

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2016**

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number	Exact name of registrant as specified in its charter, state of incorporation, address of principal executive offices and telephone number	I.R.S. Employer Identification Number
001-32206	<b>GREAT PLAINS ENERGY INCORPORATED</b> (A Missouri Corporation) 1200 Main Street Kansas City, Missouri 64105 (816) 556-2200	43-1916803
000-51873	<b>KANSAS CITY POWER &amp; LIGHT COMPANY</b> (A Missouri Corporation) 1200 Main Street Kansas City, Missouri 64105 (816) 556-2200	44-0308720

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Great Plains Energy Incorporated                      Yes     No                       Kansas City Power & Light Company                      Yes     No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Great Plains Energy Incorporated                      Yes     No                       Kansas City Power & Light Company                      Yes     No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Great Plains Energy Incorporated	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Kansas City Power & Light Company	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Great Plains Energy Incorporated                      Yes     No                       Kansas City Power & Light Company                      Yes     No

On July 31, 2016, Great Plains Energy Incorporated had 154,762,188 shares of common stock outstanding. On July 31, 2016, Kansas City Power & Light Company had one share of common stock outstanding and held by Great Plains Energy Incorporated.

**Kansas City Power & Light Company meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.**

## [Table of Contents](#)

This combined Quarterly Report on Form 10-Q is being filed by Great Plains Energy Incorporated (Great Plains Energy) and Kansas City Power & Light Company (KCP&L). KCP&L is a wholly owned subsidiary of Great Plains Energy and represents a significant portion of its assets, liabilities, revenues, expenses and operations. Thus, all information contained in this report relates to, and is filed by, Great Plains Energy. Information that is specifically identified in this report as relating solely to Great Plains Energy, such as its financial statements and all information relating to Great Plains Energy's other operations, businesses and subsidiaries, including KCP&L Greater Missouri Operations Company (GMO), does not relate to, and is not filed by, KCP&L. KCP&L makes no representation as to that information. Neither Great Plains Energy nor its other subsidiaries have any obligation in respect of KCP&L's debt securities and holders of such securities should not consider Great Plains Energy's or its other subsidiaries' financial resources or results of operations in making a decision with respect to KCP&L's debt securities. Similarly, KCP&L has no obligation in respect of securities of Great Plains Energy or its other subsidiaries.

This report should be read in its entirety. No one section of the report deals with all aspects of the subject matter. It should be read in conjunction with the consolidated financial statements and related notes and with the management's discussion and analysis included in the 2015 Form 10-K for each of Great Plains Energy and KCP&L.

## TABLE OF CONTENTS

	<b>Page Number</b>
<a href="#">Cautionary Statements Regarding Certain Forward-Looking Information</a>	4
<a href="#">Glossary of Terms</a>	5
<b><a href="#">Part I - Financial Information</a></b>	
Item 1. <a href="#">Financial Statements</a>	
<b><a href="#">Great Plains Energy Incorporated</a></b>	
<a href="#">Unaudited Consolidated Balance Sheets</a>	7
<a href="#">Unaudited Consolidated Statements of Comprehensive Income</a>	9
<a href="#">Unaudited Consolidated Statements of Cash Flows</a>	10
<a href="#">Unaudited Consolidated Statements of Common Shareholders' Equity</a>	11
<b><a href="#">Kansas City Power &amp; Light Company</a></b>	
<a href="#">Unaudited Consolidated Balance Sheets</a>	12
<a href="#">Unaudited Consolidated Statements of Comprehensive Income</a>	14
<a href="#">Unaudited Consolidated Statements of Cash Flows</a>	15
<a href="#">Unaudited Consolidated Statements of Common Shareholder's Equity</a>	16
<a href="#">Combined Notes to Unaudited Consolidated Financial Statements for Great Plains Energy Incorporated and Kansas City Power &amp; Light Company</a>	17
Note 1: <a href="#">Summary of Significant Accounting Policies</a>	17
Note 2: <a href="#">Anticipated Acquisition of Westar Energy, Inc.</a>	19
Note 3: <a href="#">Supplemental Cash Flow Information</a>	21
Note 4: <a href="#">Receivables</a>	22
Note 5: <a href="#">Nuclear Plant</a>	22
Note 6: <a href="#">Regulatory Matters</a>	24
Note 7: <a href="#">Pension Plans and Other Employee Benefits</a>	24
Note 8: <a href="#">Equity Compensation</a>	25
Note 9: <a href="#">Short-Term Borrowings and Short-Term Bank Lines of Credit</a>	27
Note 10: <a href="#">Long-Term Debt</a>	29
Note 11: <a href="#">Preferred Stock</a>	30
Note 12: <a href="#">Commitments and Contingencies</a>	30
Note 13: <a href="#">Legal Proceedings</a>	34
Note 14: <a href="#">Related Party Transactions and Relationships</a>	35
Note 15: <a href="#">Derivative Instruments</a>	35
Note 16: <a href="#">Fair Value Measurements</a>	40
Note 17: <a href="#">Accumulated Other Comprehensive Income (Loss)</a>	45
Note 18: <a href="#">Taxes</a>	48
Note 19: <a href="#">Segments and Related Information</a>	49
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	51
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	62
Item 4. <a href="#">Controls and Procedures</a>	62
<b><a href="#">Part II - Other Information</a></b>	
Item 1. <a href="#">Legal Proceedings</a>	63
Item 1A. <a href="#">Risk Factors</a>	63
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	71
Item 3. <a href="#">Defaults Upon Senior Securities</a>	71
Item 4. <a href="#">Mine Safety Disclosures</a>	71
Item 5. <a href="#">Other Information</a>	71
Item 6. <a href="#">Exhibits</a>	72
<a href="#">Signatures</a>	74

## **CAUTIONARY STATEMENTS REGARDING CERTAIN FORWARD-LOOKING INFORMATION**

Statements made in this report that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. Forward-looking statements include, but are not limited to, statements relating to Great Plains Energy's proposed acquisition of Westar Energy, Inc. (Westar), the outcome of regulatory proceedings, cost estimates of capital projects and other matters affecting future operations. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Great Plains Energy and KCP&L are providing a number of important factors that could cause actual results to differ materially from the provided forward-looking information. These important factors include: future economic conditions in regional, national and international markets and their effects on sales, prices and costs; prices and availability of electricity in regional and national wholesale markets; market perception of the energy industry, Great Plains Energy and KCP&L; changes in business strategy, operations or development plans; the outcome of contract negotiations for goods and services; effects of current or proposed state and federal legislative and regulatory actions or developments, including, but not limited to, deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding rates the Companies can charge for electricity; adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters including, but not limited to, air and water quality; financial market conditions and performance including, but not limited to, changes in interest rates and credit spreads and in availability and cost of capital and the effects on derivatives and hedges, nuclear decommissioning trust and pension plan assets and costs; impairments of long-lived assets or goodwill; credit ratings; inflation rates; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including, but not limited to, cyber terrorism; ability to carry out marketing and sales plans; weather conditions including, but not limited to, weather-related damage and their effects on sales, prices and costs; cost, availability, quality and deliverability of fuel; the inherent uncertainties in estimating the effects of weather, economic conditions and other factors on customer consumption and financial results; ability to achieve generation goals and the occurrence and duration of planned and unplanned generation outages; delays in the anticipated in-service dates and cost increases of generation, transmission, distribution or other projects; Great Plains Energy's ability to successfully manage transmission joint venture or to integrate the transmission joint ventures of Westar; the inherent risks associated with the ownership and operation of a nuclear facility including, but not limited to, environmental, health, safety, regulatory and financial risks; workforce risks, including, but not limited to, increased costs of retirement, health care and other benefits; the ability of Great Plains Energy to obtain the regulatory and shareholder approvals necessary to complete the anticipated acquisition of Westar; the risk that a condition to the closing of the anticipated acquisition of Westar or the committed debt or equity financing may not be satisfied or that the anticipated acquisition may fail to close; the failure to obtain, or to obtain on favorable terms, any equity, debt or equity-linked financing necessary to complete or permanently finance the anticipated acquisition of Westar and the costs of such financing; the outcome of any legal proceedings, regulatory proceedings or enforcement matters that may be instituted relating to the anticipated acquisition of Westar; the costs incurred to consummate the anticipated acquisition of Westar; the possibility that the expected value creation from the anticipated acquisition of Westar will not be realized, or will not be realized within the expected time period; the credit ratings of Great Plains Energy following the anticipated acquisition of Westar; disruption from the anticipated acquisition of Westar making it more difficult to maintain relationships with customers, employees, regulators or suppliers; the diversion of management time and attention on the proposed transactions; and other risks and uncertainties.

This list of factors is not all-inclusive because it is not possible to predict all factors. Part II Item 1A Risk Factors included in this report, together with the risk factors included in the 2015 Form 10-K for each of Great Plains Energy and KCP&L under Part I Item 1A, should be carefully read for further understanding of potential risks for each of Great Plains Energy and KCP&L. Other sections of this report and other periodic reports filed by each of Great Plains Energy and KCP&L with the Securities and Exchange Commission (SEC) should also be read for more information regarding risk factors. Each forward-looking statement speaks only as of the date of the particular statement. Great Plains Energy and KCP&L undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**GLOSSARY OF TERMS**

The following is a glossary of frequently used abbreviations or acronyms that are found throughout this report.

<b><u>Abbreviation or Acronym</u></b>	<b><u>Definition</u></b>
<b>AEPTHC</b>	AEP Transmission Holding Company, LLC, a wholly owned subsidiary of American Electric Power Company, Inc.
<b>AFUDC</b>	Allowance for Funds Used During Construction
<b>ARO</b>	Asset Retirement Obligation
<b>ASU</b>	Accounting Standards Update
<b>CCRs</b>	Coal combustion residuals
<b>Clean Air Act</b>	Clean Air Act Amendments of 1990
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>Company</b>	Great Plains Energy Incorporated and its consolidated subsidiaries
<b>Companies</b>	Great Plains Energy Incorporated and its consolidated subsidiaries and KCP&L and its consolidated subsidiaries
<b>DOE</b>	Department of Energy
<b>EIRR</b>	Environmental Improvement Revenue Refunding
<b>EPA</b>	Environmental Protection Agency
<b>EPS</b>	Earnings per common share
<b>ERISA</b>	Employee Retirement Income Security Act of 1974, as amended
<b>FAC</b>	Fuel Adjustment Clause
<b>FASB</b>	Financial Accounting Standards Board
<b>FERC</b>	The Federal Energy Regulatory Commission
<b>FCC</b>	The Federal Communications Commission
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GMO</b>	KCP&L Greater Missouri Operations Company, a wholly owned subsidiary of Great Plains Energy
<b>GPETHC</b>	GPE Transmission Holding Company LLC, a wholly owned subsidiary of Great Plains Energy
<b>Great Plains Energy</b>	Great Plains Energy Incorporated and its consolidated subsidiaries
<b>Great Plains Energy Board</b>	Great Plains Energy Board of Directors
<b>HSR</b>	Hart-Scott-Rodino
<b>KCC</b>	The State Corporation Commission of the State of Kansas
<b>KCP&amp;L</b>	Kansas City Power & Light Company, a wholly owned subsidiary of Great Plains Energy, and its consolidated subsidiaries
<b>KCP&amp;L Receivables Company</b>	Kansas City Power & Light Receivables Company, a wholly owned subsidiary of KCP&L
<b>kWh</b>	Kilowatt hour
<b>MATS</b>	Mercury and Air Toxics Standards
<b>MD&amp;A</b>	Management's Discussion and Analysis of Financial Condition and Results of Operations
<b>MDNR</b>	Missouri Department of Natural Resources
<b>MEEIA</b>	Missouri Energy Efficiency Investment Act

<b><u>Abbreviation or Acronym</u></b>	<b><u>Definition</u></b>
<b>Merger Agreement</b>	Agreement and Plan of Merger dated as of May 29, 2016, by and among Great Plains Energy, Westar and Merger Sub
<b>Merger Sub</b>	GP Star, Inc., a Kansas corporation that will be merged with and into Westar, pursuant to the Merger Agreement
<b>MGP</b>	Manufactured gas plant
<b>MPS Merchant</b>	MPS Merchant Services, Inc., a wholly owned subsidiary of GMO
<b>MPSC</b>	Public Service Commission of the State of Missouri
<b>MW</b>	Megawatt
<b>MWh</b>	Megawatt hour
<b>NAV</b>	Net Asset Value
<b>NPNS</b>	Normal purchases and normal sales
<b>NRC</b>	Nuclear Regulatory Commission
<b>OCI</b>	Other Comprehensive Income
<b>OMERS</b>	OCM Credit Portfolio LP
<b>RCRA</b>	Resource Conservation and Recovery Act
<b>SEC</b>	Securities and Exchange Commission
<b>SERP</b>	Supplemental Executive Retirement Plan
<b>SPP</b>	Southwest Power Pool, Inc.
<b>TCR</b>	Transmission Congestion Right
<b>TDC</b>	Transmission Delivery Charge
<b>Transource</b>	Transource Energy, LLC and its subsidiaries, 13.5% owned by GPETHC
<b>WCNOC</b>	Wolf Creek Nuclear Operating Corporation
<b>Westar</b>	Westar Energy, Inc.
<b>Westar Board</b>	Westar Board of Directors
<b>Wolf Creek</b>	Wolf Creek Generating Station

**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****GREAT PLAINS ENERGY INCORPORATED****Consolidated Balance Sheets**

(Unaudited)

	June 30 2016	December 31 2015
(millions, except share amounts)		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7.2	\$ 11.3
Funds on deposit	6.0	2.1
Receivables, net	211.8	147.7
Accounts receivable pledged as collateral	173.7	175.0
Fuel inventories, at average cost	103.9	118.4
Materials and supplies, at average cost	160.5	155.7
Deferred refueling outage costs	9.7	19.2
Refundable income taxes	1.0	3.8
Prepaid expenses and other assets	68.0	31.0
Total	741.8	664.2
<b>Utility Plant, at Original Cost</b>		
Electric	13,302.4	13,189.9
Less - accumulated depreciation	5,015.2	4,943.7
Net utility plant in service	8,287.2	8,246.2
Construction work in progress	439.9	347.9
Nuclear fuel, net of amortization of \$209.2 and \$192.5	71.6	68.3
Total	8,798.7	8,662.4
<b>Investments and Other Assets</b>		
Nuclear decommissioning trust fund	210.3	200.7
Regulatory assets	1,001.2	979.1
Goodwill	169.0	169.0
Other	89.3	63.2
Total	1,469.8	1,412.0
Total	\$ 11,010.3	\$ 10,738.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**GREAT PLAINS ENERGY INCORPORATED**  
**Consolidated Balance Sheets**  
(Unaudited)

	June 30 2016	December 31 2015
(millions, except share amounts)		
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>Current Liabilities</b>		
Notes payable	\$ 74.0	\$ 10.0
Collateralized note payable	173.7	175.0
Commercial paper	340.4	224.0
Current maturities of long-term debt	251.1	1.1
Accounts payable	263.3	352.9
Accrued taxes	80.6	31.6
Accrued interest	45.0	44.7
Accrued compensation and benefits	42.1	41.4
Pension and post-retirement liability	3.4	3.4
Derivative instruments	77.0	0.5
Other	26.2	31.1
Total	1,376.8	915.7
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	1,186.6	1,158.8
Deferred tax credits	126.9	125.1
Asset retirement obligations	293.8	275.9
Pension and post-retirement liability	466.5	455.2
Regulatory liabilities	302.4	284.4
Other	76.9	82.9
Total	2,453.1	2,382.3
<b>Capitalization</b>		
Great Plains Energy common shareholders' equity		
Common stock - 250,000,000 shares authorized without par value 154,882,088 and 154,504,900 shares issued, stated value	2,658.8	2,646.7
Retained earnings	1,000.4	1,024.4
Treasury stock - 128,039 and 101,229 shares, at cost	(3.8)	(2.6)
Accumulated other comprehensive loss	(9.0)	(12.0)
Total	3,646.4	3,656.5
Cumulative preferred stock \$100 par value		
3.80% - 100,000 shares issued	10.0	10.0
4.50% - 100,000 shares issued	10.0	10.0
4.20% - 70,000 shares issued	7.0	7.0
4.35% - 120,000 shares issued	12.0	12.0
Total	39.0	39.0
Long-term debt (Note 10)	3,495.0	3,745.1
Total	7,180.4	7,440.6
<b>Commitments and Contingencies (Note 12)</b>		
Total	\$ 11,010.3	\$ 10,738.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**GREAT PLAINS ENERGY INCORPORATED**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
<b>Operating Revenues</b>	(millions, except per share amounts)			
Electric revenues	\$ 670.8	\$ 609.0	\$ 1,242.9	\$ 1,158.1
<b>Operating Expenses</b>				
Fuel	89.4	99.9	180.0	207.5
Purchased power	53.1	48.8	98.1	94.2
Transmission	17.2	20.3	40.7	41.2
Utility operating and maintenance expenses	180.4	183.4	359.8	354.9
Costs to achieve the anticipated acquisition of Westar Energy, Inc.	5.0	—	5.0	—
Depreciation and amortization	85.3	83.5	170.5	163.3
General taxes	54.5	52.1	110.8	104.8
Other	3.6	1.1	5.8	2.2
Total	488.5	489.1	970.7	968.1
Operating income	182.3	119.9	272.2	190.0
Non-operating income	3.3	2.2	5.4	8.2
Non-operating expenses	(4.3)	(3.6)	(7.7)	(7.3)
Interest charges	(132.9)	(50.0)	(184.1)	(97.3)
Income before income tax expense and income from equity investments	48.4	68.5	85.8	93.6
Income tax expense	(17.1)	(24.5)	(28.8)	(31.0)
Income from equity investments, net of income taxes	0.7	0.4	1.4	0.7
Net income	32.0	44.4	58.4	63.3
Preferred stock dividend requirements	0.4	0.4	0.8	0.8
Earnings available for common shareholders	\$ 31.6	\$ 44.0	\$ 57.6	\$ 62.5
Average number of basic common shares outstanding	154.6	154.1	154.5	154.1
Average number of diluted common shares outstanding	154.8	154.5	154.9	154.5
Basic and diluted earnings per common share	\$ 0.20	\$ 0.28	\$ 0.37	\$ 0.40
Cash dividends per common share	\$ 0.2625	\$ 0.245	\$ 0.525	\$ 0.49
<b>Comprehensive Income</b>				
Net income	\$ 32.0	\$ 44.4	\$ 58.4	\$ 63.3
Other comprehensive income				
Derivative hedging activity				
Reclassification to expenses, net of tax	1.4	1.4	2.8	2.8
Derivative hedging activity, net of tax	1.4	1.4	2.8	2.8
Defined benefit pension plans				
Amortization of net losses included in net periodic benefit costs, net of tax	0.1	0.2	0.2	0.3
Change in unrecognized pension expense, net of tax	0.1	0.2	0.2	0.3
Total other comprehensive income	1.5	1.6	3.0	3.1
Comprehensive income	\$ 33.5	\$ 46.0	\$ 61.4	\$ 66.4

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**GREAT PLAINS ENERGY INCORPORATED**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

Year to Date June 30	2016	2015
<b>Cash Flows from Operating Activities</b>	(millions)	
Net income	\$ 58.4	\$ 63.3
Adjustments to reconcile income to net cash from operating activities:		
Depreciation and amortization	170.5	163.3
Amortization of:		
Nuclear fuel	16.7	10.0
Other	27.9	23.6
Deferred income taxes, net	26.8	31.3
Investment tax credit amortization	(0.7)	(0.7)
Income from equity investments, net of income taxes	(1.4)	(0.7)
Fair value impacts of interest rate swaps	77.0	—
Other operating activities (Note 3)	(78.6)	(73.4)
Net cash from operating activities	296.6	216.7
<b>Cash Flows from Investing Activities</b>		
Utility capital expenditures	(302.4)	(366.8)
Allowance for borrowed funds used during construction	(3.2)	(3.6)
Purchases of nuclear decommissioning trust investments	(16.0)	(22.3)
Proceeds from nuclear decommissioning trust investments	14.4	20.7
Other investing activities	(34.8)	(24.6)
Net cash from investing activities	(342.0)	(396.6)
<b>Cash Flows from Financing Activities</b>		
Issuance of common stock	1.5	1.6
Issuance fees	(51.4)	—
Repayment of long-term debt	(1.1)	(15.1)
Net change in short-term borrowings	180.4	278.0
Net change in collateralized short-term borrowings	(1.3)	(8.0)
Dividends paid	(81.9)	(76.4)
Purchase of treasury stock	(4.9)	(1.5)
Other financing activities	—	0.5
Net cash from financing activities	41.3	179.1
<b>Net Change in Cash and Cash Equivalents</b>	(4.1)	(0.8)
<b>Cash and Cash Equivalents at Beginning of Year</b>	11.3	13.0
<b>Cash and Cash Equivalents at End of Period</b>	\$ 7.2	\$ 12.2

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**GREAT PLAINS ENERGY INCORPORATED**  
**Consolidated Statements of Common Shareholders' Equity**  
(Unaudited)

Year to Date June 30	2016		2015	
	Shares	Amount	Shares	Amount
<b>Common Stock</b>				
		(millions, except share amounts)		
Beginning balance	154,504,900	\$ 2,646.7	154,254,037	\$ 2,639.3
Issuance of common stock	377,188	11.3	168,853	4.4
Equity compensation expense, net of forfeitures		2.0		0.9
Unearned Compensation				
Issuance of restricted common stock		(2.8)		(2.0)
Compensation expense recognized		1.3		1.0
Other		0.3		0.1
Ending balance	154,882,088	2,658.8	154,422,890	2,643.7
<b>Retained Earnings</b>				
Beginning balance		1,024.4		967.8
Net income		58.4		63.3
Dividends:				
Common stock (\$0.525 and \$0.49 per share)		(81.1)		(75.6)
Preferred stock - at required rates		(0.8)		(0.8)
Performance shares		(0.5)		(0.5)
Ending balance		1,000.4		954.2
<b>Treasury Stock</b>				
Beginning balance	(101,229)	(2.6)	(91,281)	(2.3)
Treasury shares acquired	(135,067)	(4.1)	(53,895)	(1.4)
Treasury shares reissued	108,257	2.9	48,713	1.2
Ending balance	(128,039)	(3.8)	(96,463)	(2.5)
<b>Accumulated Other Comprehensive Income (Loss)</b>				
Beginning balance		(12.0)		(18.7)
Derivative hedging activity, net of tax		2.8		2.8
Change in unrecognized pension expense, net of tax		0.2		0.3
Ending balance		(9.0)		(15.6)
<b>Total Great Plains Energy Common Shareholders' Equity</b>		<b>\$ 3,646.4</b>		<b>\$ 3,579.8</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Balance Sheets**  
(Unaudited)

	June 30 2016	December 31 2015
<b>ASSETS</b>	(millions, except share amounts)	
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2.5	\$ 2.3
Funds on deposit	4.8	0.5
Receivables, net	164.3	129.2
Related party receivables	68.4	65.8
Accounts receivable pledged as collateral	110.0	110.0
Fuel inventories, at average cost	73.8	83.5
Materials and supplies, at average cost	118.2	114.6
Deferred refueling outage costs	9.7	19.2
Refundable income taxes	—	79.0
Prepaid expenses and other assets	29.7	27.1
Total	581.4	631.2
<b>Utility Plant, at Original Cost</b>		
Electric	9,699.6	9,640.4
Less - accumulated depreciation	3,773.5	3,722.6
Net utility plant in service	5,926.1	5,917.8
Construction work in progress	302.2	246.6
Nuclear fuel, net of amortization of \$209.2 and \$192.5	71.6	68.3
Total	6,299.9	6,232.7
<b>Investments and Other Assets</b>		
Nuclear decommissioning trust fund	210.3	200.7
Regulatory assets	750.0	732.4
Other	18.7	17.6
Total	979.0	950.7
Total	\$ 7,860.3	\$ 7,814.6

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Balance Sheets**  
(Unaudited)

	June 30 2016	December 31 2015
(millions, except share amounts)		
<b>LIABILITIES AND CAPITALIZATION</b>		
<b>Current Liabilities</b>		
Collateralized note payable	\$ 110.0	\$ 110.0
Commercial paper	105.1	180.3
Current maturities of long-term debt	250.0	—
Accounts payable	203.6	258.8
Accrued taxes	52.7	25.6
Accrued interest	30.9	32.4
Accrued compensation and benefits	42.1	41.4
Pension and post-retirement liability	2.0	2.0
Other	11.3	12.6
Total	807.7	663.1
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	1,181.2	1,132.6
Deferred tax credits	123.3	123.8
Asset retirement obligations	254.0	239.3
Pension and post-retirement liability	444.9	433.4
Regulatory liabilities	170.8	164.6
Other	60.1	61.6
Total	2,234.3	2,155.3
<b>Capitalization</b>		
Common shareholder's equity		
Common stock - 1,000 shares authorized without par value		
1 share issued, stated value	1,563.1	1,563.1
Retained earnings	948.1	879.6
Accumulated other comprehensive loss	(6.8)	(9.6)
Total	2,504.4	2,433.1
Long-term debt (Note 10)	2,313.9	2,563.1
Total	4,818.3	4,996.2
<b>Commitments and Contingencies (Note 12)</b>		
Total	\$ 7,860.3	\$ 7,814.6

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
<b>Operating Revenues</b>	(millions)			
Electric revenues	\$ 475.6	\$ 417.4	\$ 876.5	\$ 787.8
<b>Operating Expenses</b>				
Fuel	67.1	73.1	128.6	147.9
Purchased power	26.8	28.6	51.6	50.5
Transmission	14.9	12.7	30.3	26.1
Operating and maintenance expenses	124.0	124.6	247.7	242.9
Depreciation and amortization	61.1	59.8	122.2	116.3
General taxes	42.3	39.5	85.9	79.7
Other	1.5	(0.2)	1.7	(0.2)
Total	337.7	338.1	668.0	663.2
Operating income	137.9	79.3	208.5	124.6
Non-operating income	2.6	1.3	3.9	5.7
Non-operating expenses	(2.4)	(2.2)	(3.7)	(3.9)
Interest charges	(34.9)	(34.1)	(70.2)	(65.6)
Income before income tax expense	103.2	44.3	138.5	60.8
Income tax expense	(37.3)	(14.9)	(48.0)	(18.2)
Net income	\$ 65.9	\$ 29.4	\$ 90.5	\$ 42.6
<b>Comprehensive Income</b>				
Net income	\$ 65.9	\$ 29.4	\$ 90.5	\$ 42.6
Other comprehensive income				
Derivative hedging activity				
Reclassification to expenses, net of tax	1.4	1.3	2.8	2.7
Derivative hedging activity, net of tax	1.4	1.3	2.8	2.7
Total other comprehensive income	1.4	1.3	2.8	2.7
Comprehensive income	\$ 67.3	\$ 30.7	\$ 93.3	\$ 45.3

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

Year to Date June 30	2016	2015
<b>Cash Flows from Operating Activities</b>	(millions)	
Net income	\$ 90.5	\$ 42.6
Adjustments to reconcile income to net cash from operating activities:		
Depreciation and amortization	122.2	116.3
Amortization of:		
Nuclear fuel	16.7	10.0
Other	16.8	14.1
Deferred income taxes, net	47.0	20.6
Investment tax credit amortization	(0.5)	(0.5)
Other operating activities (Note 3)	19.9	14.9
Net cash from operating activities	312.6	218.0
<b>Cash Flows from Investing Activities</b>		
Utility capital expenditures	(196.5)	(297.4)
Allowance for borrowed funds used during construction	(2.3)	(2.5)
Purchases of nuclear decommissioning trust investments	(16.0)	(22.3)
Proceeds from nuclear decommissioning trust investments	14.4	20.7
Other investing activities	(14.6)	(15.4)
Net cash from investing activities	(215.0)	(316.9)
<b>Cash Flows from Financing Activities</b>		
Issuance fees	(0.2)	—
Repayment of long-term debt	—	(14.0)
Net change in short-term borrowings	(75.2)	125.7
Net money pool borrowings	—	(12.6)
Dividends paid to Great Plains Energy	(22.0)	—
Net cash from financing activities	(97.4)	99.1
<b>Net Change in Cash and Cash Equivalents</b>	<b>0.2</b>	<b>0.2</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2.3</b>	<b>2.7</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 2.5</b>	<b>\$ 2.9</b>

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**KANSAS CITY POWER & LIGHT COMPANY**  
**Consolidated Statements of Common Shareholder's Equity**  
(Unaudited)

Year to Date June 30	2016		2015	
	Shares	Amount	Shares	Amount
		(millions, except share amounts)		
<b>Common Stock</b>	<b>1</b>	<b>\$ 1,563.1</b>	<b>1</b>	<b>\$ 1,563.1</b>
<b>Retained Earnings</b>				
Beginning balance		879.6		726.8
Net income		90.5		42.6
Dividends:				
Common stock held by Great Plains Energy		(22.0)		—
Ending balance		948.1		769.4
<b>Accumulated Other Comprehensive Income (Loss)</b>				
Beginning balance		(9.6)		(14.9)
Derivative hedging activity, net of tax		2.8		2.7
Ending balance		(6.8)		(12.2)
<b>Total Common Shareholder's Equity</b>		<b>\$ 2,504.4</b>		<b>\$ 2,320.3</b>

The disclosures regarding KCP&L included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**GREAT PLAINS ENERGY INCORPORATED  
KANSAS CITY POWER & LIGHT COMPANY**

**Notes to Unaudited Consolidated Financial Statements**

The notes to unaudited consolidated financial statements that follow are a combined presentation for Great Plains Energy Incorporated and Kansas City Power & Light Company, both registrants under this filing. The terms "Great Plains Energy," "Company," "KCP&L" and "Companies" are used throughout this report. "Great Plains Energy" and the "Company" refer to Great Plains Energy Incorporated and its consolidated subsidiaries, unless otherwise indicated. "KCP&L" refers to Kansas City Power & Light Company and its consolidated subsidiaries. "Companies" refers to Great Plains Energy Incorporated and its consolidated subsidiaries and KCP&L and its consolidated subsidiaries. The Companies' interim financial statements reflect all adjustments (which include normal, recurring adjustments) that are necessary, in the opinion of management, for a fair presentation of the results for the interim periods presented.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Great Plains Energy, a Missouri corporation incorporated in 2001, is a public utility holding company and does not own or operate any significant assets other than the stock of its subsidiaries. Great Plains Energy's wholly owned direct subsidiaries with significant operations are as follows:

- KCP&L is an integrated, regulated electric utility that provides electricity to customers primarily in the states of Missouri and Kansas. KCP&L has one active wholly owned subsidiary, Kansas City Power & Light Receivables Company (KCP&L Receivables Company).
- KCP&L Greater Missouri Operations Company (GMO) is an integrated, regulated electric utility that provides electricity to customers in the state of Missouri. GMO also provides regulated steam service to certain customers in the St. Joseph, Missouri area. GMO has two active wholly owned subsidiaries, GMO Receivables Company and MPS Merchant Services, Inc. (MPS Merchant). MPS Merchant has certain long-term natural gas contracts remaining from its former non-regulated trading operations.

Great Plains Energy also wholly owns GPE Transmission Holding Company, LLC (GPETHC). GPETHC owns 13.5% of Transource Energy, LLC (Transource) with the remaining 86.5% owned by AEP Transmission Holding Company, LLC (AEPETHC), a subsidiary of American Electric Power Company, Inc. GPETHC accounts for its investment in Transource under the equity method. Transource is focused on the development of competitive electric transmission projects.

Each of Great Plains Energy's and KCP&L's consolidated financial statements includes the accounts of their subsidiaries. Intercompany transactions have been eliminated.

Great Plains Energy's sole reportable business segment is electric utility. See Note 19 for additional information.

**Basic and Diluted Earnings per Common Share Calculation**

To determine basic earnings per common share (EPS), preferred stock dividend requirements are deducted from net income before dividing by the average number of common shares outstanding. The effect of dilutive securities, calculated using the treasury stock method, assumes the issuance of common shares applicable to performance shares and restricted stock.

