

FEB 26 2001

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Arby A. Wagoner Docket Room

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

Docket No. 01-KCPE-708-MIS

2001/02/26 11:42:19
Kansas Corporation Commission
Jeffrey S. Washman

APPLICATION

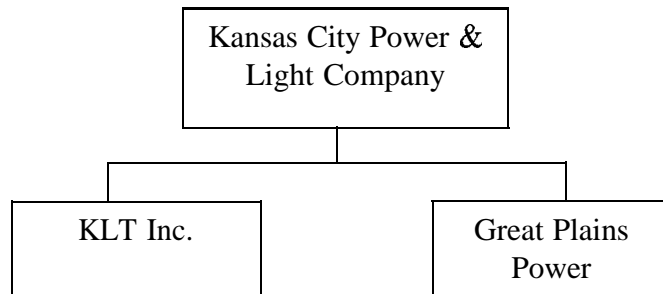
COMES NOW Kansas City Power & Light Company ("KCPL"), by and through its attorneys, and, pursuant to K.S.A 66-101, 66-136, 66-1401, and K.A.R. 82-1-214, respectfully requests an order from the Kansas Corporation Commission ("Commission") that grants KCPL the authority to, *inter alia*, restructure and reorganize itself as more particularly described herein.

I. Summary of Restructuring Plan

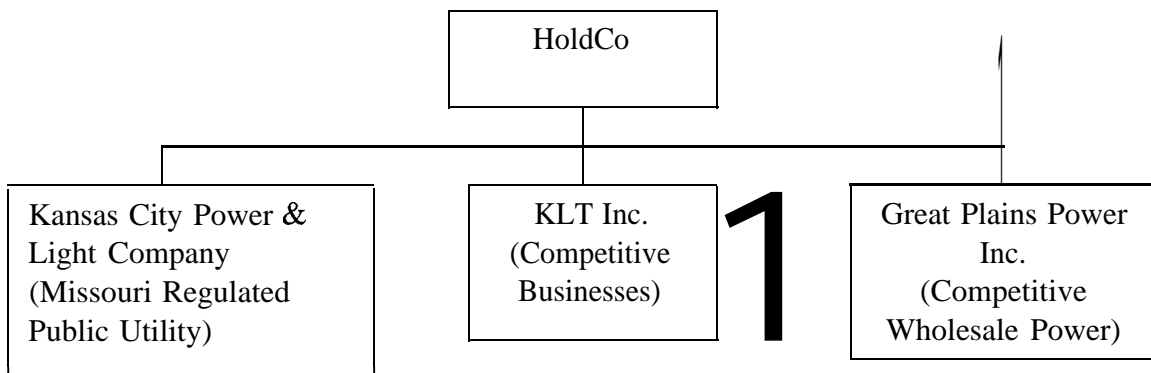
KCPL is a vertically integrated electric utility company. In accordance with Kansas law, and the Public Utility Holding Company Act of 1935 (15 U.S.C. § 79 et seq.) ("PUHCA"), KCPL proposes to reorganize into a registered holding company structure. Additional regulatory approvals will be obtained from the Missouri Public Service Commission, the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission and the Federal Communications Commission. A registration statement will be filed with the Securities and Exchange Commission. This reorganization will not require a vote of KCPL's shareholders. After the reorganization, a new holding company ("HoldCo") will be the sole owner of three subsidiary companies, all of which already exist - i.e. KCPL, KLT, Inc. ("KLT") and Great Plains Power

(“GPP”).¹ KCPL will remain a vertically integrated electric utility subject to this Commission’s jurisdiction and will not transfer any of its generating assets as a part of this proposed restructuring plan. KLT will continue to invest in competitive, high growth businesses. GPP will pursue opportunities in the competitive wholesale generation market. KCPL’s existing corporate structure, and the corporate structure that will exist immediately following the completion of the restructuring plan proposed herein are illustrated below.

CURRENT CORPORATE STRUCTURE²



RESTRUCTURED COMPANY



¹ The actual name of HoldCo has not been determined at this time. The Articles of Incorporation for HoldCo will be filed with the Missouri Secretary of State before the reorganization is completed.

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

The two corporate structures illustrated above are snapshots of KCPL at the beginning and end of the proposed restructuring process. KCPL's restructuring process contains several intermediary steps. KCPL will form a wholly owned subsidiary, HoldCo. In turn, HoldCo will form a wholly owned, new subsidiary, NewCo. Pursuant to a merger agreement ("Merger Agreement") between KCPL, HoldCo and NewCo, KCPL then will merge with NewCo. A copy of the Merger Agreement is attached hereto as Exhibit 1. Under the terms of the Merger Agreement, the separate existence of NewCo will cease and KCPL will continue as the surviving corporation of the merger. At this point, KCPL will be a wholly owned subsidiary of HoldCo. As a part of the merger, each outstanding share of KCPL stock automatically converts into the right to receive one share of HoldCo stock. At the time of the merger, each share of KCPL's various series of preferred stock will be converted into one share of an identical series of HoldCo preferred stock. The pro forma balance sheets and income statements of KCPL before and after the proposed restructuring plan are attached hereto as Exhibit 2. Once the merger is consummated, KCPL will dividend its stock of KLT and GPP to HoldCo. At this point, HoldCo will be a publicly held corporation that owns 100% of KCPL, KLT and GPP.

