

ATTACHMENT 4

Utility Funding Plans

Utility Funding Plans (KGE Response)

In support of K.S.A. 66-128m (b)(4):

1. Individual Owner utility currently approved Annual Contributions and schedules for collection of estimated decommissioning costs through final decommissioning of the Station.
2. Discussion of process for each utility to update its Annual Contribution level through Commission action. Also, discuss the tax status of decommissioning funds and other relevant information, such as investment guidelines, etc.

Response

1. The attached Exhibit shows KGE's currently approved Annual Contributions and schedules for collection of the estimated decommissioning costs through final decommissioning of Wolf Creek. This schedule was prepared based on the 2014 decommissioning cost study agreed upon in the Stipulation and Agreement (S&A) under Docket 15-WCNE-093-GIE; the funding levels were agreed upon in the S&A under Docket No. 15-WSEE-115-RTS.
2. KGE's process for updating its Annual Contribution level is dictated by the two-phase process adopted by the KCC. In accordance with the Kansas Corporation Commission's December 9, 1992 Order in Docket No. 163-561-U¹, Wolf Creek and its owners are required to file an updated decommissioning cost study every three years. Phase 1 consists of the filing of the updated decommissioning cost estimate for the Wolf Creek Generating Station (WCGS) and the Commission's review and approval of that cost estimate, plus approval of a rate of escalation for that cost estimate, applicable to all three owners, to establish the estimated cost of decommissioning in 2045, the year WCGS's operating license expires and the year in which the plant is expected to permanently shut down and begin decommissioning. In Phase 1, the KCC issues one order applicable to all three owners. In Phase 2, KGE recalculates the funding level (Annual Contribution amount) necessary to fully fund its share of the decommissioning of Wolf Creek, taking into account such factors as the new cost estimate, the escalation rate, the timing of decommissioning and the current balance in the nuclear decommissioning trust fund. For determining the funding level, KGE also makes certain assumptions with regard to asset allocations, after-tax investment returns and fund expenses. KGE then files a separate proceeding with the KCC, the purpose of which is to establish by Commission order a new decommissioning funding plan for KGE's share of the updated decommissioning cost. The funding plan sets forth the Annual Contribution amounts. In KGE's case, these Phase 2 proceedings may be related solely to the issue of decommissioning funding, or they may be included as one of many issues in a general rate case.

KGE's Wolf Creek Generating Station Nuclear Decommissioning Trust is considered a "Qualified Fund" under Internal Revenue Code Section 468A. As such, KGE is permitted to make deductible contributions to the fund based on the IRS "ruling amount." The term "ruling amount" means, with respect to any taxable year, the amount which the Secretary of the Treasury determines to be necessary to fund the total nuclear decommissioning cost

with respect to such power plant over the estimated useful life of that power plant. The term is further defined to include the amount necessary to prevent excessive funding of nuclear decommissioning costs or funding of these costs at a rate more rapid than level funding, taking into account such discount rates as the Secretary deems appropriate.⁽²⁾ The Federal taxable income for the KGE NDT are subject to the 20% Federal tax rate. It is not subject to state income tax.

The Investment Policy and Guidelines for the KGE nuclear decommissioning trust are included in Westar Energy's Investment Policy Statement (IPS). Within the policy, we outline the fiduciary standards, the performance standards and the I&B Committee's processes for monitoring investment managers as well as the IRS and Treasury regulations that govern the trust. The Kansas Gas and Electric Wolf Creek Nuclear Operating Station Decommissioning Trust is subject to FERC regulation and, as such, is governed by the FERC mandate that the funds be managed externally under the "prudent investor" standard. We provide each of our investment managers with Westar Energy's IPS and require that they certify that they have read it, understand it and will follow the Investment Policy and Guidelines.

¹ Docket No. 163,561-U is also referred to by its more modern classification, Docket No. 89-WCNE-140-GIE.

² Internal Revenue Code Section 468A(d)(2).

WOLF CREEK DECOMMISSIONING COSTS
EXTERNAL TRUST FUND
Review of 2014 Cost Estimate
*****ADJUSTED TO REFLECT KCC STAFF INPUTS*****

	in 2014 \$	In 2045 \$
TOTAL COST DECON method	\$765,060,000	\$1,939,869,279
KGE'S SHARE OF TOTAL COST	\$359,578,200	\$911,738,561
CURRENT VALUE OF TRUST (12/31/14)	\$180,829,742	

EQUIVALENT BEFORE TAX RETURN: THE EXPECTED INVESTMENT RETURNS ARE
 SHOWN ON PAGE 2 OF 2

PAYMENT GROWTH AMOUNT	0.00%
GROWTH RATE FOR COSTS (INFLATION)	3.15%
# OF PERIODS FOR ANALYSIS	30
# OF PERIODS - 1	29
PERIOD OF PAYMENTS	MID YEAR
DECOMMISSIONING PERIOD IN YEARS	9
FUND MANAGER FEES	0.576%

LINE	YEAR	BEGIN YR. BALANCE	DECOM EXPENSE	ANNUAL CONTRIB.	EARNINGS	
					AFTER FEES AND TAXES	END YR. BALANCE
	2012					
	2013					
	2014					
1	2015	\$ 180,829,742		2,762,483	9,161,452	\$ 192,753,677
2	2016	192,753,677		5,772,700	9,844,745	\$ 208,371,122
3	2017	208,371,122		5,772,700	10,629,297	\$ 224,773,119
4	2018	224,773,119		5,772,700	11,453,263	\$ 241,999,082
5	2019	241,999,082		5,772,700	12,318,620	\$ 260,090,402
6	2020	260,090,402		5,772,700	13,227,450	\$ 279,090,552
7	2021	279,090,552		5,772,700	14,181,935	\$ 299,045,187
8	2022	299,045,187		5,772,700	15,184,369	\$ 320,002,257
9	2023	320,002,257		5,772,700	16,237,162	\$ 342,012,118
10	2024	342,012,118		5,772,700	17,342,842	\$ 365,127,660
11	2025	365,127,660		5,772,700	18,504,066	\$ 389,404,427
12	2026	389,404,427		5,772,700	16,702,987	\$ 411,880,114
13	2027	411,880,114		5,772,700	17,659,005	\$ 435,311,819
14	2028	435,311,819		5,772,700	18,655,688	\$ 459,740,207
15	2029	459,740,207		5,772,700	19,694,766	\$ 485,207,673
16	2030	485,207,673		5,772,700	20,778,042	\$ 511,758,415
17	2031	511,758,415		5,772,700	21,907,395	\$ 539,438,510
18	2032	539,438,510		5,772,700	23,084,786	\$ 568,295,997
19	2033	568,295,997		5,772,700	24,312,259	\$ 598,380,956
20	2034	598,380,956		5,772,700	25,591,943	\$ 629,745,598
21	2035	629,745,598		5,772,700	26,926,059	\$ 662,444,357
22	2036	662,444,357		5,772,700	21,663,615	\$ 689,880,672
23	2037	689,880,672		5,772,700	22,556,274	\$ 718,209,645
24	2038	718,209,645		5,772,700	23,477,976	\$ 747,460,321
25	2039	747,460,321		5,772,700	24,429,666	\$ 777,662,687
26	2040	777,662,687		5,772,700	25,412,320	\$ 808,847,706
27	2041	808,847,706		5,772,700	26,426,945	\$ 841,047,352
28	2042	841,047,352		5,772,700	27,474,582	\$ 874,294,634
29	2043	874,294,634		5,772,700	28,556,305	\$ 908,623,638
30	2044	908,623,638		5,772,700	29,673,222	\$ 944,069,560
31	2045	944,069,560	76,742,107	1,443,175	15,496,371	\$ 884,266,999
32	2046	884,266,999	170,390,309		13,361,348	\$ 727,238,039
33	2047	727,238,039	209,293,207		10,189,818	\$ 528,134,650
34	2048	528,134,650	156,404,173		7,349,097	\$ 379,079,574
35	2049	379,079,574	127,253,390		5,101,820	\$ 256,928,004
36	2050	256,928,004	114,089,268		3,136,287	\$ 145,975,022
37	2051	145,975,022	58,558,037		1,854,229	\$ 89,271,213
38	2052	89,271,213	54,764,209		915,049	\$ 35,422,054
39	2053	35,422,054	35,623,101		202,618	\$ 1,571