The following table reconciles Great Plains Energy's basic and diluted EPS.

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
<b>Income</b>	(millions, except per share amounts)			
Net income	\$ 32.0	\$ 44.4	\$ 58.4	\$ 63.3
Less: preferred stock dividend requirements	0.4	0.4	0.8	0.8
Earnings available for common shareholders	\$ 31.6	\$ 44.0	\$ 57.6	\$ 62.5
<b>Common Shares Outstanding</b>				
Average number of common shares outstanding	154.6	154.1	154.5	154.1
Add: effect of dilutive securities	0.2	0.4	0.4	0.4
Diluted average number of common shares outstanding	154.8	154.5	154.9	154.5
<b>Basic and diluted EPS</b>	\$ 0.20	\$ 0.28	\$ 0.37	\$ 0.40

There were no anti-dilutive shares excluded from the computation of dilutive EPS for the three months ended and year to date June 30, 2016 and 2015.

#### Dividends Declared

In August 2016, Great Plains Energy's Board of Directors (Great Plains Energy Board) declared a quarterly dividend of \$0.2625 per share on Great Plains Energy's common stock. The common dividend is payable September 20, 2016, to shareholders of record as of August 29, 2016.

In August 2016, KCP&L's Board of Directors declared a cash dividend payable to Great Plains Energy of \$55 million payable on September 19, 2016.

#### New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in Generally Accepted Accounting Principles (GAAP) when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14, deferring the effective date of ASU No. 2014-09 one year, from January 1, 2017, to January 1, 2018. The Companies plan to adopt ASU No. 2014-09 on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Companies are evaluating the effect that ASU No. 2014-09 will have on their consolidated financial statements and related disclosures and have not yet selected a transition method nor have they determined the effect of the standard on their ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires an entity that is a lessee to record a right-of-use asset and a lease liability for lease payments on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new guidance is effective for interim and annual periods beginning after December 15, 2018, and is required to be applied using a modified retrospective approach. The Companies are evaluating the effect that ASU No. 2016-02 will have on their consolidated financial statements and related disclosures and have not yet determined the effect of the standard on their ongoing financial reporting.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation*, which is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The new guidance is effective for interim and annual periods beginning after December 15, 2016, and early adoption is permitted. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. The Companies have not yet selected a transition method but ASU No. 2016-09 is not expected to have a significant impact on their ongoing financial reporting.

## 2. ANTICIPATED ACQUISITION OF WESTAR ENERGY, INC.

On May 29, 2016, Great Plains Energy entered into an Agreement and Plan of Merger (Merger Agreement) by and among Great Plains Energy, Westar, and, from and after its accession to the Merger Agreement, GP Star, Inc., a wholly owned subsidiary of Great Plains Energy in the State of Kansas (Merger Sub). Pursuant to the Merger Agreement, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into Westar, with Westar continuing as the surviving corporation. Upon closing, pursuant to the Merger Agreement, Great Plains Energy will acquire Westar for (i) \$51.00 in cash and (ii) a number, rounded to the nearest 1/10,000 of a share, of shares of Great Plains Energy common stock, equal to the Exchange Ratio (as described below) for each share of Westar common stock issued and outstanding immediately prior to the effective time of the merger, with Westar becoming a wholly owned subsidiary of Great Plains Energy.

The Exchange Ratio is calculated as follows:

If the volume-weighted average share price of Great Plains Energy common stock on the New York Stock Exchange for the twenty consecutive full trading days ending on (and including) the third trading day immediately prior to the closing date of the merger (the Great Plains Energy Average Stock Price) is:

- (a) greater than \$33.2283, the Exchange Ratio will be 0.2709;
- (b) greater than or equal to \$28.5918 but less than or equal to \$33.2283, the Exchange Ratio will be an amount equal to the quotient obtained by dividing (x) \$9.00 by (y) the Great Plains Energy Average Stock Price; or
- (c) less than \$28.5918, the Exchange Ratio will be 0.3148.

Great Plains Energy plans to finance the cash portion of the merger consideration with equity and debt financing, including (i) \$750 million of mandatory convertible preferred equity pursuant to a stock purchase agreement with OCM Credit Portfolio LP (OMERS), (ii) approximately \$2.35 billion of equity comprised of a combination of Great Plains Energy common stock and additional mandatory convertible preferred stock and (iii) approximately \$4.4 billion in debt.

On May 29, 2016, Great Plains Energy entered into a stock purchase agreement with OMERS, pursuant to which Great Plains Energy will issue and sell to OMERS 750,000 shares of preferred stock of Great Plains Energy designated as 7.25% Mandatory Convertible Preferred Stock, Series A, without par value, for an aggregate purchase price equal to \$750 million at the closing of the merger. See Note 11 for additional information.

On May 29, 2016, in connection with the Merger Agreement with Westar, Great Plains Energy entered into a commitment letter for a 364-day senior unsecured bridge term loan facility in an aggregate principal amount of \$8.017 billion (which was subsequently reduced to \$7.5 billion) to support the anticipated transaction and provide flexibility for the timing of long-term financing.

Great Plains Energy's anticipated acquisition of Westar was unanimously approved by the Great Plains Energy Board and Westar's Board of Directors (Westar Board) and remains subject to the approval of Great Plains Energy's shareholders for the issuance of common stock to be received by Westar's shareholders in the merger; approval of Westar shareholders for the merger; regulatory approvals from The State Corporation Commission of the State of Kansas (KCC), the Nuclear Regulatory Commission (NRC), The Federal Energy Regulatory Commission (FERC) and The Federal Communications Commission (FCC); Hart-Scott-Rodino (HSR) antitrust review; as well as other customary conditions.

Great Plains Energy believes that the Public Service Commission of the State of Missouri (MPSC) does not have jurisdiction to approve or disapprove the anticipated acquisition of Westar. On June 1, 2016, the MPSC staff filed a motion requesting that the MPSC open an investigation to determine whether the merger is likely to be detrimental to the public interest and the interests of Missouri ratepayers, and on June 8, 2016, the MPSC issued an Order granting the MPSC staff's motion to open an investigation. On July 25, 2016, the MPSC staff filed its investigation report and recommended that the MPSC exercise its jurisdiction over Great Plains Energy and order Great Plains

Energy to seek MPSC approval prior to acquiring Westar. On August 3, 2016, the MPSC issued its order closing the investigation and stated that this was only an investigation, not a case, and accordingly it would be inappropriate to order relief.

In June 2016, Great Plains Energy, KCP&L and Westar filed a joint application with the KCC for approval of the anticipated acquisition of Westar by Great Plains Energy. In July 2016, Great Plains Energy and Westar filed applications with FERC and NRC for approval of the merger. In July 2016, Great Plains Energy filed with the Securities and Exchange Commission (SEC), a registration statement including a joint proxy statement with Westar for the Great Plains Energy and Westar special shareholder meetings expected to occur in the third quarter of 2016, which also constitutes a prospectus of Great Plains Energy.

The Merger Agreement provides that in connection with the termination of the Merger Agreement under specified circumstances relating to a failure to obtain required regulatory approvals prior to May 31, 2017 (which date may be extended to November 30, 2017 under certain circumstances), a final and nonappealable order enjoining the consummation of the merger in connection with regulatory approvals or failure by Great Plains Energy to consummate the merger once all of the conditions have been satisfied, Great Plains Energy will be required to pay Westar a termination fee of \$380 million. In addition, in the event that the Merger Agreement is terminated by Westar under specified circumstances to enter into a definitive acquisition agreement with respect to a superior proposal or by Great Plains Energy as a result of the Westar Board changing its recommendation of the merger prior to the Westar shareholder approval having been obtained, Westar will be required to pay Great Plains Energy a termination fee of \$280 million. Further, if the Merger Agreement is terminated by Westar as a result of the Great Plains Energy Board changing its recommendation to the Great Plains Energy shareholders as a result of a superior proposal prior to the Great Plains Energy shareholder approval having been obtained, Great Plains Energy will be required to pay Westar a termination fee of \$180 million. Additionally, if the Merger Agreement is terminated by either Great Plains Energy or Westar as a result of the Great Plains Energy shareholders not approving the issuance of the Great Plains Energy common stock to the Westar shareholders in the merger, Great Plains Energy will be required to pay Westar a termination fee of \$80 million.

Following the announcement of the Merger Agreement, two putative class action complaints (which were subsequently consolidated) and one putative derivative action complaint challenging the merger were filed on behalf of a putative class of Westar shareholders in the District Court of Shawnee County, Kansas. A separate putative class action complaint was filed in the Circuit Court of Jackson County, Missouri, at Kansas City, Sixteenth Judicial District on behalf of a putative class of Great Plains Energy shareholders. The consolidated and amended putative class action complaint brought in Shawnee County, Kansas name as defendants Westar, the members of the Westar Board and Great Plains Energy. The putative class action complaint brought in Jackson County, Missouri names as defendants Great Plains Energy and the members of the Great Plains Energy Board. The putative derivative action complaint names as defendants the members of the Westar Board and Great Plains Energy, with Westar named as a nominal defendant. The consolidated and amended complaint brought in Shawnee County, Kansas asserts that the members of the Westar Board breached their fiduciary duties to Westar shareholders in connection with the proposed merger, including the duty of candor, and that Westar and Great Plains Energy aided and abetted such breaches of fiduciary duties. The putative derivative complaint filed in Shawnee County, Kansas asserts breach of fiduciary duty claims against members of the Westar Board, and aiding and abetting claims against Great Plains Energy, on behalf of nominal defendant Westar. The complaint brought in Jackson County, Missouri asserts that the members of the Great Plains Energy Board breached their fiduciary duty of candor in connection with the proposed merger by allegedly failing to disclose certain facts in the Company's preliminary Form S-4. Among other remedies, the plaintiffs in each case seek to enjoin the merger and rescind the merger agreement, in addition to reimbursement of costs. Currently there is a motion for preliminary injunction on file in the putative class action brought in Jackson County, Missouri. The defendants believe that the claims asserted against them in each of the putative class action lawsuits are without merit and intend to vigorously defend against such claims. The defendants intend to seek dismissal of the putative derivative action complaint.

**3. SUPPLEMENTAL CASH FLOW INFORMATION*****Great Plains Energy Other Operating Activities***

<b>Year to Date June 30</b>	<b>2016</b>	<b>2015</b>
Cash flows affected by changes in:	(millions)	
Receivables	\$ (64.0)	\$ (36.0)
Accounts receivable pledged as collateral	1.3	8.0
Fuel inventories	14.5	(12.2)
Materials and supplies	(4.8)	0.3
Accounts payable	(84.1)	(108.2)
Accrued taxes	54.3	47.5
Accrued interest	0.3	(1.3)
Deferred refueling outage costs	9.5	(17.7)
Pension and post-retirement benefit obligations	38.8	25.0
Allowance for equity funds used during construction	(2.4)	(3.5)
Fuel recovery mechanisms	(2.3)	25.6
Other	(39.7)	(0.9)
Total other operating activities	\$ (78.6)	\$ (73.4)
Cash paid during the period:		
Interest	\$ 96.8	\$ 91.9
Income taxes	\$ 0.2	\$ 0.2
Non-cash investing activities:		
Liabilities accrued for capital expenditures	\$ 30.6	\$ 34.8

***KCP&L Other Operating Activities***

<b>Year to Date June 30</b>	<b>2016</b>	<b>2015</b>
Cash flows affected by changes in:	(millions)	
Receivables	\$ (37.6)	\$ (1.4)
Fuel inventories	9.7	(11.9)
Materials and supplies	(3.6)	0.1
Accounts payable	(48.0)	(69.7)
Accrued taxes	106.1	94.4
Accrued interest	(1.5)	(1.5)
Deferred refueling outage costs	9.5	(17.7)
Pension and post-retirement benefit obligations	39.0	25.1
Allowance for equity funds used during construction	(2.1)	(2.7)
Fuel recovery mechanisms	(19.4)	0.6
Other	(32.2)	(0.4)
Total other operating activities	\$ 19.9	\$ 14.9
Cash paid during the period:		
Interest	\$ 65.5	\$ 61.2
Non-cash investing activities:		
Liabilities accrued for capital expenditures	\$ 16.5	\$ 31.4

#### 4. RECEIVABLES

Great Plains Energy's and KCP&L's receivables are detailed in the following table.

	June 30 2016	December 31 2015
(millions)		
<b>Great Plains Energy</b>		
Customer accounts receivable - billed	\$ 17.3	\$ 3.4
Customer accounts receivable - unbilled	134.5	71.6
Allowance for doubtful accounts - customer accounts receivable	(5.6)	(3.8)
Other receivables	65.6	76.5
Total	\$ 211.8	\$ 147.7
<b>KCP&amp;L</b>		
Customer accounts receivable - billed	\$ 16.9	\$ 2.8
Customer accounts receivable - unbilled	97.8	58.8
Allowance for doubtful accounts - customer accounts receivable	(2.9)	(1.8)
Other receivables	52.5	69.4
Total	\$ 164.3	\$ 129.2

Great Plains Energy's and KCP&L's other receivables at June 30, 2016, and December 31, 2015, consisted primarily of receivables from partners in jointly owned electric utility plants and wholesale sales receivables.

#### Sale of Accounts Receivable – KCP&L and GMO

KCP&L and GMO sell all of their retail electric accounts receivable to their wholly owned subsidiaries, KCP&L Receivables Company and GMO Receivables Company, respectively, which in turn sell an undivided percentage ownership interest in the accounts receivable to Victory Receivables Corporation, an independent outside investor. Each of KCP&L Receivables Company's and GMO Receivables Company's sale of the undivided percentage ownership interest in accounts receivable to Victory Receivables Corporation is accounted for as a secured borrowing with accounts receivable pledged as collateral and a corresponding short-term collateralized note payable recognized on the balance sheets. At June 30, 2016, and December 31, 2015, Great Plains Energy's accounts receivable pledged as collateral and the corresponding short-term collateralized note payable were \$173.7 million and \$175.0 million, respectively. At June 30, 2016, and December 31, 2015, KCP&L's accounts receivable pledged as collateral and the corresponding short-term collateralized note payable were \$110.0 million. KCP&L's agreement expires in September 2016 and allows for \$110 million in aggregate outstanding principal amount of borrowings at any time. GMO's agreement expires in September 2016 and allows for \$65 million in aggregate outstanding principal of borrowings from mid-November through mid-June and then increases to \$80 million from mid-June through mid-November. KCP&L and GMO expect to renew these agreements for at least one year.

#### 5. NUCLEAR PLANT

KCP&L owns 47% of Wolf Creek Generating Station (Wolf Creek), its only nuclear generating unit. Wolf Creek is located in Coffey County, Kansas, just northeast of Burlington, Kansas. Wolf Creek's operating license expires in 2045. Wolf Creek is regulated by the NRC with respect to licensing, operations and safety-related requirements.

#### Spent Nuclear Fuel and High-Level Radioactive Waste

Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. Wolf Creek historically paid the DOE a quarterly fee of one-tenth of a cent for each kWh of net nuclear generation delivered and sold for the future disposal of spent nuclear fuel. In May 2014, this fee was set to zero.

In 2010, the DOE filed a motion with the NRC to withdraw its then pending application to the NRC to construct a national repository for the disposal of spent nuclear fuel and high-level radioactive waste at Yucca Mountain, Nevada. An NRC board denied the DOE's motion to withdraw its application. In 2011, the NRC reexamined its decision and ordered the licensing board, consistent with budgetary limitations, to close out its work on the DOE's

application. In August 2013, a federal court of appeals ruled that the NRC must resume its review of the DOE's application.

Wolf Creek is currently evaluating alternatives for expanding its existing on-site spent nuclear fuel storage to provide additional capacity prior to 2025. Management cannot predict when, or if, an off-site storage site or alternative disposal site will be available to receive Wolf Creek's spent nuclear fuel and will continue to monitor this activity.

### Low-Level Radioactive Waste

Wolf Creek disposes of most of its low-level radioactive waste (Class A waste) at an existing third-party repository in Utah. Management expects that the site located in Utah will remain available to Wolf Creek for disposal of its Class A waste. Wolf Creek has contracted with a waste processor that will process, take title and dispose in another state most of the remainder of Wolf Creek's low-level radioactive waste (Classes B and C waste, which is higher in radioactivity but much lower in volume). Should on-site waste storage be needed in the future, Wolf Creek has current storage capacity on site for about four years' generation of Classes B and C waste and believes it will be able to expand that storage capacity as needed if it becomes necessary to do so.

### Nuclear Decommissioning Trust Fund

The following table summarizes the change in Great Plains Energy's and KCP&L's nuclear decommissioning trust fund.

	June 30 2016	December 31 2015
<b>Decommissioning Trust</b>	(millions)	
Beginning balance January 1	\$ 200.7	\$ 199.0
Contributions	1.6	3.3
Earned income, net of fees	2.0	3.4
Net realized gains (losses)	(0.1)	0.7
Net unrealized gains (losses)	6.1	(5.7)
Ending balance	\$ 210.3	\$ 200.7

The nuclear decommissioning trust is reported at fair value on the balance sheets and is invested in assets as detailed in the following table.

	June 30, 2016				December 31, 2015			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	(millions)							
Equity securities	\$ 91.2	\$ 51.6	\$ (2.7)	\$ 140.1	\$ 89.6	\$ 47.9	\$ (2.1)	\$ 135.4
Debt securities	63.0	5.1	—	68.1	59.6	2.6	(0.5)	61.7
Other	2.1	—	—	2.1	3.6	—	—	3.6
Total	\$ 156.3	\$ 56.7	\$ (2.7)	\$ 210.3	\$ 152.8	\$ 50.5	\$ (2.6)	\$ 200.7

The weighted average maturity of debt securities held by the trust at June 30, 2016, was approximately 8 years. The costs of securities sold are determined on the basis of specific identification. The following table summarizes the realized gains and losses from the sale of securities in the nuclear decommissioning trust fund.

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
	(millions)			
Realized gains	\$ 0.2	\$ 1.2	\$ 0.9	\$ 2.6
Realized losses	(0.3)	(1.2)	(1.0)	(1.8)

## **6. REGULATORY MATTERS**

### **KCP&L Missouri 2016 Rate Case Proceedings**

In July 2016, KCP&L filed an application with the MPSC to request an increase to its retail revenues of \$62.9 million, with a return on equity of 9.9% and a rate-making equity ratio of 49.88%. The request reflects increases in infrastructure investment costs, costs for regional transmission lines, property tax costs and costs to comply with environmental and cybersecurity mandates. KCP&L also requested an additional \$27.2 million increase associated with rebasing fuel and purchased power expense. An evidentiary hearing is expected to occur in January 2017. New rates are expected to be effective in May 2017.

### **GMO Missouri 2016 Rate Case Proceedings**

In February 2016, GMO filed an application with the MPSC to request an increase to its retail revenues of \$59.3 million, with a return on equity of 9.9% and a rate-making equity ratio of 54.83%. The request included recovery of increased transmission and property tax expenses as well as costs for infrastructure and system improvements to continue to provide reliable electric service.

Testimony from MPSC staff and other parties regarding the case was filed in July 2016. The MPSC staff's testimony recommended a return on equity range from 8.65% to 9.35% and a revenue reduction of \$1.5 million to a revenue increase of \$8.8 million. The outcome of the GMO Missouri rate case will likely be different from either of the positions of GMO or MPSC staff, though the decision of the MPSC cannot be predicted. An evidentiary hearing is expected to occur in September 2016. New rates are expected to be effective in December 2016.

### **KCP&L Kansas 2015 Rate Case Proceedings**

In September 2015, the KCC issued an order for KCP&L authorizing an increase in annual revenues of \$48.7 million, a return on equity of 9.3% and a rate-making equity ratio of 50.48%. KCP&L filed a Petition for Judicial Review with the Court of Appeals of Kansas in November 2015 regarding various issues, which was denied in March 2016. The rates established by the order took effect on October 1, 2015.

### **KCP&L Missouri 2015 Rate Case Proceedings**

In September 2015, the MPSC issued an order for KCP&L authorizing an increase in annual revenues of \$89.7 million, a return on equity of 9.5% and a rate-making equity ratio of approximately 50.09%. The MPSC also approved KCP&L's request to implement a Fuel Adjustment Clause (FAC). The rates established by the order took effect on September 29, 2015, and are effective unless and until modified by the MPSC or stayed by a court. Notices of Appeal of the September 2015 MPSC order were filed with the Missouri Court of Appeals, Western District, by KCP&L in October 2015 and by Midwest Energy Consumers' Group in November 2015 regarding various issues.

## **7. PENSION PLANS AND OTHER EMPLOYEE BENEFITS**

Great Plains Energy maintains defined benefit pension plans for the majority of KCP&L's and GMO's active and inactive employees, including officers, and its 47% ownership share of Wolf Creek Nuclear Operating Corporation (WCNOC) defined benefit plans. For the majority of employees, pension benefits under these plans reflect the employees' compensation, years of service and age at retirement; however, for union employees hired after October 1, 2013, the benefits are derived from a cash balance account formula. Effective in 2014, the non-union plan was closed to future employees. Great Plains Energy also provides certain post-retirement health care and life insurance benefits for substantially all retired employees of KCP&L, GMO and its 47% ownership share of WCNOC.

KCP&L and GMO record pension and post-retirement expense in accordance with rate orders from the MPSC and KCC that allow the difference between pension and post-retirement costs under GAAP and costs for ratemaking to be recognized as a regulatory asset or liability. This difference between financial and regulatory accounting methods is due to timing and will be eliminated over the life of the plans.

The following tables provide Great Plains Energy's components of net periodic benefit costs prior to the effects of capitalization and sharing with joint owners of power plants.

Three Months Ended June 30	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
(millions)				
Service cost	\$ 10.5	\$ 11.3	\$ 0.6	\$ 0.9
Interest cost	13.3	12.6	1.6	1.7
Expected return on plan assets	(12.3)	(12.9)	(0.7)	(0.8)
Prior service cost	0.1	0.2	0.3	0.8
Recognized net actuarial (gain)/loss	12.9	12.8	(0.4)	0.1
Net periodic benefit costs before regulatory adjustment	24.5	24.0	1.4	2.7
Regulatory adjustment	(1.0)	(2.6)	1.5	1.4
Net periodic benefit costs	\$ 23.5	\$ 21.4	\$ 2.9	\$ 4.1

Year to Date June 30	Pension Benefits		Other Benefits	
	2016	2015	2016	2015
(millions)				
Service cost	\$ 21.0	\$ 22.6	\$ 1.3	\$ 1.7
Interest cost	26.5	25.2	3.1	3.4
Expected return on plan assets	(24.6)	(25.8)	(1.5)	(1.5)
Prior service cost	0.3	0.4	0.6	1.6
Recognized net actuarial loss	25.9	25.6	(0.8)	0.1
Net periodic benefit costs before regulatory adjustment	49.1	48.0	2.7	5.3
Regulatory adjustment	(2.0)	(5.8)	3.0	2.8
Net periodic benefit costs	\$ 47.1	\$ 42.2	\$ 5.7	\$ 8.1

Year to date June 30, 2016, Great Plains Energy contributed \$12.2 million to the pension plans and expects to contribute an additional \$63.8 million in 2016 to satisfy the Employee Retirement Income Security Act of 1974, as amended (ERISA) funding requirements and the MPSC and KCC rate orders, the majority of which is expected to be paid by KCP&L. Also in 2016, Great Plains Energy expects to make contributions of \$5.1 million to the post-retirement benefit plans, the majority of which is expected to be paid by KCP&L.

## 8. EQUITY COMPENSATION

Great Plains Energy's Long-Term Incentive Plan is an equity compensation plan approved by Great Plains Energy's shareholders. The Long-Term Incentive Plan permits the grant of restricted stock, restricted stock units, bonus shares, stock options, stock appreciation rights, limited stock appreciation rights, director shares, director deferred share units and performance shares to directors, officers and other employees of Great Plains Energy and KCP&L. Forfeiture rates are based on historical forfeitures and future expectations and are reevaluated annually.

The following table summarizes Great Plains Energy's and KCP&L's equity compensation expense and the associated income tax (expense) benefit.

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
(millions)				
<b>Great Plains Energy</b>				
Equity compensation expense	\$ (0.2)	\$ 1.1	\$ 3.5	\$ 0.9
Income tax (expense) benefit	(0.2)	0.3	1.3	0.3
<b>KCP&amp;L</b>				
Equity compensation expense	\$ (0.2)	\$ 0.7	\$ 2.3	\$ 0.6
Income tax (expense) benefit	(0.2)	0.2	0.8	0.2

### Performance Shares

Performance share activity year to date June 30, 2016, is summarized in the following table. Performance adjustment represents the number of shares of common stock related to performance shares ultimately issued that can vary from the number of performance shares initially granted depending on Great Plains Energy's performance over a stated period of time.

	Performance Shares	Grant Date Fair Value*
Beginning balance January 1, 2016	609,010	\$ 25.60
Granted	225,204	31.41
Earned	(306,953)	24.22
Forfeited	(1,714)	27.61
Performance adjustment	99,553	24.16
Ending balance June 30, 2016	625,100	28.13

\* weighted-average

At June 30, 2016, the remaining weighted-average contractual term was 1.6 years. There were no shares granted for the three months ended June 30, 2016 and 2015, respectively. The weighted-average grant-date fair value of shares granted was \$31.41 and \$24.06 year to date June 30, 2016, and 2015, respectively. At June 30, 2016, there was \$9.4 million of total unrecognized compensation expense, net of forfeiture rates, related to performance shares granted under the Long-Term Incentive Plan, which will be recognized over the remaining weighted-average contractual term. The total fair value of performance shares earned and paid was \$7.4 million and \$0.5 million year to date June 30, 2016, and 2015, respectively.

The fair value of performance share awards is estimated using the market value of the Company's stock at the valuation date and a Monte Carlo simulation technique that incorporates assumptions for inputs of expected volatilities, dividend yield and risk-free rates. Expected volatility is based on daily stock price change during a historical period commensurate with the remaining term of the performance period of the grant. The risk-free rate is based upon the rate at the time of the evaluation for zero-coupon government bonds with a maturity consistent with the remaining performance period of the grant. The dividend yield is based on the most recent dividends paid and the actual closing stock price on the valuation date. For shares granted in 2016, inputs for expected volatility, dividend yield and risk-free rates ranged were 18%, 3.61% and 0.94%, respectively.

**Restricted Stock**

Restricted stock activity year to date June 30, 2016, is summarized in the following table.

	Nonvested Restricted Stock	Grant Date Fair Value*
Beginning balance January 1, 2016	231,508	\$ 24.78
Granted and issued	96,053	29.41
Vested	(69,219)	22.59
Forfeited	(572)	27.51
Ending balance June 30, 2016	257,770	27.09

\* weighted-average

At June 30, 2016, the remaining weighted-average contractual term was 1.6 years. The weighted-average grant-date fair value of shares granted was \$28.17 and \$29.41 for the three months ended and year to date June 30, 2016. There were no shares granted for the three months ended June 30, 2015. The weighted-average grant-date fair value of shares granted was \$26.18 year to date June 30, 2015. At June 30, 2016, there was \$3.8 million of total unrecognized compensation expense, net of forfeiture rates, related to nonvested restricted stock granted under the Long-Term Incentive Plan, which will be recognized over the remaining weighted-average contractual term. No shares vested for the three months ended June 30, 2016. Total fair value of shares vested was \$1.6 million year to date June 30, 2016. Total fair value of shares vested was \$0.1 million and \$1.5 million for the three months ended and year to date June 30, 2015, respectively.

**9. SHORT-TERM BORROWINGS AND SHORT-TERM BANK LINES OF CREDIT****Great Plains Energy's \$200 Million Revolving Credit Facility**

Great Plains Energy's \$200 million revolving credit facility with a group of banks expires in October 2019. The facility's terms permit transfers of unused commitments between this facility and the KCP&L and GMO facilities discussed below, with the total amount of the facility not exceeding \$400 million at any one time. A default by Great Plains Energy or any of its significant subsidiaries on other indebtedness totaling more than \$50.0 million is a default under the facility. Under the terms of this facility, Great Plains Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At June 30, 2016, Great Plains Energy was in compliance with this covenant. In June 2016, the facility was amended, among other things, to increase the maximum consolidated indebtedness to consolidated capitalization ratio of 0.65 to 1.00 to a level such that, if Great Plains Energy would not be in compliance with the covenant as of the date of the closing of the anticipated acquisition of Westar, the ratio would increase up to a maximum of 0.75 to 1.00 for one year. At June 30, 2016, Great Plains Energy had \$74.0 million of outstanding cash borrowings at a weighted-average interest rate of 2.00% and had issued no letters of credit under the credit facility. At December 31, 2015, Great Plains Energy had \$10.0 million of outstanding cash borrowings at a weighted-average interest rate of 1.94% and had issued \$0.2 million letters of credit under the credit facility.

**KCP&L's \$600 Million Revolving Credit Facility and Commercial Paper**

KCP&L's \$600 million revolving credit facility with a group of banks provides support for its issuance of commercial paper and other general corporate purposes and expires in October 2019. Great Plains Energy and KCP&L may transfer up to \$200 million of unused commitments between Great Plains Energy's and KCP&L's facilities. A default by KCP&L on other indebtedness totaling more than \$50.0 million is a default under the facility. Under the terms of this facility, KCP&L is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At June 30, 2016, KCP&L was in compliance with this covenant. At June 30, 2016, KCP&L had \$105.1 million of commercial paper outstanding at a weighted-average interest rate of 0.70%, had issued letters of credit totaling \$2.8 million and had no outstanding cash borrowings under the credit facility. At December 31, 2015, KCP&L had \$180.3 million of commercial paper outstanding at a weighted-average interest rate of 0.70%, had issued letters of credit totaling \$2.7 million and had no outstanding cash borrowings under the credit facility.

**GMO's \$450 Million Revolving Credit Facility and Commercial Paper**

GMO's \$450 million revolving credit facility with a group of banks provides support for its issuance of commercial paper and other general corporate purposes and expires in October 2019. Great Plains Energy and GMO may transfer up to \$200 million of unused commitments between Great Plains Energy's and GMO's facilities. A default by GMO or any of its significant subsidiaries on other indebtedness totaling more than \$50.0 million is a default under the facility. Under the terms of this facility, GMO is required to maintain a consolidated indebtedness to consolidated capitalization ratio, as defined in the facility, not greater than 0.65 to 1.00 at all times. At June 30, 2016, GMO was in compliance with this covenant. At June 30, 2016, GMO had \$235.3 million of commercial paper outstanding at a weighted-average interest rate of 0.81%, had issued letters of credit totaling \$2.1 million and had no outstanding cash borrowings under the credit facility. At December 31, 2015, GMO had \$43.7 million commercial paper outstanding at a weighted-average interest rate of 0.65%, had issued letters of credit totaling \$2.5 million and had no outstanding cash borrowings under the credit facility.

**Great Plains Energy's \$7.5 Billion Term Loan Facility**

In connection with the Merger Agreement with Westar, Great Plains Energy entered into a commitment letter for a 364-day senior unsecured bridge term loan facility in an aggregate principal amount of \$8.017 billion (which was subsequently reduced to \$7.5 billion) to support the anticipated transaction and provide flexibility for the timing of long-term financing.

## 10. LONG-TERM DEBT

Great Plains Energy's and KCP&L's long-term debt is detailed in the following table.