KCPL anticipates that within a certain period of time following the completion of the reorganization it will form a service company ("ServCo"). ServCo will provide certain shared services to the affiliated companies. A form of the General Services Agreement (GSA) that will be used for the provision of support services is attached hereto as Exhibit 3. A copy of KCPL's cost allocation manual ("CAM"), which describes the bases currently used by KCPL for allocating certain costs related to shared services, is attached hereto as Exhibit 4. The new holding company system will continue to use

service agreements, work orders and a CAM to assure that costs are properly tracked and assigned.

II. Regulation Under PUHCA

Upon completion of the reorganization, HoldCo will register with the Securities and Exchange Commission (“SEC”) and become subject to additional regulation under PUHCA. A central purpose of PUHCA is “to provide a mechanism to create conditions under which effective Federal and State regulation will be possible.” (See, S. 2796, 74th Cong., 1st Sess. (1935)). Accordingly, PUHCA contains a number of provisions designed to promote effective state regulation. Importantly, PUHCA does not give the SEC jurisdiction over the rates, terms and conditions of utility service. KCPL will continue to be subject to the authority of the Kansas Corporation Commission with respect to rates, terms and conditions of utility service in Kansas.

State regulation is enhanced under PUHCA by, for example, the provision which states that the SEC may not authorize the issuance of securities or the acquisition of assets unless the applicant has complied with state law. State regulation of certain affiliate relationships is strengthened since Sections 32 and 34 of PUHCA condition the ability of an Exempt Wholesale Generator or an Exempt Telecommunications Company to enter into transactions with public utility affiliates on obtaining state commission approval. Under Section 33 of PUHCA, similar state consents are required in order to invest in foreign utilities. Consistent with the purpose of assuring that effective state regulation will continue, KCPL has agreed to a number of additional conditions set forth more fully in Section IV of this Application. In addition to helping assure effective state regulation, PUHCA regulates other aspects of holding company operations. Section 11

limits registered holding company systems to ownership of a single integrated public utility system, which is defined as a group of related operating properties within a confined geographic region susceptible to local management. Non-utility businesses may be acquired and retained only if they are “reasonably incidental, or economically necessary or appropriate” to the operations of the integrated public-utility system.

Section 7 of PUHCA prescribes standards for the type and amount of securities for the registered holding company and subsidiaries. Registered companies and subsidiaries must obtain SEC approval before acquiring any securities, utility assets, or any other interest in any business.

The SEC and the regulatory scheme under PUHCA encourage the use of service companies, which are subject to extensive regulation. A service company is a subsidiary of a registered holding company that is formed in order to provide centralized management and administrative services to system companies. Service companies permit registered systems, including public utilities, to capture economies of scale and other efficiencies by reducing duplication of corporate support functions by each of the affiliate companies in the system. There are now approximately 30 registered holding company systems (a doubling in number since 1995) and virtually all of these systems use a service company for corporate support activities.

Service, sales and construction contracts between a system service company and associate companies in the same holding company system must be performed “economically and efficiently” for the benefit of such associate companies generally at cost and all costs must be fairly and equitably allocated. Service companies use a work order system, make extensive use of accounting controls, and have significant reporting

requirements including the obligation to file annual reports which describe affiliate transactions.

PUHCA regulates other affiliate transactions as well. A registered holding company may not borrow or receive any extensions of credit from any system public utility. In addition, there are regulations concerning the ability of system companies to make intra-system loans, pay dividends, acquire or dispose of property, or solicit proxies.

As shown in the next section, forming a holding company promises benefits. And, though KCPL believes-and the SEC itself agrees-that the many provisions of PUHCA are anachronistic and unnecessary, registration under PUHCA will result in greater, not lesser regulation of system operations.

III. Benefits of the Restructuring

Increased competition in capital and energy markets has required traditional utilities to diversify their business operations and, in particular, to invest in businesses offering higher growth opportunities. The ability to grow earnings at a rate higher than can be expected from the traditional utility business is a key to KCPL's success, if not its survival as a stand-alone family of companies. During the past several years, KCPL, through its subsidiary, KLT, has developed business interests in, for example, telecommunications, gas production and development, and energy services. With the recent establishment of a new subsidiary, GPP, KCPL has signaled its intention to participate in the dramatic growth of the competitive wholesale generation market. The reorganization will facilitate the efforts of KCPL's affiliated competitive businesses to access more markets and will allow them to pursue business opportunities with greater flexibility and speed.

The Kansas Commission has historically honored the policy that the corporate structure of a utility company should be the prerogative of the company's management, absent a compelling public interest need for the Commission to intervene. The Commission also has evidenced an appreciation for the growing importance of maintaining a company's competitive operations structurally separate from its regulated operations. The proposed reorganization will further separate KCPL's retail electric customers from the Company's other business interests. In the future, those competitive businesses will be conducted in subsidiaries of HoldCo - not in subsidiaries of KCPL. Depending upon the nature of the transaction, and considering the commitments made in the next section of this Application, any significant business dealings between KCPL and its affiliated companies will be subject to review and documentation, and to the approval and/or ratemaking authority of this Commission, the SEC and/or the Federal Energy Regulatory Commission ("FERC"). In addition, KCPL's GSA and CAM, Exhibits 3 and 4, contain accounting procedures that ensure a proper allocation of costs between KCPL and its affiliates.

