to Transource, Transource Missouri, or a subsidiary for the Projects after they are in service.

7. KCP&L and GMO shall file for Commission approval of their cost allocation manuals ("CAMs") before providing any information, assets, goods, and services to Transource or Transource Missouri after either the novation or transfer of the cost of the Projects, whichever occurs first, but KCP&L and GMO may provide to Transource or Transource Missouri information, assets, goods, and services in a manner consistent with the provisions of the Stipulation prior to Commission approval of their CAMs. [73].

8. Transource Missouri's CCN Application is granted conditioned upon the terms of the Unanimous Stipulation and Agreement and the Unanimous First Amendment, including the Commission making specific findings after the final selection of the Sibley-Nebraska City route.

9. Transource Missouri shall provide the Commission with the 4 CSR 240-3.105 information for the Sibley-Nebraska City route as soon as that information is available.

10. The reporting requirements of 4 CSR 240-3.175, Submission Requirements For Electric Utility Depreciation Studies, are waived subject to the Stipulation's provision regarding Staff's and OPC's access to documents.

11. Subsections 4 CSR 240-3.190 (1), (2), and (3)(A)-(D), Reporting Requirements For Electric Utilities And Rural Electric Cooperatives, are waived for Transource Missouri.

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[73] Transcript, Vol. 2 at 108-10; 4 CSR 240-20.015(3)(D), 4 CSR 240-20.015(10)(A)2.B.

Appendix 4: Consent Order

The Signatories agree to a grant of the CCN application and the transfer application subject to the following provisions, drawn verbatim from the *Second Joint Proposed Order and Joint Proposed Consent Order Approving Unanimous Stipulation and Agreement*, [74] and the settlement, which are subject to the provisions of the report and order.

1. The Stipulation contains a series of agreements among the Signatories that, among other things, require them (particularly the Applicants) to fulfill certain obligations. The Stipulation also specifies the establishment of certain regulatory liabilities and the manner of their future treatments. The Stipulation provides a process for administering affiliate transactions between the Signatories and related parties.

2. In particular, Section II(A) of the Stipulation provides for certain rate treatment respecting costs allocated to KCP&L or GMO by SPP involving FERC items such as authorized return on equity ("ROE"), capital structure, construction work in progress ("CWIP"), or other FERC transmission rate incentives for the Iatan-Nashua Project and the Sibley-Nebraska City Project facilities located in KCP&L's and GMO's respective service territories that are constructed by Transource Missouri. KCP&L and GMO have agreed to make these adjustments in all rate cases so long as the transmission facilities are in service.

A. Rate Treatment – Affiliate Owned Transmission

> 1. With respect to transmission facilities located in KCP&L certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, KCP&L agrees that for ratemaking purposes in Missouri the costs allocated to KCP&L by SPP will be adjusted by an amount equal to the difference between: (a) the SPP

[74] EFIS No. 110, page 16 through 18, section II, paragraphs 1 through 8.

load ratio share of the annual revenue requirement for such facilities that would have resulted if KCP&L's authorized ROE and capital structure had been applied and there had been no Construction Work in Progress ("CWIP") (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. KCP&L will make this adjustment in all rate cases so long as these transmission facilities are in service.

2. With respect to transmission facilities located in GMO certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, GMO agrees that for ratemaking purposes in Missouri the costs allocated to GMO by SPP will be adjusted by an amount equal to the difference between: (a) the SPP load ratio share of the annual revenue requirement for such facilities that would have resulted if GMO's authorized ROE and capital structure had been applied and there had been no CWIP (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. GMO will make this adjustment in all rate cases so long as these transmission facilities are in service.

3. Sections II(B) and II(D) address issues under the Commission's Affiliate Transactions Rule, 4 CSR 240-20.015 ("Rule"). The Signatories agreed that provisions of the Affiliate Transactions Rule, 4 CSR 240-20.015, should apply to transactions between KCP&L and GMO on the one hand, and GPE, Transource, and Transource's utility subsidiaries on the other hand, except for the waivers as provided for in Paragraphs 4 through 6, and 11 through 13 of the Stipulation. All Signatories reserved the right to seek or oppose additional waivers for other projects (i.e., projects other than the Iatan-Nashua

Project and the Sibley-Nebraska City Project) from the Affiliate Transactions Rule in the future.[75]

B. Affiliate Transactions Rule

> 3. The provisions of the Affiliate Transactions Rule, 4 CSR 240-20.015, shall apply to transactions between KCP&L and GMO on the one hand, and GPE, Transource Missouri, and Transource Missouri's utility subsidiaries on the other hand, except for the waivers as provided for in paragraphs 4 through 6, and 11 through 13. All Signatories reserve the right to seek or oppose additional waivers for other projects (i.e., projects other than the Projects) from the Affiliate Transactions Rule in the future.
>
> 4. The Signatories request that the Commission waive 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 with respect to transfer, license, or assignment of easements or right of ways (or use thereof, including joint usage where KCP&L/GMO are using the easement or right of way and permit Transource Missouri to use the same easement or right of way) owned by GMO or KCP&L associated with the Projects. The affiliate transactions referenced in this paragraph are subject to the provisions of paragraph 7.
>
> 5. The Signatories request that the Commission waive 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 with respect to materials and services (including, but not limited to, usage of KCP&L/GMO employees, contracted labor/services, vehicles, equipment, and facilities) provided by KCP&L or GMO to Transource Missouri, Transource Missouri, or a subsidiary for the Projects prior to novation or transfer of the cost of the Projects to Transource Missouri. The providing entity shall be compensated for these materials and services including Allowance for Funds Used During Construction ("AFUDC") and capitalized property taxes at its fully distributed cost at the time of transfer of the cost of the Projects.
>
> 6. The Signatories agree that non-Project goods and services (defined as goods and services that are not directly related to the Projects) were to be provided and are to be

[75] Transcript, Vol. 2 (Apr. 16, 2013) at 103-09; 4 CSR 240-20.015(10); 4 CSR 240-2.060(4).

provided at the higher of fair market value or fully distributed cost by KCP&L to Transource Missouri, Transource Missouri, and GPE prior to the novation or transfer of the cost of the Projects. KCP&L and GMO will, by June 1, 2013, ensure that charges to Transource Missouri, Transource Missouri, and GPE regarding the development and formation of Transource Missouri and Transource Missouri reflect the higher of fair market value or the fully distributed cost. The Signatories agree that KCP&L and GMO can use a 20% markup to their fully distributed cost methodology for such goods and services in lieu of using the fair market value. If the Signatories cannot agree regarding the reasonableness of these charges, this matter will be taken to the Commission for resolution. In support of the resolution of the treatment for non-Project goods and services provided prior to the novation or transfer of the cost of the Projects, KCP&L and GMO will contribute a total of $50,000 to the State School Fund or a mutually agreeable organization. This contribution will not be recovered from KCP&L and GMO customers. The Signatories agree that all outstanding issues related to the provision of non-Project goods and services to Transource Missouri, Transource Missouri, and GPE prior to the novation or transfer of the cost of the Projects are resolved, except as provided in this paragraph.

