

# WOLF CREEK

NUCLEAR OPERATING CORPORATION

Annette F. Stull  
Vice President and Chief Administrative Officer

March 31, 2009

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CO 09-0001

U.S. Nuclear Regulatory Commission  
ATTN: Document Control Desk  
Washington, DC 20555

Subject: Docket No. 50-482: 10 CFR 50.75 Report on Status of Decommissioning Funding

Gentlemen:

Pursuant to 10 CFR 50.75, this letter and enclosures report the status of decommissioning funding for the Wolf Creek Generating Station (WCGS) located near Burlington, Kansas.

## General Information

Wolf Creek Nuclear Operating Corporation (WCNOC) is a jointly owned corporation formed by its owners: Kansas Gas and Electric Company (KGE), a wholly-owned subsidiary of Westar Energy, Inc., Kansas City Power & Light Company (KCPL), a wholly-owned subsidiary of Great Plains Energy Incorporated, and Kansas Electric Power Cooperative, Inc. (KEPCo). WCNOC acts as an agent on behalf of its owners to operate, maintain, repair, decontaminate, and decommission WCGS. While WCNOC holds the operating license for WCGS, its formation has not changed the ownership or ultimate responsibility for the costs (including decommissioning) of WCGS.

## Report Items

Attachment I shows the estimated decommissioning funds required pursuant to 10 CFR 50.75 (b) and (c). Attachment II provides the total value of funds (including net earnings to date) accumulated in each owner's external trust fund as of December 31, 2008. Also reported on Attachment II is a schedule of the annual amounts remaining to be collected and assumptions for rates of cost escalation and earnings on funds. The rate orders which authorize collection of these amounts are based on a 2005 site specific study for WCGS, which assumes demolition of all structures at the plant site. Approximately 84% of the study's total estimated costs are for work scopes considered in the minimum decommissioning cost formulas in 10 CFR 50.75 (b) and (c). WCNOC commissioned an updated site specific WCGS decommissioning cost study in 2008, but state commissions have not yet issued new rate orders reflecting results of the 2008 cost study.

There have been no modifications to the method for providing financial assurance since the last submitted report. Each owner has an external trust fund that it maintains to provide for its share of WCGS decommissioning costs, and is making regular contributions from amounts collected in electric rates approved by their state commissions and the Federal Energy Regulatory Commission. Each owner's schedule of contributions under Kansas Corporation Commission (KCC) jurisdiction is based on a 60 year plant life for WCGS with the renewed Facility Operating License scheduled to expire in 2045. KCPL's schedule of contributions under Missouri Public Service Commission (MPSC) jurisdiction is also based on a 60 year plant life.

During research in preparing this submittal it was discovered that the trust agreement for KGE that was submitted by letter CT 05-0022, dated March 30, 2005, was not the correct revision. A copy of KGE's trust agreement, as amended and restated October 29, 2003, is enclosed with this letter. This trust agreement replaces all previous transmittals. KCPL and KEPCO still Operate under their respective trust agreements previously transmitted. There are no other contracts upon which they are relying pursuant to paragraph (e) (1) (v) of 10 CFR 50.75.

There are no regulatory commitments contained within this correspondence. If you have any questions, please call me at (620) 364-4004, or Mr. Richard Flannigan at (620) 364-4117.

Sincerely,



Annette F. Stull

AFS/rit

Attachment I – Minimum Decommissioning Funds Estimate  
Attachment II - Decommissioning Funding Status Report

Enclosure (24 pages)

cc: E. E. Collins (NRC), w/a, w/e  
V. G. Gaddy (NRC), w/a, w/e  
B. K. Singal (NRC), w/a, w/e  
Senior Resident Inspector (NRC), w/a, w/e

**WOLF CREEK NUCLEAR OPERATING CORPORATION**  
**Minimum Decommissioning Funds Estimate pursuant to 10 CFR 50.75 (b) and (c)**

MINIMUM ESTIMATE

Table (c)(1) - Jan86 dollars in Millions [Wolf Creek is a PWR licensed for 3,565 MWt]	\$ 105
Escalation Factor (see calculation below)	3.864
Minimum estimate - Dec08 dollars in Millions	<u>\$ 406</u>

Escalation per paragraph (c)(2)

Escalation Factor (ESC) = 0.65 Labor + 0.13 Energy + 0.22 Waste Burial

	<u>Share</u>	<u>4Q '08</u>	<u>Report</u>
Labor	65%	2.240	1.456
Energy	13%	1.816	0.236
Waste Burial	22%	9.872	2.172
<b>TOTAL ESCALATION FACTOR</b>			<u><u>3.864</u></u>

NOTE: 4Q '08 factors per McDermott, Will & Emery memo dated February 6, 2009.