To reiterate, this reorganization will not involve the transfer of any assets, including generating assets, from KCPL to affiliates. KCPL will remain a vertically integrated electric utility. This Commission will continue to have the statutory authority to ensure that KCPL's retail electric customers receive electric service that is safe, reliable and reasonably priced.

IV. State Jurisdictional Issues

In the merger proceeding of Western Resources, Inc. and KCPL, Docket No. 97-WSRE-676-MER, the Commission approved the proposed merger of the companies, recognizing that the merger could result in Western Resources losing its exemption under the PUHCA. In its order dated September 28, 1999, the Commission set out requirements designed to protect the Commission's jurisdiction over the utility should it lose its exempt status. Similar requirements have been established by the Missouri Public Service Commission ("MPSC"). In *Re Western Resources, Inc./Kansas City Power & Light Company*, Case No. EM-97-515, and *Re Union Electric Company/Central Illinois Public Service Company*, Case No. EM-96-149, the MPSC approved settlement agreements designed to ensure the protection of customers of Missouri utilities that may have become subsidiaries of a Registered Holding Company. KCPL hereby agrees to those same conditions, as set forth below. KCPL further commits that it and its affiliates will continue to comply with the provisions of K.S.A. 66-1213, 66-1401, and 66-1402, concerning affiliate transactions, after the reorganization is completed.

a. Access to Books, Records and Personnel

KCPL agrees to make available to the Commission Staff, and the Citizen's Utility Ratepayer's Board ("CURB"), at reasonable times and places, all books, records, employees and officers of KCPL and any affiliate of KCPL as provided under applicable law and Commission rules; provided that KCPL and any affiliate or subsidiary of HoldCo shall have the right to object to such production of records or personnel on any basis under applicable law and Commission rules, excluding any objection that such records

and personnel of affiliates or subsidiaries are not subject to the Commission's jurisdiction and statutory authority, including objections based on the operation of PUHCA.

b. Contracts Required to be Filed with the SEC

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

c. Electric Contracts Required to be Filed with FERC

All wholesale electric energy or transmission service contracts, tariffs, agreements or arrangements of any kind, including any amendments thereto, between KCPL and any HoldCo subsidiary or affiliate, that are required to be filed with and/or approved by the FERC, pursuant to the Federal Power Act, as subsequently amended, shall be conditioned

upon the following without modification or alteration: Neither KCPL nor any of its affiliates will seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Kansas Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by KCPL in, or as a result of, a wholesale electric energy or transmission service contract, agreement, arrangement or transaction on the basis that such expense, charge, cost or allocation has itself been tiled with or approved by FERC, or was incurred pursuant to a contract, arrangement, agreement or allocation method that was filed with or approved by FERC.

d. No Pre-Approval of Affiliated Transactions

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

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

KCPL agrees that in the exclusive event that any court with jurisdiction over KCPL, HoldCo or any of their affiliates or subsidiaries issues an opinion or order that invalidates a decision or order of the Commission pertaining to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by KCPL on the basis that such expense, charge, cost or allocation has itself been filed with or approved by FERC, then the Contingent Jurisdictional Stipulation, attached

hereto as Exhibit 5, shall apply to FERC filings according to its terms, at the option of the Commission.

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

KCPL agrees that in the exclusive event that any court with jurisdiction over KCPL, HoldCo or any of their affiliates or subsidiaries issues an opinion or order that invalidates a decision or order of the Commission pertaining to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by KCPL on the basis that such expense, charge, cost or allocation has itself been filed with or approved by SEC, then the Contingent Jurisdictional Stipulation, attached hereto as Exhibit 5, shall apply to SEC filings according to its terms, at the option of the Commission.

V. Request for Authorization

In support of this Application, KCPL states the following:

1. KCPL is a Missouri corporation in good standing in all respects, with its principal office and place of business located at 1201 Walnut, Kansas City, Missouri 64106. KCPL is registered to conduct business in the State of Kansas and is in good standing in all respects. KCPL is engaged in the generation, transmission, distribution, and sale of electric energy and power in areas of eastern Kansas certificated to it by the Commission. KCPL is an “electric public utility” and “public utility” as those terms are defined in K.S.A. 66-101a and K.S.A. 66-104, respectively, and, as such, is subject to the jurisdiction of the Commission as provided by law. KCPL provides electric service to approximately 183,400 residential customers and approximately 23,000 commercial and

industrial customers in Kansas. A copy of KCPL's Certificate of Good Standing in Kansas is attached hereto as Exhibit 6.

2. All correspondence, pleadings, orders, decisions, and communications regarding this proceeding should be sent to:

William G. Riggins
General Counsel
Kansas City Power & Light Company
120 1 Walnut
Kansas City, MO 64 106
Telephone: (8 16) 556-2785
Facsimile: (8 16) 556-2787
E-mail: bill.riggins@kcpl.com

Chris B. Giles
Senior Director, Revenue and Resource Management
Kansas City Power & Light Company
120 1 Walnut
Kansas City, MO 64 106
Telephone: (816) 556-2912
Facsimile: (816) 556-2924
E-mail: chris.giles@kcpl.com

3. A copy of the Merger Agreement, in substantially final form, between KCPL, HoldCo and NewCo is attached hereto as Exhibit 1. In accordance with the Merger Agreement, KCPL and NewCo will merge. NewCo will cease to exist, while KCPL will continue as the surviving corporation. After the merger, KCPL will continue to be a regulated “electric public utility” and “public utility” as defined by Kansas law, and will continue to provide electric service in KCPL’s current service area under tariffs.