	Year Due	June 30 2016	December 31 2015
(millions)			
<b>KCP&amp;L</b>			
General Mortgage Bonds			
2.47% EIRR bonds <sup>(a)</sup>	2017-2035	\$ 110.5	\$ 110.5
7.15% Series 2009A (8.59% rate) <sup>(b)</sup>	2019	400.0	400.0
Senior Notes			
5.85% Series (5.72% rate) <sup>(b)</sup>	2017	250.0	250.0
6.375% Series (7.49% rate) <sup>(b)</sup>	2018	350.0	350.0
3.15% Series	2023	300.0	300.0
3.65% Series	2025	350.0	350.0
6.05% Series (5.78% rate) <sup>(b)</sup>	2035	250.0	250.0
5.30% Series	2041	400.0	400.0
EIRR Bonds			
0.445% Series 2007A and 2007B <sup>(c)</sup>	2035	146.5	146.5
2.875% Series 2008	2038	23.4	23.4
Current maturities		(250.0)	—
Unamortized discount and debt issuance costs		(16.5)	(17.3)
Total KCP&L excluding current maturities <sup>(d)</sup>		2,313.9	2,563.1
<b>Other Great Plains Energy</b>			
GMO First Mortgage Bonds 9.44% Series	2017-2021	5.7	6.8
GMO Senior Notes			
8.27% Series	2021	80.9	80.9
3.49% Series A	2025	125.0	125.0
4.06% Series B	2033	75.0	75.0
4.74% Series C	2043	150.0	150.0
GMO Medium Term Notes			
7.33% Series	2023	3.0	3.0
7.17% Series	2023	7.0	7.0
Great Plains Energy Senior Notes			
6.875% Series (7.33% rate) <sup>(b)</sup>	2017	100.0	100.0
4.85% Series	2021	350.0	350.0
5.292% Series	2022	287.5	287.5
Current maturities		(1.1)	(1.1)
Unamortized discount and premium, net and debt issuance costs		(1.9)	(2.1)
Total Great Plains Energy excluding current maturities <sup>(d)</sup>		\$ 3,495.0	\$ 3,745.1

<sup>(a)</sup> Weighted-average interest rates at June 30, 2016

<sup>(b)</sup> Rate after amortizing gains/losses recognized in other comprehensive income (OCI) on settlements of interest rate hedging instruments

<sup>(c)</sup> Variable rate

<sup>(d)</sup> At June 30, 2016, and December 31, 2015, does not include \$50.0 million and \$21.9 million of secured Series 2005 Environmental Improvement Revenue Refunding (EIRR) bonds because the bonds were repurchased in September 2015 and are held by KCP&L

## 11. PREFERRED STOCK

### Cumulative Preferred Stock

In June 2016, Great Plains Energy issued a notice of redemption to redeem its 390,000 shares of outstanding Cumulative Preferred Stock, par value \$100 per share, for a total redemption price of \$40.1 million on August 10, 2016. Great Plains Energy will redeem all outstanding shares of its (i) 3.80% Preferred for \$103.70 per share, plus accrued and unpaid dividends of \$0.75 per share, for a total redemption price of \$104.45 per share, (ii) 4.50% Preferred for \$101.00 per share, plus accrued and unpaid dividends of \$0.89 per share, for a total redemption price of \$101.89 per share, (iii) 4.20% Preferred for \$102.00 per share, plus accrued and unpaid dividends of \$0.83 per share, for a total redemption price of \$102.83 per share and (iv) 4.35% Preferred for \$101.00 per share, plus accrued and unpaid dividends of \$0.86 per share, for a total redemption price of \$101.86 per share.

### Series A Preferred Stock

On May 29, 2016, Great Plains Energy entered into a stock purchase agreement with OMERS, pursuant to which Great Plains Energy will issue and sell to OMERS 750,000 shares of preferred stock of Great Plains Energy designated as 7.25% Mandatory Convertible Preferred Stock, Series A, without par value (Series A Preferred Stock), for an aggregate purchase price equal to \$750 million at the closing of the merger. The stock purchase agreement is subject to various closing conditions, including approval of the Great Plains Energy shareholders to increase the number of authorized shares of Great Plains Energy common stock required for conversion of the Series A Preferred Stock.

Each share of Series A Preferred Stock shall automatically convert three years after issuance into a number of shares of Great Plains Energy common stock equal to the Conversion Rate.

The Conversion Rate is calculated as follows:

If the average volume-weighted average price per share of Great Plains Energy common stock over 20 consecutive trading days commencing on the 22nd trading day prior to the date of conversion (Applicable Market Value) is:

- (a) Equal to or greater than \$34.38, the Conversion Rate shall be 29.0855;
- (b) Less than \$34.38 but greater than \$28.65, the Conversion Rate shall be \$1,000.00 divided by the Applicable Market Value; or
- (c) Less than or equal to \$28.65, the Conversion Rate shall be 34.9026.

OMERS can voluntarily convert its Series A Preferred Stock into Great Plains Energy common stock at any time at the 29.0855 Conversion Rate, subject to obtaining all necessary governmental approvals.

The Series A Preferred Stock is entitled to a 7.25% annual dividend, payable in cash, Great Plains Energy common stock or a combination thereof. The Series A Preferred Stock has a liquidation preference of \$1,000 per share.

OMERS will be entitled to name two directors to the Great Plains Energy Board if dividends payable with respect to the Series A Preferred Stock are in arrears for two quarters and one observer on the Great Plains Energy Board if Great Plains Energy's credit rating is downgraded to below investment grade, so long as OMERS holds 50 percent of its original investment and subject to all necessary governmental approvals being obtained.

## 12. COMMITMENTS AND CONTINGENCIES

### Environmental Matters

Great Plains Energy and KCP&L are subject to extensive federal, state and local environmental laws, regulations and permit requirements relating to air and water quality, waste management and disposal, natural resources and health and safety. In addition to imposing continuing compliance obligations and remediation costs, these laws, regulations and permits authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. The cost of complying with current and future environmental requirements is expected to be material to Great Plains Energy and KCP&L. Failure to comply with environmental requirements or to timely recover environmental costs through rates could have a material effect on Great Plains Energy's and KCP&L's results of operations, financial position and cash flows.

Great Plains Energy's and KCP&L's current estimates of capital expenditures (exclusive of Allowance for Funds Used During Construction (AFUDC) and property taxes) over the next five years to comply with environmental regulations are in the following table. The total cost of compliance with any existing, proposed or future laws and regulations may be significantly different from these cost estimates provided.

	2016	2017	2018	2019	2020
	(millions)				
Great Plains Energy	\$ 99.6	\$ 45.5	\$ 20.6	\$ 98.9	\$ 151.9
KCP&L	83.8	30.1	14.4	87.3	130.0

The Companies expect to seek recovery of the costs associated with environmental requirements through rate increases; however, there can be no assurance that such rate increases would be granted. The Companies may be subject to materially adverse rate treatment in response to competitive, economic, political, legislative or regulatory factors and/or public perception of the Companies' environmental reputation.

The following discussion groups environmental and certain associated matters into the broad categories of air and climate change, water, solid waste and remediation.

***Clean Air Act and Climate Change Overview***

The Clean Air Act Amendments of 1990 (Clean Air Act) and associated regulations enacted by the Environmental Protection Agency (EPA) form a comprehensive program to preserve and enhance air quality. States are required to establish regulations and programs to address all requirements of the Clean Air Act and have the flexibility to enact more stringent requirements. All of Great Plains Energy's and KCP&L's generating facilities, and certain of their other facilities, are subject to the Clean Air Act.

***Mercury and Air Toxics Standards (MATS) Rule***

In December 2011, the EPA finalized the MATS Rule that will reduce emissions of toxic air pollutants, also known as hazardous air pollutants, from new and existing coal- and oil-fired electric utility generating units with a capacity of greater than 25 MWs. The rule establishes numerical emission limits for mercury, particulate matter (a surrogate for non-mercury metals) and hydrochloric acid (a surrogate for acid gases). The rule establishes work practices, instead of numerical emission limits, for organic air toxics, including dioxin/furan. KCP&L's and GMO's affected coal-fired units currently comply with the rule.

***Industrial Boiler Rule***

In December 2012, the EPA issued a final rule that would reduce emissions of hazardous air pollutants from new and existing industrial boilers. The final rule establishes numeric emission limits for mercury, particulate matter (as a surrogate for non-mercury metals), hydrogen chloride (as a surrogate for acid gases) and carbon monoxide (as a surrogate for non-dioxin organic hazardous air pollutants). The final rule establishes emission limits for KCP&L's and GMO's existing units that produce steam other than for the generation of electricity. The final rule does not apply to KCP&L's and GMO's electricity generating boilers, but would apply to most of GMO's Lake Road boilers, which also serve steam customers, and to auxiliary boilers at other generating facilities. KCP&L's and GMO's affected units currently comply with the rule.

***Climate Change***

The Companies' current generation capacity is primarily coal-fired and is estimated to produce about one ton of carbon dioxide (CO<sub>2</sub>) per MWh, or approximately 21 million tons and 15 million tons per year for Great Plains Energy and KCP&L, respectively. The Companies are subject to existing greenhouse gas reporting regulations and certain greenhouse gas requirements. Federal or state legislation concerning the reduction of emissions of greenhouse gases, including CO<sub>2</sub>, could be enacted in the future. At the international level, in December 2015 the Paris Agreement was adopted by nearly 200 countries and will be legally binding 30 days after at least 55 countries representing at least 55% of global greenhouse gas

emissions have joined it through ratification. The Paris Agreement did not result in any new, legally binding obligations on the United States to meet a particular greenhouse gas emissions target, but establishes a framework for international cooperation on climate change. Other international agreements legally binding on the United States may be reached in the future. Greenhouse gas legislation has the potential of having significant financial and operational impacts on Great Plains Energy and KCP&L; however, the ultimate financial and operational consequences to Great Plains Energy and KCP&L cannot be determined until such legislation is passed. In the absence of new Congressional mandates, the EPA is proceeding with the regulation of greenhouse gases under the existing Clean Air Act.

In August 2015, the EPA finalized CO<sub>2</sub> emission standards for new, modified and reconstructed affected fossil-fuel-fired electric utility generating units. The standards would not apply to Great Plains Energy's and KCP&L's existing units unless the units were modified or reconstructed in the future.

In August 2015, the EPA finalized its Clean Power Plan which sets CO<sub>2</sub> emission performance rates for existing affected fossil fuel-fired electric generating units. Specifically, the EPA translated those performance rates into a state goal measured in mass and rate based on each state's generation mix. The states have the ability to develop their own plans for affected units to achieve either the performance rates directly or the state goals, with guidelines for the development, submittal and implementation of those plans. Nationwide, by 2030, the EPA projects the Clean Power Plan would achieve CO<sub>2</sub> emission reductions from the power sector of approximately 32% from CO<sub>2</sub> emission levels in 2005.

The EPA has finalized an interim CO<sub>2</sub> goal rate reduction in Kansas and Missouri (average of 2022-2029) of 34% and 26%, respectively, and 2030 targets in Kansas and Missouri of 44% and 37%, respectively. The baseline for these reductions is 2012 CO<sub>2</sub> emissions adjusted by the EPA. The EPA has also finalized mass based CO<sub>2</sub> reduction goals.

States are required to submit plans to implement the Clean Power Plan. An EPA plan with either a rate-based or mass-based trading program has yet to be finalized and can be enforced in states that fail to submit approved plans.

In February 2016, the U.S. Supreme Court granted a stay of the Clean Power Plan putting the rule on hold pending review in the United States Court of Appeals for the District of Columbia Circuit and any subsequent review by the U.S. Supreme Court if such review is sought. Compliance with the Clean Power Plan has the potential of having significant financial and operational impacts on Great Plains Energy and KCP&L; however, the ultimate financial and operational consequences to Great Plains Energy and KCP&L cannot be determined until the outcome of pending litigation is known and/or the state plans to implement the Clean Power Plan are known.

The Companies are subject to existing renewable energy standards in Missouri. Management believes that national renewable energy standards are also possible. The timing, provisions and impact of such possible future requirements, including the cost to obtain and install new equipment to achieve compliance, cannot be reasonably estimated at this time.

### ***Clean Water Act***

The Clean Water Act and associated regulations enacted by the EPA form a comprehensive program to restore and preserve water quality. Like the Clean Air Act, states are required to establish regulations and programs to address all requirements of the Clean Water Act, and have the flexibility to enact more stringent requirements. All of Great Plains Energy's and KCP&L's generating facilities, and certain of their other facilities, are subject to the Clean Water Act.

In May 2014, the EPA finalized regulations pursuant to Section 316(b) of the Clean Water Act regarding cooling water intake structures pursuant to a court approved settlement. KCP&L generation facilities with cooling water intake structures are subject to the best technology available standards based on studies completed to comply with such standards. The rule provides flexibility to work with the states to develop the best technology available to

minimize aquatic species impacted by being pinned against intake screens (impingement) or drawn into cooling water systems (entrainment). Estimated costs to comply with Section 316(b) of the Clean Water Act are included in the estimated capital expenditures table above.

KCP&L holds a permit from the Missouri Department of Natural Resources (MDNR) covering water discharge from its Hawthorn Station. The permit authorizes KCP&L to, among other things, withdraw water from the Missouri River for cooling purposes and return the heated water to the Missouri River. KCP&L has applied for a renewal of this permit and the EPA has submitted an interim objection letter regarding the allowable amount of heat that can be contained in the returned water. Until this matter is resolved, KCP&L continues to operate under its current permit. Future water permit renewals at KCP&L's Iatan Station and at GMO's Sibley and Lake Road Stations could also be impacted by the allowable amount of heat that can be contained in the returned water. Great Plains Energy and KCP&L cannot predict the outcome of these matters; however, while less significant outcomes are possible, these matters may require a reduction in generation, installation of cooling towers or other technology to cool the water, or both, any of which could have a significant impact on Great Plains Energy's and KCP&L's results of operations, financial position and cash flows.

In September 2015, the EPA finalized a revision of the technology-based effluent limitations guidelines and standards regulation to make the existing controls on discharges from steam electric power plants more stringent. The final rule sets the first federal limits on the levels of toxic metals in wastewater that can be discharged from power plants. The new requirements for existing power plants would be phased in between 2018 and 2023. The final rule establishes new or additional requirements for wastewaters associated with the following processes and byproducts at certain KCP&L and GMO stations: flue gas desulfurization, fly ash, bottom ash, flue gas mercury control, and combustion residual leachate from landfills and surface impoundments. Estimated capital costs to comply with the final rule are included in the estimated capital expenditures table above.

### ***Solid Waste***

Solid and hazardous waste generation, storage, transportation, treatment and disposal are regulated at the federal and state levels under various laws and regulations. In December 2014, the EPA finalized regulations to regulate coal combustion residuals (CCRs) under the Resource Conservation and Recovery Act (RCRA) subtitle D to address the risks from the disposal of CCRs generated from the combustion of coal at electric generating facilities. The Companies use coal in generating electricity and dispose of the CCRs in both on-site facilities and facilities owned by third parties. KCP&L's Iatan, La Cygne, and Montrose Stations and GMO's Sibley Station have on-site facilities affected by the rule. The rule requires periodic assessments; groundwater monitoring; location restrictions; design and operating requirements; recordkeeping and notifications; and closure, among other requirements, for CCR units. The rule was promulgated in the Federal Register on April 17, 2015, and became effective six months after promulgation with various obligations effective at specified times within the rule. Estimated capital costs to comply with the CCR rule are included in the estimated capital expenditures table above. Certain requirements of the rule would require Great Plains Energy or KCP&L to expedite or incur additional capital expenditures in the future.

Great Plains Energy and KCP&L have Asset Retirement Obligations (AROs) on their balance sheets for closure and post-closure of ponds and landfills containing CCRs. Certain requirements of the rule could in the future require further evaluation of the expected method of compliance and refinement of assumptions underlying the cost estimates for closure and post-closure, Great Plains Energy's and KCP&L's AROs could increase from the amounts presently recorded.

### ***Remediation***

Certain federal and state laws, including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), hold current and previous owners or operators of contaminated facilities and persons who arranged for the disposal or treatment of hazardous substances liable for the cost of investigation and cleanup. CERCLA and other laws also authorize the EPA and other agencies to issue orders compelling potentially responsible parties to clean up sites that are determined to present an actual or potential threat to human health or the environment. GMO retains some environmental liability for several operations and investments it no longer owns. In addition, GMO

also owns, or has acquired liabilities from companies that once owned or operated, former manufactured gas plant (MGP) sites, which are subject to the supervision of the EPA and various state environmental agencies.

At June 30, 2016, and December 31, 2015, KCP&L had \$0.3 million accrued for environmental remediation expenses, which covers ground water monitoring at a former MGP site. The amount accrued was established on an undiscounted basis and KCP&L does not currently have an estimated time frame over which the accrued amount may be paid.

In addition to the \$0.3 million accrual above, at June 30, 2016, and December 31, 2015, Great Plains Energy had \$1.4 million accrued for the future investigation and remediation of certain additional GMO identified MGP sites and retained liabilities. This estimate was based upon review of the potential costs associated with conducting investigative and remedial actions at identified sites, as well as the likelihood of whether such actions will be necessary. This estimate could change materially after further investigation, and could also be affected by the actions of environmental agencies and the financial viability of other potentially responsible parties; however, given the uncertainty of these items the possible loss or range of loss in excess of the amount accrued is not estimable.

GMO has pursued recovery of remediation costs from insurance carriers and other potentially responsible parties. As a result of a settlement with an insurance carrier, approximately \$1.5 million in insurance proceeds less an annual deductible is available to GMO to recover qualified MGP remediation expenses. GMO would seek recovery of additional remediation costs and expenses through rate increases; however, there can be no assurance that such rate increases would be granted.

### **13. LEGAL PROCEEDINGS**

#### **GMO Western Energy Crisis**

In response to complaints of excessive prices in the California energy markets, FERC issued an order in July 2001 requiring net sellers of power in the California markets from October 2, 2000, through June 20, 2001, at prices above a FERC-determined competitive market clearing price, to make refunds to net purchasers of power in the California market during that time period. Because MPS Merchant was a net purchaser of power during the refund period, it has received approximately \$8 million in refunds through settlements with certain sellers of power. MPS Merchant estimates that it is entitled to approximately \$12 million in additional refunds under the standards FERC has used in this case once a comprehensive resettlement of those markets occurs, as required by FERC. FERC has stated that interest will be applied to the refunds but the amount of interest has not yet been determined.

In December 2001, various parties appealed FERC orders to the United States Court of Appeals for the Ninth Circuit (Ninth Circuit) seeking review of a number of issues, including expansion of the refund period to include periods prior to October 2, 2000 (the Summer Period). MPS Merchant was a net seller of power during the Summer Period. On August 2, 2006, the Ninth Circuit issued an order finding, among other things, that FERC erred in failing to consider certain legal issues regarding whether it has authority to order refunds for violation of FERC-approved tariffs during the Summer Period. The court remanded the matter to FERC for further consideration.

In November 2014, FERC issued an order finding that MPS Merchant engaged in tariff violations during the Summer Period and ordering refunds in the form of disgorgement of certain revenues. MPS Merchant (and other parties) filed a request for rehearing challenging FERC's findings of tariff violations and the remedy imposed in the November 2014 order. Additionally, several parties representing California utilities and governmental agencies filed a request for clarification or rehearing focusing on the remedy.

In November 2015, FERC issued an order on rehearing, confirming its findings of violation and expanding the remedy from its November 2014 order to cover additional MPS Merchant sales in the California markets. MPS Merchant filed another request for rehearing, challenging the expanded remedy, and also filed a petition for review of the November 2014 and November 2015 orders with the Ninth Circuit.

In February 2016, FERC issued another order on rehearing/clarification that requires MPS Merchant to refund, in the form of disgorgement, all revenues in excess of the FERC-determined competitive market clearing price for all sales in the California markets during the Summer Period that occurred in any hour in which any remaining respondent in the proceeding was found to have committed a tariff violation. That order is subject to further rehearing and judicial review. Under FERC's orders, MPS Merchant may be able to offset its costs of selling power against any remedy ultimately imposed to ensure that it does not under-recover its actual costs.

Due to the uncertainties remaining in the case, the loss or range of loss cannot be reasonably estimated.

#### 14. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

KCP&L employees manage GMO's business and operate its facilities at cost, including GMO's 18% ownership interest in KCP&L's Iatan Nos. 1 and 2. The operating expenses and capital costs billed from KCP&L to GMO were \$47.7 million and \$94.9 million, respectively, for the three months ended and year to date June 30, 2016. These cost totaled \$46.2 million and \$92.2 million, respectively, for the three months ended and year to date June 30, 2015.

KCP&L and GMO are also authorized to participate in the Great Plains Energy money pool, an internal financing arrangement in which funds may be lent on a short-term basis to KCP&L and GMO from Great Plains Energy and between KCP&L and GMO. At June 30, 2016, and December 31, 2015, KCP&L had no outstanding receivables or payables under the money pool.

The following table summarizes KCP&L's related party net receivables.

	June 30 2016	December 31 2015
	(millions)	
Net receivable from GMO	\$ 49.2	\$ 50.0
Net receivable from Great Plains Energy	19.2	15.8

#### 15. DERIVATIVE INSTRUMENTS

Great Plains Energy and KCP&L are exposed to a variety of market risks including interest rates and commodity prices. Management has established risk management policies and strategies to reduce the potentially adverse effects that the volatility of the markets may have on Great Plains Energy's and KCP&L's operating results. Great Plains Energy's and KCP&L's interest rate risk management activities have included using derivative instruments to hedge against future interest rate fluctuations on anticipated debt issuances. Commodity risk management activities, including the use of certain derivative instruments, are subject to the management, direction and control of an internal commodity risk committee. Management maintains commodity price risk management strategies that use derivative instruments to reduce the effects of fluctuations in wholesale sales, fuel and purchased power expense caused by commodity price volatility.

Counterparties to commodity derivatives expose Great Plains Energy and KCP&L to credit loss in the event of nonperformance. This credit loss is limited to the cost of replacing these contracts at current market rates. Derivative instruments, excluding those instruments that qualify for the normal purchases and normal sales (NPNS) election, which are accounted for by accrual accounting, are recorded on the balance sheet at fair value as an asset or liability. Changes in the fair value of derivative instruments are recognized in net income, except hedges for KCP&L's and GMO's utility operations that are recorded to a regulatory asset or liability consistent with KCC and MPSC regulatory orders.

Great Plains Energy and KCP&L have posted collateral, in the ordinary course of business, for the aggregate fair value of all derivative instruments with credit risk-related contingent features that are in a liability position. At June 30, 2016, Great Plains Energy and KCP&L have posted collateral in excess of the aggregate fair value of their derivative instruments; therefore, if the credit risk-related contingent features underlying these agreements were triggered, Great Plains Energy and KCP&L would not be required to post additional collateral to their

counterparties. For derivative contracts with counterparties under master netting arrangements, Great Plains Energy and KCP&L can net receivables and payables with each respective counterparty.

### **Interest Rate Risk Management**

In June 2016, Great Plains Energy entered into four interest rate swaps, with a total notional amount of \$4.4 billion, to hedge against interest rate fluctuations on future issuances of long-term debt expected to be issued to finance a portion of the cash consideration for the anticipated acquisition of Westar. Settlement of the interest rate swaps is contingent on the consummation of the anticipated acquisition of Westar. The interest rate swaps have been designated as economic hedges (non-hedging derivatives). The fair values of these instruments are recorded as derivative assets or liabilities with an offsetting entry recorded to interest charges.

### **Commodity Risk Management**

KCP&L's risk management policy uses derivative instruments to mitigate exposure to commodity market price fluctuations. At June 30, 2016, KCP&L had financial contracts in place to hedge approximately 26% of its Missouri jurisdictional portion of the 2016 expected natural gas equivalent bulk power sales price exposure. At June 30, 2016, KCP&L had financial contracts in place to hedge approximately 30%, 20% and 7% of the expected summer month natural gas generation for Missouri jurisdictional retail sales for the remainder of 2016, 2017 and 2018, respectively. KCP&L has designated these financial contracts as economic hedges (non-hedging derivatives). The fair values of these instruments are recorded as derivative assets or liabilities with an offsetting entry recorded to a regulatory asset or liability. The settlement costs are included in a recovery mechanism. A regulatory asset or liability is recorded to reflect the change in the timing of recognition authorized by the MPSC. Recovery of actual costs will not impact earnings, but will impact cash flows due to the timing of the recovery mechanism.

KCP&L and GMO have Transmission Congestion Rights (TCRs) that they utilize to hedge against congestion costs and protect load prices in the Southwest Power Pool, Inc. (SPP) Integrated Marketplace. These financial contracts have been designated as economic hedges (non-hedging derivatives). The fair values of these instruments are recorded as derivative assets or liabilities with an offsetting entry recorded to a regulatory asset or liability. The settlement costs are included in a recovery mechanism. A regulatory asset or liability is recorded to reflect the change in the timing of recognition authorized by KCC and MPSC. Recovery of actual costs will not impact earnings, but will impact cash flows due to the timing of the recovery mechanism.

GMO's risk management policy uses derivative instruments to mitigate price exposure to natural gas price volatility in the market. At June 30, 2016, GMO had financial contracts in place to hedge approximately 66%, 37% and 11% of the expected on-peak natural gas generation and natural gas equivalent purchased power price exposure for the remainder of 2016, 2017 and 2018, respectively. The fair value of the portfolio will settle against actual purchases of natural gas and purchased power. GMO has designated its natural gas hedges as economic hedges (non-hedging derivatives). In connection with GMO's 2005 Missouri electric rate case, it was agreed that the settlement costs of these contracts would be recognized in fuel expense. The settlement cost is included in a recovery mechanism. A regulatory asset or liability is recorded to reflect the change in the timing of recognition authorized by the MPSC. Recovery of actual costs will not impact earnings, but will impact cash flows due to the timing of the recovery mechanism.

MPS Merchant, which has certain long-term natural gas contracts remaining from its former non-regulated trading operations, manages the daily delivery of its remaining contractual commitments with economic hedges (non-hedging derivatives) to reduce its exposure to changes in market prices. Within the trading portfolio, MPS Merchant takes certain positions to hedge physical sale or purchase contracts. MPS Merchant records the fair value of physical trading energy contracts as derivative assets or liabilities with an offsetting entry to the consolidated statements of comprehensive income.

The gross notional contract amount and recorded fair values of open positions for derivative instruments are summarized in the following table. The fair values of these derivatives are recorded on the consolidated balance sheets. The fair values below are gross values before netting agreements and netting of cash collateral.

	June 30 2016		December 31 2015	
	Notional Contract Amount	Fair Value	Notional Contract Amount	Fair Value
<b>Great Plains Energy</b>	(millions)			
Non-hedging derivatives				
Futures contracts	\$ 25.1	\$ 0.5	\$ 26.6	\$ (5.7)
Forward contracts	13.5	2.9	15.6	3.1
Transmission congestion rights	6.7	0.5	5.6	(0.5)
Interest rate swaps	4,415.0	(77.0)	—	—
<b>KCP&amp;L</b>				
Non-hedging derivatives				
Futures contracts	\$ 3.3	\$ (0.4)	\$ 0.9	\$ (0.1)
Transmission congestion rights	5.1	0.5	4.1	(0.4)

The fair values of Great Plains Energy's and KCP&L's open derivative positions and balance sheet classification are summarized in the following tables. The fair values below are gross values before netting agreements and netting of cash collateral.

#### Great Plains Energy

June 30, 2016	Balance Sheet Classification	Asset Derivatives Fair Value	Liability Derivatives Fair Value
(millions)			
<b>Derivatives Not Designated as Hedging Instruments</b>			
Commodity contracts	Other	\$ 5.8	\$ 1.9
Interest rate contracts	Derivative instruments	—	77.0

#### December 31, 2015

<b>Derivatives Not Designated as Hedging Instruments</b>			
Commodity contracts	Other/Derivative instruments	\$ 3.3	\$ 6.4

#### KCP&L

June 30, 2016	Balance Sheet Classification	Asset Derivatives Fair Value	Liability Derivatives Fair Value
(millions)			
<b>Derivatives Not Designated as Hedging Instruments</b>			
Commodity contracts	Other	\$ 0.6	\$ 0.5

#### December 31, 2015

<b>Derivatives Not Designated as Hedging Instruments</b>			
Commodity contracts	Other	\$ 0.2	\$ 0.7

The following tables provide information regarding Great Plains Energy's and KCP&L's offsetting of derivative assets and liabilities.

**Great Plains Energy**

Description	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral	
(millions)						
<b>June 30, 2016</b>						
Derivative assets	\$ 5.8	\$ (1.5)	\$ 4.3	\$ —	\$ —	\$ 4.3
Derivative liabilities	78.9	(1.9)	77.0	—	—	77.0
<b>December 31, 2015</b>						
Derivative assets	\$ 3.3	\$ (0.2)	\$ 3.1	\$ —	\$ —	\$ 3.1
Derivative liabilities	6.4	(5.9)	0.5	—	—	0.5

**KCP&L**

Description	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral	
(millions)						
<b>June 30, 2016</b>						
Derivative assets	\$ 0.6	\$ (0.1)	\$ 0.5	\$ —	\$ —	\$ 0.5
Derivative liabilities	0.5	(0.5)	—	—	—	—
<b>December 31, 2015</b>						
Derivative assets	\$ 0.2	\$ (0.2)	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	0.7	(0.3)	0.4	—	—	0.4

At June 30, 2016, and December 31, 2015, Great Plains Energy offset \$0.4 million and \$5.7 million, respectively, of cash collateral posted with counterparties against net derivative positions.

See Note 17 for information regarding amounts reclassified out of accumulated other comprehensive loss for Great Plains Energy and KCP&L.

Great Plains Energy's accumulated OCI at June 30, 2016, includes \$9.2 million that is expected to be reclassified to expenses over the next twelve months. KCP&L's accumulated OCI at June 30, 2016, includes \$8.8 million that is expected to be reclassified to expenses over the next twelve months.

The following tables summarize the amounts of gain (loss) recognized for the change in fair value of derivatives not designated as hedging instruments for Great Plains Energy and KCP&L.

**Great Plains Energy**

Derivatives Not Designated as Hedging Instruments	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
<b>Location of Gain (Loss)</b>	(millions)			
Electric revenues	\$ 0.1	\$ (2.5)	\$ (0.3)	\$ (7.7)
Fuel	(2.6)	(0.6)	(4.5)	(1.1)
Purchased power	(0.1)	(1.1)	(0.3)	(1.2)
Interest charges	(77.0)	—	(77.0)	—
Regulatory asset	6.1	3.1	(0.1)	(3.2)
Regulatory liability	1.2	—	1.2	—
<b>Total</b>	<b>\$ (72.3)</b>	<b>\$ (1.1)</b>	<b>\$ (81.0)</b>	<b>\$ (13.2)</b>

**KCP&L**

Derivatives Not Designated as Hedging Instruments	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
<b>Location of Gain (Loss)</b>	(millions)			
Electric revenues	\$ 0.1	\$ (2.5)	\$ (0.3)	\$ (7.7)
Fuel	(0.5)	—	(0.1)	0.2
Regulatory asset	0.1	1.4	(0.1)	—
Regulatory liability	0.5	—	0.5	—
<b>Total</b>	<b>\$ 0.2</b>	<b>\$ (1.1)</b>	<b>\$ —</b>	<b>\$ (7.5)</b>

## 16. FAIR VALUE MEASUREMENTS

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad categories, giving the highest priority to quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. A definition of the various levels, as well as discussion of the various measurements within the levels, is as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that Great Plains Energy and KCP&L have access to at the measurement date.

Level 2 – Market-based inputs for assets or liabilities that are observable (either directly or indirectly) or inputs that are not observable but are corroborated by market data.

Level 3 – Unobservable inputs, reflecting Great Plains Energy's and KCP&L's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Great Plains Energy and KCP&L record cash and cash equivalents and short-term borrowings on the balance sheet at cost, which approximates fair value due to the short-term nature of these instruments.

Great Plains Energy and KCP&L record long-term debt on the balance sheet at amortized cost. The fair value of long-term debt is measured as a Level 2 liability and is based on quoted market prices, with the incremental borrowing rate for similar debt used to determine fair value if quoted market prices are not available. At June 30, 2016, the book value and fair value of Great Plains Energy's long-term debt, including current maturities, were \$3.8 billion and \$4.2 billion, respectively. At December 31, 2015, the book value and fair value of Great Plains Energy's long-term debt, including current maturities, were \$3.7 billion and \$4.0 billion, respectively. At June 30, 2016, the book value and fair value of KCP&L's long-term debt, including current maturities, were \$2.6 billion and \$2.9 billion, respectively. At December 31, 2015, the book value and fair value of KCP&L's long-term debt, including current maturities, were \$2.6 billion and \$2.8 billion, respectively.