**KANSAS GAS & ELECTRIC CO.
WOLF CREEK DECOMMISSIONING COSTS
EXTERNAL TRUST FUND
INVESTMENT ASSUMPTIONS**

FOR THE YEARS 2012 THROUGH 2025

	INVESTMENT MIX	EXPECTED RETURNS	RATIO	WEIGHTED RETURN	AFTER TAX
1	Large Cap	7.60%	30%	2.28%	1.82%
2	Small Cap	8.81%	8%	0.70%	0.56%
3	International Equities	8.14%	16%	1.30%	1.04%
4	Core Fixed Income	4.95%	21%	1.04%	0.83%
5	High Yield Bonds	6.40%	20%	1.28%	1.02%
6	Real Estate	8.17%	5%	0.41%	0.33%
7	Cash and equivalents	2.00%	0%	0.00%	0.00%
			100%	7.01%	5.60%

FOR THE YEARS 2026 THROUGH 2035

	INVESTMENT MIX	EXPECTED RETURNS	RATIO	WEIGHTED RETURN	AFTER TAX
8	Large Cap	7.60%	20%	1.52%	1.22%
9	Small Cap	8.81%	5%	0.44%	0.35%
10	International Equities	8.14%	12%	0.98%	0.78%
11	Core Fixed Income	4.95%	44%	2.18%	1.74%
12	High Yield Bonds	6.40%	8%	0.51%	0.41%
13	Real Estate	8.17%	3%	0.25%	0.20%
14	Cash and equivalents	2.00%	8%	0.16%	0.13%
			100%	6.04%	4.83%

FOR THE YEARS 2036 THROUGH 2044

	INVESTMENT MIX	EXPECTED RETURNS	RATIO	WEIGHTED RETURN	AFTER TAX
15	Large Cap	7.60%	10%	0.76%	0.61%
16	Small Cap	8.81%	2%	0.18%	0.14%
17	International Equities	8.14%	3%	0.24%	0.19%
18	Core Fixed Income	4.95%	65%	3.22%	2.58%
19	High Yield Bonds	6.40%	0%	0.00%	0.00%
20	Real Estate	8.17%	0%	0.00%	0.00%
21	Cash and equivalents	2.00%	20%	0.39%	0.31%
			100%	4.79%	3.83%

FOR THE YEARS 2045 THROUGH COMPLETION OF DECOMMISSIONING

	INVESTMENT MIX	EXPECTED RETURNS	RATIO	WEIGHTED RETURN	AFTER TAX
22	Large Cap	7.60%	0%	0.00%	0.00%
23	Small Cap	8.81%	0%	0.00%	0.00%
24	International Equities	8.14%	0%	0.00%	0.00%
25	Core Fixed Income	4.95%	30%	1.49%	1.19%
26	High Yield Bonds	6.40%	0%	0.00%	0.00%
27	Real Estate	8.17%	0%	0.00%	0.00%
28	Cash and equivalents	2.00%	70%	1.40%	1.12%
			100%	2.89%	2.31%

29 Federal tax rate is 20%

Utility Funding Plans (KCP&L Response)

In support of K.S.A. 66-128m (b)(4):

1. Individual Owner utility currently approved Annual Contributions and schedules for collection of estimated decommissioning costs through final decommissioning of the Station.
2. Discussion of process for each utility to update its Annual Contribution level through Commission action. Also, discuss the tax status of decommissioning funds and other relevant information, such as investment guidelines, etc.

Response

1. The attached Schedule B shows KCP&L's currently approved Annual Contributions and schedules for collection of the estimated decommissioning costs through final decommissioning of Wolf Creek.
2. In accordance with the Kansas Corporation Commission's (KCC) December 9, 1992 Order in Docket No. 163-561-U, KCP&L and the other Wolf Creek owners are required to file an updated nuclear decommissioning cost study every three years. The co-owners hire a decommissioning consultant to project the annual cost to decommission Wolf Creek during the years 2045 through 2053 using current year dollars. The co-owners then escalate the decommissioning costs by an inflation factor approved by the KCC to estimate future required decommissioning costs by year. The co-owners maintain separate Nuclear Decommissioning Trust (NDT) funds to pay their respective share of the future decommissioning costs.

KCP&L then evaluates the annual contribution it makes to its NDT fund to see if it is adequate to cover the projected cost of future decommissioning. To do this, KCP&L assumes specific annual investment returns based on historical data and applies those to the investment portfolio mix adopted by the company for the NDT fund for each future year, with investment returns reduced by an effective tax rate of 20%. If necessary, KCP&L then files a separate proceeding with the KCC for establishing by Commission order a new decommissioning funding plan for KCP&L's share of the updated decommissioning cost. The funding plan sets forth the Annual Contribution amounts. These proceedings may be related solely to the issue of decommissioning funding, or they may be included as part of a general rate case.

KCP&L has elected the application of Section 468A of the U.S. Internal Revenue Code ("Code") regarding tax treatment of its NDT Fund. The Code imposes a flat federal tax rate of 20% on the gross income of the Fund for any taxable year and permits contributions to the fund to be deductible for determining taxable income. The Code also imposes certain restrictions designed to prevent excessive funding of the NDT.

