

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

APR 30 2001

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

Jeffrey S. ... Docket Room

UNANIMOUS STIPULATION AND AGREEMENT

As a result of discussions among the parties to Docket No. 01-KCPE-708-MIS, the parties hereby submit to the Kansas Corporation Commission (“Commission”) for its consideration and approval the following Unanimous Stipulation And Agreement:

I. Kansas City Power & Light Company’s Application

On February 26, 2001, Kansas City Power & Light Company (“KCPL”) filed its Application. KCPL is a vertically integrated electric utility company under the jurisdiction of the Commission.

For purposes of this agreement, all obligations and conditions agreed and assumed by KCPL shall become, pursuant to the terms of this agreement, obligations and conditions of any KCPL affiliate, successor, assignee or merged entity, which shall be bound in the same manner and to the same extent as KCPL.

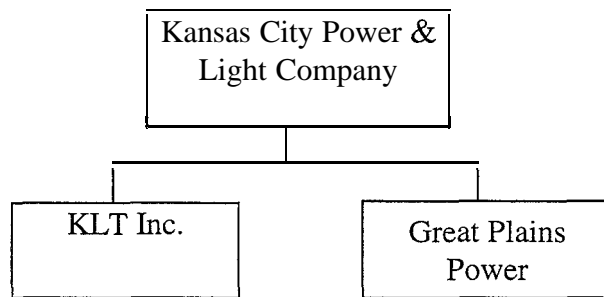
In its Application, KCPL proposed to reorganize into a registered holding company structure as follows:

- A. After reorganization, a new holding company, Great Plains Energy Incorporated (GPE)¹ will be the sole owner of three subsidiary companies, all of which already exist – *i.e.* KCPL, KLT Inc. (“IO”) and Great Plains Power Incorporated (“GPP”).

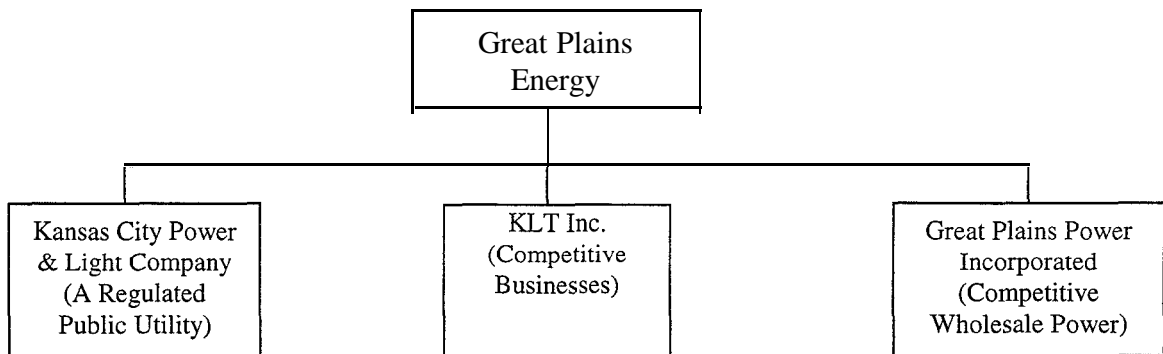
¹ The Articles of Incorporation for GPE were filed with the Missouri Secretary of State on February 26, 2001. GPE will be properly registered to do business in the State of Kansas.

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 STRUCTURE*



RESTRUCTURED COMPANY



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 has formed a wholly owned subsidiary, GPE. In turn, GPE will form a wholly owned, new subsidiary, NewCo. Pursuant to a merger agreement ("Merger Agreement") between KCPL, GPE and NewCo, KCPL then will merge with NewCo. A copy of the Merger Agreement was attached to the Application 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 GPE. As a part of the merger, each outstanding share of KCPL stock automatically converts into the right to receive one share of GPE stock. Similarly, each share of KCPL's various series of preferred stock will be converted into one share of an identical series of GPE preferred stock. The pro forma balance sheets and income statements of KCPL before and after the proposed restructuring plan were attached to the Application as Exhibit 2. Once the merger is consummated, KCPL will dividend its stock of KLT and GPP to GPE. At this point, GPE will be a publicly held corporation that owns 100% of KCPL, KLT and GPP.