The following tables include Great Plains Energy's and KCP&L's balances of financial assets and liabilities measured at fair value on a recurring basis. The fair values below are gross values before netting arrangements and netting of cash collateral.

Description	June 30 2016	Level 1	Level 2	Level 3
(millions)				
<b>KCP&amp;L</b>				
Assets				
Nuclear decommissioning trust <sup>(a)</sup>				
Equity securities	\$ 140.1	\$ 140.1	\$ —	\$ —
Debt securities				
U.S. Treasury	28.8	28.8	—	—
U.S. Agency	1.8	—	1.8	—
State and local obligations	3.2	—	3.2	—
Corporate bonds	34.0	—	34.0	—
Foreign governments	0.3	—	0.3	—
Cash equivalents	2.1	2.1	—	—
Total nuclear decommissioning trust	210.3	171.0	39.3	—
Self-insured health plan trust <sup>(b)</sup>				
Equity securities	0.9	0.9	—	—
Debt securities	4.4	—	4.4	—
Cash and cash equivalents	9.2	9.2	—	—
Total self-insured health plan trust	14.5	10.1	4.4	—
Derivative instruments - commodity <sup>(c)</sup>	0.6	—	—	0.6
Total	\$ 225.4	\$ 181.1	\$ 43.7	\$ 0.6
Liabilities				
Derivative instruments - commodity <sup>(c)</sup>	0.5	0.4	—	0.1
Total	\$ 0.5	\$ 0.4	\$ —	\$ 0.1
<b>Other Great Plains Energy</b>				
Assets				
Derivative instruments - commodity <sup>(c)</sup>	\$ 5.2	\$ 2.1	\$ 2.5	\$ 0.6
SERP rabbi trusts <sup>(d)</sup>				
Equity securities	0.1	0.1	—	—
Total	\$ 5.3	\$ 2.2	\$ 2.5	\$ 0.6
Liabilities				
Derivative instruments				
Commodity <sup>(c)</sup>	\$ 1.4	\$ 1.2	\$ —	\$ 0.2
Interest rates <sup>(e)</sup>	77.0	—	—	77.0
Total derivative instruments	78.4	1.2	—	77.2
Total	\$ 78.4	\$ 1.2	\$ —	\$ 77.2
<b>Great Plains Energy</b>				
Assets				
Nuclear decommissioning trust <sup>(a)</sup>	\$ 210.3	\$ 171.0	\$ 39.3	\$ —
Self-insured health plan trust <sup>(b)</sup>	14.5	10.1	4.4	—
Derivative instruments <sup>(c)</sup>	5.8	2.1	2.5	1.2
SERP rabbi trusts <sup>(d)</sup>	0.1	0.1	—	—
Total	\$ 230.7	\$ 183.3	\$ 46.2	\$ 1.2
Liabilities				
Derivative instruments <sup>(c)(e)</sup>	78.9	1.6	—	77.3
Total	\$ 78.9	\$ 1.6	\$ —	\$ 77.3

Description	December 31			
	2015	Level 1	Level 2	Level 3
<b>KCP&amp;L</b>	(millions)			
<b>Assets</b>				
Nuclear decommissioning trust <sup>(a)</sup>				
Equity securities	\$ 135.4	\$ 135.4	\$ —	\$ —
Debt securities				
U.S. Treasury	26.4	26.4	—	—
U.S. Agency	1.8	—	1.8	—
State and local obligations	4.0	—	4.0	—
Corporate bonds	29.2	—	29.2	—
Foreign governments	0.3	—	0.3	—
Cash equivalents	3.6	3.6	—	—
Total nuclear decommissioning trust	200.7	165.4	35.3	—
Self-insured health plan trust <sup>(b)</sup>				
Equity securities	1.1	1.1	—	—
Debt securities	7.3	—	7.3	—
Cash and cash equivalents	5.2	5.2	—	—
Total self-insured health plan trust	13.6	6.3	7.3	—
Derivative instruments - commodity <sup>(c)</sup>	0.2	—	—	0.2
Total	\$ 214.5	\$ 171.7	\$ 42.6	\$ 0.2
<b>Liabilities</b>				
Derivative instruments - commodity <sup>(c)</sup>	0.7	0.1	—	0.6
Total	\$ 0.7	\$ 0.1	\$ —	\$ 0.6
<b>Other Great Plains Energy</b>				
<b>Assets</b>				
Derivative instruments - commodity <sup>(c)</sup>	\$ 3.1	\$ —	\$ 2.7	\$ 0.4
SERP rabbi trusts <sup>(d)</sup>				
Equity securities	0.1	0.1	—	—
Total	\$ 3.2	\$ 0.1	\$ 2.7	\$ 0.4
<b>Liabilities</b>				
Derivative instruments - commodity <sup>(c)</sup>	5.7	5.6	—	0.1
Total	\$ 5.7	\$ 5.6	\$ —	\$ 0.1
<b>Great Plains Energy</b>				
<b>Assets</b>				
Nuclear decommissioning trust <sup>(a)</sup>	\$ 200.7	\$ 165.4	\$ 35.3	\$ —
Self-insured health plan trust <sup>(b)</sup>	13.6	6.3	7.3	—
Derivative instruments <sup>(c)</sup>	3.3	—	2.7	0.6
SERP rabbi trusts <sup>(d)</sup>	0.1	0.1	—	—
Total	\$ 217.7	\$ 171.8	\$ 45.3	\$ 0.6
<b>Liabilities</b>				
Derivative instruments <sup>(c)</sup>	6.4	5.7	—	0.7
Total	\$ 6.4	\$ 5.7	\$ —	\$ 0.7

<sup>(a)</sup> Fair value is based on quoted market prices of the investments held by the fund and/or valuation models.

<sup>(b)</sup> Fair value is based on quoted market prices of the investments held by the trust. Debt securities classified as Level 2 are comprised of corporate bonds, U.S. Agency, state and local obligations, and other asset-backed securities.

<sup>(c)</sup> The fair value of commodity derivative instruments is estimated using market quotes, over-the-counter forward price and volatility curves and correlations among fuel prices, net of estimated credit risk. Derivative instruments classified as Level 1 represent exchange traded derivative instruments. Derivative instruments classified as Level 2 represent non-exchange traded derivative instruments valued using pricing models for which observable market data is available to corroborate the valuation inputs. Derivative instruments classified as Level 3 represent non-exchange traded derivative instruments valued using pricing models for which observable market data is not available to corroborate the valuation inputs and TCRs valued at the most recent auction price in the SPP Integrated Marketplace.

<sup>(d)</sup> At June 30, 2016, and December 31, 2015, the Supplemental Executive Retirement Plan (SERP) rabbi trusts also included \$16.2 million and \$16.6 million, respectively, of fixed income funds valued at net asset value (NAV) per share (or its equivalent) that are not categorized in the fair value hierarchy. The fixed income fund invests primarily in intermediate and long-term debt securities, can be redeemed immediately and is not subject to any restrictions on redemptions.

<sup>(e)</sup> The fair value of the interest rate derivative instruments is determined by calculating the net present value of expected payments and receipts under the interest rate swaps using observable market inputs including interest rates and LIBOR swap rates. As of June 30, 2016, the calculated net present value was discounted by a contingency factor of 0.45 that management believes is representative of what

a market participant would use in valuing these instruments in order to account for the contingent nature of the settlement of these instruments. See Note 15 for more details on the interest rate swaps.

A decrease in the contingency factor would result in a higher fair value measurement. Management expects that the contingency factor will decrease as the Company obtains certain regulatory and shareholder approvals connected with the anticipated acquisition of Westar and due to the passage of time. Because of the unobservable nature of the contingency factor, the interest rate derivatives have been classified as Level 3.

The following tables reconcile the beginning and ending balances for all Level 3 assets and liabilities measured at fair value on a recurring basis.

### Great Plains Energy

#### Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Derivative Instruments	
	2016	2015
	(millions)	
Net asset (liability) at April 1	\$ 0.1	\$ (1.2)
Total realized/unrealized gains (losses):		
included in electric revenue	0.1	(2.5)
included in purchased power expense	(0.1)	(1.1)
included in non-operating income	2.9	1.6
included in interest charges	(77.0)	—
included in regulatory liability	0.6	2.0
Purchases	(0.2)	0.4
Settlements	(2.5)	1.6
Net asset (liability) at June 30	\$ (76.1)	\$ 0.8
Total unrealized gains (losses) relating to assets and liabilities still on the consolidated balance sheet at June 30:		
included in non-operating income	0.1	—
included in interest charges	(77.0)	—
included in regulatory liability	0.6	—

### Great Plains Energy

#### Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Derivative Instruments	
	2016	2015
	(millions)	
Net asset (liability) at January 1	\$ (0.1)	\$ 3.5
Total realized/unrealized gains (losses):		
included in electric revenue	(0.3)	(7.7)
included in purchased power expense	(0.3)	(1.2)
included in non-operating income	4.1	3.7
included in interest charges	(77.0)	—
included in regulatory liability	0.6	—
Purchases	(0.5)	0.6
Settlements	(2.6)	1.9
Net asset (liability) at June 30	\$ (76.1)	\$ 0.8
Total unrealized gains (losses) relating to assets and liabilities still on the consolidated balance sheet at June 30:		
included in non-operating income	0.1	(0.1)
included in interest charges	(77.0)	—
included in regulatory liability	0.6	—

**KCP&L**
**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

	<b>Derivative Instruments</b>	
	<b>2016</b>	<b>2015</b>
	(millions)	
Net liability at April 1	\$ (0.1)	\$ (0.8)
Total realized/unrealized gains (losses):		
included in electric revenue	0.1	(2.5)
included in regulatory liability	0.5	1.4
Purchases	(0.1)	0.2
Settlements	0.1	1.8
Net asset at June 30	\$ 0.5	\$ 0.1
Total unrealized gains relating to assets and liabilities still on the consolidated balance sheet at June 30:		
included in regulatory liability	0.5	—

**KCP&L**
**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

	<b>Derivative Instruments</b>	
	<b>2016</b>	<b>2015</b>
	(millions)	
Net asset (liability) at January 1	\$ (0.4)	\$ 3.1
Total realized/unrealized gains (losses):		
included in electric revenue	(0.3)	(7.7)
included in regulatory liability	0.5	—
Purchases	(0.4)	(0.2)
Settlements	1.1	4.9
Net asset at June 30	\$ 0.5	\$ 0.1
Total unrealized gains relating to assets and liabilities still on the consolidated balance sheet at June 30:		
included in regulatory liability	0.5	—

## 17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables reflect the change in the balances of each component of accumulated other comprehensive loss for Great Plains Energy and KCP&L.

### Great Plains Energy

	Gains and Losses on Cash Flow Hedges <sup>(a)</sup>	Defined Benefit Pension Items <sup>(a)</sup>	Total <sup>(a)</sup>
	(millions)		
<b>Year to Date June 30, 2016</b>			
Beginning balance January 1	\$ (10.1)	\$ (1.9)	\$ (12.0)
Amounts reclassified from accumulated other comprehensive loss	2.8	0.2	3.0
Net current period other comprehensive income	2.8	0.2	3.0
Ending balance June 30	\$ (7.3)	\$ (1.7)	\$ (9.0)
<b>Year to Date June 30, 2015</b>			
Beginning balance January 1	\$ (15.8)	\$ (2.9)	\$ (18.7)
Amounts reclassified from accumulated other comprehensive loss	2.8	0.3	3.1
Net current period other comprehensive income	2.8	0.3	3.1
Ending balance June 30	\$ (13.0)	\$ (2.6)	\$ (15.6)

<sup>(a)</sup> Net of tax

### KCP&L

	Gains and Losses on Cash Flow Hedges <sup>(a)</sup>
	(millions)
<b>Year to date June 30, 2016</b>	
Beginning balance January 1	\$ (9.6)
Amounts reclassified from accumulated other comprehensive loss	2.8
Net current period other comprehensive income	2.8
Ending balance June 30	\$ (6.8)
<b>Year to date June 30, 2015</b>	
Beginning balance January 1	\$ (14.9)
Amounts reclassified from accumulated other comprehensive loss	2.7
Net current period other comprehensive income	2.7
Ending balance June 30	\$ (12.2)

<sup>(a)</sup> Net of tax

The following tables reflect the effect on certain line items of net income from amounts reclassified out of each component of accumulated other comprehensive loss for Great Plains Energy and KCP&L.

**Great Plains Energy**

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Income Statement
	2016	2015	
<b>Three Months Ended June 30</b>			
	(millions)		
Gains and (losses) on cash flow hedges (effective portion)			
Interest rate contracts	\$ (2.2)	\$ (2.3)	Interest charges
	(2.2)	(2.3)	Income before income tax expense and income from equity investments
	0.8	0.9	Income tax benefit
	\$ (1.4)	\$ (1.4)	Net income
Amortization of defined benefit pension items			
Net losses included in net periodic benefit costs	\$ (0.2)	\$ (0.2)	Utility operating and maintenance expenses
	(0.2)	(0.2)	Income before income tax expense and income from equity investments
	0.1	—	Income tax benefit
	\$ (0.1)	\$ (0.2)	Net income
Total reclassifications, net of tax	\$ (1.5)	\$ (1.6)	Net income

**Great Plains Energy**

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Income Statement
	2016	2015	
<b>Year to Date June 30</b>			
	(millions)		
Gains and (losses) on cash flow hedges (effective portion)			
Interest rate contracts	\$ (4.6)	\$ (4.6)	Interest charges
	(4.6)	(4.6)	Income before income tax expense and income from equity investments
	1.8	1.8	Income tax benefit
	\$ (2.8)	\$ (2.8)	Net income
Amortization of defined benefit pension items			
Net losses included in net periodic benefit costs	\$ (0.4)	\$ (0.4)	Utility operating and maintenance expenses
	(0.4)	(0.4)	Income before income tax expense and income from equity investments
	0.2	0.1	Income tax benefit
	\$ (0.2)	\$ (0.3)	Net income
Total reclassifications, net of tax	\$ (3.0)	\$ (3.1)	Net income

**KCP&L**

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Income Statement
	2016	2015	
<b>Three Months Ended June 30</b>			
	(millions)		
Gains and (losses) on cash flow hedges (effective portion)			
Interest rate contracts	\$ (2.1)	\$ (2.1)	Interest charges
	(2.1)	(2.1)	Income before income tax expense
	0.7	0.8	Income tax benefit
Total reclassifications, net of tax	\$ (1.4)	\$ (1.3)	Net income

**KCP&L**

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Income Statement
	2016	2015	
<b>Year to Date June 30</b>			
	(millions)		
Gains and (losses) on cash flow hedges (effective portion)			
Interest rate contracts	\$ (4.4)	\$ (4.4)	Interest charges
	(4.4)	(4.4)	Income before income tax expense
	1.6	1.7	Income tax benefit
Total reclassifications, net of tax	\$ (2.8)	\$ (2.7)	Net income

## 18. TAXES

Components of income tax expense are detailed in the following tables.

Great Plains Energy	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
Current income taxes	(millions)			
Federal	\$ —	\$ —	\$ (0.1)	\$ 0.5
State	0.1	—	0.3	(0.1)
Total	0.1	—	0.2	0.4
Deferred income taxes				
Federal	11.7	20.3	21.4	25.4
State	3.1	4.5	5.4	5.9
Total	14.8	24.8	26.8	31.3
Investment tax credit				
Deferral	2.5	—	2.5	—
Investment tax credit amortization	(0.3)	(0.3)	(0.7)	(0.7)
Total	2.2	(0.3)	1.8	(0.7)
Income tax expense	\$ 17.1	\$ 24.5	\$ 28.8	\$ 31.0

KCP&L	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
Current income taxes	(millions)			
Federal	\$ 0.8	\$ 4.2	\$ 1.2	\$ (1.5)
State	0.2	0.7	0.3	(0.4)
Total	1.0	4.9	1.5	(1.9)
Deferred income taxes				
Federal	30.6	7.9	39.0	16.2
State	6.0	2.4	8.0	4.4
Total	36.6	10.3	47.0	20.6
Investment tax credit amortization	(0.3)	(0.3)	(0.5)	(0.5)
Income tax expense	\$ 37.3	\$ 14.9	\$ 48.0	\$ 18.2

### Effective Income Tax Rates

Effective income tax rates reflected in the financial statements and the reasons for their differences from the statutory federal rates are detailed in the following tables.

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
<b>Great Plains Energy</b>				
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %	35.0 %
Differences between book and tax depreciation not normalized	—	1.3	0.2	0.8
Amortization of investment tax credits	(0.7)	(0.5)	(0.8)	(0.8)
Federal income tax credits	(5.9)	(4.0)	(6.8)	(5.6)
State income taxes	4.2	3.8	4.2	3.7
Other	2.1	(0.1)	1.2	(0.3)
Effective income tax rate	34.7 %	35.5 %	33.0 %	32.8 %

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
<b>KCP&amp;L</b>				
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %	35.0 %
Differences between book and tax depreciation not normalized	(0.1)	2.0	—	1.3
Amortization of investment tax credits	(0.3)	(0.6)	(0.4)	(0.9)
Federal income tax credits	(2.3)	(6.2)	(3.7)	(8.7)
State income taxes	3.9	4.1	3.9	4.0
Other	(0.1)	(0.6)	(0.2)	(0.7)
Effective income tax rate	36.1 %	33.7 %	34.6 %	30.0 %

### 19. SEGMENTS AND RELATED INFORMATION

Great Plains Energy has one reportable segment based on its method of internal reporting, which segregates reportable segments based on products and services, management responsibility and regulation. The one reportable business segment is electric utility, consisting of KCP&L, GMO's regulated utility operations and GMO Receivables Company. Other includes GMO activity other than its regulated utility operations, GPETHC and unallocated corporate charges including costs to achieve the anticipated acquisition of Westar. The summary of significant accounting policies applies to the reportable segment. Segment performance is evaluated based on net income.

The following tables reflect summarized financial information concerning Great Plains Energy's reportable segment.

Three Months Ended June 30, 2016	Electric Utility	Other	Eliminations	Great Plains Energy
	(millions)			
Operating revenues	\$ 670.8	\$ —	\$ —	\$ 670.8
Depreciation and amortization	(85.3)	—	—	(85.3)
Interest (charges) income	(49.0)	(91.9)	8.0	(132.9)
Income tax (expense) benefit	(51.2)	34.1	—	(17.1)
Net income (loss)	88.3	(56.3)	—	32.0

Year to Date June 30, 2016	Electric Utility	Other	Eliminations	Great Plains Energy
	(millions)			
Operating revenues	\$ 1,242.9	\$ —	\$ —	\$ 1,242.9
Depreciation and amortization	(170.5)	—	—	(170.5)
Interest (charges) income	(98.1)	(102.0)	16.0	(184.1)
Income tax (expense) benefit	(64.3)	35.5	—	(28.8)
Net income (loss)	117.3	(58.9)	—	58.4

Three Months Ended June 30, 2015	Electric Utility	Other	Eliminations	Great Plains Energy
	(millions)			
Operating revenues	\$ 609.0	\$ —	\$ —	\$ 609.0
Depreciation and amortization	(83.5)	—	—	(83.5)
Interest (charges) income	(47.9)	(10.1)	8.0	(50.0)
Income tax (expense) benefit	(25.6)	1.1	—	(24.5)
Net income (loss)	46.4	(2.0)	—	44.4

Year to Date June 30, 2015	Electric Utility	Other	Eliminations	Great Plains Energy
	(millions)			
Operating revenues	\$ 1,158.1	\$ —	\$ —	\$ 1,158.1
Depreciation and amortization	(163.3)	—	—	(163.3)
Interest (charges) income	(93.2)	(20.1)	16.0	(97.3)
Income tax (expense) benefit	(33.5)	2.5	—	(31.0)
Net income (loss)	67.3	(4.0)	—	63.3

June 30, 2016	Electric Utility	Other	Eliminations	Great Plains Energy
	(millions)			
Assets	\$ 11,304.5	\$ 104.0	\$ (398.2)	\$ 11,010.3
Capital expenditures <sup>(a)</sup>	302.4	—	—	302.4
<b>December 31, 2015</b>				
Assets	\$ 11,045.5	\$ (51.1)	\$ (255.8)	\$ 10,738.6
Capital expenditures <sup>(a)</sup>	677.1	—	—	677.1

<sup>(a)</sup> Capital expenditures reflect year to date amounts for the periods presented.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### GREAT PLAINS ENERGY INCORPORATED

#### **EXECUTIVE SUMMARY**

##### **Description of Business**

Great Plains Energy is a public utility holding company and does not own or operate any significant assets other than the stock of its subsidiaries.

Great Plains Energy's sole reportable business segment is electric utility. Electric utility consists of KCP&L, a regulated utility, GMO's regulated utility operations, which include its Missouri Public Service and St. Joseph Light & Power divisions, and GMO Receivables Company. Electric utility has approximately 6,400 MWs of owned generating capacity and engages in the generation, transmission, distribution and sale of electricity to approximately 851,200 customers in the states of Missouri and Kansas. Electric utility's retail electricity rates are comparable to the national average of investor-owned utilities.

Great Plains Energy's corporate and other activities not included in the sole reportable business segment includes GMO activity other than its regulated utility operations, GPETHC and unallocated corporate charges.

##### **Anticipated Acquisition of Westar Energy, Inc.**

On May 29, 2016, Great Plains Energy entered into an Agreement and Plan of Merger (Merger Agreement) by and among Great Plains Energy, Westar, and, from and after its accession to the Merger Agreement, GP Star, Inc., a wholly owned subsidiary of Great Plains Energy in the State of Kansas (Merger Sub). Pursuant to the Merger Agreement, subject to the satisfaction or waiver of certain conditions, Merger Sub will merge with and into Westar, with Westar continuing as the surviving corporation. Upon closing, pursuant to the Merger Agreement, Great Plains Energy will acquire Westar for (i) \$51.00 in cash and (ii) a number, rounded to the nearest 1/10,000 of a share, of Great Plains Energy common stock equal to an exchange ratio that may vary between 0.2709 and 0.3148, based upon the volume-weighted average price per share of Great Plains Energy common stock during a 20 trading day period prior to the closing date of the merger, for each share of Westar common stock issued and outstanding immediately prior to the effective time of the merger, with Westar becoming a wholly owned subsidiary of Great Plains Energy.

Great Plains Energy's anticipated acquisition of Westar was unanimously approved by the Great Plains Energy Board and the Westar Board and remains subject to certain approvals of each of Great Plains Energy's and Westar's shareholders; regulatory approvals from KCC, NRC, FERC and the FCC; HSR antitrust review; as well as other customary conditions. See Note 2 to the consolidated financial statements for more information regarding the acquisition.

##### **Earnings Overview**

Great Plains Energy's earnings available for common shareholders for the three months ended June 30, 2016, decreased to \$31.6 million or \$0.20 per share from \$44.0 million or \$0.28 per share for the same period in 2015 driven primarily by costs to achieve the anticipated acquisition of Westar and an increase in interest charges partially offset by new retail rates; warmer weather; new cost recovery mechanisms; an increase in Missouri Energy Efficiency Investment Act (MEEIA) throughput disincentive and lower income tax expense.

Great Plains Energy's earnings available for common shareholders year to date June 30, 2016, decreased to \$57.6 million or \$0.37 per share from \$62.5 million or \$0.40 per share for the same period in 2015 driven primarily by costs to achieve the anticipated acquisition of Westar; an increase in utility operating and maintenance expense, depreciation and amortization expense, general taxes and interest charges partially offset by new retail rates; warmer weather; new cost recovery mechanisms; and an increase in MEEIA throughput disincentive.

For additional information regarding the change in earnings, refer to the Great Plains Energy Results of Operations and the Electric Utility Results of Operations sections within this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

### Adjusted Earnings (Non-GAAP)

Great Plains Energy's adjusted earnings (non-GAAP) for the three months ended and year to date June 30, 2016 were \$85.6 million or \$0.55 per share and \$111.6 million or \$0.72 per share, respectively. For the three months ended and year to date June 30, 2015, adjusted earnings (non-GAAP) and GAAP earnings were the same at \$44.0 million or \$0.28 and \$62.5 million or \$0.40 per share, respectively. In addition to earnings available for common shareholders, Great Plains Energy's management uses adjusted earnings (non-GAAP) to evaluate earnings without the impact of costs to achieve the anticipated acquisition of Westar. Adjusted earnings (non-GAAP) excludes certain costs, expenses, gains and losses resulting from the anticipated acquisition. This information is intended to enhance an investor's overall understanding of results. Adjusted earnings (non-GAAP) is used internally to measure performance against budget and in reports for management and the Great Plains Energy Board. Adjusted earnings (non-GAAP) is a financial measure that is not calculated in accordance with GAAP and may not be comparable to other companies' presentations or more useful than the GAAP information provided elsewhere in this report.

The following table provides a reconciliation between earnings available for common shareholders as determined in accordance with GAAP and adjusted earnings (non-GAAP):

	Three Months Ended June 30, 2016		Year to Date June 30, 2016	
	(millions, except per share amounts)			
	Earnings per diluted share		Earnings per diluted share	
Earnings available for common shareholders	\$ 31.6	\$ 0.20	\$ 57.6	\$ 0.37
Costs to achieve the anticipated acquisition of Westar:				
Operating expense <sup>(a)</sup>	5.0		5.0	
Financing <sup>(b)</sup>	4.7		4.7	
Mark-to-market impacts of interest rate swaps <sup>(c)</sup>	77.0		77.0	
Income tax benefit	(32.7)		(32.7)	
<b>Adjusted earnings (non-GAAP)</b>	<b>\$ 85.6</b>	<b>\$ 0.55</b>	<b>\$ 111.6</b>	<b>\$ 0.72</b>

<sup>(a)</sup> Reflects legal, advisory and consulting fees and are included in Costs to achieve the anticipated acquisition of Westar on the consolidated statements of comprehensive income.

<sup>(b)</sup> Reflects fees incurred to finance the anticipated acquisition of Westar, including fees for a bridge term loan facility, and are included in interest charges on the consolidated statements of comprehensive income.

<sup>(c)</sup> Reflects the mark-to-market loss on interest rate swaps entered into in connection with financing the anticipated acquisition of Westar and are included in interest charges on the consolidated statements of comprehensive income.

### Regulatory Proceedings

See Note 6 to the consolidated financial statements for information regarding regulatory proceedings.

### Impact of Recently Issued Accounting Standards

See Note 1 to the consolidated financial statements for information regarding the impact of recently issued accounting standards.

### Wolf Creek Mid-Cycle Maintenance Outage and Refueling Outage

Wolf Creek's most recent refueling outage began on February 28, 2015, and ended on May 3, 2015. Wolf Creek's next refueling outage is planned to begin in the third quarter of 2016.

## **ENVIRONMENTAL MATTERS**

See Note 12 to the consolidated financial statements for information regarding environmental matters.

## **RELATED PARTY TRANSACTIONS**

See Note 14 to the consolidated financial statements for information regarding related party transactions.

## **GREAT PLAINS ENERGY RESULTS OF OPERATIONS**

The following table summarizes Great Plains Energy's comparative results of operations.

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
	(millions)			
Operating revenues	\$ 670.8	\$ 609.0	\$ 1,242.9	\$ 1,158.1
Fuel	(89.4)	(99.9)	(180.0)	(207.5)
Purchased power	(53.1)	(48.8)	(98.1)	(94.2)
Transmission	(17.2)	(20.3)	(40.7)	(41.2)
Other operating expenses	(238.5)	(236.6)	(476.4)	(461.9)
Costs to achieve the anticipated acquisition of Westar	(5.0)	—	(5.0)	—
Depreciation and amortization	(85.3)	(83.5)	(170.5)	(163.3)
Operating income	182.3	119.9	272.2	190.0
Non-operating income and expenses	(1.0)	(1.4)	(2.3)	0.9
Interest charges	(132.9)	(50.0)	(184.1)	(97.3)
Income tax expense	(17.1)	(24.5)	(28.8)	(31.0)
Income from equity investments	0.7	0.4	1.4	0.7
Net income	32.0	44.4	58.4	63.3
Preferred dividends	(0.4)	(0.4)	(0.8)	(0.8)
Earnings available for common shareholders	\$ 31.6	\$ 44.0	\$ 57.6	\$ 62.5
<b>Reconciliation of gross margin to operating revenue:</b>				
Operating revenues	\$ 670.8	\$ 609.0	\$ 1,242.9	\$ 1,158.1
Fuel	(89.4)	(99.9)	(180.0)	(207.5)
Purchased power	(53.1)	(48.8)	(98.1)	(94.2)
Transmission	(17.2)	(20.3)	(40.7)	(41.2)
Gross margin <sup>(a)</sup>	\$ 511.1	\$ 440.0	\$ 924.1	\$ 815.2

<sup>(a)</sup> Gross margin is a non-GAAP financial measure. See explanation of gross margin below.

## **Electric Utility Segment**

Electric utility's net income increased \$41.9 million for the three months ended June 30, 2016, compared to the same period in 2015 primarily due to:

- a \$71.1 million increase in gross margin driven by new retail rates, warmer weather, new cost recovery mechanisms and an increase in MEEIA throughput disincentive; partially offset by a decrease in weather-normalized demand; and
- a \$25.6 million increase in income tax expense primarily due to an increase in pre-tax income.

Electric utility's net income increased \$50.0 million year to date June 30, 2016, compared to the same period in 2015 primarily due to:

- a \$108.9 million increase in gross margin driven by warmer weather, new retail rates, new cost recovery mechanisms and an increase in MEEIA throughput disincentive; partially offset by a decrease in weather-normalized demand;
- a \$12.9 million increase in other operating expenses driven by an increase in Wolf Creek operating and maintenance expenses primarily due to increased refueling outage amortization, an increase in pension expense and equity compensation expense, and an increase in general taxes driven by higher property taxes and higher gross receipts taxes due to an increase in retail revenues, partially offset by a decrease in plant operating and maintenance expenses;
- a \$7.2 million increase in depreciation and amortization expense driven by capital additions;
- a \$3.1 million decrease in non-operating income and expenses driven by a decrease in the equity component of AFUDC;
- a \$4.9 million increase in interest charges primarily due to an increase in interest expense in 2016 related to KCP&L's issuance of \$350 million of 3.65% Senior Notes in August 2015; partially offset by a decrease in interest expense due to KCP&L's purchase in lieu of redemption of its \$50.0 million and \$21.9 million EIRR Series 2005 bonds in September 2015; and
- a \$30.8 million increase in income tax expense primarily due to an increase in pre-tax income.

### **Corporate and Other Activities**

Great Plains Energy's corporate and other activities loss increased \$54.3 million and \$54.9 million, respectively, for the three months ended and year to date June 30, 2016, compared to the same periods in 2015 primarily due to:

- \$5.0 million of operating expenses for costs to achieve the anticipated acquisition of Westar;
- \$4.7 million of interest charges for fees incurred for a bridge term loan facility entered into in connection with the anticipated acquisition of Westar;
- a \$77.0 million mark-to-market loss on interest rate swaps entered into in June 2016 to hedge against interest rate fluctuations on future issuances of long-term debt expected to be issued to finance a portion of the cash consideration for the anticipated acquisition of Westar; and
- \$32.7 million of income tax benefits related to these items.