7. Transource Missouri will pay GMO the higher of $5.9 million or net book value for transferred transmission assets, easements, and right-of-ways that have been previously included in the rate base and reflected in the retail rates of KCP&L and GMO customers. KCP&L and GMO agree to book a regulatory liability reflecting the value of this payment to the extent it exceeds net book value. This regulatory liability shall be amortized over three years beginning with the effective date of new rates in KCP&L's and GMO's next retail rate cases.

D. KCP&L Operations Specific to the Projects

11. If KCP&L assists Transource Missouri for the Projects in communicating with local landowners in the KCP&L and GMO certificated service territories, with local governmental authorities, and with other members of the public, or if KCP&L continues to provide ongoing construction management, cost control management, engineering services, construction services, procurement of materials, and related services for the Projects, the Signatories request that the Commission waive 4 CSR 240-20.015(2)(A)2, 4 CSR 240-

20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 with respect to information, assets, goods, and services (including, but not limited to, usage of KCP&L or GMO employees, contracted labor/services, vehicles, equipment, and facilities) provided by KCP&L or GMO to Transource Missouri, Transource Missouri, or a subsidiary until the Projects are in service. These materials and services will be provided at fully distributed cost until the Projects are in service. For the purposes of this paragraph and paragraph 12, "in service" is defined as the commercial operation date for each of the Projects.

12. If KCP&L provides operations and maintenance services and related capital for the Projects after they are in service, it will do so in a manner consistent with the application of the Commission's Affiliate Transactions Rule, except that the Signatories request that the Commission waive 4 CSR 240-20.015(2)(A)2, 4 CSR 240-20.015(2)(B), and 4 CSR 240-20.015(3)(C)4 with respect to information, assets, goods, and services (including, but not limited to, usage of KCP&L or GMO employees, contracted labor/services, vehicles, equipment, and facilities) provided by KCP&L or GMO to Transource Missouri, Transource Missouri, or a subsidiary to the extent necessary to allow KCP&L and GMO to use a 20% markup to their fully distributed cost methodology in lieu of using the fair market value.

13. KCP&L and GMO shall file for Commission approval of their Cost Allocation Manuals ("CAM") before providing any information, assets, goods, and services to Transource Missouri or Transource Missouri after either the novation or transfer of the cost of the Projects, whichever occurs first. The Signatories agree that KCP&L and GMO can provide information, assets, goods, and services to Transource Missouri or Transource Missouri in a manner consistent with the provisions of this Stipulation prior to Commission approval of the CAM.

4. The Signatories have agreed to certain payments to be made by Transource Missouri, KCP&L and GMO, including their regulatory treatment.[76] The Signatories have

[76] Stipulation, Paragraph II(B)(7) at p. 7: "Transource Missouri will pay GMO the higher of $5.9 million or net book value for transferred transmission assets, easements, and right-of-ways that have been previously included in the rate base and reflected in the retail rates of KCP&L and GMO customers. KCP&L and GMO agree to book a regulatory liability reflecting the value of this payment to the extent it exceeds net book value. This regulatory liability shall be amortized over three years beginning with the effective date of new rates in

also agreed to other procedures that KCP&L, GMO, Transource Missouri, and their affiliates will follow with regard to the Projects.

5. The Stipulation contains provisions regarding the future operations of the Applicants in Section II(C), reporting requirements in Section II(E), and access by Staff and OPC to the books and records of Transource Missouri and Transource Energy in Section II(F). There are additional conditions in Section II(G) regarding the final selection of the route of the Sibley-Nebraska City Project, as well as public outreach efforts related to the siting, routing, easement acquisition and right-of-way acquisition for the Projects.

C. Transource Missouri Operations/Future Transfer

> 8. Transource Missouri will not pursue future transmission projects that are subject to a right of first refusal ("ROFR") in the KCP&L and GMO respective certificated service territories.
>
> 9. KCP&L and GMO will pursue future transmission projects subject to ROFR in their respective certificated service territories. KCP&L or GMO may seek a waiver from the provisions of this paragraph from the Commission for good cause.
>
> 10. Transource Missouri agrees to seek approval from the Commission for any subsequent transfer of the Projects' facilities.

E. Additional Reporting and Provision of Information Regarding the Projects

> 14. KCP&L will file a copy of the final purchase agreement, detail of the costs included in CWIP, and detail of the property to be transferred at the time of transfer of the Projects' facilities.
>
> 15. KCP&L, GMO, and/or Transource Missouri will continue coordinated efforts with Omaha Public Power District

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KCP&L's and GMO's next retail rate cases." Stipulation, Paragraph II(B)(6) at p. 6: "... KCP&L and GMO will contribute a total of $50,000 to the State School Fund or a mutually agreeable organization. This contribution will not be recovered from KCP&L and GMO customers."

until the details of the routing and interception point for the Sibley-Nebraska City line are finalized.

16. KCP&L, GMO, and/or Transource Missouri will provide to Staff and OPC the Sibley-Nebraska City Project cost control budget estimate in the fourth Quarter of 2013.

17. 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.

18. 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.

19. Updates to SPP regarding the Projects are now being entered on a quarterly basis directly into SPP's Transmission and Generation Interconnection Tracking ("TAGIT") project tracking database through a secure interface. SPP reviews the updates and includes them in its quarterly Project Tracking Reports, which are publicly available on SPP's website. Transource Missouri will provide to Staff and OPC any other periodic updates required by SPP regarding the Projects that are not included in the publicly available quarterly Project Tracking Reports.

F. Access to Books and Records Necessary for the Commission to Perform Its Statutory Duties

20. Transource Missouri will produce in Missouri, upon reasonable notice, duplicate copies of Transource Missouri's and Transource Missouri's books and records.

21. Transource Missouri will provide Staff and OPC access to the following documents, including but not limited to: (a) Meeting Minutes of, and Materials distributed at, the Transource Missouri Board of Managers and Members (including Committee Minutes and Materials); (b) Meeting Minutes of, and Materials distributed at, the Transource Missouri Board of Managers and Members (including Committee Minutes and Materials); (c) Workpapers of the external auditors of Transource Missouri; (d) Workpapers of the external auditors of Transource Missouri; (e) General

Ledger (provided electronically) of Transource Missouri; (f) General Ledger (provided electronically) of Transource Missouri; (g) Chart of Accounts and Written Accounting Policies of Transource Missouri; (h) Chart of Accounts and Written Accounting Policies of Transource Missouri; (i) Organizational Charts of Transource Missouri; (j) Organizational Charts of Transource Missouri; (k) Total Company and Missouri Jurisdictional Financial Statements (Income Statement, Balance Sheet, Statement of Cash Flows) on a Quarterly Basis of Transource Missouri; (l) Total Company and Missouri Jurisdictional Financial Statements (Income Statement, Balance Sheet, Statement of Cash Flows) on a Quarterly Basis of Transource Missouri; (m) Monthly Operating/Financial Reports of Transource Missouri (used for internal reporting of the utility ongoing operations and earnings results); (n) Monthly Operating/Financial Reports of Transource Missouri (used for internal reporting of the utility ongoing operations and earnings results); (o) Construction and Operating Budgets for the Current and Succeeding Three Years of Transource Missouri; (p) Construction and Operating Budgets for the Current and Succeeding Three Years of Transource Missouri; (q) Federal and Missouri Income Tax Returns of Transource Missouri; and (r) Federal and Missouri Income Tax Returns of Transource Missouri.