4. GPP is not an “electric public utility” or a “public utility” as those terms are defined in K.S.A. 66-101a and 66-104, respectively, inasmuch as it does not own utility assets located in Kansas, or generate or sell electricity at this time.

5. As described above, the proposed transactions are not detrimental to the public interest and will in fact benefit consumers and the public interest. The proposed transaction will strengthen the financial and operational separation between KCPL's retail electric business and the competitive business activities of KCPL's affiliated companies.

6. The proposed merger will not have any impact on KCPL's Kansas jurisdictional operations.

7. A certified copy of the resolutions of the Board of Directors of KCPL authorizing the Company to proceed with implementation of the restructuring is attached hereto as Exhibit 7 and incorporated herein by reference.

8. Pro forma balance sheets and income statements for KCPL with adjustments showing the effects of the proposed restructuring and capitalization are attached hereto as Exhibit 2.

9. The requirements of K.S.A. 66-131 do not apply to the proposed transaction. KCPL already possesses a certificate of public convenience and necessity. The proposed restructuring plan will not alter KCPL's current service area or affect rights and obligations under its certificate of public convenience and necessity.

10. Pursuant to K.S.A. 66-1401(2)(g), HoldCo, once formed, will file with the Commission an agreement to keep the Commission informed as to all affiliate transactions between KCPL and HoldCo, and to submit to the jurisdiction of the KCC insofar as those transactions affect the rate or charge to be made by KCPL.

11. The proposed restructuring does not involve the transfer of any of KCPL-owned assets. Accordingly, there will be no impact on the tax revenues of any political subdivision where KCPL's structures, facilities or equipment are located.

12. The Commission has explicit statutory authority to grant KCPL's requests pursuant to the above-cited statutes and pursuant to its broad grant of authority under K.S.A. 66-101, *et seq.*

WHEREFORE, Kansas City Power & Light Company respectfully requests the Commission to issue its Order:

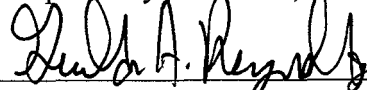
1. Granting KCPL the authority to restructure and reorganize itself as discussed herein.

2. Granting KCPL the authority to merge with NewCo with KCPL being the surviving corporation.

3. Granting KCPL the authority to convert its stock to HoldCo stock, as set forth in detail herein.

4. Granting such other relief as may be deemed necessary and appropriate to accomplish the purposes of the Application and to consummate the restructuring transaction, as described herein.

Respectfully submitted,



William G. Riggins, Esq. KBN 12080

General Counsel

Gerald A. Reynolds KBN 00007

Senior Regulatory Counsel

Kansas City Power & Light Company

120 1 Walnut

Kansas City, MO 64 106

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E-mail: bill.riggins@kcpl.com

E-mail gerald.reynolds@kcpl.com

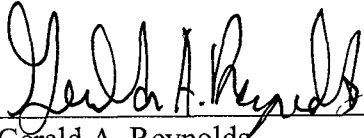
ATTORNEYS FOR KANSAS CITY
POWER & LIGHT COMPANY

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing Application has been hand-delivered or mailed, First Class, U.S. Mail, postage prepaid this 26th day of February 2001, to:

Susan Cunningham
Kansas Corporation Commission
1500 SW Arrowhead Rd.
Topeka, Kansas 66604

Walker Hendrix
Citizen's Utility Ratepayer's Board
1500 SW Arrowhead Rd.
Topeka, Kansas 66604




Gerald A. Reynolds

VERIFICATION

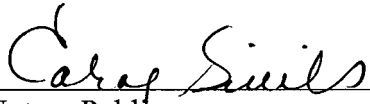
STATE OF MISSOURI)
) ss:
COUNTY OF JACKSON)

B. J. Beaudoin, having been duly sworn upon his oath, states that he is Chief Executive Officer and President of Kansas City Power & Light Company, Applicant herein, and the Application and Exhibits are true and correct to the best of his information, knowledge and belief.



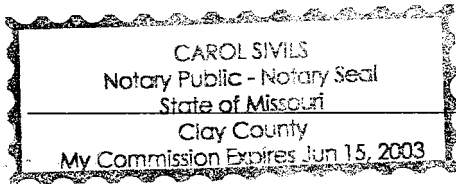
B. J. Beaudoin

Subscribed and sworn to before me this 21st day of February, 2001.



Notary Public

My Commission Expires:



AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the “Merger Agreement”), dated as of [], is among Kansas City Power & Light Company, a Missouri corporation (the “Company”), Great Plains Energy Incorporated, a Missouri corporation (“Holdings”) and a direct, wholly owned subsidiary of the Company, and KC Merger Sub Incorporated, a Missouri corporation (“Newco”) and a direct, wholly owned subsidiary of Holdings.