### **Gross Margin**

Gross margin is a financial measure that is not calculated in accordance with GAAP. Gross margin, as used by Great Plains Energy and KCP&L, is defined as operating revenues less fuel, purchased power and transmission. Expenses for fuel, purchased power and certain transmission costs, offset by wholesale sales margin, are subject to recovery through cost adjustment mechanisms, except for KCP&L's Missouri retail operations prior to September 29, 2015, when a cost adjustment mechanism was approved. As a result, operating revenues increase or decrease in relation to a significant portion of these expenses. Management believes that gross margin provides a meaningful basis for evaluating electric utility's operations across periods than operating revenues because gross margin excludes the revenue effect of fluctuations in these expenses. Gross margin is used internally to measure performance against budget and in reports for management and the Great Plains Energy Board. The Companies' definition of gross margin may differ from similar terms used by other companies.

**ELECTRIC UTILITY RESULTS OF OPERATIONS**

The following table summarizes the electric utility segment results of operations.

	Three Months Ended June 30		Year to Date June 30	
	2016	2015	2016	2015
	(millions)			
Operating revenues	\$ 670.8	\$ 609.0	\$ 1,242.9	\$ 1,158.1
Fuel	(89.4)	(99.9)	(180.0)	(207.5)
Purchased power	(53.1)	(48.8)	(98.1)	(94.2)
Transmission	(17.2)	(20.3)	(40.7)	(41.2)
Other operating expenses	(236.8)	(235.7)	(473.1)	(460.2)
Depreciation and amortization	(85.3)	(83.5)	(170.5)	(163.3)
Operating income	189.0	120.8	280.5	191.7
Non-operating income and expenses	(0.5)	(0.9)	(0.8)	2.3
Interest charges	(49.0)	(47.9)	(98.1)	(93.2)
Income tax expense	(51.2)	(25.6)	(64.3)	(33.5)
Net income	\$ 88.3	\$ 46.4	\$ 117.3	\$ 67.3
<b>Reconciliation of gross margin to operating revenue</b>				
Operating revenues	\$ 670.8	\$ 609.0	\$ 1,242.9	\$ 1,158.1
Fuel	(89.4)	(99.9)	(180.0)	(207.5)
Purchased power	(53.1)	(48.8)	(98.1)	(94.2)
Transmission	(17.2)	(20.3)	(40.7)	(41.2)
Gross margin <sup>(a)</sup>	\$ 511.1	\$ 440.0	\$ 924.1	\$ 815.2

<sup>(a)</sup> Gross margin is a non-GAAP financial measure. See explanation of gross margin under Great Plains Energy's Results of Operations.

## Electric Utility Gross Margin and MWh Sales

The following table summarizes electric utility's gross margin and MWhs sold.

Three Months Ended June 30	Revenues and Costs		% Change <sup>(c)</sup>	MWhs Sold		% Change
	2016	2015		2016	2015	
Retail revenues	(millions)			(thousands)		
Residential	\$ 270.7	\$ 233.6	16	2,016	1,844	9
Commercial	269.9	249.9	8	2,609	2,597	—
Industrial	61.1	56.6	8	787	793	(1)
Other retail revenues	5.3	4.9	7	29	29	3
Provision for rate refund	(8.1)	—	N/M	N/A	N/A	N/A
Energy efficiency (MEEIA) <sup>(a)</sup>	17.8	12.3	46	N/A	N/A	N/A
Total retail	616.7	557.3	11	5,441	5,263	3
Wholesale revenues	39.7	40.7	(3)	2,045	1,591	29
Other revenues	14.4	11.0	32	N/A	N/A	N/A
Operating revenues	670.8	609.0	10	7,486	6,854	9
Fuel	(89.4)	(99.9)	(11)			
Purchased power	(53.1)	(48.8)	9			
Transmission	(17.2)	(20.3)	(15)			
Gross margin <sup>(b)</sup>	\$ 511.1	\$ 440.0	16			

<sup>(a)</sup> Consists of recovery of program costs of \$9.0 million and \$10.5 million for the three months ended June 30, 2016, and 2015, respectively, that have a direct offset in utility operating and maintenance expenses and recovery of throughput disincentive of \$8.8 million and \$1.8 million for the three months ended June 30, 2016, and 2015, respectively.

<sup>(b)</sup> Gross margin is a non-GAAP financial measure. See explanation of gross margin under Great Plains Energy's Results of Operations.

<sup>(c)</sup> N/M - not meaningful

Year to Date June 30	Revenues and Costs		% Change <sup>(c)</sup>	MWhs Sold		% Change
	2016	2015		2016	2015	
Retail revenues	(millions)			(thousands)		
Residential	496.9	458.8	8	4,092	4,132	(1)
Commercial	501.4	471.3	6	5,162	5,258	(2)
Industrial	111.8	103.9	8	1,552	1,544	1
Other retail revenues	10.6	9.9	6	58	58	1
Provision for rate refund	(14.7)	—	N/M	N/A	N/A	N/A
Energy efficiency (MEEIA) <sup>(a)</sup>	30.6	18.9	62	N/A	N/A	N/A
Total retail	1,136.6	1,062.8	7	10,864	10,992	(1)
Wholesale revenues	76.5	69.3	10	4,401	2,764	59
Other revenues	29.8	26.0	15	N/A	N/A	N/A
Operating revenues	1,242.9	1,158.1	7	15,265	13,756	11
Fuel	(180.0)	(207.5)	(13)			
Purchased power	(98.1)	(94.2)	4			
Transmission	(40.7)	(41.2)	(1)			
Gross margin <sup>(b)</sup>	924.1	815.2	13			

<sup>(a)</sup> Consists of recovery of program costs of \$17.0 million and \$17.2 million year to date June 30, 2016, and 2015, respectively, that have a direct offset in utility operating and maintenance expenses and recovery of throughput disincentive of \$13.6 million and \$1.7 million year to date June 30, 2016, and 2015, respectively.

<sup>(b)</sup> Gross margin is a non-GAAP financial measure. See explanation of gross margin under Great Plains Energy's Results of Operations.

<sup>(c)</sup> N/M - not meaningful

Electric utility's gross margin increased \$71.1 million for the three months ended June 30, 2016, compared to the same period in 2015 driven by:

- an estimated \$36 million increase due to new retail rates and an estimated \$11 million increase due to new cost recovery mechanisms for KCP&L in Missouri effective September 29, 2015, and in Kansas effective October 1, 2015;
- a \$7.0 million increase in MEEIA throughput disincentive;
- an estimated \$28 million increase due to warmer weather driven by a 31% increase in cooling degree days; and
- an estimated \$8 million decrease from weather-normalized retail demand.

Electric utility's gross margin increased \$108.9 million year to date June 30, 2016, compared to the same period in 2015 driven by:

- an estimated \$65 million increase due to new retail rates and an estimated \$27 million increase due to new cost recovery mechanisms for KCP&L in Missouri effective September 29, 2015, and in Kansas effective October 1, 2015;
- an \$11.9 million increase in MEEIA throughput disincentive;
- an estimated \$11 million increase due to weather with a 31% increase in cooling degree days in the second quarter of 2016 partially offset by a 16% decrease in heating degree days in the first quarter of 2016; and
- an estimated \$7 million decrease from weather-normalized retail demand.

**Electric Utility Other Operating Expenses (including utility operating and maintenance expenses, general taxes and other)**

Electric utility's other operating expenses increased \$12.9 million year to date June 30, 2016, compared to the same period in 2015 primarily due to:

- a \$5.0 million increase in Wolf Creek operating and maintenance expenses primarily due to increased refueling outage amortization;
- a \$4.5 million increase in pension expense corresponding to the resetting of pension expense trackers with the effective date of new retail rates;
- a \$2.6 million increase in equity compensation expense;
- a \$6.1 million increase in general taxes driven by higher property taxes and higher gross receipts taxes due to an increase in retail revenues; and
- a \$7.2 million decrease in plant operating and maintenance expense due to fewer planned outages in 2016.

**Electric Utility Depreciation and Amortization**

Electric utility's depreciation and amortization increased \$7.2 million year to date June 30, 2016, compared to the same period in 2015 due to capital additions.

**Electric Utility Non-Operating Income and Expenses**

Electric utility's non-operating income and expenses decreased \$3.1 million year to date June 30, 2016, compared to the same period in 2015 primarily due to a \$1.1 million decrease in the equity component of AFUDC primarily due to a lower average construction work in progress in 2016.

**Electric Utility Interest Charges**

Electric utility's interest charges increased \$4.9 million year to date June 30, 2016, compared to the same period in 2015 primarily due to a \$6.3 million increase in interest expense related to KCP&L's issuance of \$350 million of

3.65% Senior Notes in August 2015; partially offset by a \$1.7 million decrease in interest expense due to KCP&L's purchase in lieu of redemption of its \$50.0 million and \$21.9 million EIRR Series 2005 bonds in September 2015.

#### **Electric Utility Income Tax Expense**

Electric utility's income tax expense increased \$25.6 million and \$30.8 million, respectively, for the three months ended and year to date June 30, 2016, compared to the same period in 2015 primarily due to increased pre-tax income.

#### **GREAT PLAINS ENERGY SIGNIFICANT BALANCE SHEET CHANGES**

**(June 30, 2016 compared to December 31, 2015)**

- Great Plains Energy's receivables, net increased \$64.1 million primarily due to seasonal increases in customer accounts receivable.
- Great Plains Energy's notes payable increased \$64.0 million primarily due to borrowings for up-front fees and other expenses incurred in connection with the anticipated acquisition of Westar.
- Great Plains Energy's commercial paper increased \$116.4 million primarily due to borrowings for general corporate purposes.
- Great Plains Energy's current maturities of long-term debt increased \$250.0 million and long-term debt decreased \$250.1 million due to the reclassification of KCP&L's \$250.0 million of 5.85% Senior Notes from long-term to current.
- Great Plains Energy's accounts payable decreased \$89.6 million primarily due to the timing of cash payments.
- Great Plains Energy's accrued taxes increased \$49.0 million primarily due to the timing of property tax payments.
- Great Plains Energy's derivative instruments - current liabilities increased \$76.5 million due to a \$77.0 million mark-to-market loss on interest rate swaps entered into in June 2016 to hedge against interest rate fluctuations on future issuances of long-term debt expected to be issued to finance a portion of the cash consideration for the anticipated acquisition of Westar.

#### **CAPITAL REQUIREMENTS AND LIQUIDITY**

Great Plains Energy operates through its subsidiaries and has no material assets other than the stock of its subsidiaries. Great Plains Energy's ability to make payments on its debt securities and its ability to pay dividends is dependent on its receipt of dividends or other distributions from its subsidiaries, proceeds from the issuance of its securities and borrowing under its revolving credit facility.

Great Plains Energy's capital requirements are principally comprised of debt maturities and electric utility's construction and other capital expenditures. These items as well as additional cash and capital requirements are discussed below.

Great Plains Energy's liquid resources at June 30, 2016, consisted of \$7.2 million of cash and cash equivalents on hand and \$847.0 million of available borrowing capacity from unused bank lines of credit and receivable sale agreements. The available borrowing capacity consisted of \$126.0 million from Great Plains Energy's revolving credit facility, \$492.1 million from KCP&L's credit facilities and \$228.9 million from GMO's credit facilities. See Notes 4 and 9 to the consolidated financial statements for more information regarding the receivable sale agreements and revolving credit facilities, respectively. Generally, Great Plains Energy uses these liquid resources to meet its day-to-day cash flow requirements, and from time to time issues equity and/or long-term debt to repay short-term debt or increase cash balances.

Great Plains Energy intends to meet day-to-day cash flow requirements including interest payments, retirement of maturing debt, construction requirements, dividends and pension benefit plan funding requirements with a

combination of internally generated funds and proceeds from short-term debt. From time to time, Great Plains Energy issues equity and/or long-term debt to repay short-term debt or increase cash balances. Great Plains Energy's intention to meet a portion of these requirements with internally generated funds may be impacted by the effect of inflation on operating expenses, the level of MWh sales, regulatory actions, compliance with environmental regulations and the availability of generating units. In addition, Great Plains Energy may issue equity, equity-linked securities and/or debt to finance growth.

Great Plains Energy has a 364-day \$7.5 billion senior unsecured bridge term loan facility to support the anticipated acquisition of Westar and provide flexibility for timing of long-term financing. See Note 9 to the consolidated financial statements for additional information.

For a description of Great Plains Energy's proposed financing plan with respect to the anticipated acquisition of Westar, see Note 2 to the consolidated financial statements.

### **Cash Flows from Operating Activities**

Great Plains Energy generated positive cash flows from operating activities for the periods presented. The \$79.9 million increase in cash flows from operating activities for Great Plains Energy year to date June 30, 2016, compared to the same period in 2015 was primarily due to new retail rates and new cost recovery mechanisms for KCP&L. Other changes in working capital are detailed in Note 2 to the consolidated financial statements. The individual components of working capital vary with normal business cycles and operations.

### **Cash Flows from Investing Activities**

Great Plains Energy's cash used for investing activities varies with the timing of utility capital expenditures and purchases of investments and nonutility property. Investing activities are offset by proceeds from the sale of properties and insurance recoveries.

Great Plains Energy's utility capital expenditures decreased \$64.4 million year to date June 30, 2016, compared to the same period in 2015 primarily due to a decrease in cash utility capital expenditures related to infrastructure and system improvements.

### **Cash Flows from Financing Activities**

Great Plains Energy's cash flows from financing activities decreased \$137.8 million year to date June 30, 2016, compared to the same period in 2015, primarily due to a \$97.6 million decrease in the net change in short-term borrowings driven by lower borrowings for capital expenditures and other general corporate purposes, and \$51.4 million in issuance fees related to establishing Great Plains Energy's \$7.5 billion bridge credit facility and a payment to OMERS pursuant to a stock purchase agreement.

### **Financing Authorization**

Under stipulations with MPSC and KCC, Great Plains Energy and KCP&L maintain common equity at not less than 30% and 35%, respectively, of total capitalization (including only the amount of short-term debt in excess of the amount of construction work in progress). KCP&L's long-term financing activities are subject to the authorization of the MPSC. At June 30, 2016, KCP&L had utilized all of its MPSC authorization, which also expired on June 30, 2016. KCP&L will seek new authorization if and when it is deemed necessary.

KCP&L's and GMO's short-term financing activities are subject to the authorization of FERC. In November 2014, FERC authorized KCP&L to have outstanding at any one time up to a total of \$1.0 billion in short-term debt instruments through December 2016. At June 30, 2016 there was \$894.9 million available under this authorization. In February 2016, FERC authorized GMO to have outstanding at any one time up to a total of \$750.0 million in short-term debt instruments through March 2018. At June 30, 2016, there was \$514.7 million available under this authorization.

KCP&L and GMO are also authorized by FERC to participate in the Great Plains Energy money pool, an internal financing arrangement in which funds may be lent on a short-term basis to KCP&L and GMO. At June 30, 2016, GMO had an outstanding payable to Great Plains Energy under the money pool of \$1.5 million.

**Debt Agreements**

See Note 9 to the consolidated financial statements for information regarding revolving credit facilities.

**Pensions**

The Company incurs significant costs in providing defined benefit plans for substantially all active and inactive employees of KCP&L and GMO and its 47% ownership share of WCNO's defined benefit plans. Funding of the plans follows legal and regulatory requirements with funding equaling or exceeding the minimum requirements of ERISA.

Year to date June 30, 2016, the Company contributed \$12.2 million to the pension plans and expects to contribute an additional \$63.8 million in 2016 to satisfy the ERISA funding requirements and the MPSC and KCC rate orders, the majority of which is expected to be paid by KCP&L.

Additionally, the Company provides post-retirement health and life insurance benefits for certain retired employees and expects to make benefit contributions of \$5.1 million under the provisions of these plans in 2016, the majority of which is expected to be paid by KCP&L.

Management believes the Company has adequate access to capital resources through cash flows from operations or through existing lines of credit to support these funding requirements.

## KANSAS CITY POWER & LIGHT COMPANY

**MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS**

The following table summarizes KCP&L's consolidated comparative results of operations.

	Year to Date June 30	
	2016	2015
	(millions)	
Operating revenues	\$ 876.5	\$ 787.8
Fuel	(128.6)	(147.9)
Purchased power	(51.6)	(50.5)
Transmission	(30.3)	(26.1)
Other operating expenses	(335.3)	(322.4)
Depreciation and amortization	(122.2)	(116.3)
Operating income	208.5	124.6
Non-operating income and expenses	0.2	1.8
Interest charges	(70.2)	(65.6)
Income tax expense	(48.0)	(18.2)
Net income	\$ 90.5	\$ 42.6
<b>Reconciliation of gross margin to operating revenue:</b>		
Operating revenues	\$ 876.5	\$ 787.8
Fuel	(128.6)	(147.9)
Purchased power	(51.6)	(50.5)
Transmission	(30.3)	(26.1)
Gross margin <sup>(a)</sup>	\$ 666.0	\$ 563.3

<sup>(a)</sup> Gross margin is a non-GAAP financial measure. See explanation of gross margin under Great Plains Energy's Results of Operations.

## KCP&L Gross Margin and MWh Sales

The following table summarizes KCP&L's gross margin and MWhs sold.

Year to Date June 30	Revenues and Costs		%	MWhs Sold		%
	2016	2015	Change <sup>(c)</sup>	2016	2015	Change
Retail revenues	(millions)			(thousands)		
Residential	\$ 321.0	\$ 287.9	11	2,469	2,483	(1)
Commercial	373.7	347.2	8	3,613	3,702	(2)
Industrial	70.8	62.9	13	903	872	3
Other retail revenues	6.6	6.1	9	43	42	—
Provision for rate refund	0.4	—	N/M	N/A	N/A	N/A
Energy efficiency (MEEIA) <sup>(a)</sup>	18.9	9.6	96	N/A	N/A	N/A
<b>Total retail</b>	<b>791.4</b>	<b>713.7</b>	<b>11</b>	<b>7,028</b>	<b>7,099</b>	<b>(1)</b>
Wholesale revenues	72.2	63.1	14	4,228	2,549	66
Other revenues	12.9	11.0	16	N/A	N/A	N/A
<b>Operating revenues</b>	<b>876.5</b>	<b>787.8</b>	<b>11</b>	<b>11,256</b>	<b>9,648</b>	<b>17</b>
Fuel	(128.6)	(147.9)	(13)			
Purchased power	(51.6)	(50.5)	2			
Transmission	(30.3)	(26.1)	16			
<b>Gross margin <sup>(b)</sup></b>	<b>\$ 666.0</b>	<b>\$ 563.3</b>	<b>18</b>			

<sup>(a)</sup> Consists of recovery of program costs of \$10.3 million and \$8.0 million year to date June 30, 2016, and 2015, respectively, that have a direct offset in operating and maintenance expenses and recovery of throughput disincentive of \$8.6 million and \$1.6 million year to date June 30, 2016, and 2015, respectively.

<sup>(b)</sup> Gross margin is a non-GAAP financial measure. See explanation of gross margin under Great Plains Energy's Results of Operations.

<sup>(c)</sup> N/M - not meaningful

KCP&L's gross margin increased \$102.7 million year to date June 30, 2016, compared to the same period in 2015 primarily due to:

- an estimated \$65 million increase due to new retail rates and an estimated \$27 million increase due to new cost recovery mechanisms for KCP&L in Missouri effective September 29, 2015, and in Kansas effective October 1, 2015;
- a \$7.0 million increase in MEEIA throughput disincentive;
- an estimated \$7 million increase due to warmer weather driven by a 31% increase in cooling degree days in the second quarter of 2016 partially offset by a 16% decrease in heating degree days in the first quarter of 2016; and
- an estimated \$4 million decrease from weather-normalized retail demand.

## KCP&L Other Operating Expenses (including operating and maintenance expenses, general taxes and other)

KCP&L's other operating expenses increased \$12.9 million year to date June 30, 2016, compared to the same period in 2015 primarily due to:

- a \$5.0 million increase in Wolf Creek operating and maintenance expenses primarily due to increased refueling outage amortization;
- a \$4.6 million increase in pension expense corresponding to the resetting of pension expense trackers with the effective date of new retail rates;
- a \$1.7 million increase in equity compensation expense;

- a \$6.2 million increase in general taxes driven by higher property taxes and higher gross receipts taxes due to an increase in retail revenues; and
- a \$5.9 million decrease in plant operating and maintenance expense due to fewer planned outages in 2016.

#### **KCP&L Depreciation and Amortization**

KCP&L's depreciation and amortization expense increased \$5.9 million year to date June 30, 2016, compared to the same period in 2015 due to capital additions.

#### **KCP&L Interest Charges**

KCP&L's interest charges increased \$4.6 million year to date June 30, 2016, compared to the same period in 2015 primarily due to a \$6.3 million increase in interest expense in 2016 related to the issuance of \$350 million of 3.65% Senior Notes in August 2015; partially offset by a \$1.7 million decrease due to KCP&L's purchase in lieu of redemption of its \$50.0 million and \$21.9 million EIRR Series 2005 bonds in September 2015.

#### **KCP&L Income Tax Expense**

KCP&L's income tax expense increased \$29.8 million year to date June 30, 2016, compared to the same period in 2015 primarily due to increased pre-tax income.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Great Plains Energy and KCP&L are exposed to market risks associated with commodity price and supply, interest rates and equity prices. Market risks are handled in accordance with established policies, which may include entering into various derivative transactions. In the normal course of business, Great Plains Energy and KCP&L also face risks that are either non-financial or non-quantifiable. Such risks principally include business, legal, compliance, operational and credit risks and are discussed elsewhere in this document as well as in the 2015 Form 10-K and therefore are not represented here.

Great Plains Energy's and KCP&L's interim period disclosures about market risk included in quarterly reports on Form 10-Q address material changes, if any, from the most recently filed annual report on Form 10-K. Therefore, these interim period disclosures should be read in connection with Item 7A Quantitative and Qualitative Disclosures About Market Risk included in the 2015 Form 10-K of each of Great Plains Energy and KCP&L, incorporated herein by reference.

At June 30, 2016, Great Plains Energy had \$4.4 billion of notional amounts of fixed-to-floating interest rate swaps to hedge against interest rate fluctuations on future issuances of long-term debt expected to be issued to finance a portion of the cash consideration for the anticipated acquisition of Westar. Settlement of these swaps is contingent on the consummation of the anticipated acquisition of Westar. Assuming settlement of the swaps, a hypothetical 10% increase in the interest rates underlying the swaps would have resulted in an approximately \$55 million increase in interest expense associated with settlement of the swaps as of June 30, 2016.

MPS Merchant is exposed to credit risk. Credit risk is measured by the loss that would be recorded if counterparties failed to perform pursuant to the terms of the contractual obligations less the value of any collateral held. MPS Merchant's counterparties are not externally rated. Credit exposure to counterparties at June 30, 2016, was \$7.0 million.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **GREAT PLAINS ENERGY**

##### **Disclosure Controls and Procedures**

Great Plains Energy carried out an evaluation of its disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)). This evaluation was conducted under the supervision, and with the participation, of Great Plains Energy's management, including the

chief executive officer and chief financial officer, and Great Plains Energy's disclosure committee. Based upon this evaluation, the chief executive officer and chief financial officer of Great Plains Energy have concluded as of the end of the period covered by this report that the disclosure controls and procedures of Great Plains Energy were effective at a reasonable assurance level.

#### **Changes in Internal Control Over Financial Reporting**

There has been no change in Great Plains Energy's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the quarterly period ended June 30, 2016, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

### **KCP&L**

#### **Disclosure Controls and Procedures**

KCP&L carried out an evaluation of its disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act). This evaluation was conducted under the supervision, and with the participation, of KCP&L's management, including the chief executive officer and chief financial officer, and KCP&L's disclosure committee. Based upon this evaluation, the chief executive officer and chief financial officer of KCP&L have concluded as of the end of the period covered by this report that the disclosure controls and procedures of KCP&L were effective at a reasonable assurance level.

#### **Changes in Internal Control Over Financial Reporting**

There has been no change in KCP&L's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the quarterly period ended June 30, 2016, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

#### **Other Proceedings**

The Companies are parties to various lawsuits and regulatory proceedings in the ordinary course of their respective businesses. For information regarding material lawsuits and proceedings, see Notes 2, 6, 12 and 13 to the consolidated financial statements. Such information is incorporated herein by reference.

### **ITEM 1A. RISK FACTORS**

Actual results in future periods for Great Plains Energy and KCP&L could differ materially from historical results and the forward-looking statements contained in this report. The Companies' business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond their control. Additional risks and uncertainties not presently known or that the Companies' management currently believes to be immaterial may also adversely affect the Companies. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 1A Risk Factors included in the 2015 Form 10-K for each of Great Plains Energy and KCP&L. As a result of the anticipated acquisition of Westar, Great Plains Energy is subject to additional risks as described below. This information, as well as the other information included in this report and in the other documents filed with the SEC, should be carefully considered before making an investment in the securities of Great Plains Energy or KCP&L. Risk factors of KCP&L are also risk factors of Great Plains Energy.

## **Risks Relating to the Anticipated Acquisition of Westar:**

***The ability of Great Plains Energy and Westar to complete the merger is subject to various closing conditions, including the approval of Great Plains Energy and Westar shareholders of certain proposals related to the merger and the receipt of consents and approvals from governmental authorities, which may impose conditions that could adversely affect Great Plains Energy or cause the merger to be abandoned.***

To complete the merger, Great Plains Energy shareholders must approve the issuance of shares of Great Plains Energy common stock as contemplated by the Merger Agreement, and Westar shareholders must vote to adopt the Merger Agreement. In addition, each of Great Plains Energy and Westar must also make certain filings with and obtain certain consents and approvals from various governmental and regulatory authorities.

Great Plains Energy and Westar have not yet obtained the regulatory consents and approvals required to complete the merger. Governmental or regulatory agencies could seek to block or challenge the merger or could impose restrictions they deem necessary or desirable in the public interest as a condition to approving the merger. Great Plains Energy and Westar will be unable to complete the merger until the waiting period under the HSR Act has expired or been terminated and consents and approvals are received from FERC, the NRC, the KCC and the FCC (collectively referred to as the required governmental approvals). Great Plains Energy believes that the MPSC does not have jurisdiction to approve or disapprove the anticipated acquisition of Westar. However, a third party could file a complaint asserting that the MPSC should assert jurisdiction. Regulatory authorities may impose certain requirements or obligations as conditions for their approval. The Merger Agreement may require Great Plains Energy and/or Westar to accept conditions from these regulators that could adversely impact the combined company. If the required governmental approvals are not received, or they are not received on terms that satisfy the conditions set forth in the Merger Agreement, then neither Great Plains Energy nor Westar will be obligated to complete the merger.

In June 2016, the Department of Justice (DOJ) sent a letter to Great Plains Energy and Westar requesting that the parties provide on a voluntary basis certain documents and information. Great Plains Energy and Westar intend to fully cooperate with the DOJ in its investigation. Based upon an examination of information available relating to the businesses in which the companies are engaged, Great Plains Energy and Westar believe that the merger will receive the necessary antitrust clearance. However, there can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, of the result of such challenge.

Additionally, even after the statutory waiting period under the antitrust laws and even after completion of the merger, governmental authorities could seek to block or challenge the merger as they deem necessary or desirable in the public interest. In addition, in some jurisdictions, a private party could initiate an action under the antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. Great Plains Energy or Westar may not prevail and may incur significant costs in defending or settling any action under the antitrust laws.

The special meetings at which the Great Plains Energy shareholders and the Westar shareholders will vote on the transactions contemplated by the Merger Agreement may take place before all such approvals have been obtained and, in cases where they have not been obtained, before the terms of any conditions to obtain such approvals that may be imposed are known. As a result, if shareholder approval of the transactions contemplated by the Merger Agreement is obtained at such meetings, Great Plains Energy and Westar may make decisions after the special meetings to waive a condition or approve certain actions required to obtain necessary approvals without seeking further shareholder approval. Such actions could have an adverse effect on the combined company.

In addition, the Merger Agreement contains other customary closing conditions.

If Great Plains Energy and Westar are unable to complete the merger, Great Plains Energy would be subject to a number of risks, including the following:

- Great Plains Energy would not realize the anticipated benefits of the merger, including, among other things, increased operating efficiencies and future cost savings;

- the attention of management of Great Plains Energy may have been diverted to the merger rather than to its own operations and the pursuit of other opportunities that could have been beneficial to the Company;
- the potential loss of key personnel during the pendency of the merger as employees may experience uncertainty about their future roles with the combined company; and
- the trading price of Great Plains Energy common stock may decline to the extent that the current market prices reflect a market assumption that the merger will be completed.

Great Plains Energy will be required to pay Westar a termination fee of \$380 million if the Merger Agreement is terminated due to the failure to receive the required governmental approvals or the failure to receive them on terms and conditions that would not result in a material adverse effect on Great Plains Energy and its subsidiaries, after giving effect to the merger. Alternatively, if the Merger Agreement is terminated because the Great Plains Energy shareholders do not approve the proposal to approve the issuance of common stock as contemplated by the Merger Agreement, Great Plains Energy will be required to pay Westar a termination fee of \$80 million.

We can provide no assurance that the various closing conditions will be satisfied and that the required governmental approvals and other approvals will be obtained, or that any required conditions will not materially adversely affect the combined company following the merger. In addition, we can provide no assurance that these conditions will not result in the abandonment or delay of the merger. The occurrence of any of these events individually or in combination could have a material adverse effect on Great Plains Energy's results of operations and the trading price of Great Plains Energy common stock.

***The Merger Agreement contains provisions that limit Great Plains Energy's or Westar's ability to pursue alternatives to the merger, could discourage a potential competing acquirer of either Great Plains Energy or Westar from making a favorable alternative transaction proposal and, in certain circumstances, could require Westar or Great Plains Energy to pay a termination fee to the other party.***

Under the Merger Agreement, Westar and Great Plains Energy each are restricted from entering into alternative transactions. Unless and until the Merger Agreement is terminated, subject to specified exceptions, each party is restricted from soliciting, initiating or knowingly encouraging, inducing or facilitating, or participating in any discussions or negotiations with any person regarding, or cooperating in any way with any person with respect to, any alternative proposal or any inquiry or proposal that would reasonably be expected to lead to an alternative proposal. While either company's board of directors is permitted to change its recommendation to shareholders prior to the special meeting under certain circumstances, namely if such company is in receipt of a superior proposal or an intervening event has occurred, before either company's board of directors changes its recommendation to shareholders in such circumstances, such company must, if requested by the other company, negotiate with the other company regarding potential amendments to the Merger Agreement. Westar and Great Plains Energy each may terminate the Merger Agreement and enter into an agreement with respect to a superior proposal only if specified conditions have been satisfied, including compliance with the provisions of the merger agreement restricting solicitation of alternative proposals and requiring payment of a termination fee in certain circumstances. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of Westar or Great Plains Energy from considering or proposing that acquisition, even if such third party were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the merger, or might result in a potential competing acquirer proposing to pay a lower price than it would otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances. As a result of these restrictions, neither Westar nor Great Plains Energy may be able to enter into an agreement with respect to a more favorable alternative transaction without incurring potentially significant liability to the other.

If the Merger Agreement is terminated because the Great Plains Energy Board changes its recommendation to shareholders, under certain circumstances, Great Plains Energy will be required to pay Westar a termination fee of \$180 million. If the Merger Agreement is terminated because the Westar Board changes its recommendation to shareholders, under certain circumstances, Westar will be required to pay Great Plains Energy a termination fee of

\$280 million. If such a termination fee is payable, the payment of this fee could have a material adverse effect on the financial condition and operations of the company making such payment.

***Great Plains Energy and Westar will be subject to various uncertainties while the merger is pending that may cause disruption and may make it more difficult to maintain relationships with employees, suppliers, or customers.***

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on Great Plains Energy and Westar. Although Great Plains Energy and Westar intend to take steps designed to reduce any adverse effects, these uncertainties may impair the ability of Great Plains Energy or Westar to attract, retain and motivate key personnel until the merger is completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with Great Plains Energy or Westar to seek to change or terminate existing business relationships with Great Plains Energy or Westar or not enter into new relationships or transactions.