22. Transource Missouri will work with Staff to provide office space in Columbus, Ohio if it is more efficient for the Staff to perform its duties in Columbus, rather than by reviewing copies of books and records provided in Missouri.

23. New or updated agreements between the Applicants that are executed after the approval of the settlement agreement in this case will be provided to the Signatories as they become available.

G. Additional Conditions Agreed to for Approval of Applications

24. GMO agrees to establish a regulatory liability reflecting the amount collected in retail customer rates for the transferred property from the date of the novation or transfer of the costs of the Projects until new GMO rates are established. The treatment of the regulatory liability will be determined in GMO's next retail rate case.

25. Transource Missouri requested that the Commission grant approval of the CCN Application conditioned upon: (a) PSC approval of the transfer requests in File No. EO-2012-0367; (b) SPP's approval of Transource Missouri as a transmission owning member; (c) novation of the NTCs to Transource Missouri; and (d) FERC's acceptance of the novation agreements.

26. KCP&L and GMO requested that the Commission grant approval of the Transfer Application conditioned upon: (a) Transource Missouri obtaining the necessary approvals to construct the Projects; (b) Transource Missouri executing the SPP Membership Agreement as a Transmission Owner; (c) SPP's approval of the novation of the NTCs to Transource Missouri; and (d) FERC's acceptance of the novation agreements.

27. The Signatories agree that it would be reasonable for the Commission to grant conditional approval of KCP&L and GMO's Transfer Application and Transource Missouri's CCN Application prior to the final selection of route for the Sibley-Nebraska City Project. The Signatories request that the Commission grant approval conditioned upon the Commission making specific findings, through means determined at the Commission's discretion, after the final selection of the Sibley-Nebraska City route has been made, that the Transfer Application is not detrimental to the public interest and that the CCN Application is necessary and convenient for the public service. Transource Missouri shall provide the Commission with the 4 CSR 240-3.105 information for the Sibley-Nebraska City route as soon as that information is available.

28. Nothing in this Stipulation restricts any Signatory's right to request reasonable additional notice, local public hearings, or additional processes in these cases. No Signatory is restricted from opposing such request to the Commission.

29. 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.

6. The Commission has thoroughly reviewed the terms of the Stipulation, as well as the Signatories' Joint Memorandum in Support of the Stipulation and other submissions which they have submitted jointly and individually. The Commission has also reviewed the hearing exhibits that have been entered into the record in this case. Based upon its review of the record and the Stipulation, the Commission independently finds and concludes that the Stipulation's proposed terms are in the public interest, and that they are necessary and convenient for the public service.

7. Although the Commission's review and approval of the Stipulation does not mean that it is issuing a decision on the merits of each of the individual elements of the Stipulation, the Commission finds that the agreement entered into by the Signatories is fair and reasonable, is not detrimental to the public interest, and serves the necessity and convenience of the public.

8. The Commission finds that the actions that the Stipulation requires the Applicants to take, and the process and procedures that the Signatories have agreed to follow as the Projects are constructed and operated all relate to the promotion of efficient facilities to serve the public, and they achieve substantial justice between patrons and public utilities. PSC v. Missouri Gas Energy, 388 S.W.3d 221, 228 (Mo. App. W.D. 2012), citing Section 386.610. Consequently, it is in the public interest for the Commission to approve the Stipulation as submitted by the Signatories.

JOINT OPERATING AGREEMENT

This Joint Operating Agreement (the "Agreement") is made and entered into this 10th day of October, 2008 by and between Kansas City Power & Light Company ("KCP&L") and Aquila, Inc., doing business as KCP&L Greater Missouri Operations Company ("KCP&L GMO").

WITNESSETH

WHEREAS, KCP&L is a wholly-owned subsidiary of Great Plains Energy Incorporated ("Great Plains Energy"); and

WHEREAS, Great Plains Energy acquired KCP&L GMO as of July 14, 2008, and

WHEREAS, to facilitate utility operations integration and to realize synergies, employees of KCP&L GMO were transferred to KCP&L, and employees of KCP&L will operate and manage the business and properties of both KCP&L and KCP&L GMO, and

WHEREAS, in Case No. EM-2007-0374 before the Missouri Public Service Commission (the "MPSC"), KCP&L and KCP&L GMO requested a waiver from the MPSC affiliate transaction rules to permit KCP&L to provide services and non-power goods to KCP&L GMO at fully distributed cost, and offered to execute and file a joint operating agreement to document the provision of such services and non-power goods, and

WHEREAS, the MPSC granted such waiver, authorized Great Plains Energy to acquire KCP&L GMO, and directed that such a joint operating agreement be filed with the MPSC, and

WHEREAS, KCP&L and KCP&L GMO have entered into this Agreement whereby each party agrees to provide and to accept and pay for various services and non-power goods.

NOW THEREFORE, in consideration of the promises and the mutual agreements herein contained, the parties to this Agreement covenant and agree as follows:

ARTICLE I – JOINT OPERATING SERVICES

<u>Section 1.1</u> <u>Purpose</u>. This Agreement provides the contractual basis for the coordinated planning, construction, acquisition, disposition, operation and maintenance of KCP&L's and KCP&L GMO's business and properties to achieve synergies, consistent with reliable electric service and all legal and other requirements.

Section 1.2 KCP&L Designated Agent and Operator. KCP&L GMO hereby designates KCP&L as its agent and operator of its business and properties. KCP&L shall be responsible for and shall perform, through its employees, agents, and contractors, all such actions and functions (including, without limitation, the entry into contracts for the benefit of or as agent for KCP&L GMO) as may be required or appropriate for the proper design, planning, construction, acquisition, disposition, operation, engineering, maintenance and management of KCP&L GMO's business and properties in accordance with the terms of this Agreement (the "Services"). KCP&L GMO hereby delegates to KCP&L, and KCP&L hereby accepts responsibility and authority for the duties set forth in this Agreement.

Section 1.3 Description of the Services. The Services shall include all services required or appropriate for the design, planning, construction, acquisition, disposition, operation, engineering, maintenance and management of KCP&L GMO's business and properties. The Services exclude wholesale electricity and transmission service transactions between KCP&L and KCP&L GMO, which will be governed by applicable Federal Energy Regulatory Commission ("FERC") tariffs and rules. Such Services are more fully described in Appendix A hereto.