RECITALS:

WHEREAS, the Company’s authorized capital stock consists of (i) [] shares of common stock, no par value (the “Company Common Stock”), of which, as of the date hereof, [] shares are issued and outstanding and [no] shares were held in Company’s treasury; (ii) [] shares of 3.80% cumulative preferred stock, par value \$100 per share (the “Company 3.80% Preferred”), of which [] shares are outstanding on the date hereof; (iii) [] shares of 4% cumulative preferred stock, par value \$100 per share (the “Company 4% Preferred”), of which [] shares are outstanding on the date hereof; (iv) [] shares of 4.50% cumulative preferred stock, par value \$100 per share (the “Company 4.50% Preferred”), of which [] shares are outstanding on the date hereof; (v) [] shares of 4.20% cumulative preferred stock, par value \$100 per share (the “Company 4.20% Preferred”), of which [] shares are outstanding on the date hereof; and (vi) [] shares of 4.35% cumulative preferred stock, par value \$100 per share (the “Company 4.35% Preferred” and, together with the Company 3.80% Preferred, the Company 4.50% Preferred and the Company 4.20% Preferred, but excluding the Company 4% Preferred, the “Company Preferred”), of which [] shares are outstanding on the date hereof; and

WHEREAS, as of the date hereof, Holdings’ authorized capital stock consists of (i) [] shares of common stock, no par value (the “Holdings Common Stock”), of which, as of the date hereof, [] shares are issued and outstanding and owned by the Company and no shares are held in treasury, and (ii) [] shares of 3.80% cumulative preferred stock, par value \$100 per share (the “Holdings 3.80% Preferred”), of which no shares are outstanding on the date hereof; (iii) [] shares of 4.50% cumulative preferred stock, par value \$100 per share (the “Holdings 4.50% Preferred”), of which no shares are outstanding on the date hereof; (iv) [] shares of 4.20% cumulative preferred stock, par value \$100 per share (the “Holdings 4.20% Preferred”), of which no shares are outstanding on the date hereof; and (v) [] shares of 4.35% cumulative preferred stock, par value \$100 per share (the “Holdings 4.35% Preferred” and, together with the Holdings 3.80%

Preferred, the Holdings 4.50% Preferred and the Holdings 4.20% Preferred, the “Holdings Preferred”), of which no shares are outstanding on the date hereof; and

WHEREAS, as of the date hereof, Newco has an authorized capital stock consisting of [] shares of common stock, no par value (the “Newco Common Stock”), of which [] shares are issued and outstanding on the date hereof and owned by Holdings; and

WHEREAS, the designations, rights and preferences, and the qualifications, limitations and restrictions thereof, of the Holdings Common Stock, the Holdings 3.80% Preferred, the Holdings 4.50% Preferred, the Holdings 4.20% Preferred and the Holdings 4.35% Preferred, are the same as those of the Company Common Stock, the Company 3.80% Preferred, the Company 4.50% Preferred, the Company 4.20% Preferred and the Company 4.35% Preferred, respectively; and

WHEREAS, no later than immediately prior to the Effective Date (as defined below), the Company shall redeem all outstanding shares of Company 4% Preferred; and

WHEREAS, the Articles of Incorporation of Holdings (the “Holdings Charter”) and the By-laws of Holdings (the “Holdings By-laws”) in effect immediately after the Effective Date (as hereinafter defined) will contain provisions identical to the Restated Articles of Consolidation of the Company (the “Company Charter”) and By-laws of the Company (the “Company By-laws”) in effect immediately before the Effective Date (other than with respect to matters excepted by Section 35 1.448.1(4) of the Missouri General and Business Corporation Law (the “MGBCL”)); and

WHEREAS, the directors and officers of the Company immediately prior to the Merger (as hereinafter defined) will be the directors and officers of Holdings as of the Effective Date; and

WHEREAS, Holdings and Newco are newly formed corporations organized for the purpose of participating in the transactions herein contemplated; and

WHEREAS, the Company desires to create a new holding company structure by merging Newco with and into the Company, with the Company continuing as the surviving corporation of such merger, and each outstanding share (or any fraction thereof) of Company Common Stock, the Company 3.80% Preferred, the Company 4.50% Preferred, the Company 4.20% Preferred and the Company 4.35%

Preferred, being converted in such merger into a like number of shares of Holdings Common Stock, the Holdings 3.80% Preferred, the Holdings 4.50% Preferred, the Holdings 4.20% Preferred and the Holdings 4.35% Preferred, respectively, all in accordance with the terms of this Merger Agreement (the “Merger”); and

WHEREAS, the Boards of Directors of Holdings and the Company have approved this Merger Agreement and the Merger upon the terms and subject to the conditions set forth in this Merger Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained in this Merger Agreement, and intending to be legally bound hereby, the Company, Holdings and Newco hereby agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 THE MERGER. In accordance with Section 35 1.448 of the MGBCL and subject to and upon the terms and conditions of this Merger Agreement, Newco shall, on the Effective Date, be merged with and into the Company, the separate corporate existence of Newco shall cease and the Company shall continue as the surviving corporation of the Merger (the “Surviving Corporation”).

SECTION 1.2 EFFECTIVE DATE. The parties shall file articles of merger with respect to the Merger (the “Articles of Merger”), executed in accordance with the relevant provisions of the MGBCL, and with this Merger Agreement attached thereto, with the Secretary of State of the State of Missouri, and shall make all other filings or recordings required under the MGBCL to effectuate the Merger. The Merger shall become effective upon the filing of the Articles of Merger with the Secretary of State of the State of Missouri (the date of such filing shall hereinafter be referred to as the “Effective Date”).