SITE SPECIFIC STUDY (August 2005)

Decommissioning Alternative	DECON	
<u>DECON Period</u>	<u>(2005 \$s)</u> <u>Millions</u>	<u>% Total</u>
Radioactive Systems/Structures and License Termination	\$ 437	84%
Preparation for Decommissioning/Spent Fuel Mgm	\$ 25	5%
Other Systems/Structures and Site Restoration	\$ 56	11%
Subtotal - Not Applicable to NRC Minimum	<u>\$ 81</u>	<u>16%</u>
<b>TOTAL COST ESTIMATE</b>	<u><u>\$ 518</u></u>	<u><u>100%</u></u>

**WOLF CREEK NUCLEAR OPERATING CORPORATION**  
**Decommissioning Funding Status Report as**  
**of December 31, 2008**

(Dollars in Thousands)

	<u>TOTAL</u>	<u>KGE</u>	<u>KCPL</u>	<u>KEPCo</u>
Market Value of External Sinking Fund as of 12/31/08	\$ 190,658	\$85,555	\$96,890	\$8,213

Schedule of Amounts to be Collected (as approved by rate-setting authorities based on Site Specific Study)

2008	6,969	2,895	3,674	400
2009	6,974	2,895	3,674	405
2010	6,981	2,895	3,674	412
2011	6,987	2,895	3,674	418
2012	6,993	2,895	3,674	424
2013	6,999	2,895	3,674	430
2014	7,006	2,895	3,674	437
2015	7,012	2,895	3,674	443
2016	7,019	2,895	3,674	450
2017	7,026	2,895	3,674	457
2018	7,033	2,895	3,674	464
2019	7,040	2,895	3,674	471
2020	7,047	2,895	3,674	478
2021	7,054	2,895	3,674	485
2022	7,061	2,895	3,674	492
2023	7,068	2,895	3,674	499
2024	7,076	2,895	3,674	507
2025	7,084	2,895	3,674	515
2026	7,091	2,895	3,674	522
2027	7,099	2,895	3,674	530
2028	7,107	2,895	3,674	538
2029	7,115	2,895	3,674	546
2030	7,123	2,895	3,674	554
2031	7,132	2,895	3,674	563
2032	7,140	2,895	3,674	571
2033	7,149	2,895	3,674	580
2034	7,157	2,895	3,674	588
2035	7,166	2,895	3,674	597
2036	7,175	2,895	3,674	606
2037	7,184	2,895	3,674	615
2038	7,193	2,895	3,674	624
2039	7,203	2,895	3,674	634
2040	7,212	2,895	3,674	643
2041	7,222	2,895	3,674	653
2042	7,232	2,895	3,674	663
2043	7,242	2,895	3,674	673

2044	7,252	2,895	3,674	683
2045	1,642	724	918	0

Assumptions re: Rates/Factors specific to Owner  
and Jurisdiction

Cost Escalation Rate

Kansas	4.40%	4.40%	4.40%
Missouri	-	4.40%	-

After Tax Earnings on Funds

Kansas	5.71%	6.48%	7.00%
Missouri	-	6.48%	-

KANSAS GAS AND ELECTRIC COMPANY  
WOLF CREEK GENERATING STATION DECOMMISSIONING TRUST

TRUST AGREEMENT

Between

KANSAS GAS AND ELECTRIC COMPANY

and

UMB BANK, N.A.,

as Trustee

AMENDED AND RESTATED

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This Amended and Restated TRUST AGREEMENT (hereinafter "Agreement") entered into the date set forth below by and between KANSAS GAS AND ELECTRIC COMPANY, a Kansas corporation, having its principal place of business at 120 East First Street, Wichita, Kansas 67202 (hereinafter "KG&E") and UMB BANK, N.A., a banking association organized under the laws of the United States of America, having its principal place of business at 2401 Grand Boulevard, Kansas City, Missouri 64108, as Trustee (hereinafter "Trustee"), supersedes the Trust Agreement by and between KG&E and Trustee dated February 11, 1998, which itself superseded the Trust Agreement by and between KG&E and Boatmen's Trust Company, as predecessor Trustee dated March 1, 1994, as amended and restated as of November 26, 1996.