Section 1.4 Standards for Services. KCP&L shall provide the Services in accordance with its practices, methods, standards, guides, policies and procedures in effect from time to time which, as applicable, will be consistent with those that are generally accepted in the electric utility industry. KCP&L will comply with all applicable Federal, State and local laws, regulations, ordinances and other requirements in the provision of Services to KCP&L GMO.

Section 1.5 Facilities Services. KCP&L will use its properties, systems, agreements and other assets in providing Services (the "KCP&L Facilities Services"). KCP&L GMO consents to the use of its properties, systems and agreements by KCP&L in providing Services and in operating and managing KCP&L's own business (the "KCP&L GMO Facilities Services"). The KCP&L Facilities Services and the KCP&L GMO Facilities Services are collectively referred to as the "Facilities Services". The provision of, and payment for, the Facilities Services will be done pursuant to the terms of this Agreement.

Section 1.6 Compliance with Policies and Agreements. In connection with its receipt of the Services, each party shall comply with (i) all applicable policies and procedures of the other party, and (ii) all applicable terms and conditions of any third party agreements pursuant to which KCP&L GMO receives Services and KCP&L receives Facilities Services, including without limitation terms and conditions preserving the confidentiality and security of proprietary information of vendors.

Section 1.7 Adequacy of Personnel. KCP&L shall use commercially reasonable efforts to maintain a staff trained and experienced in provision of the Services. Notwithstanding the foregoing, KCP&L may (i) arrange for the services of nonaffiliated experts, consultants, attorneys and other third parties in connection with the performance of any of the Services or (ii) subcontract performance of the Services to one or more third parties.

Section 1.8 Parity of Services and Internal KCP&L Operations. KCP&L will at all times use its commercially reasonable efforts to provide the Services in scope, quality and schedule equivalent to those it provides to its own internal operations. In providing the Services, KCP&L will seek to maximize the aggregate synergies to both companies, and shall not take any action that would unduly prefer either party over the other party.

ARTICLE II - COMPENSATION

Section 2.1 Payment for Services. As compensation for the Services, KCP&L GMO shall reimburse KCP&L for all costs that reasonably can be identified and related to the Services performed by or on behalf of KCP&L for KCP&L GMO including, but not limited to, KCP&L's cost of salaries and wages, office supplies and expenses, third party vendor costs, property insurance, injuries and damages, employee pensions and benefits, taxes, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, and compensation for use of capital. Notwithstanding anything herein to the contrary, the price of the Services shall comply with all applicable rules and regulations of the FERC, the MPSC, all other applicable regulatory commissions, and the provisions of Great Plains Energy's Cost Allocation Manual, which includes KCP&L and KCP&L GMO cost allocation information, filed from time to time with the MPSC.

Section 2.2 Payment for Facilities Services. It is understood that KCP&L GMO Facilities Services may be used by KCP&L in providing Services to KCP&L GMO, as well as used by KCP&L for its own business. In order to avoid duplicate billing, the parties agree that KCP&L will be billed, and will reimburse KCP&L GMO, only for that portion of KCP&L GMO Facilities Services used by KCP&L for its own business. As compensation for Facilities Services, the receiving party shall reimburse the providing party for all costs that can reasonably be identified and related to the Facilities Services including, but not limited to, cost of salaries and wages, office supplies and expenses, third party vendor costs, property insurance, injuries and damages, employee pensions and benefits, taxes, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, compensation for use of capital, and a return on capital associated with the assets used to provide Facilities Services. Costs recovered through Services billings shall be excluded from the costs of Facilities Services. Notwithstanding anything herein to the contrary, the price of Facilities Services shall comply with all applicable rules and regulations of the FERC, the MPSC, all other applicable regulatory commissions, and the provisions of Great Plains Energy's Cost Allocation Manual, which includes KCP&L and KCP&L GMO cost allocation information, filed from time to time with the MPSC.

Section 2.3 Billing. KCP&L shall render a monthly statement to KCP&L GMO setting forth a description of the Services and KCP&L Facilities Services rendered to KCP&L GMO in the previous month and KCP&L's costs in connection therewith. The monthly statement to KCP&L GMO will also set forth a description of KCP&L GMO Facilities Services used by KCP&L for its own business and KCP&L GMO's associated costs. KCP&L shall maintain reasonable supporting documentation in connection with costs. Payment shall be made by remittance of the amounts billed within thirty (30) days of the date of the statement or by making appropriate accounting entries on KCP&L's and KCP&L GMO's books.

Section 2.4 Dispute Resolution. In the event that a dispute arises between KCP&L and KCP&L GMO regarding the costs charged by the providing party to the receiving party for Services or Facilities Services hereunder, representatives of KCP&L and KCP&L GMO will attempt to resolve the issues. Unresolved disputes regarding costs or any other claim or dispute related to this Agreement shall be resolved by binding arbitration by the American Arbitration Association under the rules then in effect. Any award of the arbitrator(s) may be entered as a judgment in any court of competent jurisdiction.

Section 2.5 Records Inspection. KCP&L GMO at its own expense may examine KCP&L's pertinent books, records, data and other documents once each year for the purpose of evaluating the accuracy of KCP&L's statements to KCP&L GMO. Such examination shall begin no fewer than thirty (30) days after KCP&L receives a written notice requesting an examination and shall be completed no later than thirty (30) days after the start of such examination. Such examination shall be conducted by an independent auditor reasonably acceptable to both KCP&L GMO and KCP&L. If an independent auditor is used, KCP&L GMO shall cause the independent auditor to execute a nondisclosure agreement reasonably acceptable to KCP&L. Each audit shall be conducted on the premises of KCP&L during normal business hours. KCP&L shall cooperate fully in any such audit, providing the auditor reasonable access to any and all appropriate KCP&L employees and books, records and other documents reasonably necessary to assess the accuracy of KCP&L's invoices. The results of the examination shall be provided to KCP&L.

If KCP&L and KCP&L GMO agree that the amount of any statement should be adjusted as a result of the examination, the amount of the adjustment shall be paid or reimbursed, as applicable, promptly with interest at a rate equal to the applicable compensation for use of capital if the adjustment is related to Services provided, or at a rate equal to the applicable return on capital used for Facilities Services billings (as such rates are described in the Great Plains Energy Cost Allocation Manual) from the due date of the applicable invoice. Any unresolved dispute shall be submitted to arbitration pursuant to Section 2.3, and any resulting award shall include interest calculated on Services or Facilities Services as previously described from the due date of the applicable invoice.

ARTICLE III – TERM AND TERMINATION

This Agreement shall become effective as of the date first written above and shall continue in force until terminated pursuant to this Article III (the "Term"). This Agreement may be terminated by either party upon at least one year's prior written notice to the other party. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with any applicable law, rule, regulation or order of any regulatory body adopted before or after the date of this Agreement. Further, this Agreement shall automatically terminate in the event of a direct or indirect change of control of either KCP&L or KCP&L GMO. Sections 2.4, 2.5, 4.1, 4.2, 5.3 and 5.4 shall survive expiration or termination of this Agreement for any reason.