SECTION 1.3 RESTATED ARTICLES OF INCORPORATION OF SURVIVING CORPORATION. From and after the Effective Date, the Company’s Restated Articles of Incorporation, as in effect immediately prior to the Effective Date, shall be the Restated Articles of Incorporation of the Surviving Corporation, except with such changes as are permitted by Section 35 1.448.1(7) of the MGBCL (the “Surviving Corporation’s Charter”) until thereafter amended as provided by law; provided, however, that, from and after the Effective Date:

(a) Article Third thereof shall be amended so as to read in its entirety as follows:

“The amount of authorized capital stock of the Company is One Thousand (1,000) shares of Common Stock without par value.

(i) Dividends. Subject to the limitations in this ARTICLE THIRD set forth, dividends may be paid on the Common Stock out of any funds legally available for the purpose, when and as declared by the Board of Directors.

(ii) Liquidation Rights. In the event of any liquidation or dissolution of the Company, after there shall have been paid to or set aside for the holders of outstanding shares having superior liquidation preferences to Common Stock the full preferential amounts to which they are respectively entitled, the holders of outstanding shares of Common Stock shall be entitled to receive pro rata, according to the number of shares held by each, the remaining assets of the Company available for distribution.

(iii) Voting Rights. Except as set forth in this ARTICLE THIRD or as by statute otherwise mandatorily provided, the holders of the Common Stock shall exclusively possess full voting powers for the election of Directors and for all other purposes.

(iv) No Preemptive Rights. No holders of outstanding shares of Common Stock shall have any preemptive right to subscribe for or acquire any shares of stock or any securities of any kind hereafter issued by the Company.

(v) Consideration for Shares. Subject to applicable law, the shares of the Company, now or hereafter authorized, may be issued for such consideration as may be fixed from time to time by the Board of Directors. Subject to applicable law and to the provisions of this ARTICLE THIRD, shares of the Company issued and thereafter acquired by the Company may be disposed of by the Company for such consideration as may be fixed from time to time by the Board of Directors.

(vi) Crediting Consideration to Capital. The entire consideration hereafter received upon the issuance of shares of Common Stock without par value shall be credited to capital, and this requirement may not be eliminated or amended without the affirmative vote of consent of the holders of two-thirds of the outstanding Common Stock.

(b) A new Article Fourteenth shall be added thereto which shall be and read in its entirety as follows:

“ARTICLE FOURTEENTH. Any act or transaction by or involving the Company that requires for its adoption pursuant to Chapter 35 1 of the Missouri General and Business Corporation Law or these Restated Articles of Incorporation the approval of the shareholders of the Company shall, pursuant to Section 35 1.448 of the Missouri General and Business Corporation Law, require, in addition, the approval of the shareholders of Great Plains Energy Incorporated, a Missouri corporation, or any successor thereto by merger, by the same vote as is required pursuant to Chapter 35 1 of the Missouri General and Business Corporation Law or the Restated Articles of Incorporation of the Company.”

SECTION 1.4 BY-LAWS OF SURVIVING CORPORATION.
From and after the Effective Date, the By-laws of Newco, as in effect immediately prior to the Effective Date, shall constitute the By-laws of the Surviving Corporation until thereafter amended as provided therein or by applicable law.

SECTION 1.5 DIRECTORS OF SURVIVING CORPORATION.

The directors of Newco in office immediately prior to the Effective Date shall be the initial directors of the Surviving Corporation and will hold office from the Effective Date until their successors are duly elected or appointed and qualified in the manner provided in the Surviving Corporation's Charter and By-laws, or as otherwise provided by law.

SECTION 1.6 OFFICERS OF SURVIVING CORPORATION. The

officers of Newco in office immediately prior to the Effective Date shall be the officers of the Surviving Corporation until the earlier of their resignation or removal or until their successors are duly elected or appointed and qualified in the manner provided in the Surviving Corporation's Charter and By-laws, or as otherwise provided by law.

SECTION 1.7 ADDITIONAL ACTIONS. Subject to the terms of

this Merger Agreement, the parties hereto shall take all such reasonable and lawful action as may be necessary or appropriate in order to effectuate the Merger. If, at any time after the Effective Date, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of either of Newco or the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Merger Agreement, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of each of Newco and the Company, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of Newco and the Company or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Corporation or otherwise to carry out this Merger Agreement.

SECTION 1.8 CONVERSION OF SECURITIES. On the Effective

Date, by virtue of the Merger and without any action on the part of Holdings, Newco, the Company or the holder of any of the following securities:

(a) Conversion of Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings Common Stock.

(b) Conversion of Company Common Stock in Treasury. Each share of Company Common Stock issued but held by the Company in its treasury immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and non-assessable share of Holdings Common Stock held in such entity's treasury after the Effective Date.

(c) Conversion of Company 3.80% Preferred. Each share of Company 3.80% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 3.80% Preferred.

(d) Conversion of Company 4.50% Preferred. Each share of Company 4.50% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 4.50% Preferred.

(e) Conversion of Company 4.20% Preferred. Each share of Company 4.20% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 4.20% Preferred.

(f) Conversion of Company 4.35% Preferred. Each share of Company 4.35% Preferred issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of Holdings 4.35% Preferred.