B. It is anticipated that GPE will form a service company ("ServCo") within a certain period of time following the completion of the reorganization. The ServCo will provide certain shared services to the affiliated companies. A form of the General Services Agreement that will be used for the provision of support services was attached to the Application 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, was attached to the Application as Exhibit 4. KCPL stated that 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. Upon completion of the reorganization, GPE will register with the SEC and become subject to additional regulation under the Public Utility Holding Company Act (“PUHCA”).

C. The proposed 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.

II. STIPULATION AND AGREEMENTS AMONG THE PARTIES

Having considered the verified Application that KCPL submitted in this matter and having conducted settlement negotiations and discussions, KCPL, Commission Staff (“Staff”) and the Citizen’s Utility Ratepayer’s Board (“CURB”) agree and recommend, subject to the conditions set forth below, that the Commission should approve KCPL’s Application to restructure and reorganize, as proposed in its Application.

A. Approval of the Proposed Restructuring; and Reorganization

The signatories agree that the Commission should approve the restructuring and reorganization of KCPL as requested in the Application filed February 26, 2001, on the basis that, subject to the conditions and modifications set forth below, said restructuring and reorganization is not detrimental to the public interest. In addition, the Commission should grant KCPL authority to

merge with NewCo with KCPL being the surviving corporation, and grant all other approvals necessary to implement the restructuring plan described in KCPL's Application, including authority of KCPL to convert its stock to GPE stock.

B. State Jurisdictional Issues

In Docket No. 97-WSRE-676-MER, *In the Matter of the Application of Western Resources, Inc., and Kansas City Power & Light Company for Approval of the Merger of Kansas City Power & Light Company with Western Resources, Inc. and for Other Related Relief*, the Commission approved the proposed merger of the companies in an Order which included requirements designed to protect the Commission's jurisdiction over the utility should it lose its exempt status under PUHCA. The Missouri Commission adopted similar requirements 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. 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. 66-1213a, 66-1401, and 66-1402, concerning affiliate transactions, after the reorganization is completed.

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

1. Access to Books, Records and Personnel

GPE and KCPL shall make available to the Staff, and CURB, at reasonable times and places, all books, records, employees and officers of GPE, KCPL and any affiliate of KCPL as provided

under applicable law and Commission rules; provided that KCPL and any affiliate or subsidiary of GPE 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. That stated exclusion refers also to any such objections that may be made based on the operation of PUHCA.

2. 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 Securities and Exchange Commission ("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 (including cost of capital) 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 (including cost of capital) 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.

3. 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 GPE subsidiary or affiliate, that are required to be filed with and/or approved by the Federal Energy Regulatory Commission ("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 Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost (including cost of capital) 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 (including cost of capital) or allocation has itself been filed 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.

4. No Pre-Approval of Affiliated Transactions

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

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

In the exclusive event that any court with jurisdiction over KCPL, GPE 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 to the Application as Exhibit 5, shall apply to FERC filings according to its terms, at the option of the Commission, with the exception of that on page 3, section 3.1.2, the reference to “twenty (20) days after the contract is filed” shall be amended to “thirty (30) days after the contract is filed.”

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

In the exclusive event that any court with jurisdiction over KCPL, GPE 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 (including cost of capital) or allocation incurred or accrued by KCPL on the basis that such expense, charge, cost (including cost of capital) or allocation has itself been filed with or approved by SEC, then the Contingent Jurisdictional Stipulation, attached to the Application as Exhibit 5, shall apply to SEC filings according to its terms, at the option of the Commission.