Employee retention and recruitment may be particularly challenging prior to the completion of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company. If, despite Great Plains Energy's and Westar's retention and recruiting efforts, key employees depart or fail to continue employment with either company because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, Great Plains Energy's and/or Westar's financial results could be adversely affected. Furthermore, the combined company's operational and financial performance following the merger could be adversely affected if it is unable to retain key employees and skilled workers of Great Plains Energy and Westar. The loss of the services of key employees and skilled workers and their experience and knowledge regarding Great Plains Energy's and Westar's businesses could adversely affect the combined company's future operating results and the successful ongoing operation of its businesses.

***Failure to complete the merger, or significant delays in completing the merger, could negatively affect the trading prices of Great Plains Energy common stock and the future business and financial results of Great Plains Energy.***

Completion of the merger is not assured and is subject to risks, including the risks that approval of the merger by the respective shareholders of Great Plains Energy and Westar or by governmental agencies is not obtained or that other closing conditions are not satisfied. If the merger is not completed, or if there are significant delays in completing the merger, it could negatively affect the trading prices of Great Plains Energy common stock and the future business and financial results of Great Plains Energy, and will be subject to several risks, including the following:

- Great Plains Energy may be liable for damages to Westar under the terms and conditions of the Merger Agreement;
- negative reactions from the financial markets, including declines in the price of Great Plains Energy common stock due to the fact that current prices may reflect a market assumption that the merger will be completed;
- having to pay certain significant costs relating to the merger, including, in certain circumstances, a termination fee; and
- the attention of management of Great Plains Energy will have been diverted to the merger rather than Great Plains Energy's own operations and pursuit of other opportunities that could have been beneficial to Great Plains Energy.

***Failure to successfully combine the businesses of Great Plains Energy and Westar in the expected time frame may adversely affect the future results of the combined company, and, consequently, the value of Great Plains Energy common stock.***

The success of the merger will depend, in part, on the ability of Great Plains Energy to realize the anticipated benefits and efficiencies from combining the businesses of Great Plains Energy and Westar. To realize these anticipated benefits, the businesses must be successfully combined. If the combined company is not able to achieve these objectives, or is not able to achieve these objectives on a timely basis, the anticipated benefits of the

transactions may not be realized fully or at all. In addition, the actual integration may result in additional and unforeseen expenses, which could reduce the anticipated benefits of the merger. These integration difficulties could result in a decline in the market value of Great Plains Energy common stock.

***Each of Great Plains Energy and Westar will incur significant transaction and merger-related costs in connection with the merger.***

Great Plains Energy and Westar expect to incur costs associated with combining the operations of the two companies, as well as transaction fees and other costs related to the merger. Great Plains Energy is in the early stages of assessing the magnitude of these costs and additional unanticipated costs may be incurred in the integration of the businesses of Great Plains Energy and Westar. Although Great Plains Energy and Westar expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction, merger-related and restructuring costs over time, any net benefit may not be achieved in the near term, or at all.

***Current Great Plains Energy shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined company.***

Upon completion of the merger, Great Plains Energy will issue up to approximately 45 million shares of Great Plains Energy common stock to Westar shareholders in connection with the transactions contemplated by the merger agreement.

Great Plains Energy shareholders currently have the right to vote for the Company's board of directors and on other matters affecting Great Plains Energy. When the merger occurs, each Westar shareholder that receives shares of Great Plains Energy common stock will become a shareholder of Great Plains Energy with a percentage ownership of the combined company that is significantly smaller than the shareholder's percentage ownership in Westar. Correspondingly, each Great Plains Energy shareholder will remain a shareholder of Great Plains Energy with a percentage ownership of the combined company that is smaller than the shareholder's percentage ownership of Great Plains Energy prior to the merger. As a result of these reduced ownership percentages, current Great Plains Energy shareholders will have less influence on the management and policies of the combined company than they now have with respect to Great Plains Energy.

***The market price of Great Plains Energy common stock after the merger may be affected by factors different from those affecting the shares of Great Plains Energy or Westar currently.***

Upon completion of the merger, the businesses of the combined company will differ from those of Great Plains Energy and Westar prior to the merger in important respects and, accordingly, the results of operations of the combined company and the market price of Great Plains Energy's shares of common stock following the merger may be affected by factors different from those currently affecting the independent results of operations of Great Plains Energy and Westar.

***Great Plains Energy may be unable to obtain the anticipated combination of financing or the necessary amount of financing to pay the cash portion of the merger consideration.***

Great Plains Energy intends to finance the cash portion of the merger consideration with a combination of cash on hand and the proceeds from the issuance of a combination of common stock, mandatory convertible preferred stock and debt securities. In order to have sufficient shares of Great Plains Energy common stock available to complete the anticipated equity financing, Great Plains Energy will be asking its shareholders to approve an amendment to its articles of incorporation to increase the amount of authorized capital stock of Great Plains Energy (the Charter Amendment proposal). However, approval of the Charter Amendment proposal is not a condition to completion of the merger. Accordingly, if all the other conditions in the merger agreement were satisfied or waived, Great Plains Energy would be required to complete the merger even if the Charter Amendment proposal was not approved. In such event, Great Plains Energy would be required to obtain financing from an alternative source, which may be more expensive and/or more difficult to obtain.

To the extent the proceeds from Great Plains Energy's expected securities issuances are not available on or before the closing date of the merger, or are in insufficient amounts, Great Plains Energy may use borrowings under its

bridge term loan facility to fund all or a portion of the cash consideration for the merger. However, the availability of funds under the bridge term loan facility is subject to certain conditions including, among others, the absence of a material adverse effect with respect to Westar and its subsidiaries, taken as a whole, the accuracy of certain representations and warranties and the absence of certain defaults with respect to indebtedness of Great Plains Energy and its subsidiaries.

If Great Plains Energy is required to obtain more debt financing than anticipated, whether through the issuance of debt securities or borrowings under the bridge term loan facility, the required regulatory approvals to complete the merger may be more difficult to obtain and the combined company's credit ratings and ability to service its debt could be adversely affected.

***There are risks associated with the mandatory convertible preferred stock Great Plains Energy expects to issue pursuant to its stock purchase agreement with OMERS to finance a portion of the merger consideration.***

In connection with the Merger Agreement, Great Plains Energy entered into a stock purchase agreement with OMERS pursuant to which Great Plains Energy will issue and sell to OMERS \$750 million of the Series A Preferred Stock upon the consummation of the merger. Upon entering into the stock purchase agreement, Great Plains paid OMERS \$15 million, which is not refundable in the event the merger is not consummated. The terms of the Series A Preferred Stock will provide that if Great Plains Energy misses two quarterly dividend payments, Great Plains Energy would be required to appoint two representatives designated by OMERS to the Great Plains Energy Board. In addition, OMERS' non-U.S. based ownership could potentially complicate obtaining the required regulatory approvals for the merger.

***The combined company's indebtedness following the merger will be greater than Great Plains Energy's existing indebtedness. As a result, it may be more difficult for the combined company to pay or refinance its debts or take other actions, and the combined company may need to divert its cash flow from operations to debt service payments.***

In connection with the merger, Great Plains Energy will incur additional debt to pay the cash portion of the merger consideration and transaction expenses and the indebtedness of the combined company will include Westar's outstanding debt. The combined company's debt service obligations with respect to this increased indebtedness could have an adverse impact on its earnings and cash flows, which after the merger would include the earnings and cash flows of Westar, for as long as the indebtedness is outstanding.

The combined company's increased indebtedness could also have important consequences to holders of Great Plains Energy common stock. For example, it could:

- make it more difficult for the combined company to pay or refinance its debts as they become due during adverse economic and industry conditions because any decrease in revenues could cause the combined company to not have sufficient cash flows from operations to make its scheduled debt payments;
- limit the combined company's flexibility to pursue other strategic opportunities or react to changes in its business and the industry in which it operates and, consequently, place the combined company at a competitive disadvantage to its competitors with less debt;
- require a substantial portion of the combined company's cash flows from operations to be used for debt service payments, thereby reducing the availability of its cash flow to fund working capital, capital expenditures, acquisitions, dividend payments and other general corporate purposes;
- result in a downgrade in the rating of the combined company's indebtedness, which could limit its ability to borrow additional funds or increase the interest rates applicable to its indebtedness (after the announcement of the merger, Moody's Investors Service placed its long-term ratings on Great Plains Energy on review for downgrade and Standard & Poor's Ratings Services revised the outlook on Great Plains Energy and several of its subsidiaries from stable to negative);

- reduce the amount of credit available to Great Plains Energy and its subsidiaries to support its hedging activities;
- result in higher interest expense in the event of increases in interest rates since some of Great Plains Energy's borrowings are, and will continue to be, at variable rates of interest; or
- require that additional terms, conditions or covenants be placed on Great Plains Energy.

Based upon current levels of operations, Great Plains Energy expects to be able to generate sufficient cash on a consolidated basis to make all of the principal and interest payments when such payments are due under Great Plains Energy's and its current subsidiaries' existing credit facilities, indentures and other instruments governing their outstanding indebtedness, and under the indebtedness of Westar and its subsidiaries that may remain outstanding after the merger; but there can be no assurance that the combined company will be able to repay or refinance such borrowings and obligations.

Great Plains Energy is committed to maintaining its credit ratings. In order to maintain these credit ratings, Great Plains Energy may consider it appropriate to reduce the amount of indebtedness outstanding following the merger. This may be accomplished in several ways, including issuing additional shares of common stock or securities convertible into shares of common stock, reducing discretionary uses of cash or a combination of these and other measures. Issuances of additional shares of common stock or securities convertible into shares of common stock would have the effect of diluting the ownership percentage that current Great Plains Energy shareholders and former Westar shareholders hold in the combined company and might reduce the reported earnings per share. Any potential issuances could be adversely impacted by movements in the overall equity markets or the utility sector of the market and ultimately impact any offering price. The specific measures that Great Plains Energy may ultimately decide to use to maintain or improve its credit ratings and their timing will depend upon a number of factors, including market conditions and forecasts at the time those decisions are made.

***The combined company will record goodwill that could become impaired and adversely affect the combined company's operating results.***

The merger will be accounted for as an acquisition by Great Plains Energy in accordance with accounting principles generally accepted in the United States. Under the acquisition method of accounting, the assets and liabilities of Westar will be recorded, as of completion, at their respective fair values and added to those of Great Plains Energy. The reported financial condition and results of operations of Great Plains Energy issued after completion of the merger will reflect Westar balances and results after completion of the merger, but will not be restated retroactively to reflect the historical financial position or results of operations of Westar for periods prior to the merger.

Under the acquisition method of accounting, the total purchase price will be allocated to Westar's tangible assets and liabilities and identifiable intangible assets based on their fair values as of the date of completion of the merger. The fair value of Westar's tangible and intangible assets and liabilities subject to the rate setting practices of their regulators approximate their carrying values. The excess of the purchase price over those fair values will be recorded as goodwill. Great Plains Energy expects that the merger will result in the creation of goodwill based upon the application of the acquisition method of accounting. To the extent the value of goodwill or intangibles becomes impaired, the combined company may be required to incur material charges relating to such impairment. Such a potential impairment charge could have a material impact on the combined company's operating results.

***The anticipated benefits of combining Great Plains Energy and Westar may not be realized.***

Great Plains Energy and Westar entered into the Merger Agreement with the expectation that the merger would result in various benefits, including, among other things, increased operating efficiencies. Although Great Plains Energy and Westar expect to achieve the anticipated benefits of the merger, achieving them is subject to a number of uncertainties, including:

- whether United States federal and state public utility, antitrust and other regulatory authorities whose approval is required to complete the merger impose conditions on the merger, which may have an adverse effect on the combined company, including its ability to achieve the anticipated benefits of the merger;

- the ability of the two companies to combine certain of their operations or take advantage of expected growth opportunities;
- general market and economic conditions;
- general competitive factors in the marketplace; and
- higher than expected costs required to achieve the anticipated benefits of the merger.

No assurance can be given that these benefits will be achieved or, if achieved, the timing of their achievement. Failure to achieve these anticipated benefits could result in increased costs and decreases in the amount of expected revenues or net income of the combined company.

***The merger may not be accretive to earnings and may cause dilution to Great Plains Energy's earnings per share, which may negatively affect the market price of Great Plains Energy common stock.***

Great Plains Energy currently anticipates that the merger will be neutral to Great Plains Energy's forecasted earnings per share on a stand-alone basis in the first full calendar year after closing increasing to approximately a 10 percent accretion in the third full calendar year after closing. This expectation is based on preliminary estimates, which may materially change. Great Plains Energy may encounter additional transaction and integration-related costs, may fail to realize all of the benefits anticipated in the merger or be subject to other factors that affect preliminary estimates or its ability to realize operational efficiencies. Any of these factors could cause a decrease in Great Plains Energy's earnings per share or decrease or delay the expected accretive effect of the merger and contribute to a decrease in the price of Great Plains Energy's common stock.

***The merger will combine two companies that are currently affected by developments in the electric utility industry, including changes in regulation and increased competition. A failure to adapt to the changing regulatory environment after the merger could adversely affect the stability of the combined company's earnings and could result in the erosion of its market positions, revenues and profits.***

Because Great Plains Energy, Westar and their respective subsidiaries are regulated in the U.S. at the federal level and in several states, the two companies have been and will continue to be affected by legislative and regulatory developments. After the merger, the combined company and/or its subsidiaries will be subject in the U.S. to extensive federal regulation as well as to state regulation in Missouri and Kansas. Each of these jurisdictions has implemented, is in the process of implementing or possibly will implement changes to the regulatory and legislative framework applicable to the electric utility industry. These changes could have a material adverse effect on the combined company.

The costs and burdens associated with complying with these regulatory jurisdictions may have a material adverse effect on the combined company. Moreover, potential legislative changes, regulatory changes or otherwise may create greater risks to the stability of utility earnings generally. If the combined company is not responsive to these changes, it could suffer erosion in market position, revenues and profits as competitors gain access to the service territories of its utility subsidiaries.

***The market value of Great Plains Energy common stock could decline if large amounts of its common stock are sold in anticipation of or following the merger.***

Following the merger, shareholders of Great Plains Energy and former shareholders of Westar will own interests in a combined company operating an expanded business with more assets and a different mix of liabilities. Current shareholders of Great Plains Energy and Westar may not wish to continue to invest in the combined company, or may wish to reduce their investment in the combined company, in order to comply with institutional investing guidelines, to increase diversification or to track any rebalancing of stock indices in which Great Plains Energy or Westar common stock is or was included. If, before or following the merger, large amounts of Great Plains Energy common stock are sold, the price of its common stock could decline.

***Pending litigation against Westar and Great Plains Energy could result in an injunction preventing the consummation of the merger or may adversely affect the combined company's business, financial condition or results of operations following the merger.***

Following the announcement of the Merger Agreement, two putative class action complaints (which were subsequently consolidated) and one putative derivative action complaint challenging the merger were filed on behalf of a putative class of Westar shareholders in the District Court of Shawnee County, Kansas. A separate putative class action complaint was filed in the Circuit Court of Jackson County, Missouri, at Kansas City, Sixteenth Judicial District on behalf of a putative class of Great Plains Energy shareholders. The consolidated and amended putative class action complaint brought in Shawnee County, Kansas name as defendants Westar, the members of the Westar Board and Great Plains Energy. The putative class action complaint brought in Jackson County, Missouri names as defendants Great Plains Energy and the members of the Great Plains Energy Board. The putative derivative action complaint names as defendants the members of the Westar Board and Great Plains Energy, with Westar named as a nominal defendant. The consolidated and amended complaint brought in Shawnee County, Kansas assert that the members of the Westar Board breached their fiduciary duties to Westar shareholders in connection with the proposed merger, including the duty of candor, and that Westar and Great Plains Energy aided and abetted such breaches of fiduciary duties. The putative derivative complaint filed in Shawnee County, Kansas asserts breach of fiduciary duty claims against members of the Westar Board, and aiding and abetting claims against Great Plains Energy, on behalf of nominal defendant Westar. The complaint brought in Jackson County, Missouri asserts that the members of the Great Plains Energy Board breached their fiduciary duty of candor in connection with the proposed merger by allegedly failing to disclose certain facts in the Company's preliminary Form S-4. Among other remedies, the plaintiffs in each case seek to enjoin the merger and rescind the merger agreement, in addition to reimbursement of costs. Currently there is a motion for preliminary injunction on file in the putative class action brought in Jackson County, Missouri.

While the defendants believe that dismissal of these lawsuits is warranted, the outcome of any litigation is inherently uncertain. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger closes may adversely affect the combined company's business, financial condition or results of operation.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

See Great Plains Energy's Form 8-K dated May 29, 2016, and filed with the SEC on May 31, 2016.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<u>Exhibit Number</u>	<u>Description of Document</u>	<u>Registrant</u>
2.1	* + Agreement and Plan of Merger, dated as of May 29, 2016, by and among Westar Energy, Inc., Great Plains Energy Incorporated and GP Star, Inc. (Exhibit 2.1 to Form 8-K filed on May 31, 2016)	Great Plains Energy
10.1	Third Amendment to the Credit Agreement, dated as of June 13, 2016, among Great Plains Energy Incorporated, Certain Lenders, Bank of America, N.A., JPMorgan Chase Bank, N.A., and Union Bank, N.A., as Syndication Agents and Wells Fargo Bank, National Association, as Administrative Agent, and Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, and Union Bank, N.A., as Joint Lead Arrangers and Joint Book Managers.	Great Plains Energy
10.2	* Commitment Letter, dated as of May 29, 2016, by Goldman Sachs Bank USA and Goldman Sachs Lending Partners LLC to Great Plains Energy Incorporated (Exhibit 10.1 to Form 8-K filed on May 31, 2016).	Great Plains Energy
10.3	* Stock Purchase Agreement, dated as of May 29, 2016, by and between OCM Credit Portfolio LP and Great Plains Energy (Exhibit 10.2 to Form 8-K filed on May 31, 2016).	Great Plains Energy
10.4	Great Plains Energy Incorporated Amended Long-Term Incentive Plan, as amended effective on May 3, 2016.	Great Plains Energy
31.1	Rule 13a-14(a)/15d-14(a) Certification of Terry Bassham.	Great Plains Energy
31.2	Rule 13a-14(a)/15d-14(a) Certification of Kevin E. Bryant.	Great Plains Energy
31.3	Rule 13a-14(a)/15d-14(a) Certification of Terry Bassham.	KCP&L
31.4	Rule 13a-14(a)/15d-14(a) Certification of Kevin E. Bryant.	KCP&L
32.1	** Section 1350 Certifications.	Great Plains Energy
32.2	** Section 1350 Certifications.	KCP&L
101.INS	XBRL Instance Document.	Great Plains Energy KCP&L
101.SCH	XBRL Taxonomy Extension Schema Document.	Great Plains Energy KCP&L
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Great Plains Energy KCP&L
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Great Plains Energy KCP&L
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.	Great Plains Energy KCP&L
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Great Plains Energy KCP&L

\* Filed with the SEC as exhibits to prior SEC filings and are incorporated herein by reference and made a part hereof. The SEC filings and the exhibit number of the documents so filed, and incorporated herein by reference, are stated in parenthesis in the description of such exhibit.

\*\* Furnished and shall not be deemed filed for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such document shall not be incorporated by reference into any registration statement or other document pursuant to the Exchange Act or the Securities Act of 1933, as amended, unless otherwise indicated in such registration statement or other document.

+ The disclosure letters and related schedules to the agreement are not being filed herewith. The registrant has agreed to furnish supplementally a copy of any such schedules to the Securities and Exchange Commission upon request.

Copies of any of the exhibits filed with the SEC in connection with this document may be obtained from Great Plains Energy or KCP&L, as applicable, upon written request.

The registrants agree to furnish to the SEC upon request any instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of total assets of such registrant and its subsidiaries on a consolidated basis.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Great Plains Energy Incorporated and Kansas City Power & Light Company have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

**GREAT PLAINS ENERGY INCORPORATED**

Dated: August 4, 2016

By: /s/ Terry Bassham  
(Terry Bassham)  
(Chief Executive Officer)

Dated: August 4, 2016

By: /s/ Steven P. Busser  
(Steven P. Busser)  
(Principal Accounting Officer)

**KANSAS CITY POWER & LIGHT COMPANY**

Dated: August 4, 2016

By: /s/ Terry Bassham  
(Terry Bassham)  
(Chief Executive Officer)

Dated: August 4, 2016

By: /s/ Steven P. Busser  
(Steven P. Busser)  
(Principal Accounting Officer)

## THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT dated as of June 13, 2016 (this "Agreement") is entered into among Great Plains Energy Incorporated, a Missouri corporation (the "Borrower"), and the lenders party hereto (the "Lenders"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (defined below).

RECITALS

WHEREAS, the Borrower, the lenders party thereto and Wells Fargo Bank, National Association, as successor to Bank of America, N.A., as Administrative Agent, entered into that certain Credit Agreement dated as of August 9, 2010 (as amended by the First Amendment to Credit Agreement, dated as of December 9, 2011, by the Second Amendment to Credit Agreement, dated as of October 17, 2013, and by the First Extension and Waiver, dated as of December 17, 2014, the "Credit Agreement"); and

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments. The Credit Agreement is hereby amended as follows:

(a) The definition of "Eurodollar Base Rate" in Section 1.1 of the Credit Agreement is hereby amended to insert the following proviso at the end of clause (b) thereof:

"notwithstanding the foregoing, in each of clauses (a) and (b), if Reuters Screen LIBOR01 Page (or any applicable successor page) shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement."

(b) The definition of "Shareholders' Equity" in Section 1.1 of the Credit Agreement is hereby amended as follows:

"Shareholders' Equity" means, as of any date of determination for the Borrower and its Consolidated Subsidiaries on a consolidated basis (without regard to any variable interest entity), shareholders' equity as of that date determined in accordance with GAAP."

(c) The definition of "Total Indebtedness" in Section 1.1 of the Credit Agreement is hereby amended as follows:

"Total Indebtedness" means all Indebtedness of the Borrower and its Consolidated Subsidiaries on a consolidated basis (and without duplication) but without giving effect to the application of ASC Topic 860 with respect to transfers of accounts receivable by KCPL, KCPL GMO, Westar, or one or more of their respective Subsidiaries to a non-Subsidiary, excluding (a) Indebtedness arising under Swap Contracts entered into in the ordinary course of business to hedge bona fide transactions and business risks and not for speculation, (b) Indebtedness of Project Finance Subsidiaries, (c) Indebtedness of KLT Investments Inc. incurred in connection with the acquisition and maintenance of its interests (whether direct or indirect) in low income housing projects and (d) Indebtedness

of any variable interest entity as to which (i) neither the Borrower nor any of its Subsidiaries provides credit support of any kind (including any undertaking, agreement or instruments that would constitute Indebtedness) and (ii) there is no recourse to the Capital Stock or assets of the Borrower or any of its Subsidiaries and the relevant legal documents so provide); provided, however, that Total Indebtedness shall not include (until the first to occur of (i) the Acquisition Closing Date and (ii) the date that is 10 days following termination of the Acquisition Agreement) indebtedness in an aggregate principal amount not exceeding \$7,517,000,000 issued or borrowed by the Borrower solely for the purpose of financing the Westar Acquisition and which is redeemable or repayable at not more than 101% of the principal amount thereof (plus accrued interest) if the Westar Acquisition is not consummated.”

(d) The following definitions are hereby added to Section 1.1 of the Credit Agreement in appropriate alphabetical order to read as follows:

““Acquisition Agreement” means that certain Agreement and Plan of Merger, dated as of May 29, 2016, by and among the Borrower, Merger Sub and Westar.”

““Acquisition Closing Date” means the date of the consummation of the Westar Acquisition.”

““Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.”

““Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.”

““Capital Stock” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.”

““Capitalization Covenant” is defined in Section 6.15.”

““EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.”

““EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.”

““EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.”

““EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.”

““Merger Sub” means GP Star, Inc., a Kansas corporation.”

““Third Amendment Effective Date” shall have the meaning set forth in the Third Amendment to Credit Agreement, dated as of June 13, 2016.”

““Westar” means Westar Energy, Inc., a Kansas corporation.”

““Westar Acquisition” means the acquisition by the Borrower through the Merger Sub, of all of the equity interests in Westar pursuant to the Acquisition Agreement.”

““Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.”

(e) Section 6.15 of the Credit Agreement is hereby amended and replaced with the following:

“The Borrower shall at all times cause the ratio of (i) Total Indebtedness to (ii) Total Capitalization to be less than or equal to 0.65 to 1.0 (the “Capitalization Covenant”); provided that, if, as of the Acquisition Closing Date, the Borrower is not in compliance with the Capitalization Covenant, the Capitalization Covenant shall, from the Acquisition Closing Date until the date that is 364 days following the Acquisition Closing Date, be automatically increased to a level such that the Borrower would be in compliance with the Capitalization Covenant as of the Acquisition Closing Date plus 0.05 to 1.0; provided, further that such level shall not exceed 0.75 to 1.0.”

(f) Article IX of the Credit Agreement is hereby amended to insert a new Section 9.15 in appropriate order to read in its entirety as follows:

“Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-in Action on any such liability, including, if applicable:
  - (i) a reduction in full or in part or cancellation of any such liability;

- (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
- (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.”

2. Condition Precedent. The amendments set forth in Section 1 shall become effective as of the date (the “Third Amendment Effective Date”) when the Administrative Agent (or counsel on its behalf) has received counterparts of this Agreement duly executed by the Borrower and the Required Lenders.

3. Miscellaneous.

(a) The Credit Agreement, and the obligations of the Borrower thereunder and under the other Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms. The Borrower acknowledges and confirms that as of the date hereof the Borrower’s obligation to repay the outstanding principal amount of the Loans and reimburse the Issuers for any drawing on a Letter of Credit is unconditional and not subject to any offsets, defenses or counterclaims. The Administrative Agent, each Lender and the Borrower acknowledge and confirm that by entering into this Agreement, each party does not waive or release any term or condition of the Credit Agreement or any of the other Loan Documents or any of their rights or remedies under such Loan Documents or applicable Law or any of the obligations of such party thereunder.

(b) The Borrower hereby represents and warrants as follows:

(i) The Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement.

(ii) This Agreement has been duly executed and delivered by the Borrower and constitutes the Borrower’s legal, valid and binding obligations, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors’ rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(iii) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by the Borrower of this Agreement.

(c) The Borrower represents and warrants to the Lenders that (i) the representations and warranties of the Borrower set forth in Article V of the Credit Agreement are true and correct as of the date hereof with the same effect as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate solely to an earlier date and (ii) no event has occurred and is continuing which constitutes a Default or an Unmatured Default.

(d) This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopy or electronic mail shall be effective as an original and shall constitute a representation that an executed original shall be delivered.

(e) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(f) On and after the Third Amendment Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to “the Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby. This Amendment shall constitute a Loan Document.

*[remainder of page intentionally left blank]*

Each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

GREAT PLAINS ENERGY INCORPORATED,  
a Missouri corporation

By: /s/Kevin E. Bryant  
Name: Kevin E. Bryant  
Title: Senior Vice President - Finance and Strategy  
and Chief Financial Officer

[Signature Page to Third Amendment]

GOLDMAN SACHS BANK USA,  
as Lender

By: /s/Robert Ehudin  
Name: Robert Ehudin  
Title: Authorized Signatory

[Signature Page to Third Amendment]

Bank of America, N.A., as a Lender,

By: /s/Will Merritt

Name: Will Merritt

Title: Director

[Signature Page to Third Amendment]

LENDERS:

MUFG Union Bank, N.A.,  
as Lender

By: /s/Jeffrey Mo  
Name: Jeffrey Mo  
Title: Vice President

[Signature Page to Third Amendment]

LENDERS:

BARCLAYS BANK PLC,  
as Lender

By: /s/ Craig J. Malloy  
Name: Craig J. Malloy  
Title: Director

[Signature Page to Third Amendment]

LENDERS:

JPMORGAN CHASE BANK, N.A.,  
as Lender

By: /s/Helen D. Davis  
Name: Helen D. Davis  
Title: Executive Director

[Signature Page to Third Amendment]

LENDERS:

Wells Fargo Bank, N.A.,  
as Lender

By: /s/Lawrence P. Sullivan  
Name: Lawrence P. Sullivan  
Title: Managing Director

[Signature Page to Third Amendment]

LENDERS:

MNP Paribas.,  
as Lender

By: /s/Nicolas Rabier  
Name: Nicolas Rabier  
Title: Managing Director

By: /s/Julien Pecoud-Bouvet  
Name: Julien Pecoud-Bouvet  
Title: Vice President

[Signature Page to Third Amendment]

Mizuho Bank, Ltd., as Lender  
By: /s/Nelson Chang  
Name: Nelson Chang  
Title: Authorized Signatory

[Signature Page to Third Amendment]

SunTrust Bank, as a Lender

By: /s/Michael Canavan  
Name: Michael Canavan  
Title: Managing Director

[Signature Page to Third Amendment]

LENDERS:

U.S. Bank National Association,  
as Lender

By: /s/Raymond J. Palmer  
Name: Raymond J. Palmer  
Title: Senior Vice President

[Signature Page to Third Amendment]

LENDERS:

KEYBANK NATIONAL ASSOCIATION,  
as Lender

By: /s/Sukanya V. Raj  
Name: Sukanya V. Raj  
Title: Senior Vice President

[Signature Page to Third Amendment]

THE BANK OF NEW YORK MELLON,  
as Lender

By: /s/Hussam S. Alsahlani  
Name: Hussam S. Alsahlani  
Title: Vice President

[Signature Page to Third Amendment]

LENDERS:

UMB Bank, n.a.,  
as Lender

By: /s/Robert P. Elbert  
Name: Robert P. Elbert  
Title: Senior Vice President

[Signature Page to Third Amendment]

Commerce Bank, as a Lender

By: /s/Aaron M. Siders

Name: Aaron M. Siders

Title: Vice President

[Signature Page to Third Amendment]

**GREAT PLAINS ENERGY INCORPORATED  
AMENDED LONG-TERM INCENTIVE PLAN**

**SECTION ONE. PURPOSE OF PLAN**

The purposes of the Plan are to encourage officers, employees and non-employee directors of the Company to acquire proprietary and vested interest in the growth and performance of the Company, to generate an increased incentive to enhance the value of the Company for the benefit of its customers and shareholders, and to aid in the attraction and retention of exceptionally qualified individuals upon whom the Company's success largely depends.

**SECTION TWO. DEFINITIONS**

The following definitions are applicable herein:

“Act” means the Securities Act of 1933, as it may be amended from time to time.

“Award” means the award to a Participant of Bonus Shares, Director Shares, Dividend Equivalents, Restricted Stock, Restricted Stock Units, Stock Options, Stock Appreciation Rights, Performance Shares, Other Stock-Based Awards or Director Deferred Share Units.

“Award Agreement” means a written or electronic agreement or instrument between the Company and a Participant which evidences an Award and sets forth such applicable terms, conditions and limitations (including treatment as a Performance Award) as the Committee establishes for the Award.

“Award Period” means that period established by the Committee during which any performance or continuous service goals specified with respect to earning any Award are to be measured.

“Board” means the Board of Directors of the Company.

“Bonus Shares” means Shares that are awarded to a Participant without cost and without restriction in recognition of past or expected future performance (whether determined by reference to another employee benefit plan of the Company or otherwise) or as an incentive to become an employee of the Company or a Subsidiary as permitted by applicable law.

“Cause” means unless otherwise defined in a Participant's employment agreement or change in control severance agreement with the Company, in which case such definition will apply, (i) the material misappropriation of any of the Company's funds or property; (ii) the conviction of, or the entering of a guilty plea or plea of no contest with respect to, a felony, or the equivalent thereof; (iii) commission of an act of willful damage, willful misrepresentation, willful dishonesty, or other willful conduct that can reasonably be expected to have a material adverse effect on the business, reputation, or financial situation of the Company; or (iv) gross negligence or willful misconduct in performance of a Participant's duties; provided, however, “cause” shall not exist under clause (iv), above, with respect to an act or failure to act unless (A) the Participant has been provided written notice describing in sufficient detail the acts or failure to act giving rise to the Company's assertion of such gross negligence or misconduct, (B) been provided a reasonable period to remedy any such occurrence and (C) failed to sufficiently remedy the occurrence.

