

WOLF CREEK STATION ACCOUNTING MEMORANDUM  
UNIT #1

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This Accounting Memorandum executed December 28, 1981, will implement the KG&E-KCPL Letter Agreement dated January 24, 1973, by and between KANSAS GAS AND ELECTRIC COMPANY ("KG&E") and KANSAS CITY POWER & LIGHT COMPANY ("KCPL"), as adopted by KANSAS ELECTRIC POWER COOPERATIVE, INC. ("KEPCo") by an assignment agreement of even date herewith, under which KG&E, KCPL and KEPCo, as Owners of Wolf Creek Station, will provide for accounting and record keeping related to the construction, operation and maintenance of Wolf Creek Station, including Unit #1.

1. Scope. This Memorandum covers all matters relating to accounting procedures and record keeping pertaining to site acquisition, initial construction and commercial operation of Wolf Creek Station, including Unit #1.

2. Accounting Manual. KG&E will develop and keep all records and perform all accounting for Wolf Creek Station, including Unit #1, required by (i) each Owner to meet its reasonable accounting and statistical requirements, and (ii) all regulatory bodies and taxing authorities having jurisdiction. (Each Owner will be responsible for preparing and filing its required governmental reports.) Such accounting and record keeping shall be performed in accordance with the procedures set forth in the Accounting Manual, Addendum I (to be developed). The Accounting Manual and any amendments thereto may be amended at any time by and upon written approval of the responsible corporate officer of each Owner, provided that such amendments shall be in accordance with the agreed principles set forth in the assignment agreement and the Wolf Creek Ownership Agreement, each of even date herewith.

3. Construction Funds. Funds for site acquisition and the initial construction of Wolf Creek Station, including Unit #1, will be provided by the Owners and settlements thereof made in accordance with the Cash Flow Memorandum of even date herewith.

4. Annual Budgets. For 1983 and each year thereafter KG&E will prepare annual budgets and long-term forecasts for Wolf Creek Station, including Unit #1, of (a) required or desirable capital expenditures for additions, betterments, removals and retirements; (b) anticipated fuel purchases; and (c) operating expenses. Such budgets shall be submitted to the other Owners in advance so that approval and agreement by the Owners can be reached approximately sixty (60) days prior to the beginning of each calendar year.

5. Payments, Billings and Settlements.

(a) All payments, billings and settlements for capital expenditures as contemplated in Section 4(a) hereof and for

purchase of fuel, material and supply inventories at Wolf Creek Station, including Unit #1, will be controlled by the applicable provisions of Sections 3(b) through (e), 4 and 5 of the Cash Flow Memorandum of even date herewith.

(b) Commencing on the date of commercial operation of Wolf Creek Unit #1, substantially all operating expenses (other than the costs of fuel, materials and supplies issued for Wolf Creek Station, including Unit #1, inventories, depreciation and ad valorem taxes) will be incurred and subsequently paid by KG&E as the Operating Agent for Wolf Creek Station. As soon as practicable after the end of each week, KG&E will bill each other Owner for its pro rata share of all such operating and maintenance expenses incurred during the preceding week in accordance with the procedures then agreed in the Accounting Manual. The recipient will pay each such billing to KG&E within three (3) working days after receipt thereof. In the event that another Owner incurs operating expenses previously agreed to by the Owners, the same procedures outlined above are to be followed by the Owners regarding billings and payments among Owners.

6. Cash Working Fund. It is recognized by the Owners that the payment, billing and settlement procedures with respect to operating and maintenance expenses for Wolf Creek Station, including Unit #1, under Subsection 5(b) hereof will result in a time lag between the date of expenditure of funds by KG&E for the accounts of the other Owners and the date of receipt by KG&E of reimbursement therefor and that such time lag will increase KG&E's cash working capital requirements. The increase in KG&E's cash working capital requirements reasonably determined to be attributable to the other Owners will be evaluated and determined annually by the responsible corporate officer of each Owner. Commencing on the date of commercial operation of Wolf Creek Unit #1, the other Owners shall each deliver and maintain on deposit with KG&E as a cash working fund, an amount equal to their pro rata share of the cash working capital requirements determined to be attributable to the respective Owners. Upon termination of this arrangement at any time by mutual agreement of the Owners, KG&E will return to the other Owners the cash working fund so provided by them and then on deposit with KG&E.

7. Fuel, Material and Supply Inventories. Fuel, material and supply inventories for Wolf Creek Station Unit #1 will be owned in proportion to the respective Ownership Shares of the Owners in Unit #1, unless otherwise agreed by the Management Committee, and all payments, billings and settlements for purchase therefor will be in accordance with the provisions of Subsection 5(a) hereof.

8. IRS Election. Each Owner agrees to cooperate with the other Owners of Wolf Creek Station and any portion thereof in the filing of any and all notices, elections or other documents necessary or appropriate to disclaim, disavow or avoid any

taxation of their joint ownership interests in Wolf Creek Station as a separate partnership entity.

KANSAS GAS AND ELECTRIC COMPANY

By William K. Coleman  
President

KANSAS CITY POWER & LIGHT COMPANY

By Arthur J. Doyle  
President

KANSAS ELECTRIC POWER COOPERATIVE;  
INC.

By Charles H. Ellis  
President