7. **Stipulation Regarding the Creation of the Service Company**

In all transactions between KCPL and ServCo, KCPL shall comply with the standards for affiliate transactions set forth in the Commission’s statutes and orders, and will provide the Staff and

CURB with copies of all documents that must be filed with the SEC or FERC relating to creation of ServCo. K.S.A. 66-1213a, 66-1401, and 66-1402 set forth the standards and requirements applicable to any Commission regulated electrical corporation whenever such corporation participates in transactions with any affiliated entity. In addition to these requirements, KCPL agrees to seek agreement with the Staff and CURB concerning an appropriate notification procedure to be utilized regarding the transfer of functions to ServCo from KCPL.

The Commission may make its determination regarding the ratemaking treatment to be accorded the creation of ServCo in a subsequent ratemaking proceeding. All contracts, agreements or understandings of any kind, including any amendments thereto, between KCPL and ServCo, 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 (including cost of capital) or allocation incurred or accrued by KCPL in, or as a result of, a contract, agreement, arrangement, or transaction with ServCo on the basis that such expense, charge, cost (including cost of capital) 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. Surveillance Condition

KCPL agrees to continue to provide annually to the Staff the FERC Form 1, as reported specific to the Kansas jurisdiction.

D. Modification and Enhancement to KCPL's Cost Allocation Manual

KCPL agrees to the various modifications and enhancements of its Cost Allocation Manual ("CAM"), as identified in Attachment A to the Stipulation and Agreement, and agrees to submit to the Commission Staff a modified and enhanced CAM within 120 days of the close of the transaction.

E. Financial Projections in Pro Forma Financial Statements

KCPL affirms that the financial information and accompanying adjustments contained in Exhibit 2 of the Application, as amended, are reasonable projections of the actual and expected financial condition of KCPL and its affiliates, based upon the information available at the time of the filing of Exhibit 2. However, the financial information contained in Exhibit 2 may change before the transaction closes, as a result of normal business operations. Accordingly, KCPL shall provide to the Commission Staff and CURB a copy of the actual journal entries that are made by KCPL within thirty (30) days of completion of the journal entries on the books and records of KCPL following the close of the transaction. In the event that the actual results at the close of the transaction deviate from the projections contained in Exhibit 2, as amended, by more than ten (10%) percent, KCPL shall provide the Commission Staff and CURB with an explanation for any deviation from the projections contained in Exhibit 2, as amended.

F. Financing Conditions

1. GPE (“Holding Company”) and its subsidiaries will not conduct any material business activities that are not part of the “electric industry or natural gas industry business” or are not reasonably related to business activities derived from changes in the electric industry or natural gas industry as a result of competition, without Commission approval. With regard to expansion of KCPL’s current operations in the telecommunications and information businesses, activities will be limited to those considered reasonably related to current operations.

2. KCPL’s common stock shall not be pledged as collateral or security for the debt of the Holding Company or a subsidiary without Commission approval.

3. KCPL will not guarantee the notes, debentures, debt obligations or other securities of any of the Holding Company or any of its subsidiaries, or enter into any “make-well” agreements without prior Commission approval.

4. GPE shall maintain consolidated common equity of no less than 30 percent of total consolidated capitalization. KCPL’s common equity shall be maintained at no less than 35 percent. Total capitalization is defined as common equity, preferred stock, long-term debt and short-term debt in excess of CWIP. Common equity is defined as par value of common stock, plus additional paid-in capital, plus retained earnings, minus treasury stock.

5. Reports:

KCPL shall submit quarterly to the Staff of the Commission certain key financial ratios as defined by Standard and Poor’s Credit Rating Service, as follows:

- (a) Pre-tax interest coverage;
- (b) After-tax coverage of interest and preferred dividends;

- (c) Funds flow interest coverage;
- (d) Funds from operations to total debt;
- (e) Total debt to total capital (including preferred); and
- (f) Total common equity to total capital.