The Investment Guidelines for the KCP&L NDT are attached. The guidelines define the investment policies for the NDT to achieve its objectives, procedures for monitoring and control, and the delegation of responsibilities for the oversight and management of assets.

Schedule B

Kansas

DECOMMISSIONING TRUST FUND EARNINGS ASSUMPTIONS

TRUST FUND MANAGEMENT FEE	
Kansas Avg Fund Balance	\$ 208,182,751
Kansas Annual Fixed Fee	28,125
Fixed Fee %	0.01%
FI Fee and Fixed Fee%	0.22%
Equity Fee and Fixed Fee	0.11%

	US T-Bills	Fixed Income	Inter- national	Small Stocks	Lrg Corp Stocks	Weighted After-Tax Earnings
Pre-tax Returns	0.62%	2.96%	8.46%	10.65%	9.59%	
Effective Tax Rate	20.0%	20.0%	20.0%	20.0%	20.0%	
Earnings After Fees & Taxes	0.32%	2.19%	6.68%	8.43%	7.58%	
<u>Year</u>	<u>Investment Mix</u>					
						V
2017	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2018	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2019	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2020	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2021	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2022	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2023	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2024	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2025	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2026	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2027	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2028	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2029	0.0%	35.0%	15.0%	9.0%	41.0%	5.64%
2030	1.9%	37.2%	14.1%	8.4%	38.4%	5.39%
2031	3.8%	39.4%	13.1%	7.9%	35.9%	5.14%
2032	5.6%	41.6%	12.2%	7.3%	33.3%	4.89%
2033	7.5%	43.8%	11.3%	6.8%	30.8%	4.63%
2034	9.4%	45.9%	10.3%	6.2%	28.2%	4.38%
2035	11.3%	48.1%	9.4%	5.6%	25.6%	4.13%
2036	13.1%	50.3%	8.4%	5.1%	23.1%	3.88%
2037	15.0%	52.5%	7.5%	4.5%	20.5%	3.63%
2038	16.9%	54.7%	6.6%	3.9%	17.9%	3.38%
2039	18.8%	56.9%	5.6%	3.4%	15.4%	3.13%
2040	20.6%	59.1%	4.7%	2.8%	12.8%	2.88%
2041	22.5%	61.3%	3.8%	2.3%	10.3%	2.63%
2042	24.4%	63.4%	2.8%	1.7%	7.7%	2.38%
2043	26.3%	65.6%	1.9%	1.1%	5.1%	2.13%
2044	28.1%	67.8%	0.9%	0.6%	2.6%	1.88%
2045	30.0%	70.0%	0.0%	0.0%	0.0%	1.63%
2046	38.8%	61.3%	0.0%	0.0%	0.0%	1.47%
2047	47.5%	52.5%	0.0%	0.0%	0.0%	1.30%
2048	56.3%	43.8%	0.0%	0.0%	0.0%	1.14%
2049	65.0%	35.0%	0.0%	0.0%	0.0%	0.98%
2050	73.8%	26.3%	0.0%	0.0%	0.0%	0.81%
2051	82.5%	17.5%	0.0%	0.0%	0.0%	0.65%
2052	91.3%	8.7%	0.0%	0.0%	0.0%	0.49%
2053	100.0%	0.0%	0.0%	0.0%	0.0%	0.32%

Schedule B

Kansas

DECOMMISSIONING TRUST FUND CASH FLOWS	
NET AFTER-TAX MARKET VALUE	
June 30, 2017 Market Value	\$ 92,991,827
Remaining 2017 Deposits	\$ 1,018,115
Market Value Including Remaining Deposit	\$ 94,009,942
Unrealized Net Gain	\$ 27,651,469
Effective Tax Rate	20.00%
Tax on Unrealized Net Gain	\$ 5,530,294
Net After-Tax Market Value	\$ 88,479,648

Annual Contribution Escalation	0.00%
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Year	Trust Fund Contributions	Trust Fund Expenditure	Earnings After Fees & Taxes	Trust Fund Balance
2017				\$ 88,479,648
2018	\$ 2,036,230	\$ -	\$ 5,030,086	\$ 95,545,964
2019	\$ 2,036,230	\$ -	\$ 5,428,370	\$ 103,010,564
2020	\$ 2,036,230	\$ -	\$ 5,849,103	\$ 110,895,896
2021	\$ 2,036,230	\$ -	\$ 6,293,550	\$ 119,225,676
2022	\$ 2,036,230	\$ -	\$ 6,763,048	\$ 128,024,954
2023	\$ 2,036,230	\$ -	\$ 7,259,008	\$ 137,320,193
2024	\$ 2,036,230	\$ -	\$ 7,782,923	\$ 147,139,346
2025	\$ 2,036,230	\$ -	\$ 8,336,368	\$ 157,511,943
2026	\$ 2,036,230	\$ -	\$ 8,921,006	\$ 168,469,179
2027	\$ 2,036,230	\$ -	\$ 9,538,598	\$ 180,044,007
2028	\$ 2,036,230	\$ -	\$ 10,190,999	\$ 192,271,236
2029	\$ 2,036,230	\$ -	\$ 10,880,171	\$ 205,187,637
2030	\$ 2,036,230	\$ -	\$ 11,092,502	\$ 218,316,368
2031	\$ 2,036,230	\$ -	\$ 11,251,053	\$ 231,603,651
2032	\$ 2,036,230	\$ -	\$ 11,351,603	\$ 244,991,485
2033	\$ 2,036,230	\$ -	\$ 11,390,273	\$ 258,417,988
2034	\$ 2,036,230	\$ -	\$ 11,363,594	\$ 271,817,811
2035	\$ 2,036,230	\$ -	\$ 11,268,574	\$ 285,122,615
2036	\$ 2,036,230	\$ -	\$ 11,102,759	\$ 298,261,604
2037	\$ 2,036,230	\$ -	\$ 10,864,292	\$ 311,162,126
2038	\$ 2,036,230	\$ -	\$ 10,551,959	\$ 323,750,315
2039	\$ 2,036,230	\$ -	\$ 10,165,239	\$ 335,951,784
2040	\$ 2,036,230	\$ -	\$ 9,704,333	\$ 347,692,347
2041	\$ 2,036,230	\$ -	\$ 9,170,195	\$ 358,898,772
2042	\$ 2,036,230	\$ -	\$ 8,564,543	\$ 369,499,544
2043	\$ 2,036,230	\$ -	\$ 7,889,864	\$ 379,425,639
2044	\$ 2,036,230	\$ -	\$ 7,149,411	\$ 388,611,280
2045	\$ 509,058	\$ (33,184,510)	\$ 6,134,993	\$ 362,070,820
2046	\$ -	\$ (69,729,984)	\$ 4,926,564	\$ 297,267,401
2047	\$ -	\$ (79,849,420)	\$ 3,483,400	\$ 220,901,380
2048	\$ -	\$ (66,852,268)	\$ 2,231,597	\$ 156,280,710
2049	\$ -	\$ (53,169,756)	\$ 1,330,743	\$ 104,441,696
2050	\$ -	\$ (49,618,566)	\$ 697,422	\$ 55,520,552
2051	\$ -	\$ (26,481,870)	\$ 295,879	\$ 29,334,561
2052	\$ -	\$ (17,958,358)	\$ 109,721	\$ 11,485,923
2053	\$ -	\$ (11,331,788)	\$ 23,299	\$ 177,434