ARTICLE IV –

DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY

Section 4.1 EXCEPT AS SET FORTH IN SECTION 1.4, KCP&L MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE SERVICES AND HEREBY DISCLAIMS ALL SUCH REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES AS TO MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

Section 4.2 Limitation of Liability. Except with respect to its indemnification obligations set out in this Section 4.2, KCP&L's aggregate liability to KCP&L GMO pursuant to this Agreement for any acts or omissions in any 12-month period during the Term shall not exceed the aggregate charges payable to KCP&L by KCP&L GMO pursuant to Section 2.1 and 2.2 in such 12-month period. Except with respect to its indemnification obligations set out in this Section 4.2, KCP&L GMO's aggregate liability to KCP&L pursuant to this Agreement for any acts or omissions in any 12-month period during the Term shall not exceed the aggregate charges payable to KCP&L GMO by KCP&L pursuant to Section 2.2 in such 12-month period. Notwithstanding the foregoing sentences, each party hereto will defend, indemnify and save harmless the other party hereto from and against any and all liability, loss, costs, damages and expenses, including reasonable attorney's fees, caused by or arising out of the gross negligence, willful misconduct or breach of this Agreement by such indemnifying party. In no event shall any party be liable to the other party for any punitive, exemplary, indirect, special or consequential damages in connection with this Agreement.

ARTICLE V - MISCELLANEOUS

Section 5.1 Amendments. No amendment, change, or modification of this Agreement shall be valid, unless made in writing and signed by the parties hereto.

Section 5.2 No Assignment. Neither party may assign this agreement, in whole or in part, without the prior written consent of the other party.

Section 5.3 Choice of Laws. This Agreement will be deemed to be made in and in all respects shall be interpreted, construed and governed by and in accordance with the laws of Missouri, without giving effect to rules concerning conflicts of laws.

Section 5.4 No Third Party Beneficiaries. This Agreement is not intended to, and does not, confer upon any party other than KCP&L and KCP&L GMO any rights or remedies hereunder.

Section 5.5 Regulatory Filings. KCP&L and KCP&L GMO shall make all necessary regulatory filings and seek all necessary regulatory approvals for this Agreement.

Section 5.6 No Effect on Other Agreements. This Agreement shall not modify the obligations of any party under any agreement with a third party, and shall not modify any agreement between the parties under any tariff or other agreement filed with the FERC, the

MPSC or other regulatory commission.

Section 5.7 Waivers. Any waiver at any time by a party of any of its rights with respect to a default by the other party under this Agreement shall not be deemed a waiver with respect to any subsequent default of similar or different nature, nor shall it prejudice its right to deny waiver of any other default by the other party.

Section 5.8 Independent Contractor. KCP&L and KCP&L GMO agree that for the purposes of this Agreement, each party is an independent contractor to the other party. KCP&L will be solely responsible for directing the work of its personnel. KCP&L is solely responsible for the compensation of its employees assigned to provide the Services hereunder, and payment of workers' compensation, disability and other similar benefits, unemployment and other similar insurance, and for withholding, income, social security and other taxes.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

Kansas City Power & Light Company

William H. Downey
President and Chief Operating Officer

Aquila, Inc., doing business as KCP&L Greater Missouri Operations Company

William H. Downey
President and Chief Operating Officer

Approved by Counsel:

William G. Riggins
General Counsel and Chief Legal Officer
Kansas City Power & Light Company
Aquila, Inc.

APPENDIX A

Description of Services

General descriptions of the Services to be provided by KCP&L to KCP&L GMO are detailed below. The descriptions are deemed to include services associated with, or related or similar to, the services contained in such descriptions. The descriptions are not intended to be exhaustive, and KCP&L will provide such additional services, whether or not referenced below, that are necessary or appropriate to meet the service needs of KCP&L GMO.

Corporate Services

Corporate Services is responsible for providing Information Technology, Purchasing, Facilities and Resource Protection services for KCP&L GMO operations. These services also apply to any new facilities that may be added from time to time.

Information Technology ("IT"): Support existing applications, technologies and infrastructure to ensure business continuity and leverage capabilities. Examples include CIS, PeopleSoft, desktop, real-time systems, radio and telecommunications. In addition, IT will work with KCP&L GMO to develop and deploy new applications and technologies as appropriate.

Purchasing: Acquire goods and services on behalf of KCP&L GMO operations, as well as for all construction projects; exercise governance and oversight over all procurement functions and ensure compliance with established policies and procedures.

Facilities: Responsible for the planning and management of existing company buildings and grounds, whether owned or leased, as well as for any new building construction or remodeling; and provide print, courier and mailroom services and records management.

Resource Protection: Responsible for the protection of the physical, human and information assets of KCP&L GMO, and for business continuity planning and adherence to applicable standards such as required by Homeland Security, etc.

Delivery

Delivery is responsible for providing customer, transmission and distribution services. This includes business performance services, claims services, customer services, major outage/catastrophic event management services, energy efficiency and demand response services, metering and infrastructure technology services, resource management, safety training and incident response services, transmission and distribution construction and maintenance management, transmission and distribution operations and maintenance, transmission, distribution and substation engineering and asset management, transmission policy, planning and compliance services to KCP&L GMO. These services also apply to any new facilities that may be added from time to time.

Business Performance Services: Develop, gather data, manage, create and maintain financial and reliability reports; provide financial analysis, training on financial systems and business support; oversee financial and accounting processes; direct the preparation of budgets and forecasts; draft certain regulatory reports and testimony; develop policies, monitor key developments in the electrical delivery arena and KCP&L GMO territories; prepare and file compliance related reporting; manage process and performance improvement; create and conduct process and performance training; and collect and analyze benchmarking and scorecard data.

Claims Services: Administer claims received relating to property damage and/or service issues in KCP&L GMO service territories; prosecute claims to recover damages for property damage against KCP&L GMO assets.

Community Liaison and Communication Services: Act as liaison with government agencies; federal, state and locally elected officials, civic organizations, and other community stakeholders affecting the KCP&L GMO service area; respond to media and governmental stakeholder requests for information; and create and present information to the public through press releases, advertising, public speaking and other available communication channels.

Community Relations Services: Identify and administer investment and membership support in KCP&L GMO's community organizations; administer contributions to nonprofit agencies identified in KCP&L GMO's service and operating territories that support at-risk youth, the environment and economic/workforce development; administer memberships with chambers, economic development corporations and other organizations in KCP&L GMO's service and operating territories; coordinate presentations and public speaking requests; identify and administer community sponsorships in coordination with partners; manage and provide support for KCP&L GMO's events, including town hall meetings and executive visits; identify and manage employees in KCP&L GMO community support roles, such as serving on boards and providing direct service to underserved people and communities.