6. KCPL's total long-term borrowings including all instruments shall not exceed KCPL's regulated rate base.

7. KCPL shall maintain separate debt. KCPL agrees to maintain its debt at investment grade. This condition should not be construed to mean Staff recommends or will recommend in any future application to the Commission or Commission proceeding the approval of any preferred stock issuance below investment grade.

8. The allowed return on common equity and other costs of capital of KCPL shall not increase as a result of the reorganization.

9. The customers of KCPL shall be held harmless by KCPL and GPE if the reorganization creating GPE, with KCPL as a subsidiary, results in a higher revenue requirement for KCPL than if the reorganization had not occurred.

10. GPE and KCPL shall provide the Commission Staff and CURE3 unrestricted access to all written information provided to common stock, bond, or bond rating analysts, which directly, or indirectly, pertains to KCPL or any affiliate that exercises influence or control over KCPL or has affiliate transactions with KCPL. Such information includes, but is not limited to, reports provided to, and presentations made to, common stock analysts and bond rating analysts. For purposes of this condition, "written" information includes, but is not limited to, any written and printed material, audio and videotapes, computer disks, and electronically stored information. Nothing in this

condition shall be deemed to be a waiver of GPE's or KCPL's right to seek protection of the information.

11. The Commission Staff and CURB shall be provided, upon request and with appropriate notice, all information needed to verify compliance with the conditions authorized in this proceeding and any other information relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority over KCPL.

12. GPE shall not, directly or indirectly, acquire or merge with a public utility or public utility holding company, nor will it allow itself to be acquired by a public utility or public utility holding company unless GPE has requested prior approval for such a transaction from the Commission and the Commission has found that no detriment to the public would result from the transaction.

G. **Transaction Costs**

KCPL shall not seek to recover the amount of any transaction costs in rates associated with the transaction that is the subject of this proceeding in any Kansas proceeding, and KCPL shall account for transaction costs in a manner that will enable the Commission Staff and CURB to quantify and seek disallowances of such transaction costs, if necessary, from rates in any Kansas rate proceeding.

H. **Combustion Turbines**

Following the close of the transaction that is the subject of this proceeding, KCPL, GPE, and GPP expect that five (5) combustion turbine generation units will be leased and operated by GPP or its affiliate. KCPL currently has a memorandum of understanding ("MOW) dated January 10, 2001,

with General Electric Company that gives KCPL the opportunity to enter into a contract to purchase or lease five (5) combustion turbine generation units

KCPL presently anticipates that it will need an additional 23.1 mega-watts of capacity in the next three years. KCPL has the rights to the capacity from GPP for 23.1 mega-watts. If KCPL does not obtain power from another source for KCPL's anticipated need, it will be available from GPP. KCPL may enter into a cost-based Purchase Supply Agreement ("PSA") with GPP to acquire capacity and energy. The PSA will be submitted by KCPL for review and approval by the Commission, as required by law.

I. Membership In Regional Transmission Organization (RTO) and Transfer of Control of Assets Related To Membership In A RTO

Commission approval shall be required for the sale, assignment, lease or other disposition, including but not limited to a transfer of control, of transmission facilities by KCPL to an affiliated or unaffiliated regional transmission organization, independent system operator, or similar entity that is subject to the jurisdiction of the Federal Energy Regulatory Commission. In the event that KCPL seeks to withdraw from its participation in an affiliated or unaffiliated regional transmission organization, independent system operator, or similar entity that is subject to the jurisdiction of the Federal Energy Regulatory Commission, KCPL shall file a notice of withdrawal with the Commission. Such withdrawal shall become effective when the Commission and other applicable regulatory bodies approve or authorize such withdrawal.

J. The Commission's Rights

Nothing in this Stipulation and Agreement is intended to impinge or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation.

K. Staff's Rights

If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement and provide to the KCC whatever further explanation the KCC requests. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties to the extent allowed by law, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any party are its own and are not acquiescing in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff also shall have the right to provide, at any meeting or hearing at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The

Staff's oral explanation shall be subject to public disclosures, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to Kansas law or any Protective Order issued in this docket.