**KCP&L WOLF CREEK NUCLEAR DECOMMISSIONING TRUST
INVESTMENT GUIDELINES
Effective: January 4, 2010**

I. INTRODUCTION

These Investment Guidelines (“Guidelines”) define the investment policies and objectives for the KCP&L Wolf Creek Nuclear Decommissioning Trust (“NDT” or “Trust”) to achieve its objectives, procedures for monitoring and control, and the delegation of responsibilities for the oversight and management of the Trust’s assets. The NDT Committee (“Committee”) maintains responsibility for administration of the NDT in accordance with its terms and the promulgation of these Guidelines and may, in its discretion, amend these Guidelines and their Attachments from time to time.

II. PURPOSE OF THE TRUST

Kansas City Power & Light Company (KCP&L) owns a 47 percent (47%) interest in the Wolf Creek Nuclear Operating Corporation, the operating company for Wolf Creek Generating Station (“Wolf Creek”). The sole purpose of the NDT is to invest contributions and investment proceeds and to accumulate assets in order to cover KCP&L’s 47% share of the costs and expenses associated with the decommissioning of Wolf Creek.

III. COMPLIANCE WITH REGULATIONS

The Trust has been established and shall be operated in accordance with Sections 468A(e)(4)(c) of the Internal Revenue Code.

Management of the Trust shall be in full compliance with all federal and state laws; and with all orders issued by any applicable federal or state regulatory authorities, including but not necessarily limited to the following:

- The Missouri Public Service Commission (MPSC)
- The Kansas Corporation Commission (KCC)
- The Federal Energy Regulatory Commission (FERC)
- The Internal Revenue Service (IRS)
- The United States Treasury Department
- The Nuclear Regulatory Commission (NRC)

No investments shall be made which would in any way conflict with any federal or state laws, nor with any orders, regulations or requirements of the foregoing. All instructions from the Committee to any other parties necessary to implement the overall investment policies and practices established by these Guidelines shall likewise be in accordance with said Guidelines and with all federal and state laws and with all orders issued by applicable federal or state regulatory authorities.

IV. INVESTMENT PHILOSOPHY

The overall investment philosophy of the Trust shall be to prudently select, monitor, and manage a diversified portfolio of investments in such a manner as to generate sufficient long-term after-tax and after-expense total returns to provide the required level of funds for decommissioning at an acceptable level of risk. Total return is defined as the combination of current income and capital appreciation or depreciation. It is recognized that although a risk-return tradeoff exists, the each Investment Manager shall strive to balance these objectives for the overall benefit of the Trust in a way that minimizes the risk of large losses.

V. INVESTMENT MANAGEMENT RESPONSIBILITIES

A. POLICIES AND PRACTICES

The Committee shall be responsible for establishing and implementing general, overall investment policies and practices; including, but not necessarily limited to:

1. The selection of Investment Managers, advisors, consultants, etc.;
2. The selection of allowable investment vehicles or classes (e.g. various styles of equities, fixed income securities or other asset categories);
3. The specification of allocations between investment vehicles or classes;
4. The specification of allocations between Investment Managers; and
5. Directing contributions to selected investment vehicles or classes/Investment Managers and directing reallocations between investment vehicles or classes/Investment Managers.

The Committee has the responsibility of establishing the Trust's basic investment policy, making asset allocation decisions, and, in its discretion, appointing each Investment Manager. The responsibility for providing for the Trust's liquidity needs also rests with the Committee. The overall investment policies established by the Committee shall be set forth in these Guidelines, which shall be reviewed and approved, as required, by all applicable federal and state regulatory authorities in accordance with all federal and state laws and with all orders issued by such applicable federal or state regulatory authorities.

B. DAY-TO-DAY MANAGEMENT

Day-to-day management of the Trust shall be the responsibility of each Investment Manager selected by the Committee, who shall have sole responsibility engage and direct NDT investments. Each Investment Manager shall be obligated at all times to adhere to a standard of care, whether in investing or otherwise, that a prudent investor would use in the same circumstances. The term "prudent investor" shall have the same meaning as set forth in the FERC's "Regulations Governing Nuclear Plant Decommissioning Trust" at 18 CFR 35.32(a) (3), or any successor regulation.

Neither KCP&L nor its subsidiaries, affiliates or associates may serve as an Investment Manager or otherwise to engage in day-to-day management of the Trust or mandate individual investment decisions, unless so requested by the Committee after the removal or resignation of an acting Investment Manager and then only until a new Investment Manager has been appointed, as evidenced by an executed investment management agreement. Each Investment Manager shall be responsible for the selection of specific securities for investment. The Committee shall not direct any Investment Manager to invest in any specific, individual securities; however, the Committee does retain the right to instruct each Investment Manager to not invest in certain securities, as it deems appropriate.

Each Investment Manager appointed to carry out the NDT's investment Guidelines shall invest NDT assets in accordance with these Guidelines, any applicable addendum to or modification of these Guidelines, and any investment management contract between each Investment Manager and the Committee. Subject to the general and specific requirements and limitations in these Guidelines, any addendum to or modification of these Guidelines, and the investment management contract between each Investment Manager and the Committee, each Investment Manager is accorded full discretion to select and time individual purchase and sale transactions and to diversify assets appropriately. To the extent these Guidelines appear to any Investment Manager to conflict with the provisions of any addendum or modification, or with each Investment Manager's investment management agreement with the Committee, each Investment Manager shall promptly bring any such conflict to the attention of the Committee, in writing, for resolution.

C. COMMUNICATION AND REPORTING OF INVESTMENT MANAGERS

Each Investment Manager is responsible for frequent and open communication with the Committee on all significant matters pertaining to investment policies and the management of the Trust's assets. Each Investment Manager shall furnish the Chairman of the Committee or designee thereof quarterly written reports setting forth the investment performance of the assets under management by each Investment Manager. The reports shall contain a one-page executive summary and shall be furnished in electronic and hard copy. Each Investment Manager shall meet with the Committee quarterly, or less frequently at the Committee's discretion, to review portfolio performance. In addition to reporting obligations imposed by law or the investment management contract between each Investment Manager and the Committee, each Investment Manager shall promptly report:

1. Significant changes in the Investment Manager's investment outlook, investment strategy, portfolio structure and risk level;
2. Any significant changes in the Investment Manager's ownership, investment process, organizational structure, financial condition, senior personnel staffing or Form ADV filed with the Securities and Exchange Commission;
3. On a quarterly basis all securities held during the quarter, together with certifications that these instruments were prudent investments for the Trust and each Investment Manager has personnel with sufficient expertise to manage them;

4. Any security which declines below the minimum quality standards of the NDT and any action each Investment Manager plans to take with respect to that security;
5. Any proposed change in the NDT's Investment Guidelines, Attachments or addenda thereto, or both, which each Investment Manager believes is necessary to prudently invest the assets of the NDT under its management; and
6. Any litigation, regulatory enforcement action, or formal investigation by a regulatory body in which each Investment Manager, or a sub-advisor, sub-manager, or other investment professional that assists each Investment Manager, is alleged to have committed a breach of fiduciary duty or a violation of other state or federal law.