Customer Services: Receive and process customer requests through all customer contact channels; answer customer questions, create and enter service orders, and educate customers about KCP&L GMO services; obtain and record meter data; process customer service orders; manage the field collection process at the customer premise, investigate potential revenue loss, and report irregular customer activities pertaining to their electric service; prepare and deliver accurate and timely statements and invoices to customers; manage the payment application process, reconcile payments received from customers, remit payments received, and conduct research on non-routine payments; collect amounts owed on delinquent accounts, bad debt recoveries, and bankruptcy; process and remit amounts recovered; manage and apply energy assistance payments; conduct fraud investigations, diversion investigations, and analyze customer usage and pricing for accuracy and timeliness of sending customer bills; investigate and manage commission complaints to resolution; design programs to increase funding to assist low income customers; manage programs targeted for the elderly and vulnerable (i.e., medical emergency) customers; create partnerships with energy assistance agencies; administer cold and hot weather rules; develop and present outreach programs designed to educate customers about energy usage and efficiency; design and use measurement and assessment tools to gauge effectiveness and efficiency of customer contact work processes; and collect, verify and report statistics and data as requested by internal customers.

Economic Development Services: Manage and administer business development initiatives, strategies and programs associated with retention, expansion and recruitment of major customers in KCP&L GMO's service territory; manage and develop relationships with strategic state, regional and local development groups while being familiar with state and local incentives, and financing options; assist KCP&L GMO's communities in strategic planning, setting goals and priorities, and facilitate implementation of community and economic development programs; and represent KCP&L GMO on relevant community and state boards.

Energy Efficiency and Demand Response Services ("EE/DSM"): Identify and develop products for EE/DSM including market analysis, technology review, feasibility analysis, load research and tariff development/approval; provide marketing of EE/DSM to customers; act as liaison and support EE/DSM programs with large industrial and commercial users; create and present public education and training demonstrations on EE/DSM programs; provide eServices management; and develop and provide marketing, sales and product support for unregulated, revenue generating services.

Major Outage/Catastrophic Event Management Services: Provide "command and control" management including allocation of resources, communication with MPSC, internal and external stakeholders, coordination with the Mutual Assistance Group, and analysis of operational and performance data from KCP&L GMO systems; act as liaison with government agencies, municipalities and emergency response organizations; and create and conduct training with stakeholders .

Metering and Infrastructure Technology Services: Plan, design and implement integrated technologies to better supply, manage, and enable more efficient use of energy both by the utility and the customer; identify and evaluate existing and emerging technologies in the areas of advanced metering, distribution automation, grid communication networks, advanced control centers, demand response, energy efficiency, as well as the integration of renewable and distributed supply resources; and plan, design and implement metering and meter reading infrastructure.

Resource Management: Provide supervision of resource procurement, including strategic sourcing, vendor alliance development, order management, supplier management, consignment systems and contract governance; manage vegetation management services and infrastructure monitoring and improvements consistent with approved KCP&L GMO vegetation and infrastructure plans; provide supply chain management to drive optimum service, quality and innovation for material, services and fleet management in order to achieve operational excellence and lower operational and maintenance costs; develop policies and implement contract compliance practices to ensure value is captured; provide work management asset tracking services; provide meter procurement and maintenance services; and provide shop services that include equipment testing and reconditioning, welding, mechanical services, pipefitting, plumbing and carpentry.

Safety Training and Incident Response Services: Create and present public safety education and training demonstrations; respond to incidents of personal injury and/or property damage involving employees and/or KCP&L GMO assets; and develop operating and compliance guidelines.

Transmission and Distribution Construction and Maintenance Management: Analyze, coordinate and support work for system expansion, construction, system improvements, and corrective and preventive maintenance; provide patrolling services of infrastructure and equipment; and act as company liaison to customers, municipalities, community organizations and local stakeholders.

Transmission and Distribution Operations and Maintenance: Provide "first response" to outage and irregular system operation reports and analyze, coordinate and support work to restore service and return system to regular operating status.

Transmission, Distribution and Substation Engineering and Asset Management: Analyze, coordinate and support work for delivery and substation system expansion, improvements, and corrective and preventive maintenance; provide engineering, planning, design, trouble-shooting and mapping services; support field personnel in handling right–of-way purchases, right-of-way inquiries, zoning permits and crossing permits; and establish and monitor system-wide electrical standards.

Transmission Policy, Planning and Compliance Services: Develop policies, monitor key developments in the transmission arena, and participate in industry groups and forums relevant to transmission system reliability, operations and policy issues; act as liaison with FERC, NERC, Southwest Power Pool ("SPP"), Midwest Independent Transmission System Operator ("MISO"), Edison Electric Institute ("EEI"), Kansas Electric Transmission Authority ("KETA"), the Transmission Owners and Operators Forum and other organizations and stakeholders; perform analysis and planning of transmission system; negotiate agreements with transmission stakeholders; provide support for real-time transmission system analysis, monitor system reliability and security; respond to threats against system reliability and security; provide compliance review of relevant NERC and FERC standards and policies; administer transmission tariffs; and provide accounting of energy flowing across transmission system and monitor transmission revenues received.

Supply

Supply is responsible for all aspects of providing the electric energy necessary to reliably, and in compliance with applicable laws, fulfill the electric demands of KCP&L GMO customers. In order to effectively meet this obligation, Supply shall provide the following general services to KCP&L GMO: resource planning; plant operations and maintenance; fuel procurement and logistics; generation dispatch; power purchases and sales; new unit construction; and system black-start. These services shall apply to all present and future KCP&L GMO generating facilities. These services also include the optimization of all KCP&L GMO jointly owned units and all capacity and energy contracts that exist or may be entered into from time to time.

KCP&L and KCP&L GMO will be operated and planned for as separate control areas with wholesale transactions governed by applicable FERC tariffs and rules, until and unless otherwise determined by the parties and approved by all applicable regulatory bodies.

Resource Planning: Develop periodic integrated resource plans, capacity testing, reliability reporting, and interconnection applications; coordinate new source review as needed; and maintain fleet generation statistics.

Plant Operations and Maintenance: Conduct safety training, safety incident investigation, training of the operating and maintenance staff; develop/maintain operating procedures; manage operating staff; maintain planning (near term and long term); maintain facilities and equipment; outage planning; maintenance management; contractor management; inventory management; and environmental compliance and reporting.

Fuel Procurement and Logistics: Develop fuel procurement plan, fuel procurement for power production (coal, oil and natural gas); arrange for fuel delivery, nomination of required natural gas deliveries, procurement, delivery of all plant combustion reagents (lime, limestone, ammonia, urea, etc.); fuel handling and storage at the plants; and fuel inventory management, sale or off-site disposal of coal combustion products (including fly ash, bottom ash, and scrubber by-products).

Generation Dispatch: Unit scheduling; maintenance of reserve requirements; coordination with the RTO; and coordination with generating stations and load balancing.

