

GPE, the nonutility subsidiaries listed in Exhibit J ("Exhibit J Subsidiaries"), and any future nonutility subsidiaries request authority to make loans to any such associate company at interest rates and maturities designed to provide a return to the lending company of not less than its effective cost of capital when the borrowing Exhibit J Subsidiary is: (1) Not wholly-owned directly or indirectly by GPE and (2) does not sell goods or services to KCPL.

GPE and, to the extent not exempt pursuant to rule 52, KCP&L, the Exhibit J Subsidiaries, and any future nonutility subsidiaries request authorization to enter into interest rate hedging transactions with respect to existing indebtedness, subject to certain limitations and restrictions, in order to reduce or manage interest rate cost. Interest Rate Hedges would only be entered into with counterparties whose senior debt ratings, or the senior debt ratings of the parent companies of the counterparties, as published by Standard and Poor's Ratings Group, are equal to or greater than BBB, or an equivalent rating from Moody's Investors Service, Fitch, or Duff and Phelps.

B. Guarantees

GPE proposes to enter into guarantees and other forms of support agreements on behalf or for the benefit of any subsidiary during the New Authorization Period in an aggregate principal amount not to exceed \$600 million outstanding at any one time.

Applicants also request authorization for nonutility subsidiaries to provide credit support on behalf and for the benefit of other nonutility subsidiaries in an aggregate principal amount not to exceed \$300 million outstanding at any one time, exclusive of any guarantees and other forms of credit support exempt under rule 45(b)(7) or rule 52(b).

C. Other Requests

Collectively the Applicants request authorization to: (1) Change any wholly owned Exhibit J Subsidiary's capital stock capitalization; (2) acquire, directly or indirectly, the equity securities of one or more corporations, trusts, partnerships or other entities created specifically for the purpose of facilitating the financing of the authorized and exempt activities ("Financing Subsidiaries"); (3) acquire, directly or indirectly through a

nonutility subsidiary, the securities of one or more new intermediate subsidiary companies which may be organized exclusively for the purpose of acquiring, holding and/or financing the acquisition of the securities of or other interest in one or more EWGs, foreign utility companies ("FUCOs"), exempt telecommunications companies, rule 58 companies or other nonutility subsidiaries (as authorized in this proceeding); and finally (4) on behalf of the following specified subsidiaries: GP Power; Innovative Energy Consultants Inc.; Home Service Solutions Inc.; Worry Free Service Inc.; KLT Inc.; KLT Investments II Inc.; KLT Energy Services Inc.; Custom Energy Holdings, LLC; Strategic Energy LLC, KLT Gas Inc.; Apache Canyon Gas LLC; FAR Gas Acquisitions Corporation; Forest City, LLC; Forest City Gathering Company; and Patrick KLT Gas, LLC (collectively, "Specified Subsidiaries") that the Specified Subsidiaries be permitted to pay dividends out of capital and unearned surplus (including revaluation reserve), provided that no Specified Subsidiary at the time of payment derives any material part of its revenues from the sale of goods, services, electricity or natural gas to KCPL.

D. Use of Proceeds

GPE states that the proposed increase in the authorized limit on issuing common stock, short-term and long-term debt securities and other forms of preferred or equity-linked securities will enable it to (1) finance investments and capital expenditures by it and its subsidiaries, (2) to fund future investments in any exempt telecommunications company or energy-related or gas-related company within the meaning of rule 58, (3) to repay, redeem, refund or purchase by it or its subsidiaries of their respective securities, and (4) to finance the working capital requirements of it and its subsidiaries. GPE further states that the proposed increase in the authorized limit will provide additional liquidity to it and the ability to increase its equity to total capitalization ratio, which will strengthen its financial position and enhance its access to the capital markets. GPE does not request authority at this time to invest in EWGs or FUCOs.

More specifically, GPE requests authority to invest, directly or indirectly, up to \$10 million in the aggregate in GP Power to be used for the same types of preliminary project development and administrative activities as described in the preceding paragraph without obtaining further authorization of the Commission;

provided that if GP Power becomes an EWG, investments in GP Power may be made subject to the restrictions of rule 53 under the Act.⁴

E. Financing Parameters

1. Interest Rates on Indebtedness

The interest rate on long-term debt securities (debt securities having maturities of one year or more) issued to non-associate companies pursuant to Commission authorization will not exceed at the time of issuance the greater of (1) 500 basis points of the yield to maturity of a U.S. Treasury security having a remaining term approximately equal to the term of such debt, or (2) competitive market rates for securities of comparable credit quality with similar terms and features. The interest rate on GPE bank lines of credit and short-term debt securities (debt securities having maturities of less than one year) issued to non-associate companies pursuant to Commission authorization will not exceed at the time of issuance the greater of (i) 500 basis points over the comparable term London Interbank Offered Rate ("LIBOR"), or (ii) a gross spread over LIBOR that is consistent with similar securities of comparable credit quality with similar terms and features.

2. Investment Grade Ratings

Apart from securities issued either for intrasystem financings, or by KCPL in the form of commercial paper or short-term bank facilities, no guarantees or other securities, other than common stock, may be issued in reliance upon the authorization granted by the Commission unless (1) the security to be issued, if rated, is rated investment grade; (2) all outstanding securities of the issuer (except in the case of GPE, its preferred stock) that are rated are rated investment grade; and (3) all outstanding securities of GPE (except for GPE's preferred stock) that are rated are rated investment grade. The preferred stock of GPE currently is not rated investment grade. GPE currently has four series of preferred stock outstanding, each of which was originally issued by KCPL. These four series aggregate \$39 million in face amount, or approximately 0.2% of GPE's consolidated capitalization. The below-investment grade rating on the preferred stock is a result of the rating agencies' methodology, which views preferred stock to be structurally subordinated to any debt issued by GPE. It would not be economically efficient

less than 12 months will not be exempt under rule 52(a) since it is not subject to approval by its state regulatory commission; however, KCPL must obtain the authorization of the Missouri Public Service commission for any mortgage or other encumbrance of KCPL franchise, works, or system.

⁴ GPE has invested, directly or indirectly, approximately \$3.3 million in GP Power as of September 30, 2003.