“Code” means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any successor provisions to such section and any regulations promulgated thereunder.

“Committee” means (i) the Compensation and Development Committee or the independent members of the Board, composed in each case of not less than two directors, each of whom is both a “non-employee director” (within the meaning of Rule 16b-3(b)(3) under the Exchange Act) and an “outside director” (within the meaning of Code Section 162(m)) or (ii) any other committee of the Board to whom the Board has delegated its authority under this Plan.

“Common Stock” means the common stock, without par value, of the Company, or such other class of shares or other securities as may be subject to the Plan as a result of an adjustment made pursuant to the provisions of Section Sixteen H.

“Company” means Great Plains Energy Incorporated and its successors, including any Company as provided in Section Sixteen I.

“Covered Employee” means a Participant who, as of the last day of the Company's taxable year in which the value of an Award is recognizable in income for federal income tax purposes, is one of the groups of “covered employees,” within the meaning of Code Section 162(m), with respect to the Company.

“Date of Disability” means the date on which a Participant is classified as disabled as defined in the Company's Long-Term Disability Plan.

“Date of Grant” means, unless the Committee otherwise specifies a later Date of Grant in the Committee's applicable granting resolution, the date on which an Award is granted by the Committee.

“Date of Retirement” means the date of normal retirement or early retirement as defined in the Company's pension plan.

“Director” means a member of the Board, a member of the board of directors of any Subsidiary, or any honorary, advisory or emeritus director of the Company or any Subsidiary.

“Director Deferred Share Unit” means, pursuant to Section Thirteen of this Plan, a Non-Employee Director's right to receive a payment following the Non-Employee Director's termination from service as a Director, in cash or Shares, of an amount equal to the Fair Market Value of one Share.

“Director Equity Payment Fees” means any fees payable to a Non-Employee Director in the form of Common Stock for his or her service as a Director of the Company or any of its Subsidiaries.

“Director Shares” means, pursuant to Section Thirteen of the Plan, Shares issued to a Director, as payment for serving as a Director.

“Disability” means that a Participant is classified as disabled as defined in the Company's Long-Term Disability Plan.

“Dividend Equivalent” means a right granted appurtenant to an Award to receive payments equal to dividends or property paid with respect to Shares underlying such Award, at such time and on such terms and conditions as set forth in the Award Agreement.

“Eligible Employee” means any officer of, or any person employed by, the Company or any Subsidiary during any portion of an Award Period. Solely for purposes of Substitute Awards, the term Eligible Employee includes any current or former Employee of an Acquired Entity (as defined in the definition of Substitute Awards) who holds Acquired Entity Awards (as defined in the definition of Substitute Awards) immediately prior to the Acquisition Date (as defined in the definition of Substitute Awards).

“Employee” means a common-law employee of the Company or any Subsidiary.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Executive Officer” means (i) the president of the Company, any vice president of the Company, including any vice president of the Company in charge of a principal business unit, division or function (such as sales, administration, or finance), any other officer who performs a policy making function or any other Person who performs similar policy making functions for the Company, (ii) Executive Officers (as defined in part (i) of this definition) of subsidiaries of the Company who perform policy making functions for the Company, and (iii) any Person designated or identified by the Board as being an “executive officer” for purposes of the Act or the Exchange Act, including any Person designated or identified by the Board as being a Section 16 Person.

“Fair Market Value” means, as of any date, the value of a Share or Shares determined in good faith by the Committee in its sole discretion. Such determination shall be conclusive and binding on all persons. For this purpose, the Committee may adopt such formulas as in its opinion shall reflect the true fair market value of such Share or Shares from time to time and may rely on such independent advice with respect to such fair market value determination as the Committee shall deem appropriate. To the extent that Shares are readily tradable on an established securities market, the fair market value of the Shares may be determined based upon the first sale on the day of determination, the closing market price on the trading day before or the trading day of the day of determination, the arithmetic mean of the high and low prices on the trading day before or the trading day of determination or any other reasonable method using actual transactions in such Shares as reported by such market. To the extent that Shares are not readily tradable on an established market, the fair market value of a Share or Shares as of a valuation date means a value determined by the reasonable application of a reasonable valuation method. The determination whether a valuation method is reasonable, or whether an application of a valuation method is reasonable, is made based on the facts and circumstances as of the valuation date.

“Good Reason” means, without a Participant's written consent and unless otherwise defined in a Participant's employment agreement or change in control severance agreement with the Company (in which case such definition will apply), any of the following:

- (1) Any material and adverse reduction or material and adverse diminution in a Participant's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities held, exercised or assigned at any time during the 90-day period immediately preceding the Change in Control;
- (2) Any reduction in a Participant's annual base salary as in effect immediately preceding the Change in Control or as the same may be increased from time to time; or
- (3) A Participant being required by the Company to be based at any office or location that is more than 70 miles from the location where the Participant was employed immediately preceding the Change in Control.

Provided, however, notwithstanding the occurrence of any of the events set forth above in this definition, Good Reason shall not include for the purpose of this definition (1) an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Participant, or (2) any reduction in the Participant's base annual salary or reduction in benefits received by the Participant where such reduction is in connection with a company-wide reduction in salaries or benefits.

“Incentive Stock Option” means an incentive stock option within the meaning of Section 422 of the Code.

“Non-Employee Director” means a Director who is not employed as an Employee by the Company or any Subsidiary. Solely for purposes of Substitute Awards, the term Non-Employee Director includes any current or former non-employee director of an Acquired Entity (as defined in the definition of Substitute Awards) who holds Acquired Entity Awards (as defined in the definition of Substitute Awards) immediately prior to the Acquisition Date (as defined in the definition of Substitute Awards).

“Option” or “Stock Option” means either a non-qualified stock option or an Incentive Stock Option granted under Section Eight.

“Option Period” or “Option Periods” means the period or periods during which an Option is exercisable as described in Section Eight E.

“Option Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

“Other Stock-Based Award” means any award of Shares or payment of cash that is valued in whole or in part by reference to, or is otherwise based on, Shares, other property, or achievement of performance metrics or measures.

“Participant” means an Eligible Employee or Non-Employee Director who has been granted an Award under the Plan.

“Plan” means the Great Plains Energy Incorporated Long-Term Incentive Plan, as amended.

“Performance-Based Exception” means the performance-based exception from the tax deductibility limitations of Code Section 162(m) contained in Code Section 162(m)(4)(C) (including the special provision for stock options and stock appreciation rights thereunder).

“Performance Award” means any Award that will be issued or granted, or become vested or payable, as the case may be, upon the achievement of certain performance goals (as described in Section Twelve B) to a Participant pursuant to Section Twelve.

“Performance Shares” means an Award granted under Section Ten.

“Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including “group” as defined in Section 13(d) thereof.

“Restricted Stock” means an Award granted under Section Seven.

“Restricted Stock Unit” or “RSU” means an Award granted under Section Seven evidencing the Participant's right to receive a Share (or, at the Committee's discretion, a cash payment equal to the Fair Market Value of a Share) at some future date and that is subject those restrictions set forth therein and the Award Agreement.

“Section 16 Person” means a Person who is subject to obligations under Section 16 of the Exchange Act with respect to transactions involving equity securities of the Company.

“Share” means a share of Common Stock.

“Stock Appreciation Right” or “SAR” means a right granted as an Award under the Plan to receive, as of the date specified in the Award Agreement and with respect to each SAR exercised, an amount equal to the excess of (a) the Fair Market Value of a Share on the Exercise Date, over (b) the SAR's Strike Price.

“Strike Price” means the per-Share price used as the baseline measure for the value of a SAR, as specified in the Award Agreement.

“Subsidiary” means any corporation of which 50 percent or more of its outstanding voting stock or voting power is beneficially owned, directly or indirectly, by the Company.

“Substitute Award” means an Award granted under the Plan in substitution for stock or stock-based awards (“Acquired Entity Awards”) held by current and former employees or former non-employee directors of another corporation or entity who become Employees or Non-Employee Directors as the result of a merger or consolidation of the employing corporation or other entity (the “Acquired Entity”) with the Company or a Subsidiary, or the acquisition by the Company or a Subsidiary of property or stock of, or other ownership interest in, the Acquired Entity immediately prior to such merger, consolidation, or acquisition (“Acquisition Date”) as agreed to by the parties to such corporate transaction and as may be set forth in the definitive purchase agreement. The limitations of Section Five on the number of Shares reserved or available for grants, and the limitations under Section Eight C and Section Nine C with respect to the Option Price and Strike Price, shall not apply to Substitute Awards. Any issuance of a Substitute Award which relates to an Option or a SAR shall be completed in conformity with the rules under Code Section 409A relating to the substitutions and assumptions of stock rights by reason of a corporate transaction.

“Termination” means resignation or discharge from employment with the Company or any one of its Subsidiaries, except in the event of death, disability, or retirement.

### **SECTION THREE. EFFECTIVE DATE, DURATION AND SHAREHOLDER APPROVAL**

#### **A. Effective Date.**

The Plan originally became effective on May 5, 1992 and was subsequently amended effective on May 7, 2002, May 1, 2007, May 3, 2011 and January 1, 2014. The Plan is amended and restated effective May 3, 2016 and, except as expressly specified otherwise, applies only with respect to Awards granted after such date.

#### **B. Period for Grants of Awards.**

Awards may be granted until May 3, 2026.

#### **C. Termination of the Plan.**

The Plan shall continue in effect until all matters relating to the payment of Awards and administration of the Plan have been settled.

### **SECTION FOUR. ADMINISTRATION**

#### **A. General Powers.**

The Plan shall be administered by the Committee for, and on behalf of, the Board. The Committee shall have all of the powers (other than amending or terminating this Plan as provided in Section Fifteen) respecting the Plan, including, but not limited to those specific powers set forth below. All questions of interpretation and application of the Plan, or of the terms and conditions pursuant to which Awards are granted, exercised or forfeited under the provisions hereof, shall be subject to the determination of the Committee. Any such determination shall be final and binding upon all parties affected thereby.

**B. Specific Committee Powers.**

Without limitation, the Committee shall have full power and authority and sole discretion as follows:

- (i) to determine when, to whom and in what types and amounts Awards should be granted;
- (ii) to grant Awards to Eligible Employees and Non-Employee Directors in any number, and to determine the terms and conditions applicable to each Award;
- (iii) to determine, as to all or part of any Award as to any Participant, at the time the Award is granted or thereafter, that the exercisability or vesting of an Award shall be accelerated upon a Participant's death, disability, retirement, Change in Control, termination of employment following a Change in Control, or other special circumstances determined by the Committee;
- (iv) to determine that Awards shall continue to become exercisable or vested in full or in installments after a Participant's termination of employment, to extend the period for exercise of Options or SARs following a termination of employment (but not beyond ten (10) years from the Date of Grant of the Option or SARs) or to provide that any Restricted Stock Award, Restricted Stock Unit Award, or Performance Share Award shall in whole or in part not be forfeited upon Participant's death, disability, retirement, Change in Control, termination of employment following a Change in Control or other special circumstances determined by the Committee;
- (v) to determine the benefit payable under any Dividend Equivalent, and to determine whether any vesting conditions have been satisfied;
- (vi) to determine, no later than the Date of Grant of Shares of Restricted Stock, whether the payment of cash dividends thereon shall be paid immediately or deferred until the underlying Shares become vested, and whether Restricted Stock shall be held in escrow or other custodial arrangement;
- (vii) to determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property;
- (viii) subject to Section Sixteen K (Code Section 409A), to determine whether, to what extent and under what circumstances cash, Shares, other Awards, other property and other amounts payable with respect to an Award (other than with respect to an Option or a SAR for which no additional deferral opportunity beyond the deferral inherent in such Option or SAR is permitted under this Plan) will be deferred, either at the election of the Participant, or, if and to the extent specified in the Award Agreement, automatically or at the election of the Committee;
- (ix) subject to Section Sixteen K (Code Section 409A), to grant Awards in replacement of Awards previously granted under this Plan or any other compensation plan of the Company, provided that any such replacement grant that would be considered a repricing shall be subject to shareholder approval;
- (x) to make, amend, suspend, waive and rescind rules and regulations relating to the Plan;
- (xi) to appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

- (xii) with the consent of the Participant, to amend any Award Agreement at any time; provided that the consent of the Participant shall not be required for any amendment (a) that, in the Committee's determination, does not materially adversely affect the rights of the Participant, or (b) which is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any new applicable law or change in an existing applicable law, or (c) to the extent the Award Agreement specifically permits amendment without consent;
- (xiii) to impose such additional terms and conditions upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including limiting the amount or percentage of Awards which may from time to time be exercised by a Participant, and including requiring the Participant to enter into restrictive covenants;
- (xiv) without the consent of the Participant, to make adjustments in the terms and conditions of, and the criteria in, Awards in recognition of unusual or nonrecurring events (including events described in Section Sixteen H) affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations or accounting principles; provided, however, that in no event shall such adjustment increase the value of an Award for a person expected to be a Covered Employee for whom the Committee desires to have the Performance-Based Exception apply;
- (xv) to correct any defect or supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, the rules and regulations, the Award Agreements or any other instrument entered into or relating to an Award under the Plan, and to make all determinations, including factual determinations, necessary or advisable for the administration of the Plan;
- (xvi) to cause the forfeiture of any Award or recover any Shares, cash or other property attributable to an Award for violations of any Company ethics policy or pursuant to any Company compensation clawback policy; and
- (xvii) to take any other action with respect to any matters relating to the Plan for which it is responsible and to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

**C. Delegation.**

Notwithstanding the general administrative powers discussed above, the Board may, by resolution, expressly delegate to a special committee consisting of two or more directors, who may also be officers of the Company, the authority, within specified parameters, to (i) grant Eligible Employees Awards under the Plan, and (ii) determine the number of such Awards to be received by any such participants; provided, however, that if such delegation of duties and responsibilities is to officers of the Company or to directors who are not "non-employee directors" (within the meaning of Rule 16b-3(b)(3) under the Exchange Act) and "outside directors" (within the meaning of Code Section 162(m)), such officers or directors may not grant Awards to eligible participants (a) who are subject to Section 16(a) of the Exchange Act at the time of grant, or (b) who, at the time of grant, are anticipated to become during the term of the Award, "covered employees" as defined in Section 162(m)(3) of the Code. The acts of such delegates shall be treated hereunder as acts of the Board and such delegates shall report regularly to the Board and the Compensation and Development Committee regarding the delegated duties and responsibilities and any Awards so granted.

## SECTION FIVE: GRANT OF AWARDS AND LIMITATION OF NUMBER OF SHARES AWARDED; GENERAL TERMS

### A. Share Limitations.

The Committee may, from time to time, grant Awards to one or more Eligible Employees or Non-Employee Directors, provided that (i) subject to any adjustment pursuant to Section Sixteen H, the aggregate number of Shares available for Awards under this Plan may not exceed 8,000,000 Shares (the "Maximum Limitation"); (ii) Shares tendered with respect to the payment of any Option Price, Shares withheld for any taxes, Shares repurchased by the Company using Option Price proceeds, and all Shares underlying any portion of a SAR or Option that is settled in Shares (regardless of the actual number of net Shares delivered upon exercise) shall count against this Maximum Limitation, (iii) to the extent that an award lapses or the rights of the Participant to whom it was granted terminate, any Shares subject to such Award shall not be counted as having been granted under the Plan and shall not be reduced from the Maximum Limitation; (iv) any Share required to satisfy Substitute Awards shall not count against the Maximum Limitation; and (v) Shares delivered by the Company under the Plan may be authorized but unissued Shares, Shares held in the treasury of the Company or Shares purchased on the open market (including private purchases) in accordance with applicable securities laws. In determining the size of the Awards, the Committee shall assess the performance of the Eligible Employees (which may include continuous service) against criteria to be established by the Committee, from time to time, based on the Company's performance (such as shareholder and customer related factors) and shall take into account a Participant's responsibility level, potential, cash compensation level, and the Fair Market Value of the Common Stock at the time of Awards, as well as such other considerations as it deems appropriate. The maximum number of Shares with respect to which an Award or Awards (other than a Substitute Award) may be granted to any Participant in any single calendar year shall not exceed 500,000 Shares (increased, proportionately, in the event of any stock split or stock dividend with respect to the Shares in accordance with Section Sixteen H). The maximum number of Shares that may be subject to grants of Incentive Stock Options is the Maximum Limitation.

### B. Rights as Shareholder.

Except with respect to an Award of Restricted Stock, a participant or a transferee of a Participant shall have no rights as a shareholder with respect to any Shares covered by an Award until the date the Award is exercised, becomes vested or is settled, as the case may be, except as provided in Section Sixteen A.

### C. Dividend Equivalents.

Subject to the provisions of the Plan and to the extent expressly provided in the applicable Award Agreement, the recipient of an Award other than an Option or SAR may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, Dividend Equivalents with respect to the number of Shares covered by the Award, as determined by the Committee in its sole discretion. The Committee may provide that the Dividend Equivalents (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested and may provide that the Dividend Equivalents are subject to the same vesting or performance conditions as the underlying Award. Notwithstanding the foregoing, Dividend Equivalents credited in connection with an Award that vests based on the achievement of performance goals shall be subject to restrictions and risk of forfeiture to the same extent as the Award with respect to which such Dividend Equivalents have been credited.

Solely with respect to Performance Shares granted under Section Ten, and unless otherwise provided in an Award Agreement (i) if the Award Agreement provides for the payment of Dividend Equivalents, such Dividend Equivalents will be equal to the dividends paid during the entire Award Period for which the Performance Shares relate and not just that period of time after the Performance Shares were granted and (ii) at the end of an Award Period and provided the Performance Shares have not been forfeited in accordance with the terms of this Plan, the Participant shall be paid in a lump sum cash payment, or, if specified by the Committee, in an equivalent number of Shares based on the value of the Performance Shares otherwise vesting as of the payment date, the aggregate amount of such hypothetical dividend equivalents.

## **SECTION SIX. ELIGIBILITY**

Eligible Employees and Non-Employee Directors of the Company and its Subsidiaries (including officers or salaried full-time employees who are members of the Board) shall be eligible to receive Awards. Subject to the provisions of the Plan, the Committee shall from time to time select from such eligible persons those to whom Awards shall be granted and determine the amount of such Awards. In no event shall the existence of this Plan create an obligation or duty of the Committee or the Company to grant an Award to any person under this Plan.

## **SECTION SEVEN. RESTRICTED STOCK AND RESTRICTED STOCK UNITS**

### **A. Grant of Restricted Stock.**

The Committee may grant an Award of one or more Shares of Restricted Stock to any Eligible Employee or Non-Employee Director.

A Restricted Stock Award made pursuant to this Section Seven shall be in the form of Shares, restricted as provided herein. The Restricted Stock shall be issued in the name of the Participant and shall, to the extent certificated, bear a restrictive legend or, to the extent uncertificated, contain instructions, prohibiting sale, transfer, pledge or hypothecation of the Restricted Stock until the expiration of the restriction period, or shall be placed in escrow or other custodial arrangements prohibiting such sale, transfer, pledge or hypothecation.

The Committee may also impose such other restriction and conditions on the restricted stock as it deems appropriate.

Upon issuance to the Participant of Restricted Stock, the Participant shall have the right to vote the Restricted Stock.

### **B. Restricted Stock Agreement.**

Each Restricted Stock award shall be evidenced by an Award Agreement between the Company and the Participant containing the terms and conditions as may be determined by the Committee, including, without limitation, provisions relating to the vesting of the Restricted Stock and any special vesting conditions or rights associated with the Award.

### **C. Grant of Restricted Stock Units.**

The Committee may grant an Award of one or more Restricted Stock Units to any Eligible Employee or Non-Employee Director. Such grant of Restricted Stock Units may be made in connection with or separate from a grant of Restricted Stock.

The Company shall establish an account (“RSU Account”) on its books for each Participant who receives a grant of Restricted Stock Units. Restricted Stock Units shall be credited to the Participant RSU Account as of the Date of Grant of such Restricted Stock Units. RSU Accounts shall be maintained for recordkeeping purposes only and the Company shall not be obligated to segregate or set aside assets representing securities or other amounts credited to RSU Accounts. The obligation to make distributions of securities or other amounts credited to RSU Accounts shall be an unfunded, unsecured obligation of the Company.

The Committee may also impose such other restriction and conditions on the Restricted Stock Units as it deems appropriate.

A Participant shall have no voting rights with respect to any Shares underlying the Restricted Stock Units unless and until such time as the Shares underlying the RSUs are issued.

Except as otherwise provided in an Award Agreement, whenever dividends are paid or distributions are made with respect to Shares, Dividend Equivalents shall be credited to RSU Accounts on all Restricted Stock Units credited thereto, as of the record date for such dividend or distribution. Such Dividend Equivalents shall be credited to the RSU Account either (i) in the form of additional Restricted Stock Units (in a number determined by dividing the aggregate value of such Dividend Equivalents by the Fair Market Value of a Share at the payment date of such dividend or distribution) or (ii) deferred cash. Any additional RSUs or deferred cash amounts shall be subject to the same restrictions and other terms as apply to the RSUs with respect to which such Dividend Equivalents are credited and in no event will the payment of such property or deferred cash be made before the underlying RSUs are payable.

The Company shall settle an RSU Account by delivering to the holder thereof (which may be the Participant or his or her beneficiary, as applicable) either (i) if settled through the issuance of Shares, a number of Shares equal to the whole number of Shares underlying the Restricted Stock Units then credited to the Participant RSU Account (or a specified portion in the event of any partial settlement); provided that any fractional Shares underlying Restricted Stock Units remaining in the RSU Account on the settlement date shall be distributed in cash in an amount equal to the Fair Market Value of a Share as of the settlement date multiplied by the remaining fractional Restricted Stock Unit, or (ii) if settled through a payment of cash, a payment in an amount equal to the Fair Market Value of the Restricted Stock Units then credited to the Participant RSU Account and then eligible to be settled (or a specified portion in the event of any partial settlement). Subject to any deferral election made by the Participant, the “settlement date” for all Restricted Stock Units credited to the Participant's RSU Account and that otherwise have not been forfeited shall be when restrictions applicable to an Award of Restricted Stock Units have lapsed in accordance with the terms of the Award Agreement; provided, however, to the extent an RSU is subject to Code Section 409A, no settlement shall be made on account of a disability unless such disability meets the definition of “disability” as defined in Code Section 409A(a)(2)(C)(i)), and no settlement shall be made on account of a retirement or termination of employment unless such retirement or termination of employment constitutes a “separation from service” (as provided in Code Section 409A(a)(2)(A)(i)).

**D. Restricted Stock Unit Agreement.**

Each Restricted Stock Unit award shall be evidenced by an Award Agreement between the Company and the Participant containing the terms and conditions as may be determined by the Committee, including, without limitations, provisions relating to the vesting of the Restricted Stock Units and any special vesting conditions or rights associated with the Award.

**E. Restriction Period.**

At the time Restricted Stock or Restricted Stock Units are granted, the Committee shall establish a restriction period applicable to such Award which shall not be less than one year nor more than ten years. The restriction period and the restrictions imposed may be based on the achievement of specific performance goals, time-based restrictions following the achievement of specific performance goals, restrictions based on the occurrence of a specified event, and/or restrictions under applicable securities laws. Each Restricted Stock Award or Restricted Stock Unit Award may have a different restriction period or a different type of restrictions at the discretion of the Committee. Except with respect to Restricted Stock Awards or Restricted Stock Unit Awards made to new hires or in connection with other special one-time circumstances, any time-based restrictions (other than time-based restrictions following the achievement of specific performance goals) shall remain in effect (in whole or in part) at least until the first anniversary of the Date of Grant; provided, however, in the event of a Participant's death, Disability, retirement, or a termination of employment following a Change in Control, all or a portion of the Award may become fully vested as is provided for (i) in this Plan, (ii) in an Award Agreement or (iii) by a determination of the Committee. In the case of Restricted Stock or RSUs awarded based on performance in a performance period, the performance period will not be less than one year.

**F. Forfeiture.**

Except as otherwise provided for in this Plan or the Award Agreement or determined by the Committee, upon the termination of employment of a Participant holding Restricted Stock or RSUs for any reason during the period of time in which some or all of the Shares are subject to restrictions, all Shares of Restricted Stock and all RSUs held by the Participant and still subject to restriction will be forfeited by the Participant and, in the case of Shares of Restricted Stock, reacquired by the Company; provided that in the event of a Participant's retirement, Disability, death, or in cases of special circumstances, the Committee may, in its discretion, waive in whole or in part any or all of the remaining restrictions or conditions with respect to the Participant's Shares of Restricted Stock or RSUs.

**G. Payout of Award.**

Upon completion of the restriction period and satisfaction of any other restrictions required by the Award, all restrictions on the Restricted Stock and RSUs will expire and, in the case of Restricted Stock, all applicable restrictions thereon will be removed and, in the case of Restricted Stock Units, the underlying Shares will be issued to the Participant.

**SECTION EIGHT. STOCK OPTIONS**

**A. Grant of Option.**

The Committee may grant an Award of one or more Options to any Eligible Employee or Non-Employee Director.

**B. Stock Option Agreement.**

Each Option granted under the Plan shall be evidenced by an Award Agreement between the Company and the Participant containing such terms and conditions as may be determined by the Committee, including, without limitations, provisions to qualify Incentive Stock Options as such under Section 422 of the Code; provided, however, that each Stock Option shall be subject to the following terms and conditions: (i) the Options are exercisable either in total or in part with a partial exercise

not affecting the exercisability of the balance of the Option; (ii) every Share purchased through the exercise of an Option shall be paid for in full at the time of the exercise; (iii) each Option shall cease to be exercisable, as to any Share, at the earliest of (a) the Participant's purchase of the Shares to which the Option relates, or (b) the lapse of the Option; and (iv) Options shall not be transferable by the Participant other than by will or the laws of descent and distribution or, if permitted by the Company, pursuant to a domestic relations order validly issued and approved by a court of proper jurisdiction. Non-Employee Directors shall be ineligible to receive Incentive Stock Options. Except with respect to Option Awards made to new hires or in connection with other special one-time circumstances, in no event shall an Option that is subject to a time-based minimum exercise or vesting schedule (other than a time-based exercise or vesting schedule following the achievement of specific performance goals) be fully exercisable/vested earlier than the first anniversary of the Date of Grant; provided, however, in the event of a Participant's death, Disability, retirement, or a termination of employment following a Change in Control, all or a portion of the Award may become fully exercisable/vested as is provided for (i) in this Plan, (ii) in an Award Agreement or (iii) by a determination of the Committee.

**C. Option Price.**

The Option Price per Share shall be set by the grant, but, except with respect to the issuance of a Substitute Award, shall not be less than 100 percent of the Fair Market Value at the Date of Grant.

**D. Form of Payment.**

At the time of an exercise of an Option, the Option Price shall be payable in any manner allowed under applicable law and as permitted by the Committee, including, but not limited to:

- (i) Cash or certified bank check;
- (ii) By delivery to the Company Shares then owned by the Participant, the Fair Market Value of which equals the purchase price of the Shares purchased pursuant to the Option, properly authorized or endorsed for transfer to the Company; provided, however, that Shares used for this purpose must have been held by the Holder for such minimum period of time as may be established from time to time by the Committee; and provided further that the Fair Market Value of any Shares delivered in payment of the purchase price upon exercise of the Options shall be the Fair Market Value as of the exercise date, which shall be the date of delivery of the Shares used as payment of the Option Price;

In lieu of actually surrendering to the Company the Shares then owned by the Participant, the Committee may, in its discretion permit the Participant to submit to the Company a statement affirming ownership by the Participant of such number of Shares and request that such Shares, although not actually surrendered, be deemed to have been surrendered by the Participant as payment of the exercise price;

- (iii) For any Participant other than an Executive Officer or except as otherwise prohibited by the Committee, by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board;
- (iv) By a "net exercise" arrangement pursuant to which the Company will not require a payment of the Option Price but will reduce the number of Shares issued upon the exercise by the largest number of whole Shares that has a Fair Market Value on the date of exercise that does not exceed the aggregate Option Price. With respect to any remaining balance of the aggregate Option Price, the Company will accept a cash payment from the Participant; or

(v) Any combination of the consideration provided in the foregoing subsections (i), (ii), (iii) and (iv).

**E. Other Terms and Conditions.**

Each Option shall become exercisable in such manner and within such Option Period or periods not to exceed ten years from its Date of Grant, as set forth in the Stock Option Agreement.

**F. Lapse of Option.**

An Option will lapse upon the first occurrence of one of the following circumstances: (i) ten years from the Date of Grant; (ii) three months following the Participant's retirement (as retirement is defined in the Award Agreement or other policy of the Company and, in the absence of any such definition, retirement shall be the Participant's Date of Retirement); (iii) at the time of a Participant's Termination (other than in connection with a Change in Control as provided in Section Fourteen); (iv) at the expiration of the Option Period set by the grant; or (v) twelve months from the Date of Disability. If, however, the Participant dies within the Option Period and prior to the lapse of the Option, the Option shall lapse unless it is exercised within the Option Period or twelve months from the date of the Participant's death, whichever is earlier, by the Participant's legal representative or representatives or by the person or persons entitled to do so under the Participant's will or, if the Participant shall fail to make testamentary disposition of such Option or shall die intestate, by the person or persons entitled to receive said Option under the applicable laws of descent and distribution.

**G. Early Disposition of Common Stock.**

If a Participant shall engage in a disqualifying disposition (as such term or successor term is then used under the Code) with respect to any Shares purchased pursuant to an Incentive Stock Option (presently within one year from the date the Shares were acquired or within two years from the Date of Grant of the Option), then, to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it under the circumstances, the Participant shall, within ten days of such disposition, notify the Company of the dates of acquisition and disposition of such Shares, the number of Shares so disposed and the consideration, if any, received therefore.

**H. Individual Dollar Limitations.**

The aggregate Fair Market Value (determined at the time of Award) of the Shares, with respect to which an Incentive Stock Option is exercisable for the first time by a Participant during any calendar year (whether under this Plan or another plan or arrangement of the Company) shall not exceed \$100,000 (or such other limit as may be in effect under the Code on the date of Award). In the event the foregoing results in a portion of an Option designated as an Incentive Stock Option exceeding the \$100,000 limitation, only such excess shall be treated as a non-qualified stock option.

**I. No Obligation to Exercise Option.**

The granting of an Option shall impose no obligation on the Participant to exercise such Option.

**J. No Repricing of Options Unless Repricing Subject to Shareholder Approval.**

In no event may the Committee, without shareholder approval (i) amend an Option to reduce its Option Price, (ii) cancel an Option and regrant an Option with an Option Price lower than the original Option Price of the cancelled Option, (iii) cancel an Option in exchange for cash or another Award, or (iv) take any other action (whether in the form of an amendment, cancellation, or replacement grant) that has the effect of "repricing" an Option, as defined under the rules of the established stock

exchange or quotation system on which the Shares are then listed or traded if such stock exchange's or quotation system's rules define what constitutes a repricing shareholder.

## **SECTION NINE. STOCK APPRECIATION RIGHTS**

### **A. Grant of Stock Appreciation Rights.**

The Committee, at any time and from time to time, may grant SARs to any Eligible Employee or Non-Employee Director either alone or in addition to other Awards granted under the Plan. The Committee may impose such conditions or restrictions on the exercise of any SAR as it shall deem appropriate. In no event may the compensation payable under a SAR be greater than the excess of the Fair Market Value of the Share on the date the SAR is exercised over the Fair Market Value of the Share on the date of grant of the SAR. The SAR shall not include any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the SAR.