Power Purchases and Sales: Manage day ahead and real time sales and/or purchases to effectively meet customer demand; secure transmission paths; cultivate wholesale customers on both the buy and sell side; track and manage RTO transactions and costs; and manage participation in RTO markets as they become available (energy imbalance market, ancillary services, etc.).

New Unit Construction: Organize and manage the construction efforts necessary to place new generating assets into service or to retro-fit existing facilities with new process equipment necessary to allow the unit to continue to operate, including the removal of abandoned equipment, as may be necessary.

Black Start: Maintain and periodically test the system black-start capability.

Human Resources

Services are provided to KCP&L GMO by employees of KCP&L. Human Resources ("HR") is responsible for the planning, development, and implementation of all aspects of human capital strategy which complements and reinforces the strategies of KCP&L GMO and its affiliates. HR will meet KCP&L GMO's needs through the general services categories described below.

Employee Relations – HR uses a Generalist model in working with operating groups as business partners to ensure close alignment with, and proactive support of, operating needs.

Labor Relations – Provide centralized leadership in working collaboratively with the IBEW locals, including labor strategy, negotiations, grievances, arbitrations, job bidding, and other activities.

Staffing and Recruitment – Ensure a robust pipeline of talent into the organization by creatively sourcing candidates and overseeing/coordinating the recruiting, interviewing, testing, placement, and on-boarding processes; and manage a variety to specialized sourcing programs ranging from college recruiting, internship programs, high programs, diversity programs, and other practices.

Compensation and Benefits – Recommend and develop the overall reward program to ensure the acquisition and retention of talent and effective cost management, including base salary, incentive, and all other benefit and recognition programs; and oversee Affirmative Action Programs.

Safety and Medical – Oversee worker's compensation and return-to-work programs, DOT, and other health and safety programs.

Winning Culture – Work to ensure a workforce that is engaged, innovative, accountable, and high-performing.

Training and Development – Ensure an effective professional workforce through the development/delivery of programs through the GPE University; identify suitable external programs and leadership development opportunities; and identify, coaching, and development of high potential employees; and oversee an assessment center, workforce planning, periodic employee surveys, and effective performance management processes.

Human Resource Information System – Ensure secure and effective systems that allow accurate reporting of employee-related information; develop and implement systems and processes that enable increased employee and manager self-service; and promote and implement process improvements for HR.

HR Service Center - The HR Service Center provides a "one-stop shop" for efficient response to employees' and retirees' HR questions.

HR Strategy and Planning – Ensure awareness of best practices and adopts as appropriate; ensures goals, metrics, and plans are established to enhance service and efficiency; and craft and implement company-wide strategies to address chronic workforce challenges.

Finance and Accounting Services

Finance and Accounting Services ("F&A") is responsible for all aspects of providing services across the organization necessary to support the operations of KCP&L GMO and all other corporate entities. These services are provided by KCP&L to the other entities. F&A will meet KCP&L GMO's need for F&A services through the general services categories described below.

Accounting Systems: Provide system support of financial systems for all entities, including KCP&L GMO. Major financial systems include the PeopleSoft financial and HR systems, CIS+ customer billing system, and the property management system, PowerPlant. System support is categorized into operations and project management functions. The operations function includes; run the month-end financial close process; maintain PeopleSoft and PowerPlant security for the organization; update PeopleSoft chart fields; maintain the PeopleSoft allocation processes; maintain PeopleSoft trees for reporting, and nVision and query development for the organization; including support provided in gathering financial information to respond to regulatory, customer, or audit requests. The project management function includes upgrades and system enhancements and consists of gathering requirements, developing timelines, developing and maintaining test scripts for testing phases, and signoff during implementations.

Accounts Payable: Provide accounts payable transaction processing and reporting for all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: Create/maintain vendor profiles; receive/process paper/electronic invoices and payments; prepare vendor 1099s; review/update invoice approval workflow; review/update voucher account coding; reconcile payment records and vendor balances; research/resolve purchase order payment exceptions; provide monthly reporting metrics; and receive/research/provide vendor and/or payment inquiries.

Audit Services: Examine and evaluate the adequacy and effectiveness of the organization's governance, risk management process, internal control system structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. Primary services provided include: review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information; review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, including relevant provisions of the Sarbanes-Oxley Act of 2002, which could have a significant impact on operations and reports, and assessing whether the organization is in compliance; review the means of safeguarding assets and, as appropriate, verifying the existence of such assets; review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned; review specific matters at the request of the audit committee or management, as appropriate; monitor and evaluate the effectiveness of the organization's risk management system; and review, where contractually authorized, accounting and other relevant records of joint ventures, contractors, suppliers, and other third party business associates.

Corporate Accounting: Maintain the accounting books and records of all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: establish and maintain accounting policies and procedures; establish and monitor internal controls; record revenues, operation and maintenance expenses, other income/expense and assets and liabilities, and analyze activity in accounts; and perform account monitoring and reconciliations, management reports, certain regulatory reports and provide financial support to operations, regulatory affairs and other internal customers, as requested.

Corporate Finance: Direct the Company's corporate finance function, which includes the development, analysis, and implementation of financial plans and capital structure so as to maintain continuous access to capital at the lowest overall cost. Primary services provided include: prepare documentation and satisfy the filing requirements associated with the Company's financing and lead negotiations of specific costs and terms of security issues and/or leases by working directly with the underwriters; minimize the cost of debt by managing the variable rate debt portfolio utilizing interest rate management products; support the Company's regulatory efforts, including cost of capital analysis / testimony preparation assistance; primary day-to-day management of relationships with rating agencies, members of the Company's bank group and any other investment banks; and preparation of financial materials for internal and external stakeholders as requested and required.

Corporate Planning & Budgeting: Develop budgets and financial forecasts for all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: collection of departmental operating and capital budgets; allocation of budgeted pension and benefit costs, jointly owned facilities, and other allocable costs between business units; and development of forecasted financial statements as needed.

Corporate Treasury: Responsible for all cash management activities, including short-term financing facilities, for all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: maintain an appropriate level of liquidity through supervision of cash management activities, maintenance of banking relationships and accessing of capital markets for longer-term funding; issue commercial paper or draw on credit facilities as needed, keeping an appropriate maturity ladder; conduct intra-company lending/borrowing to share liquidity within the corporation and minimize idle balances; oversee issuance of letters of credit and guarantees; assist Enterprise Risk in monitoring and maintaining credit support; maintain banking and brokerage relationships, negotiate lines of credit and determine banking/treasury management services to use; monitor and manage investment portfolios in compliance with the corporate investment policy; supervise remittance processing activities in coordination with the Customer Service division; establish and monitor external remittance processing agents (lockbox, direct debit, pay-stations, credit/debit cards, etc.) so to offer customers, reliable, lost cost service; assist in the issuance of capital market securities; provide input in the determination of desired capital structure through detailed cash forecasting; assure compliance with Sarbanes-Oxley requirements and maintenance of proper documentation and controls; provide information for rate cases, regulatory filings, financings and other applications; develop and maintain department policies; create and maintain a corporate wide investment policy; and oversee required accounting and record keeping to maintain the general ledger and reconcile cash accounts.