VI. INVESTMENT OBJECTIVES

The Trust shall seek to achieve a total return that, over the long term, provides sufficient assets to fund its liabilities subject to a level of risk, required contributions, and expense deemed appropriate by the Committee. The Trust shall seek to maximize the return on its assets, over the long term, by investing a portion of such assets in equities and additional asset classes, including, but not limited to, fixed income securities, with differing rates of return, volatility, and correlation. The Trust will diversify its investments within asset classes to reduce the impact of losses in single investments.

A. ASSET CLASSES AND ALLOCATION OF ASSETS

The Committee will maintain an asset allocation policy specifying allocation ranges for each asset class, and will review the ranges from time to time. The ranges are set forth in Attachment A to these Guidelines. Such ranges are intended to serve as guidelines; the Committee will not be required to remain strictly within the designated ranges.

B. ASSET ALLOCATION REBALANCING POLICY

The Committee anticipates rebalancing the portfolio upon the advice of each Investment Manager from time to time. The NDT's asset allocation rebalancing policy targets and ranges are set forth in Attachment B to these Guidelines.

C. CONCENTRATION

For all asset classes, no Investment Manager shall invest more than a total of 5% of the Trust's assets under management by such Manager, measured at market value, in the securities, fixed income or equity, of any one company. Nonetheless, an Investment Manager may exceed this 5% limit if it manages an indexed equity fund, but only to the extent the securities of any one company comprise no more than 5% of the value of the index. In addition, prudent diversification standards should be developed and maintained by each Investment Manager.

D. EQUITY

1. TYPES OF SECURITIES AND MINIMUM REQUIREMENTS

Equity investments shall mean common stocks, preferred stocks, preferred stocks convertible into common stocks and mutual funds, including exchange traded funds, whose underlying assets are primarily common stocks.

2. DIVERSIFICATION

Investments in any particular industry (as defined by the Standard and Poor's 500) shall be limited to no more than 20% of the total equity portion of the Trust's assets under management by an individual Manager. Equity investments in any one company by an individual Manager shall be limited to no more than 5% of the total equity portion of the Trust's assets under management by that Manager, measured at market value. Investments in broadly-based mutual funds, including exchange traded funds designed to replicate broad indexes, are excluded from both the 20% industry and 5% company diversification limitations. Industry and sector specific funds are not excluded from the diversification limitations. Each Investment Manager will use their own judgment as to the weight to be accorded to the ratings of given equities, and the mix and number of issues of stocks held in the portfolio at any given time, within the limits of this paragraph.

3. INTERNATIONAL EQUITY

The Trust may invest in equity investments of foreign companies.

E. FIXED INCOME

1. TYPES OF SECURITIES

Fixed income investments shall mean publicly traded debt securities issued by the United States Government or agencies of the United States Government, domestic corporations and domestic banks and other United States financial institutions.. "Yankee bonds" (debt securities issued by foreign entities which are registered with the Securities and Exchange Commission, denominated in U.S. dollars and which trade domestically) and municipal bonds are also available for investment, so long as they comply with Minimum Quality and Diversification standards referenced herein.

2. MINIMUM QUALITY

To assure liquidity, any purchases of bonds, debentures, or notes with maturities of one year or greater should be of issues with an original outstanding issue size in excess of \$50 million. Bonds must be rated "investment grade" by Moody's and Standard and Poor's.

3. DIVERSIFICATION

Except for Treasury and Agency obligations, debt investments of any one entity may not cumulatively exceed 5% of the Trust's assets under management by each Investment Manager, based on market value.

F. CASH EQUIVALENTS

1. TYPES OF SECURITIES

Cash equivalents include publicly traded fixed income securities issued by the United States Government or agencies of the United States Government, commercial paper, certificates of deposit, savings accounts and short-term investment or money market funds of institutional quality of entities domiciled in the U.S.

2. MINIMUM QUALITY

Commercial paper must be only of the highest quality (A-1 as established by Standard and Poor's or P-1 as established by Moody's) with the investment in single issuer limited to 5% of the total portfolio, or approved money market mutual funds. Investment in commercial paper of public utility companies with nuclear plant investments is prohibited.

G. UNINVESTED ASSETS

Assets of the Trust held by each Investment Manager as liquidity or investment reserves shall, at all times, be invested in interest bearing accounts and managed by the custodian bank.

H. INVESTMENT TRANSACTIONS

Subject to the requirements imposed by an investment management agreement between each Investment Manager and the Committee, all transactions are to achieve "best execution" (best price net of trading costs). The lowest commission rate does not necessarily mean "best execution." Subject to the first sentence of this paragraph, responsibility for achieving best execution is retained by each Investment Manager. Firms which offer research services may be given preference as long as the principle of "best execution" and each Investment Manager's option to pay for research are compatible.

I. PROXIES

Voting authority for proxies will be delegated to each Investment Manager or qualified third parties. Proxies must be voted in the interest of preserving or enhancing the security's value and in a manner that best serves the interest of the Trust. Each Investment Manager is prohibited from abstaining from voting proxies, unless they report abstentions and the reasons for them to the Committee. Each Investment Manager is expected to be aware of corporate provisions that may adversely affect stock holdings including, but not limited to, "golden parachutes," "super majorities," "poison pills," "fair price" provisions, staggered boards of directors, and other tactics.

J. SECURITIES LENDING

Upon express authorization of the Company, the Trust may participate in the securities lending program of the Trust's Trustee specifically, to loan any securities to brokers, dealers or banks upon such terms, and secured in such manner, as may be determined by the Trustee, to permit the loaned securities to be transferred into the name of the borrower or others and to

permit the borrower to exercise such rights of ownership over the loaned securities as may be required under the terms of any such loan; provided, that, with respect to the lending of securities pursuant to this paragraph, the Trustee's powers shall subsume the role of custodian (the expressed intent hereunder being that the Trustee, in such case, be deemed a financial institution, within the meaning of Section 101(22) of the Bankruptcy Code); and provided, further, that any loans made from the Trust shall be made in conformity with these Guidelines and all such laws or regulations governing such lending activities which may have been promulgated by any appropriate regulatory body at the time of such loan.