(g) Conversion of Capital Stock of Newco. Each share of Newco Common Stock issued and outstanding immediately prior to the Effective Date shall be converted into and thereafter represent one duly issued, fully paid and nonassessable share of common stock, no par value, of the Surviving Corporation.

(h) Cancellation of Capital Stock of Holdings. Each share of Holdings Common Stock that is owned by the Company immediately prior to the Merger shall automatically be cancelled and retired and shall cease to exist.

(i) Rights of Certificate Holders. From and after the Effective Date, holders of certificates formerly evidencing Company Common Stock or Company Preferred shall cease to have any rights as shareholders of the Company, except as provided by law; provided, however, that such holders shall have the rights set forth in Section 1.10 herein.

SECTION 1.9 STOCK OPTIONS AND EQUITY-BASED

AWARDS. (a) On the Effective Date, automatically and without any action on the part of the Company, Holdings, Newco or the holders of any options to acquire shares of Company Common Stock (the “Company Stock Options”), or the holders of any other equity-based award of the Company, (i) Holdings will assume each Company Stock Option and each other equity-based award of the Company which is outstanding immediately prior to the Effective Date, (ii) each such Company Stock Option will become an option to purchase a number of shares of Holdings Common Stock equal to the number of shares of Company Common Stock issuable upon the exercise of such Company Stock Option, and otherwise upon the same terms and conditions as such Company Stock Option and (iii) each such other equity-based award of the Company will become a similar equity-based award with respect to a number of shares of Holdings Common Stock equal to the number of shares of Company Common Stock subject to such equity-based award, and otherwise upon the same terms and conditions as such equity-based award.

(b) Upon the consummation of the Merger, Holdings shall assume sponsorship of and all obligations of the Company under the Dividend Reinvestment and Direct Stock Purchase Plan and all employee benefit plans of the Company, including but not limited to the Company’s Long-Term Incentive Plan, Long- and Short-Term Incentive Compensation Plan, Supplemental Executive Retirement Plan and Nonqualified Deferred Compensation Plan, and all retirement, medical, dental, long-term disability, short-term disability, life insurance, flexible spending account and any other such benefit plans and programs of the Company.

SECTION 1.10 NO SURRENDER OF CERTIFICATES. (a)

Until thereafter surrendered for transfer or exchange in the ordinary course, each outstanding stock certificate that, immediately prior to the Effective Date, evidenced Company Common Stock shall be deemed and treated for all corporate purposes to evidence the ownership of the number of shares of Holdings Common Stock into which such shares of Company Common Stock were converted pursuant to the provisions of Section 1.8 (a) and (b) herein.

(b) Until thereafter surrendered for transfer or exchange in the ordinary course, each outstanding stock certificate that, immediately prior to the Effective Date, evidenced the Company 3.80% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company 4.35% Preferred, as the case may be, shall be deemed and treated for all corporate purposes to evidence the ownership of the number of shares of the Holdings 3.80% Preferred, Holdings 4.50% Preferred, Holdings 4.20% Preferred or Holdings 4.35% Preferred, as the case may be, into which such shares of Company Preferred were converted pursuant to the provisions of Sections 1.8 (c), (d), (e) or (f) herein, as the case may be.

ARTICLE II

ACTIONS TO BE TAKEN IN CONNECTION WITH THE MERGER

SECTION 2.1 LISTING OF CERTAIN HOLDINGS CAPITAL STOCK. The Company shall use its reasonable efforts to cause the Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4.50% Preferred and Holdings 4.35% Preferred to be issued pursuant to the Merger to be approved for listing on the New York Stock Exchange (the “NYSE”) prior to the Effective Date, subject to official notice of issuance.

SECTION 2.2 PROCUREMENT OF CUSIP NUMBERS. On or prior to the Effective Date, Holdings will use reasonable efforts to procure a new CUSIP number for the Holdings Common Stock, for each series of Holdings Preferred and for any other securities which so require new CUSIP numbers in connection with the Merger.

SECTION 2.3 APPLICATION FOR REGULATORY APPROVALS. Prior to the Effective Date, the Company shall apply for, and use reasonable efforts to obtain, the following regulatory approvals and orders (the “Regulatory Approvals”) for the Merger: (1) all necessary approvals from the Kansas Corporation Commission under Chapter 66 of the Kansas Statutes Annotated; (2) all necessary approvals from the Missouri Public Service Corporation under Chapter 393 of the Missouri Revised Statutes; (3) all necessary approvals from the Federal Energy Regulatory Commission under the Federal Power Act; (4) all necessary approvals from the Nuclear Regulatory Commission under the Atomic Energy Act; and (5) an order from the Securities and Exchange Commission (“SEC”), in form and substance reasonably acceptable to the Company, authorizing Holdings and its subsidiaries to engage in such transactions subject to SEC jurisdiction under the Public Utility Holding Company Act of 1935 (“PUHCA”) as the Company deems necessary for the normal operation of Holdings’ utility holding company system following Holdings’ registration with the SEC under Section 5 of PUHCA, including, but not limited to, financing transactions subject to SEC jurisdiction under Sections 6 and 7 of PUHCA and acquisitions subject to SEC jurisdiction under Sections 9 and 10 of PUHCA.