Income and Transaction Taxes: Responsible for all aspects of maintaining the tax books and records of all Great Plains Energy entities, including KCP&L GMO. Tax services can be categorized in five major functions providing the primary services as follows: prepare, review and file all consolidated and separate federal, state and local income, franchise, sales, use, gross receipts, fuel excise, property and other miscellaneous tax returns and payments; research tax issues and questions, including interpretation of rules and proceedings, develop short and long range planning for all types of taxes and monitor and review new or proposed tax laws, regulations, court decisions and industry positions; provide tax data for budget estimates and rate cases, provide reports of tax activity and projected cash requirements and prepare, review and record tax data for financial reports; supervise and review tax audit activities; respond to vendor-related tax matters associated with tax compliance or tax saving opportunities and process customer tax refunds and adjustments to customer accounts.

Insurance: Provide the following insurance services: place and administer Property and Casualty insurance policies, including Property, Liability, Workers Compensation and Management Liability; file and manage Property insurance claims; review contracts and agreements as needed for adequacy of insurance provisions; issue Certificates of Insurance and other evidence of coverage; and place and administer bonds.

Property Accounting: Maintain all fixed asset and intangible property records for all Great Plains Energy entities, including KCP&L GMO. Primary services provided include: set up, maintain and close capital projects; provide analysis of capital projects; calculate, record and report AFUDC; maintain fixed assets and accumulated depreciation; perform month end close processes; support billing of joint owner projects; support construction projects, including those associated with the Comprehensive Energy Plan; and perform processes to support day-to-day property accounting activity and prepare necessary internal and external reports, and support regulatory filings and depreciation studies.

Regulatory Accounting: Serve as the primary liaison between the Regulatory Affairs and Accounting Services teams and provide Accounting Services support for all jurisdictional filings and regulatory reporting for the Company, including KCP&L GMO. Primary services provided include: primary accounting support of rate case process including accounting adjustment planning and preparation; primary accounting support and data request response preparation and review; support of rate case process for accounting focused issue areas; regulatory reporting preparation and filing for all jurisdictional areas including the preparation of the annual FERC Form 1 and quarterly FERC Form 3-Q and certain other monthly, quarterly and annual statistical reports and jurisdictional surveillance reporting; development, tracking and reporting of all merger synergies and transition costs created/incurred across the organization, as relates to the acquisition of KCP&L GMO; and maintenance, review and analysis of critical revenue requirement input components, including regulatory asset and liability tracking and maintenance, debt assignment process maintenance and tracking and FERC account activity analysis for rate case adjustment impacts.

Risk Management: Provide the following risk management services on behalf of KCP&L GMO: credit risk management to include complete credit reviews for wholesale counterparties; develop, gather data, manage, create and maintain financial, reliability and accounting reports; develop credit limits for wholesale counterparties and monitor credit exposure on an ongoing basis; manage collateral requirements with wholesale counterparties and manage daily margining requirements; review contracts and agreements for adequacy of credit risk provisions; monitor the external credit markets and develop policies and procedures to help mitigate potential credit risks; prepare and file compliance related reporting; market risk management which includes monitor wholesale commodity transactions and verify that transaction types are covered by risk control policies, monitor wholesale commodity transactions and monitor compliance with risk control limits; develop market volatility curves for new transaction locations and commodities within the deal capture system; monitor the wholesale power and gas markets and develop policies and procedures to help mitigate market risks; and prepare and file compliance related reporting.

Strategic Planning and Development: Provide strategy development and coordination in the following areas: manage the development and approval process for the Company's long term strategic plans; coordinate strategic planning for major asset decisions; coordinate internal and public policy positions on renewable energy, climate change, nuclear power, energy efficiency and other energy related issues; and develop and manage renewable energy resource strategy and development of the renewable resource portfolio.

Legal and Environmental Services

Legal and Environmental Services is responsible for providing legal advice and representation and environmental services to KCP&L GMO. The following is a representative list of the types of services provided.

Legal Advice and Representation: Advise and represent KCP&L GMO concerning anticipated and pending litigation matters, contract negotiation and administration, general corporate matters and regulatory compliance, including the representation of KCP&L GMO before the MPSC, the FERC, and other regulatory bodies; provide legal advice and support for securities filings, financings and their administration; and provide legal advice and support for other transactions and matters as requested.

Environmental Services: Advise KCP&L GMO concerning compliance with all applicable environmental laws and regulations, including the obtainment of any requisite environmental permits related to KCP&L GMO's operations.

Regulatory Affairs

Regulatory Affairs is responsible for all aspects of providing services across the organization necessary to support the regulatory strategies that achieve corporate goals and which satisfy the requirements of regulatory policies, rules and procedures for KCP&L GMO The following is a representative list of the types of services provided.

Maintain a working knowledge state and federal regulatory practices, rules and regulations, KCP&L GMO tariffs, regulatory affairs activities of other utilities, and regulatory trends; contribute to the achievement of corporate goals by developing regulatory strategies to enhance earnings, mitigate risk, and guide regulatory and legislative industry restructuring; provide justification for KCP&L GMO's need for changes in rate levels by directing the preparation of filing requirements and responses to Commission complaint investigations, and by submitting testimony; build relationships with state and federal regulators, and consumer counsels; represent KCP&L GMO by serving as a regulatory expert before regulatory commissions, legislatures, and other public forums; work with the Commission and staff of the Missouri Public Service Commission, FERC and legislative committees to establish regulatory policy; oversee economic, engineering, and financial analysis in relation to revenues and costs, day-to day administration of rates, rules, regulations, and tariff filings, review and strategy of revenue requirements, determination of rate designs, and revenue verification; contribute to the development of revenue and resource planning by providing review of cost studies and by participating in the development and review of KCP&L GMO objectives and strategies; and provide information and training to other divisions (departments) on regulatory requirements, rates, rules, and regulations and provide assistance to operational departments in fulfilling regulatory requirements.

Corporate Secretary and Governance

These functions are primarily responsible for ensuring compliance with applicable corporation laws and regulations, the requirements of organizational documents, and appropriate corporate governance principles. These functions are also responsible for the design, maintenance and administration of director and officer compensation programs. The following is a representative list of the types of services provided: prepare and maintain Board and Committee communications, minutes, materials and other corporate documents; provide advice and analysis to directors and officers on current and emerging corporate governance matters, and recommend appropriate actions in light of those matters; prepare and file all documents necessary to maintain the corporate existence of KCP&L GMO and its subsidiaries; ensure that KCP&L GMO conducts its business in compliance with applicable corporate legal and organizational requirements; act as a liaison between management and the Board of Directors; design, maintain and administer director and officer compensation programs; and provide corporate compliance program management, support and training.