K. RESTRICTIONS

1. ABSOLUTE RESTRICTIONS

The following categories of securities and trading practices are not permissible for investment using the Trust's assets under any circumstance:

- A. Investments in any portion of Trust's funds in the securities or assets of any corporation known by the each Investment Manager to be an owner or operator of a nuclear power plant;
- B. Investments in any portion of the Trust's funds in any index fund, mutual fund or pooled fund in which more than fifteen percent (15%) of the assets are issued by owners or operators of nuclear power plants;
- C. Investments in any portion of the taxqualified or nontax-qualified trust's funds in any affiliated company of KCP&L;
- D. Investments in any portion of the taxqualified or nontax-qualified trust's funds in the trustee or each Investment Manager's company or affiliated companies (This limitation does not include time or demand deposits offered through the trustee or each Investment Manager's affiliated banking operations.); and
- E. All other restrictions that may now exist or be promulgated.

Further, the total book value of investments in equity securities in the Trust shall not exceed sixty-five percent (65%) of the Trust' book value. All income earned by the Trust's funds shall become a part of the Trust's funds.

If a corporation should assume ownership or operation of a nuclear plant following the investment of the Trust funds, each Investment Manager will sell the affected securities as soon as is reasonably practicable. It is the responsibility of each Investment Manager to screen all investments for prohibition under these criteria.

2. RESTRICTIONS REQUIRING PRIOR WRITTEN APPROVAL

The following categories of securities and trading practices are not permissible for investment using the Trust's assets without the Committee's prior written approval:

- a. Unregistered or restricted stock;
- b. Commodities, including gold or currency futures;
- c. Conditional sales contracts;
- d. Options;
- e. Futures;
- f. Warrants;
- g. Margin buying;
- h. Leasebacks; and
- i. Annuities or Guaranteed Insurance Contracts.
- j. Mortgage or Asset-backed Securities

L. PERFORMANCE

The Trust's investment performance will be measured over the long term, taking into account appropriate benchmarks and peer-relative performance comparisons, especially when performance deviates meaningfully from market indexes. Investment objectives for each asset class will be established from time to time in consultation with the each of the Trust's Investment Managers. The investment performance benchmarks are set forth in Attachment C to these Guidelines.

ATTACHMENT A

TO THE

KCP&L WOLF CREEK NUCLEAR DECOMMISSIONING TRUST INVESTMENT GUIDELINES

This Attachment to the Investment Guidelines for the KCP&L Wolf Creek Nuclear Decommissioning Trust (“Trust”) sets forth the asset allocation targets and ranges that have been established by the Nuclear Decommissioning Trust Committee (the “Committee”) as of December 19, 2009. The Committee may change these targets and ranges from time to time in its discretion. They are intended to serve as guidelines; the Committee is not required to remain strictly within the designated ranges. However, in no event shall the categories of securities, trading practices or asset allocations violate the restrictions set forth the Investment Guidelines and all applicable laws and regulations.

The Trust’s asset allocation targets and ranges are as follows:

PERCENTAGE ASSET ALLOCATION OF TRUST ASSETS MEASURED AT MARKET VALUE

<u>Equity</u>	Allocation
<i>U.S. Equity</i>	
Large Cap Passive (S&P100)	32%
Total Large Cap	32%
Mid Cap Value	6%
Mid Cap Growth	3%
Total Mid Cap	9%
Small Cap Value	6%
Small Cap Growth	3%
Total Small Cap	9%
Total U.S. Equity	50%
<i>International Equity</i>	
Developed International	12%
Emerging Markets	3%
Total International Equity	15%
Total Equity	65%
<u>Fixed Income</u>	
Taxable Bond (Gov/Credit)	35%
Total Fixed Income	35%
	100%

ATTACHMENT B

TO THE

KCP&L WOLF CREEK NUCLEAR DECOMMISSIONING TRUST INVESTMENT GUIDELINES

This Attachment to the Investment Guidelines for the KCP&L Wolf Creek Nuclear Decommissioning Trust (“Trust”) sets forth the asset allocation rebalancing policy targets and ranges that have been established by the by the Nuclear Decommissioning Trust Committee (the “Committee”) as of December 19, 2009. The Committee may change these targets and ranges from time to time in its discretion. They are intended to serve as guidelines; the Committee is not required to remain strictly within the designated ranges. However, in no event shall the categories of securities, trading practices or asset allocations violate the restrictions set forth the Investment Guidelines and all applicable laws and regulations.

The Committee has defined target allocations and acceptable target ranges for each asset class. The rebalancing policy has been established so that actual allocations shall be consistent with those target ranges. Each asset class has been assigned a target and range outside of which rebalancing is necessary. In addition, each commingled fund and/or separate account within each asset class has been assigned a range outside of which rebalancing is necessary. Rebalancing ranges are equal to or less than acceptable range targets.

ASSET ALLOCATION REBALANCING POLICY TARGETS AND RANGES

	Target Market Value Allocation	Rebalance Band	Permissible Market Value Range
<u>Equity</u>			
<i>U.S. Equity</i>			
Large Cap Passive (S&P100)	32%		
Total Large Cap	32%	+/-3%	29% - 35%
Mid Cap Value	6%		
Mid Cap Growth	3%		
Total Mid Cap	9%	+/-2%	7% - 11%
Small Cap Value	6%		
Small Cap Growth	3%		
Total Small Cap	9%	+/-2%	7% - 11%
Total U.S. Equity	50%	+/-4%	46% - 54%
<i>International Equity</i>			
Developed International	12%		
Emerging Markets	3%		
Total International Equity	15%	+/-3%	12% - 18%
Total Equity	65%	+/-5%	60% - 70%
<u>Fixed Income</u>			
Taxable Bond (Gov/Credit)	35%		
Total Fixed Income	35%	+5%	30% - 40%
	100%		

ATTACHMENT C

TO THE

KCP&L WOLF CREEK NUCLEAR DECOMMISSIONING TRUST INVESTMENT GUIDELINES

This Attachment to the Investment Guidelines for the KCP&L Wolf Creek Nuclear Decommissioning Trust (“Trust”) sets forth the performance benchmarks that have been established by the by the Nuclear Decommissioning Trust Committee (the “Committee”) as of December 19, 2009. The Committee may change these targets from time to time in its discretion.

PERFORMANCE BENCHMARKS

Performance of the Trust will be compared, over a market cycle, to a representative mix of benchmarks appropriate to each asset class, as follows:

1. Performance in Large Cap U.S. equity investments will be benchmarked against the S&P 100 Index;
2. Performance in Mid Cap U.S. equity investments will be benchmarked against the S&P 400 Index;
3. Performance in Small Cap U.S. equity investments will be benchmarked against the Russell 2000 Index;
4. Performance in international equity investments will be benchmarked against the MCSI EAFE Index; and
5. Performance in fixed income investments will be benchmarked against the Barclays Government/Credit Index.