SECTION 2.4 REDEMPTION OF COMPANY 4% PREFERRED. No later than immediately prior to the Effective Date, the Company shall redeem all outstanding shares of Company 4% Preferred.

ARTICLE III

CONDITIONS OF MERGER

SECTION 3.1 CONDITIONS PRECEDENT. The obligations of the parties to this Merger Agreement to consummate the Merger and the transactions contemplated by this Merger Agreement shall be subject to fulfillment or waiver by the parties hereto of each of the following conditions:

(a) Prior to the Effective Date, the Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4.50% Preferred and Holdings 4.35% Preferred to be issued pursuant to the Merger shall have been approved for listing, upon official notice of issuance, by the NYSE.

(b) On the Effective Date, Skadden, Arps, Slate, Meagher & Flom LLP, special tax counsel to the Company, shall render an opinion to the Board of Directors of the Company, in form and substance reasonably satisfactory to the Company, on the basis of certain facts, representations and assumptions set forth in such opinion, to the effect that for federal income tax purposes (i) the Merger will qualify as an exchange described in Section 351 of the Internal Revenue Code of 1986, as amended; (ii) no gain or loss will be recognized by the shareholders of the Company upon receipt of the Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4.50% Preferred, Holdings 4.20% Preferred or Holdings 4.35% Preferred as the case may be, in exchange for their shares of Company Common Stock, Company 3.80% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company Preferred 4.35%, as the case may be, pursuant to the Merger; (iii) the tax basis of the shares of Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4.50% Preferred, Holdings 4.20% Preferred or Holdings 4.35% Preferred, as the case may be, to be received by the Company's shareholders pursuant to the Merger Agreement will be the same as their tax basis in the Company Common Stock, Company 3.80% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company 4.35% Preferred, as the case may be, converted or exchanged therefor; and (iv) the holding period of the Holdings Common Stock, Holdings 3.80% Preferred, Holdings 4.50% Preferred, Holdings 4.20% Preferred or Holdings 4.35% Preferred, as the case may be, to be received by each of the Company's shareholders pursuant to the Merger Agreement will include the holding period of the Company Common Stock, Company 3.80% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company 4.35% Preferred, as the case may be, converted or exchanged therefor, provided that such Company Common Stock, Company 3.80% Preferred, Company 4.50% Preferred, Company 4.20% Preferred or Company 4.35% Preferred, as the case may be, is held as a capital asset in the hands of such shareholder at the time of the Merger. In rendering the opinion, such counsel may require and rely upon representations contained in certificates of officers of Holdings and the Company.

(c) Prior to the Effective Date, no order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality which prohibits or makes illegal the consummation of the Merger or the transactions contemplated hereby.

(d) Prior to the Effective Date, if necessary, the Company shall have filed with the office of the Missouri Secretary of State an amendment to the Holdings Charter to change the name of Holdings to a name to be determined by the Company.

(e) The Company and Holdings shall have taken all necessary corporate action to ensure that, immediately prior to the Effective Date, the Holdings Charter (including with respect to authorized capital stock) and the Holdings By-laws shall contain provisions identical to the Company Charter and Company By-laws, respectively, in effect immediately prior to the Effective Date (other than with respect to matters excepted by Section 351.448.1(4) of the MGBCL).

(f) Prior to the Effective Date, the Regulatory Approvals shall have been obtained, in form and substance satisfactory to the parties, and shall be final and nonappealable.

(g) Prior to the Effective Date, all outstanding shares of Company 4% Preferred shall have been redeemed by the Company.

ARTICLE IV

TERMINATION AND AMENDMENT

SECTION 4.1 TERMINATION. This Merger Agreement may be terminated and the Merger contemplated hereby may be abandoned at any time prior to the Effective Date by action of the Board of Directors of the Company, Holdings or Newco if it is determined that for any reason the completion of the transactions provided for herein would be inadvisable or not in the best interest of such corporation or its shareholders. In the event of such termination and abandonment, this Merger Agreement shall become void and neither the Company, Holdings or Newco nor their respective shareholders, directors or officers shall have any liability with respect to such termination and abandonment.

SECTION 4.2 AMENDMENT. This Merger Agreement may be supplemented, amended or modified by the mutual consent of the Boards of Directors of the parties to this Merger Agreement.

ARTICLE V

MISCELLANEOUS PROVISIONS

SECTION 5.1 GOVERNING LAW. THIS MERGER AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MISSOURI, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS.

SECTION 5.2 BINDING EFFECT AND ASSIGNMENT. This Merger Agreement shall be binding upon and inure to the benefit of the parties and to their respective successors and assigns.

SECTION 5.3 THIRD PARTY BENEFICIARIES. This Merger Agreement is not intended and shall not be construed to confer upon any person, other than the parties hereto and their respective successors and assigns, any rights or remedies hereunder.

SECTION 5.4 COUNTERPARTS. This Merger Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which shall constitute one and the same agreement.

SECTION 5.5 ENTIRE MERGER AGREEMENT. This Merger Agreement, including the documents and instruments referred to herein, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

IN WITNESS WHEREOF, Holdings, Newco and the Company have caused this Merger Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

KANSAS CITY POWER & LIGHT
COMPANY

By: _____
Name:
Title:

GREAT PLAINS ENERGY
INCORPORATED

By: _____
Name:
Title:

KC MERGER SUB INCORPORATED

By: _____
Name:
Title:

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