L. No Acquiescence

Except as specified herein, none of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence, that may underlie this Stipulation and Agreement, or for which provision is made in this Stipulation and Agreement.

M. Negotiated Settlement

This Stipulation and Agreement represents a negotiated settlement that fully resolves the issues addressed in this document. The parties represent that the terms of this Stipulation and Agreement constitute a fair and reasonable resolution of the issues addressed herein. Except as specified herein, the signatories to this Stipulation and Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation and Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Stipulation and Agreement in the instant proceeding. If the Commission accepts this Stipulation and Agreement in its entirety and incorporates the same into a final order without material modification, the parties shall be bound by its terms and the

Facsimile: (785) 271-3116

ATTORNEY FOR CITIZENS'
UTILITY RATEPAYER BOARD

Attachment A

CAM MODIFICATIONS STIPULATION & AGREEMENT KANSAS CITY POWER & LIGHT COMPANY

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- I. KCPL's CAM will be modified to identify and describe all KCPL functions that will provide support to nonregulated affiliated business units, including the holding company.

The information provided will include:

- A. A listing of each function.
- B. The positions and numbers of employees providing each function.
- C. The procedures to be used to measure and assign costs to nonregulated business units for each function provided by KCPL.

- II. The CAM will be modified to include:

- A. A description of all services and goods that will be provided to KCPL from each affiliate of KCPL.
- B. A description of all services and goods that will be provided to affiliated companies from KCPL.
- C. The dollar amount of each service and good charged to each affiliate by KCPL, and the total cost related to each service and good listed.
- D. The dollar amount of each service and good bought from each affiliate from KCPL, and the total cost related to each service and good listed.
- E. A detailed discussion of the basis for determining the charges from the regulated utility, affiliated companies and the holding company, including:
 1. If costs are allocated, a description of the cost allocation process employed for each service and good
 2. how direct, indirect and common activities are assigned for each service and good
 3. how market values for each service and good is determined
 4. a description of the criteria employed to determine whether volume discounts or other pricing considerations are to be provided to KCPL or affiliates

- III. The CAM will be modified to include a Code of Conduct to ensure adherence to the policies and procedures incorporated within the CAM.

- A. Training will be provided and information disseminated regarding the current policies and procedures and any future modification to them
- B. KCPL will enforce penalties, up to and including possible termination, for noncompliance with its policies and procedures

- C. A designated person will be responsible for enforcement of the policies and procedures.
 - D. KCPL will conduct regularly scheduled internal and/or external audits to examine compliance with its policies and procedures
 - E. At least once a year, KCPL will consider whether modifications to the Code of Conduct are necessary to support appropriate compliance with the Company's policies and procedures. If modifications to the Code of Conduct are made by KCPL, they will be provided as part of the overall CAM filing.
- IV. KCPL will file as part of the CAM the following organization charts:
- A. Total family of companies within the holding company
 - B. KCPL alone
 - C. Affiliates doing business with KCPL
- V. The CAM will be modified to include a listing of all deregulated activities that will be provided within the regulated company (KCPL) to nonaffiliated third party customers following formation of the holding company. The information to be provided in this area shall include:
- A. The amount of revenues and expenses for each deregulated activity for the last calendar year.
 - B. Listings of all KCPL cost centers/functions that will directly assign, indirectly assign, or allocate costs to each deregulated activity listed.
- All of the above information (Points One through Five) shall be provided by KCPL to the Commission on an annual basis through the CAM filing process.
- VI. All CAM modifications agreed to as part of a stipulation and agreement resolving this case shall be filed with the Commission within 120 days of final approval of this application.

Note: Any direct activities related to the study or formation of the holding company, or study or formation of new corporate entities after the holding company is implemented, will not be subject to allocation to regulated operations.