Utility Funding Plans (KEPCo Response)

In support of K.S.A. 66-128m (b)(4):

1. Individual Owner utility currently approved Annual Contributions and schedules for collection of estimated decommissioning costs through final decommissioning of the Station.
2. Discussion of process for each utility to update its Annual Contribution level through Commission action. Also, discuss the tax status of decommissioning funds and other relevant information, such as investment guidelines, etc.

Response

1. The attached Schedule C shows KEPCo's currently approved Annual Contributions and schedules for collection of the estimated decommissioning costs through the final decommissioning of Wolf Creek.
2. In accordance with the Kansas Corporation Commission's (KCC) December 9, 1992 Order in Docket No. 163-561-U, Wolf Creek and its owners are required to file an updated decommissioning cost study every three years. The co-owners hire a decommissioning consultant to project the annual cost to decommission Wolf Creek during the years 2045 through 2053 using current year dollars. The co-owners then escalate the decommissioning costs by an inflation factor approved by the KCC to estimate future required decommissioning costs by year. The co-owners maintain separate decommissioning trust funds to pay their respective shares of the future decommissioning costs.

KEPCo then evaluates the annual contribution it makes to its decommissioning trust fund to determine whether it is adequate to cover the updated projected future cost of decommissioning. To do this, KEPCo assumes specific annual investment returns based on historical data and applies those to the investment portfolio mix adopted by the Company for the decommissioning trust fund. KEPCo then files a separate proceeding with the KCC for Commission approval of a new decommissioning funding plan for KEPCo's share of the updated decommissioning costs. The proposed new decommissioning funding plan includes proposed Annual Contribution amounts, which may be different than or the same as current amounts.

In Docket No. 142,100-U, the Commission authorized KEPCo to utilize a ". . . segregated internal funding mechanism . . ." (p. 54 of the Order dated September 27, 1985) to hold and accumulate its proportionate share of the decommissioning costs to be used to decommission Wolf Creek. For this purpose, KEPCo created a Grantor Trust. The Commission approved the Grantor Trust in its Order dated November 30, 1989 (Docket No. 167,220-U). On October 10, 2003, in Docket 03-KEPE-1000-MIS the Commission granted KEPCo's application to make amendments to the Grantor Trust. On January 26, 2017, in Docket No. 16-KEPE-584-MIS, the Commission granted KEPCo's application requesting approval of an amended and restated decommissioning trust and a change in trustee. The Grantor Trust is a segregated internal fund administered by an independent, external Trustee, Country Club Trust Company. The income from the Grantor Trust is

attributable to KEPCo. KEPCo is tax exempt under Internal Revenue Code Section 501(c)(12).

The investment policy for KEPCo's decommissioning trust fund are attached. The policy describes sets forth investment policy, investment objectives, securities requirements, disbursement of funds and responsibility. It is attached as Schedule D.

SCHEDULE C

KANSAS ELECTRIC POWER COOPERATIVE, INC.

Estimate for Decommissioning Fund Contributions

Escalation 1.5%/yr & 6.74% Return

KCC Stipulated and Fixed Amounts

Total Cost DECON Method in 2014 \$s	\$765,060,000
Estimated KEPCo Cost in 2014 \$s	\$45,903,600
Forecasted Rate of Inflation	3.15%
Remaining Years in Service	30
Total KEPCo Cost of Decommissioning in 2045 \$s	\$128,057,592
Market Value of Portfolio @12/31/14	\$19,378,279
Remaining \$s To Be Collected	\$108,679,313

KEPCo Variables

Forecasted Return on Portfolio	Table Below
Escalation Rate for Contributions	1.50%
Amount of Initial Payment	\$485,422
Amount of Excess/Shortfall	0

<u>Year</u>	<u>Beginning Year Balance</u>	<u>Annual Contribution</u>	<u>Annual Earnings</u>	<u>End of Year Balance Less Fees</u>	<u>KEPCo's Decom Cost</u>	<u>Rate of Return</u>	<u>Total Wolf Creek Decom</u>
2014				19,378,279			
2015	19,378,279	485,422	1,306,096	21,094,473		6.74%	
2016	21,094,473	492,704	1,421,768	22,927,614		6.74%	

2017	22,927,614	500,094	1,545,321	24,885,282	6.74%	
2018	24,885,282	507,596	1,677,268	26,975,548	6.74%	
2019	26,975,548	515,210	1,818,152	29,206,995	6.74%	
2020	29,206,995	522,938	1,968,551	31,588,759	6.74%	
2021	31,588,759	530,782	2,129,082	34,130,563	6.74%	
2022	34,130,563	538,743	2,300,400	36,842,749	6.74%	
2023	36,842,749	546,825	2,483,201	39,736,325	6.74%	
2024	39,736,325	555,027	2,678,228	42,823,004	6.74%	
2025	42,823,004	563,352	2,886,270	46,115,246	6.74%	
2026	46,115,246	571,803	2,457,943	48,976,088	5.33%	
2027	48,976,088	580,380	2,610,425	51,987,977	5.33%	
2028	51,987,977	589,085	2,770,959	55,158,563	5.33%	
2029	55,158,563	597,922	2,939,951	58,495,881	5.33%	
2030	58,495,881	606,891	3,117,830	62,008,367	5.33%	
2031	62,008,367	615,994	3,305,046	65,704,877	5.33%	
2032	65,704,877	625,234	3,502,070	69,594,714	5.33%	
2033	69,594,714	634,612	3,709,398	73,687,643	5.33%	
2034	73,687,643	644,131	3,927,551	77,993,919	5.33%	
2035	77,993,919	653,793	4,157,076	82,524,310	5.33%	
2036	82,524,310	663,600	3,424,759	86,316,334	4.15%	
2037	86,316,334	673,554	3,582,128	90,262,409	4.15%	
2038	90,262,409	683,658	3,745,890	94,368,538	4.15%	
2039	94,368,538	693,913	3,916,294	98,640,955	4.15%	
2040	98,640,955	704,321	4,093,600	103,086,133	4.15%	
2041	103,086,133	714,886	4,278,075	107,710,792	4.15%	
2042	107,710,792	725,609	4,469,998	112,521,911	4.15%	
2043	112,521,911	736,493	4,669,659	117,526,737	4.15%	
2044	117,526,737	747,541	2,268,266	120,123,701	1.93%	
2045	120,123,701	-9,796,865	2,318,387	112,217,290	1.93%	163,281,079