### **B. SAR Agreements.**

Each SAR shall be evidenced by an Award Agreement in such form as the Committee may approve, which shall contain such terms and conditions not inconsistent with the provisions of the Plan as shall be determined from time to time by the Committee. Unless otherwise provided in the Award Agreement no SAR grant shall have a term of more than ten (10) years from the date of grant of the SAR. Except with respect to SAR Awards made to new hires or in connection with other special one-time circumstances, in no event shall a SAR that is subject to a time-based minimum exercise or vesting schedule (other than a time-based exercise or vesting schedule following the achievement of specific performance goals) be fully exercisable/vested earlier than the first anniversary of the Date of Grant; provided, however, in the event of a Participant's death, Disability, retirement, or a termination of employment following a Change in Control, all or a portion of the Award may become fully exercisable/vested as is provided for (i) in this Plan, (ii) in an Award Agreement or (iii) by a determination of the Committee.

### **C. Strike Price.**

The Strike Price of a SAR shall be determined by the Committee in its sole discretion; provided that, except with respect to a Substitute Award, the Strike Price shall not be less than 100 percent of the Fair Market Value of a Share on the Date of Grant of the SAR.

### **D. Exercise and Payment.**

Except as may otherwise be provided by the Committee in an Award Agreement, SARs shall be exercised by the delivery of a written notice to the Company, setting forth the number of Shares with respect to which the SAR is to be exercised. Payments made in connection with the exercise of a SAR shall be made on or as soon as administratively practicable following the exercise date. Any payment by the Company in respect of a SAR may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

### **E. No Repricing of SARs Unless Repricing Subject to Shareholder Approval.**

In no event may the Committee, without shareholder approval (i) amend a SAR to reduce its Strike Price, (ii) cancel a SAR and regrant a SAR with an Strike Price lower than the original Strike Price of the cancelled SAR, (iii) cancel a SAR in exchange for cash or another Award, or (iv) take any other action (whether in the form of an amendment, cancellation, or replacement grant) that has the effect of "repricing" a SAR, as defined under the rules of the established stock exchange or quotation

system on which the Shares are then listed or traded if such stock exchange's or quotation system's rules define what constitutes a repricing.

## **SECTION TEN. PERFORMANCE SHARES**

### **A. Grant of Performance Shares.**

The Committee may grant an Award of one or more Performance Shares to any Eligible Employee or Non-Employee Director.

A Performance Share is the right to receive a payment from the Company with respect to such Performance Share subject to satisfaction of such terms and conditions as the Committee may determine. Performance Shares shall be credited to a Performance Share account to be maintained for each Participant. Each Performance Share shall be deemed to be equivalent of one Share. Unless specifically provided in an Award Agreement, the Award of Performance Shares under the Plan shall not entitle the participant to any interest in or to any dividend, voting, or other rights of a shareholder of the Company.

A grant of Performance Shares may be made by the Committee during the term of the Plan, even if the applicable Award Period extends beyond the term of the Plan.

The Participant shall be entitled to receive payment for each Performance Share of an amount based on the achievement of performance measures for such Award Period as determined by the Committee. During or before the Award Period, the Committee shall have the right to establish requirements or other criteria for measuring such performance.

### **B. Performance Share Agreement.**

Each Performance Share shall be evidenced by an Award Agreement in such form as the Committee may approve, which shall contain such terms and conditions not inconsistent with the provisions of the Plan as shall be determined from time to time by the Committee.

### **C. Form and Timing of Payment.**

Unless a Performance Share Award Agreement is specifically amended to comply with the conditions under Code Section 409A to avoid the additive income taxes imposed thereunder, any payment relating to Performance Shares shall be made as soon as practicable following the end of the Award Period but in no event will any payment relating to Performance Shares be made later than the last day of the applicable 2 ½ month period set forth in Treasury Regulations § 1.409A-1(a)(4).

The payment to which a Participant shall be entitled at the end of an Award Period shall be a dollar amount equal to the number of Performance Shares earned, multiplied by the Fair Market Value of a Share on the payment date. Payment shall normally be made in Shares. The Committee, however, in its sole discretion, may authorize payment in such combinations of cash and Shares or all in cash as it deems appropriate.

### **D. Forfeiture.**

Except as provided in Section Fourteen (Change in Control) or in special circumstances as otherwise determined by the Committee including, without limitation, a Participant's retirement, Disability or death, (i) upon the termination of employment of a Participant holding Performance Shares for any reason before some or all of the Performance Shares have been paid, all Performance Shares (other than any vested Performance Shares for which a valid deferral election has been made and which

are scheduled to be paid in the future) which have not been paid will be forfeited by the Participant. In special circumstances as otherwise determined by the Committee including, without limitation, the Participant's retirement, Disability or death, the Committee may, in its sole discretion, (i) accelerate payment with respect to some or all of the Performance Shares, (ii) provide that the payout of any Performance Shares will be prorated for service during the Award Period and paid at the end of the Award Period, or (iii) provide that a Participant is entitled to a full payout (or less than full payout) at the end of the Award Period of all Performance Shares based on the level of achievement of the established performance goals.

## **SECTION ELEVEN. BONUS SHARES AND OTHER STOCK-BASED AWARDS**

### **A. Grant of Bonus Shares and Other Stock-Based Awards.**

Subject to the terms of the Plan, the Committee may grant Bonus Shares to any Eligible Employee or Non-Employee Director, in such amount and upon such terms and at any time and from time to time as shall be determined by the Committee. Subject to the terms of the Plan, the Committee may also grant to an Eligible Employee or Non-Employee Director, in such amount and upon such terms and at any time and from time to time as shall be determined by the Committee any Other Stock-Based Award.

### **B. Award Agreement.**

A Bonus Share Award may be evidenced by an Award Agreement or other form of communication as the Committee may approve. An Other Stock-Based Award shall be evidenced by an Award Agreement in such form as the Committee may approve, which shall contain such terms and conditions not inconsistent with the provisions of the Plan as shall be determined from time to time by the Committee.

## **SECTION TWELVE. PERFORMANCE AWARDS; SECTION 162(M) PROVISIONS.**

### **A. Terms of Performance Awards.**

The Committee may grant one or more Performance Awards to any Eligible Employee or Non-Employee Director.

Except as provided in Section Fourteen (Change in Control), Performance Awards will be issued or granted, or become vested or payable, only after the end of the relevant Award Period. The established performance goals for each Award Period and the amount payable upon satisfaction of those performance goals shall be conclusively determined by the Committee. When the Committee determines whether a performance goal has been satisfied for any Award Period, the Committee may make such determination using calculations which include or exclude an event or transaction that is either of an unusual nature or of a type that indicates infrequency of occurrence (under generally accepted accounting principles (United States) ("GAAP") and as described in Financial Accounting Standards Board Accounting Standards Subtopic 225-20 (or any successor provision) or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report on Form 10-K for the applicable fiscal year). The Committee also may establish performance goals that are determined using GAAP or other non-GAAP financial measures and may include or exclude mark-to-market gains and losses on energy contracts, any unusual or non-recurring items, including the charges or costs associated with restructurings of the Company, discontinued operations, and the cumulative effects of accounting changes and, further, may take into account changes in applicable tax laws or accounting principles or such other items and factors as the Committee may determine reasonable and appropriate under the circumstances

(including any factors that could result in the Company's paying non-deductible compensation to an Employee or Non-Employee Director).

**B. Performance Goals.**

If an Award is subject to this Section Twelve, then the lapsing of restrictions thereon, or the vesting thereof, and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee which shall be based on the attainment of one or any combination of the following metrics (the "Performance Measures") (which may be calculated on a GAAP or non-GAAP basis), which may be established on an absolute or relative basis for the Company as a whole or any of its subsidiaries, operating divisions or other operating units, and which may be measured in the aggregate or on a per Share basis:

1. Earnings measures, including net earnings on either a LIFO, FIFO or other basis;
2. Operating measures, including operating income, operating earnings, operating margin, funds from operations and operating measures determined on an absolute basis or relative to another Performance Measure such as total adjusted debt;
3. Income or loss measures, including net income or net loss;
4. Cash flow measures, including cash flow or free cash flow and measures based on all operations or a designated segment of operations;
5. Revenue measures;
6. Measures based on expense levels, including measures determined either on a Company-wide basis or in respect of any one or more subsidiaries or business units;
7. Operating and maintenance cost management and employee productivity measures, including measures based on an Equivalent Availability Factor (EAF) for coal and nuclear divisions;
8. Return measures, including shareholder return, return on assets, investments, equity, or sales, and whether determined on an absolute basis or relative to another performance measure or industry peer group (e.g., Edison Electric Institute (EEI) index);
9. Growth or rate of growth in any of the Performance Measures set forth herein;
10. Share price (including attainment of a specified per-share price during the Award Period; growth measures and total shareholder return or attainment by the Shares of a specified price for a specified period of time);
11. Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market share, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, and cost targets;
12. Accomplishment of, or goals related to, mergers, acquisitions, divestitures, dispositions, public offerings or similar extraordinary business transactions;
13. Achievement of business or operational goals such as market share and/or business development and/or customer objectives;

14. Achievement of goals based on or related to average funds from operations or ratios of funds from operations to total adjusted debt;
15. Achievement of credit ratings or certain credit quality levels; and/or
16. Achievement of goals based on or related to safety audits, customer satisfaction results, indices or surveys, non-fuel O&M, System Average Interruption Duration Index "SAIDI", System Average Interruption Frequency Index "SAIFI" or Days Away, Restricted or Transferred "DART";

provided that applicable Performance Measures may be applied on a pre- or post-tax basis; and provided further that the Committee may, when the applicable Performance Measures are established, provide that the formula for such Performance Measures may include or exclude items to measure specific objectives, including but not limited to losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts, mark-to-market gains and losses from energy contracts, and any unusual, nonrecurring gain or loss. In addition to the foregoing Performance Measures, the Performance Measures shall also include any performance goals which are set forth in a Company bonus or incentive plan, if any, which has been approved by the Company's shareholders, which are incorporated herein by reference. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Code Section 162(m).

**C. Adjustments.**

Except as provided in Section Sixteen H (Changes in Capital Structure) and Section Fourteen (Change in Control) or as provided for in the immediately following sentence, with respect to any Award that is subject to this Section Twelve, the Committee may not adjust upwards the amount payable pursuant to such Award, nor may it waive the achievement of the applicable performance goals except in the case of the death or Disability of the Participant. The Committee may, at the time it initially establishes one or more Performance Measures, provide that the amount payable upon achievement of such Performance Measures may be increased in the discretion of the Committee or that the achievement of the applicable Performance Measures may be waived. If the Committee does not specifically provide for such flexibility at the time it establishes a Performance Measures, the Committee will not be permitted to adjust upwards the amount payable pursuant to the Award nor waive the achievement of the applicable Performance Measures except in the case of the death or Disability of the Participant or a Change in Control.

**D. Other Code Section 162(m) Restrictions.**

Notwithstanding any other provision of this Plan, if the Committee determines at the time any Award is granted to a Participant that such Participant is, or is likely to be at the time he or she recognizes income for federal income tax purposes in connection with such Award, a Covered Employee, then the Committee shall have the power to impose such other restrictions on the Awards subject to this Section Twelve as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Code Section 162(m)(4)(B).

## **SECTION THIRTEEN. DIRECTOR SHARES AND DIRECTOR DEFERRED SHARE UNITS**

### **A. Election to Receive Award of Director Shares or Director Deferred Share Units.**

Each Non-Employee Director may elect to have his/her Director Equity Payment Fees (i) paid on a current basis in the form of Director Shares, or, pursuant to this Section Thirteen, on a deferred basis. Any election to have Director Equity Payment Fees converted into Director Deferred Share Units and paid on a deferred basis shall be made in accordance with Section Thirteen B below. In the absence of any election made by a Non-Employee Director, all Director Equity Payment Fees will be paid on a current basis through the issuance of Director Shares.

### **B. Timing of Election to Convert Director Equity Payment Fees.**

Each Non-Employee Director that desires to convert all or a portion of his or her Director Equity Payment Fees into Director Deferred Share Units shall make such conversion election on the Director's "Deferred Equity Payment Election Form" (the "Election Form") and file such Election Form with the Plan Administrator before the first day of the calendar year in which services related to the Director Equity Payment Fees to be converted and deferred are to be performed. Such Election Form shall remain in effect for subsequent calendar years until a written notice to revise the Election Form is delivered to the Plan Administrator before the first day of the calendar year in which the services related to the Director Equity Payment Fees subject to the revision are performed. As of each December 31, the election becomes irrevocable with respect to Director Equity Payment Fees payable with respect to services performed in the immediately following calendar year.

Subject to the rules in Treasury Regulation § 1.409A-2(a)(7) relating to whether a service provider has previously been eligible to participate in the same type of nonqualified deferred compensation arrangement as described in this Section Thirteen, notwithstanding the preceding paragraph, an election made by an individual in the calendar year in which he or she first becomes a Non-Employee Director may be made pursuant to an Election Form delivered to the Company within thirty (30) days after the date on which he or she becomes a Non-Employee Director and shall be effective with respect to Director Equity Payment Fees earned from and after the date such Election Form is delivered to the Company.

### **C. Director Equity Payment Fees Conversion Into Director Deferred Share Units.**

Any Director Equity Payment Fees that are to be converted into Director Deferred Share Units shall be so converted on each day the Director Equity Payment Fees would otherwise have been payable to the Director. The number of Director Deferred Share Units to be granted to a Non-Employee Director shall be equal to the number of Shares that otherwise would have been payable on such day to the Director.

### **D. Director Deferred Share Units Account.**

The Company will create and maintain on its books a Director Deferred Share Unit Account for each Non-Employee Director who has made an election to convert Director Equity Payment Fees into Director Deferred Share Units. The Company will credit to such account the number of Director Deferred Share Units earned pursuant to the Non-Employee's Director's conversion election.

**E. Dividends.**

As of the date any dividend is paid to holders of Shares, each Director Deferred Share Unit Account, regardless of whether the Non-Employee Director is then a Director, will be credited with additional Director Deferred Share Units equal to the number of Shares that could have been purchased with the amount which would have been paid as dividends on a number of Shares (including fractions of a share to three decimals) equal to the number of Director Deferred Share Units credited to such Director Deferred Share Unit Account as of the record date applicable to such dividend. The number of additional Director Deferred Share Units to be credited will be calculated to three decimals by dividing the amount which would have been paid as dividends by the Fair Market Value of one Share as of the applicable dividend payment date. In the case of dividends paid in property other than cash, the amount of the dividend shall be deemed to be the fair market value of the property at the time of the payment of the dividend, as determined in good faith by the Committee.

**F. Distribution of Director Deferred Share Units Credited on or After January 1, 2014.**

1. *Distribution Timing.* Distribution of a Director's Director Deferred Share Units credited to the Director's Director Deferred Share Unit Account will be made or commence on the January 31st next following the date of the Non-Employee Director's termination from service as a Director for any reason.
2. *Termination (Other Than Death).* Distribution of amounts payable to a Non-Employee Director upon termination from service as a Director (other than by reason of death), shall be made in a single lump sum or in substantially equal annual installments over a fixed period of 5 or 10 years, as elected by the Non-Employee Director. The entitlement to a series of installment payments will be deemed as the entitlement to a series of separate payments. In the event of installment distributions, each subsequent installment shall be made on the January 31 of the applicable anniversary date of the first installment. If a Non-Employee Director does not make a valid distribution election or fails to elect the form of distribution, then the manner of payment shall be a single lump sum.
3. *Death.* Distribution of amounts payable to a Non-Employee Director upon death will be made to his or her beneficiaries in a single lump sum or in substantially equal annual installments over a fixed period of 5 or 10 years, as elected by the Non-Employee Director. The entitlement to a series of installment payments will be deemed as the entitlement to a series of separate payments. In the event of installment distributions, subsequent installments shall be made on the annual anniversary date of the date of the first installment. If the Non-Employee Director has commenced receiving distributions in installments and dies before completing the receipt of all distributions, the remaining amount in his or her Director Deferred Share Unit Account will be distributed to his or her beneficiary as if the director had not died. If the Non-Employee Director has commenced receiving distributions in installments and dies before completing the receipt of all distributions, and the Non-Employee Director has elected a single lump sum distribution upon death, the remaining amount in his or her Director Deferred Share Unit Account will be distributed in a single lump sum. If a Non-Employee Director does not make a valid distribution election or fails to elect the form of distribution upon death, then the manner of payment shall be the same as upon termination from service as a Director other than by reason of death.
4. *Change In Control.* All Director's Director Deferred Share Units credited to the Director's Director Deferred Share Unit Account will be distributed in a single lump sum upon the date of a change in the ownership or effective control of the Company, or in the ownership

of a substantial portion of the assets of the Company (as defined in Treasury Regulation § 1.409A-3(i)(5)).

5. *Distribution in Kind.* At the time of distribution, a Director's Director Deferred Share Units shall be converted into an equal amount of Shares and all whole Shares shall be distributed, in kind, to the Non-Employee Director, or to his beneficiaries in the event of his death. Any fractional Deferred Share Unit shall be paid in cash, calculated by multiplying the fraction of the Deferred Share Unit by the Fair Market Value of the Shares as of the business day immediately preceding the date of distribution.
6. *Distribution Elections.* The Election Form under Section Thirteen B above by which a Non-Employee Director elects to convert his or her Director Equity Payment Fees into Director Deferred Share Units shall specify whether the Director Deferred Share Units to which the Election Form applies shall be distributed in a single lump sum or in installments upon termination from service as a Director. Any election regarding the form of distribution will remain in effect for subsequent calendar years until a written notice to revise the Election Form is delivered to the Plan Administrator. Any subsequently filed Election Form will be prospective only and must be submitted to the Plan Administrator before the first day of the calendar year in which the services related to the Director Equity Payment Fees subject to the revised Election Form are performed. As of each December 31, the election becomes irrevocable with respect to Director Equity Payment Fees payable with respect to services performed in the immediately following calendar year. If no election is made with respect to a lump sum or installment distribution upon a Director's termination from service, the Director will be presumed to have elected a lump sum distribution.

**G. Distribution of Director Deferred Share Units Credited Before January 1, 2014.**

On the January 31<sup>st</sup> next following the date the Non-Employee Director's service on the Board terminates for any reason, all of a Director's Director Deferred Share Units credited to the Non-Employee's Director Deferred Share Unit Account shall be converted into an equal amount of Shares and all whole Shares shall be distributed, in kind, to the Non-Employee Director, or to his beneficiaries in the event of his death, in a single lump sum. Any fractional Deferred Share Unit shall be paid in cash, calculated by multiplying the fraction of the Deferred Share Unit by the Fair Market Value of a Share as of the date of distribution.

**H. Subsequent Deferral Elections.**

A Non-Employee Director shall be entitled to change the time and form of distribution under Sections Thirteen F. and G., except in the event of a change in control under Section Thirteen F.4., if:

1. Such election does not take effect until at least 12 months after the date on which the election is made; and
2. Any election related to a payment, other than in the case of death, defers payment for a period of at least five years from the date such payment would otherwise have been made but for such subsequent deferral election.

A Non-Employee Director may only choose a form of distribution permitted under Section Thirteen. For the avoidance of doubt, (i) no subsequent deferral election made within the 12 month period ending on the date of a Non-Employee Director's termination of service shall be effective and (ii) upon a Non-Employee Director's termination of service, no additional subsequent deferral elections may be made.

**I. Separately Identifiable Amounts.**

Director Deferred Share Units deferred in separate calendar years after December 31, 2013, and Director Deferred Share Units deferred in calendar years before January 1, 2014, will be treated as separately identifiable amounts. A Non-Employee Director may change the time and form of payment with respect to each separately identifiable amount.

**J. Director Deferred Share Unit Status.**

Except for purposes of the Company's Director Stock Ownership guidelines, Director Deferred Share Units are not, and do not constitute, Shares, and no right as holder of Shares devolves upon a Non-Employee Director by reason of having Director Share Units credited to his or her account.

**SECTION FOURTEEN. CHANGE IN CONTROL**

Except where the Committee expressly provides otherwise that no accelerated vesting or exercisability shall occur in connection with a termination following a Change in Control, in the event that, within the period commencing on a Change in Control (as defined below) of the Company and ending on the second anniversary of the Change in Control, a Participant's employment with the Company or one of its affiliates is terminated other than for Cause, or the Participant voluntarily resigns for Good Reason, then (i) all Stock Options and SARs then outstanding shall become fully exercisable; (ii) all restrictions (other than restrictions imposed by law) and conditions of all Restricted Stock Awards, Restricted Stock Unit Awards and Other Stock-Based Awards then outstanding shall be deemed satisfied as of the date of the Participant's termination of employment; and (iii) all Performance Share Awards shall be deemed to have been fully earned at target as of the date of the Participant's termination of employment, subject to the limitation that any Award which has been outstanding less than the six month anniversary of the Award's Date of Grant on the date of the Participant's termination of employment shall not be afforded such treatment.

For purposes of this Plan, a "Change in Control" means the occurrence of one of the following events, whether in a single transaction or a series of related transactions:

1. any Person (as such term is defined in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the Beneficial Owner (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing 35 percent or more of either the then outstanding Shares of the Company or the combined voting power of the Company's then outstanding securities; or
2. the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved; or
3. the consummation of a merger, consolidation, reorganization or similar corporate transaction of the Company, whether or not the Company is the surviving corporation in such transaction,

other than (A) a merger, consolidation, or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 60 percent of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger, consolidation or reorganization, or (B) a merger, consolidation or reorganization effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing 20 percent or more of either the then outstanding Shares of the Company or the combined voting power of the Company's then outstanding securities; or

4. the occurrence of, or the shareholders of the Company approve a Plan of, a complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition of all or substantially all of the Company's assets to an entity, at least 60 percent of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, no "Change in Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

#### **SECTION FIFTEEN. AMENDMENT OF PLAN**

The Board may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part, except (i) no such action may be taken without shareholder approval which increases the number of Shares which may be issued pursuant to the Plan (except as provided in Section Sixteen H (Changes in Capital Structure)), extends the period for granting Incentive Stock Options under the Plan, modifies the requirements as to eligibility for participation in the Plan, or requires shareholder approval under any law or regulation in effect at the time such amendment is proposed for adoption; (ii) no such action may be taken without the consent of the Participant to whom any Award shall theretofore have been granted, which materially and adversely affects the rights of such Participant concerning such Award, except as such termination or amendment of the Plan is required by statute, or rules and regulations promulgated thereunder; and (iii) no such action may be taken if the proposed amendment must be in the discretion of the Committee to comply with the disinterested administration requirements of Rule 16b-3 under the Exchange Act.

#### **SECTION SIXTEEN. MISCELLANEOUS PROVISIONS**

##### **A. Dividends.**

The recipient of an Award may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, dividends or their equivalents, with respect to the number of Shares covered by the Award and subject to the terms and conditions of the Plan and any applicable Award Agreement.

**B. Nontransferability.**

No benefit provided under this Plan shall be subject to alienation or assignment by a Participant (or by any person entitled to such benefit pursuant to the terms of this Plan), nor shall it be subject to attachment or other legal process of whatever nature. Any attempted alienation, assignment or attachment shall be void and of no effect whatsoever. Notwithstanding the above, Stock Options (other than Incentive Stock Options) may be transferred as provided in any Stock Option Agreement.

Payment shall be made to the Participant entitled to receive the same or to the Participant's authorized legal representative. Deposit of any sum in any financial institution to the credit of any Participant (or of a person entitled to such sum pursuant to the terms of this Plan) shall constitute payment to that Participant (or such person).

**C. No Employment Right.**

Neither this Plan, any Award Agreement nor any action taken hereunder shall be construed as giving any right to be retained as an officer or Employee of the Company or any of its Subsidiaries.

**D. Tax Withholding.**

The Company shall be authorized to withhold under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other actions as may be necessary in the opinion of the Company to satisfy all obligations for the payment of taxes.

The Committee in its sole discretion may provide that when taxes are to be withheld in connection with the exercise of an Option or an SAR, or upon the lapse of restrictions on an Award, or upon payment of Performance Shares or any other benefit or right under this Plan (the Exercise Date, date such restrictions lapse or the date of such payment of Performance Shares or any other benefit or right occurs hereinafter referred to as the "Tax Date"), the Participant may elect to make payment for the withholding of federal, state and local taxes, including Social Security and Medicare ("FICA") taxes by one or a combination of the following methods:

- (i) payment of an amount in cash equal to the amount to be withheld;
- (ii) requesting the Company to withhold from those Shares that would otherwise be received upon exercise of the Option or the SAR payable in Shares, or upon the lapse of restrictions on an Award or upon payment of Performance Shares or any other benefit or right paid in Shares, a number of Shares having a Fair Market Value on the Tax Date equal to the amount to be withheld; or
- (iii) withholding from any compensation otherwise due to the Participant.

The Committee in its sole discretion may provide that the maximum amount of tax withholding upon exercise of an Option or a SAR payable in Shares, or upon the lapse of restrictions on an Award, or upon payment of Performance Shares or any other benefit or right paid in Shares to be satisfied by withholding Shares pursuant to clause (iii) above shall not exceed the minimum amount of taxes, including FICA taxes, required to be withheld under federal, state and local law. An election by Participant under this subsection is irrevocable. Any fractional Share amount and any additional withholding not paid by the withholding or surrender of Shares must be paid in cash. If no timely election is made, the Participant must deliver cash to satisfy all tax withholding requirements. Notwithstanding the foregoing, the Committee has the continuing authority to require a Participant

to pay withholding taxes in cash regardless of the Participant's prior election to satisfy such withholding taxes in Shares.

Any Grantee who makes a disqualifying disposition (as referenced in Section Eight G, or an election under Section 83(b) of the Code with respect to a Restricted Stock Award shall remit to the Company an amount sufficient to satisfy all resulting tax withholding requirements, if any, in the same manner as set forth above.

**E. Government and Other Regulations.**

The obligation of the Company to make payment of Awards in Common Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by any government agencies as may be required. Except as required by law, the Company shall be under no obligation to register under the Act, any of the Shares issued, delivered or paid in settlement under the Plan. If Common Stock granted under the Plan may in certain circumstances be exempt from registration under the Act, the Company may restrict its transfer in such manner as it deems advisable to ensure such exempt status.

**F. Indemnification.**

Each person who is or at any time serves as a member of the Committee shall be indemnified and held harmless by the Company against and from (i) any loss, cost liability, or expenses that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be a party or in which such person may be involved by reason of any action or failure to act under the Plan; and (ii) any and all amounts paid by such person in satisfaction of judgment in any such action, suit or proceeding relating to the Plan. Each person covered by this indemnification shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Restated Articles of Consolidation or By-Laws of the Company or any of its Subsidiaries, as a matter of law, or otherwise, or any power that the Company may have to indemnify such person or hold such person harmless.

**G. Reliance on Reports.**

Each member of the Committee shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan. In no event shall any person who is or shall have been a member of the Committee be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action taken, including the furnishing of information, or failure to act, if in good faith.

**H. Changes in Capital Structure.**

If, without the receipt of consideration therefore by the Company, the Company shall at any time (i) increase or decrease the number of its outstanding Shares or (ii) change in any way the rights and privileges of such Shares such as, but not limited to, the payment of a stock dividend or any other distribution upon such Shares payable in Stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Shares, such that any adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of (i)

the Shares as to which Awards may be granted under the Plan, and (ii) the Shares then included in each outstanding Award granted hereunder, shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and non-assessable at the time of such occurrence.

If any adjustment or substitution provided for in this Section Sixteen H shall result in the creation of a fractional Share under any Award, such fractional Share shall be rounded to the nearest whole Share and fractional Shares shall not be issued.

In the case of any such substitution or adjustment affecting an Option or an SAR, such substitution or adjustments shall be made in a manner that is in accordance with the substitution and assumption rules set forth in Treasury Regulations 1.424-1 and the applicable guidance relating to Code Section 409A.

**I. Company Successors.**

In the event the Company becomes party to a merger, consolidation, sale of substantially all of its assets or any other corporate reorganization in which the Company will not be the surviving corporation or in which the holders of the Common Stock will receive securities of another corporation, then such Company shall assume the rights and obligations of the Company under this Plan.

**J. Governing Law.**

All matters relating to the Plan or to Awards granted hereunder shall be governed by the laws of the State of Missouri, without regard to the principles of conflict of laws.

**K. Code Section 409A.**

- (i) This Plan and each Award is intended to meet or to be exempt from the requirements of Code Section 409A, and shall be administered, construed, and interpreted in a manner that is in accordance with and in furtherance of such intent. Any provision of this Plan that would cause an Award to fail to satisfy Code Section 409A or, if applicable, an exemption from the requirements of that Section, shall be amended (in a manner that as closely as practicable achieves the original intent of this Plan) to comply with Code Section 409A or any such exemption on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Code Section 409A.
- (ii) If an Award provides for payments or benefits that (i) constitute a “deferral of compensation” within the meaning of Code Section 409A, and (ii) are triggered upon a termination of employment, then to the extent required to comply with Section 409A, the phrases “termination of employment,” “separation from service,” or words and phrases of similar import, shall be interpreted to mean a “separation from service” within the meaning of Code Section 409A.
- (iii) If a Participant was a “specified employee,” then to the extent required in order to comply with Code Section 409A, all payments or benefits paid or provided under any Award that constitute a “deferral of compensation” within the meaning of Code Section 409A, that are provided as a result of a “separation from service” within the meaning of Section 409A and that would otherwise be paid or provided during the first six (6) months following such separation from service shall be accumulated through and paid or provided on the first business day that is more than six (6) months after the date of the separation from service

(or, if the Participant dies during such six (6) month period, within ninety (90) days after the Participant's death).

- (iv) To the extent that any Award is subject to Code Section 409A, any substitution of such Award may only be made if such substitution is made in a manner permitted and compliant with Code Section 409A.
- (v) In no event will the Company or any Subsidiary have any liability to any Participant with respect to any penalty or additional income tax imposed under Code Section 409A even if there is a failure on the part of the Company or Committee to avoid or minimize such Section's penalty or additional income tax.

**L. Relationship to Other Benefits.**

No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing or group insurance plan of the Company or any Subsidiary, except as may be required by Federal law and regulation or to meet other applicable legal requirements.

**M. Expenses.**

The expenses of the Plan shall be borne by the Company and its Subsidiaries if appropriate.

**N. Titles and Headings.**

The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

**O. Clawback.**

Notwithstanding any other provisions in this Plan, any Award which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

## CERTIFICATIONS

I, Terry Bassham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Plains Energy Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ Terry Bassham

Terry Bassham  
Chairman, President and Chief Executive Officer

## CERTIFICATIONS

I, Kevin E. Bryant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Plains Energy Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/Kevin E. Bryant

Kevin E. Bryant  
Senior Vice President - Finance and Strategy and Chief Financial Officer

## CERTIFICATIONS

I, Terry Bassham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kansas City Power & Light Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ Terry Bassham

Terry Bassham  
Chairman, President and Chief Executive Officer

## CERTIFICATIONS

I, Kevin E. Bryant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kansas City Power & Light Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ Kevin E. Bryant

Kevin E. Bryant  
Senior Vice President - Finance and Strategy and Chief Financial Officer

**Certification of CEO and CFO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Great Plains Energy Incorporated (the "Company") for the quarterly period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Terry Bassham, as Chairman, President and Chief Executive Officer of the Company, and Kevin E. Bryant, as Senior Vice President - Finance and Strategy and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terry Bassham

Name: Terry Bassham  
Title: Chairman, President and Chief Executive Officer  
Date: August 4, 2016

/s/ Kevin E. Bryant

Name: Kevin E. Bryant  
Title: Senior Vice President - Finance and Strategy and Chief Financial Officer  
Date: August 4, 2016

**Certification of CEO and CFO Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Kansas City Power & Light Company (the "Company") for the quarterly period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Terry Bassham, as Chairman, President and Chief Executive Officer of the Company, and Kevin E. Bryant, as Senior Vice President - Finance and Strategy and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terry Bassham

Name: Terry Bassham  
Title: Chairman, President and Chief Executive Officer  
Date: August 4, 2016

/s/ Kevin E. Bryant

Name: Kevin E. Bryant  
Title: Senior Vice President - Finance and Strategy and Chief Financial Officer  
Date: August 4, 2016