2046	112,217,290	-21,751,954	2,165,794	92,230,869	21,751,954	1.93%	362,532,571
2047	92,230,869	-26,718,282	1,780,056	66,962,335	26,718,282	1.93%	445,304,696
2048	66,962,335	-19,966,490	1,292,373	48,046,350	19,966,490	1.93%	332,774,837
2049	48,046,350	-16,245,114	927,295	32,552,869	16,245,114	1.93%	270,751,894
2050	32,552,869	-14,564,587	628,270	18,495,117	14,564,587	1.93%	242,743,124
2051	18,495,117	-7,475,494	356,956	11,304,345	7,475,494	1.93%	124,591,569
2052	11,304,345	-6,991,176	218,174	4,484,278	6,991,176	1.93%	116,519,593
2053	4,484,278	-4,547,630	86,547	0	4,547,630	1.93%	75,793,831
					<u>128,057,592</u>		<u>2,134,293,195</u>

SCHEDULE D

KANSAS ELECTRIC POWER COOPERATIVE, INC

POLICY BULLETIN NO. 35

SUBJECT: WOLF CREEK NUCLEAR POWER PLANT DECOMMISSIONING FUND
INVESTMENT POLICY

OBJECTIVE

To provide guidelines to govern the investment of Kansas Electric Power Cooperative, Inc.'s (KEPCo's) Decommissioning Trust (the Trust) Funds.

BACKGROUND

The Kansas Corporation Commission (KCC) required the owners of the Wolf Creek Nuclear Power Plant, including KEPCo, to begin funding the cost of decommissioning Wolf Creek Nuclear Power Plant in September, 1985. Pursuant to the KCC order, KEPCo has established a non-qualified grantor trust, into which KEPCo contributes its share of the decommissioning contribution. The KCC periodically reviews and adjusts the estimated cost of decommissioning Wolf Creek, as well as the annual contributions to be made into the Trust.

INVESTMENT OBJECTIVES

The objective of the management of assets is to provide funds for the full and complete decommissioning of KEPCo's share of the Wolf Creek Nuclear Power Plant at the end of its useful life. KEPCo and its Trustee or investment manager, shall invest the Trust assets only in assets that are prudent investments for assets held in Trust and in a manner designed to maximize the return on funds invested, consistent with conservation of the principal. Investments of the Trust must stay within the requirements of approved investments as established by the Kansas Corporation Commission.

INVESTMENT POLICY

The Board may designate the Finance and Audit Committee, or retain an appropriate investment manager, to be responsible for the management of the Trust investments in accordance with this policy. Staff shall monitor the performance of the Trust and report to the Board quarterly.

Time

Investment guidelines and asset allocations should be based on an investment horizon that corresponds to the expiration of the current operating license.

Risk

Equity securities should occupy a dominant position in the Trust. Because the Trust is long-term in nature, tolerance to some level of risk and short and intermediate-term volatility is necessary to meet the long-term goals.

Asset Allocation

Based on the Trust's time horizon, risk tolerance, and performance expectations, the Trust's assets shall be allocated generally within the following ranges:

Equity Investments: 35%-65%

Fixed Income Securities: 35%-65%

Cash Reserves: 0%-35%

Due to market fluctuations and asset growth, securities invested in each class may need to be periodically adjusted. A timeframe of 90 days should be used to make adjustments, if necessary.

By direction of the Executive Committee, in response to market or other conditions, the Executive Vice President may authorize a deviation from these allocations, within KCC requirements, for up to 180 days. Deviations from these allocations for a longer period shall require approval of the Board of Trustees.

The investment manager shall be directed to record the dollar value of the Trust's equity holdings at the beginning of each quarter and alert the Executive Vice President at any time the value of the equity holdings declines more than \$1 million from the beginning quarterly value due to market fluctuations. The Executive Vice President shall notify the Executive Committee of any such alert and the Executive Committee may take such action as it deems necessary.

The KEPCo Board shall review and evaluate the allocations above at least annually and has the option to deviate from the ranges, within KCC requirements, due to market and other conditions.

SECURITIES REQUIREMENTS

Equities

The equity portfolio should be appropriately diversified. Except for investments in mutual funds, no more than 10% may be invested in the securities of a single issuing company, and no more than 20% may be invested in the securities of a single industry. There are no restrictions on portfolio turnover or realizing gains or losses.

The trustee and investment manager shall not invest any portion of the trust's funds in the securities or assets of the following:

- Any owner or operator of a nuclear power plant;
- Any index fund, mutual fund or pooled fund in which more than fifteen percent (15%) of the assets are issued by owners or operators of nuclear power plants;
- Any affiliated company of the utility;
- The trustee or investment manager's company or affiliated companies. (This limitation does not include time or demand deposits offered through the trustee or investment managers affiliated banking operations.)

Short sales, margin transactions, speculation in commodities, direct use of options and futures, or similar investment activities are prohibited.

Fixed Income

Fixed income investments, whether a direct purchase or through mutual fund investments, shall meet the following requirements:

The Trust's U.S. Government debt portfolio is to be invested in securities restricted to direct obligations of, and obligations fully guaranteed by, the USA or any agency thereof.

The Trust's mortgage and asset backed debt portfolio shall maintain a weighted average minimum credit quality of A. Investments in securities are restricted to, at time of purchase, a minimum credit quality of Standard & Poor's BBB or better.

The Trust's corporate debt portfolio shall maintain a weighted average minimum credit quality of A. Investments in securities shall be restricted to, at time of purchase, a minimum credit quality of Standard & Poor's BBB or better.

The Trust's corporate debt portfolio should be appropriately diversified. Except for investments in mutual funds, no more than 10% may be invested in the securities of a single issuing company and no more than 20% may be invested in the securities of a single industry.

Cash and Equivalents

The Trust should be fully invested at all times. However, in order to exercise prudent care against a loss of market value, it may become necessary to invest in short-term investments.

In addition to authorized investments listed elsewhere in this policy, the Trust shall restrict itself to the following categories of investments:

- Accounts at depository institutions with the balance to be maintained at or below the amount insured by the FDIC.
- Commercial Paper issued by National Rural Utilities Cooperative Finance Corporation as long as it maintains a Standard & Poors rating of A1 or better.
- Money market mutual funds whose net asset value remains a constant \$1 per share.

DISBURSEMENT OF FUNDS

All disbursement of decommissioning funds shall be in accordance with The KEPCo Decommissioning Trust, KCC orders, KEPCo Board direction and the cash flow requirements at the time of decommissioning. It is recognized that some fees may be paid from time to time for trustee fees, brokerage fees, investment manager's fees, etc.

RESPONSIBILITY

- A. The Board of Trustees shall be responsible for reviewing and making necessary changes in this policy as may be recommended or that are required by changing circumstances.
- B. The Executive Vice President shall be responsible for the administration of this policy and for formulating any recommended changes in policy content which require action by the Board of Trustees.

DATE ADOPTED October 13, 2010 ATTESTED _____
Secretary