WHEREAS, the United States Nuclear Regulatory Commission ("NRC"), an agency of the United States Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, ("CFR") Part 50, which require a holder of a license issued pursuant to 10 CFR Part 50 to provide assurance that funds will be available when needed for required decommissioning activities;

WHEREAS, the State Corporation Commission of the State of Kansas (hereinafter "KCC") has directed KG&E in its September 27, 1985 Order in Docket No. 142,098-U, to establish a trust fund to hold, invest, and reinvest (hereinafter "manage") amounts collected by KG&E through its rates for electric service to pay KG&E's share of the estimated cost of decommissioning the Wolf Creek Generating Station (hereinafter "WCGS") at the end of its useful life;

WHEREAS, this Agreement and the trust fund established by this Agreement are intended to meet all applicable requirements of Section 468A of the Internal Revenue Code of 1986, as amended ("IRC"), Treasury regulations promulgated thereunder ("Treasury Regulations"), and any successor provisions;

WHEREAS, KG&E, through its duly authorized official, has selected the Trustee to be the trustee under this Agreement and the Trustee is willing to act as trustee;

NOW, THEREFORE, KG&E and the Trustee agree as follows:

Section 1. Establishment of Trust Fund.

(a) KG&E and the Trustee hereby establish a trust fund to manage amounts collected by KG&E through its rates for electric service to pay KG&E's share of the estimated cost of decommissioning the WCGS at the end of its useful life and such other property as described in Section 5 of this Agreement. All such collections, all investments and reinvestments made under this Agreement, and the proceeds thereof, and all earnings and profits thereon, less any distributions which at the time of reference shall have been made by the Trustee under this Agreement, are referred to herein as the "Trust Fund". The Trust Fund shall be held by the Trustee, IN TRUST, shall not be commingled with any other property of the Trustee, except to the extent expressly authorized under this Agreement, and shall be dealt with strictly in accordance with this Agreement.

(b) The name of the Trust Fund is the "Kansas Gas and Electric Company Wolf Creek Generating Station Decommissioning Trust".

(c) KG&E may appoint one or more investment advisors to direct the Trustee with respect to the investment of all or a specified portion of the Trust Fund. The appointment of any investment advisor shall be effective as of the date specified by KG&E, but not before it has been accepted in writing by the investment advisor and written notice of such appointment and

acceptance given to the Trustee. KG&E may remove, or change the assets subject to the control of, any investment advisor appointed hereunder, but the Trustee may follow the instructions of a properly appointed investment advisor until informed by KG&E that such investment advisor has been removed or its authority over particular assets changed. Investment advisors shall agree to invest moneys in the Trust in accordance with all applicable laws and regulations. The Trustee shall be fully protected and shall incur no liability to any person when acting pursuant to the instructions of any such investment advisor.

(d) This Agreement and the Trust Fund are intended to meet all applicable requirements of the IRC and the Treasury Regulations with respect to a “nuclear decommissioning reserve fund”, as defined in IRC Section 468A(a) and a “nuclear decommissioning fund” and a “qualified nuclear decommissioning fund”, as defined in Treasury Regulations section 1.468A-1(b)(3) (collectively, a “Nuclear Decommissioning Reserve Fund”).

Section 2. Purpose of the Trust Fund.

(a) The Trust Fund is created and shall be maintained for the exclusive purpose of providing funds for KG&E’s share of the decommissioning of WCGS (hereinafter “Purpose”). KG&E will advise the Trustee in writing as to the determination of an independent engineer that the WCGS has reached the end of its useful life. The Trustee may rely upon the determination of the independent engineer and shall be under no duty to inquire as to the correctness of such determination, nor to bring proceedings or otherwise seek to compel or contest such determination. For purposes of this Section, the term independent engineer means an engineer who is in fact independent, selected by KG&E and acceptable to the Trustee.

(b) The Trustee shall disburse funds to pay KG&E’s share of the “decommissioning costs” of the WCGS as defined in Treasury Regulations Section 1.468A-1(b) and successor provisions. The Trustee shall make payments from the Trust Fund to KG&E or to a

decommissioning contractor of KG&E as KG&E may designate upon presentation to the Trustee of the following:

(1) A certificate duly executed by an officer of KG&E attesting to the occurrence of the events calling for disbursements from the Trust Fund; and

(2) A certificate duly executed by an officer of KG&E attesting to the following conditions:

(i) that decommissioning is proceeding pursuant to an NRC-approved plan, and

(ii) that the funds withdrawn will be expended for activities undertaken pursuant to that plan and in accordance with Section 2 of this Agreement.

As an incident to the operation of the Trust Fund, and as described in Sections 7 and 10 of this Agreement, the Trustee is authorized to pay from the Trust Fund normal administrative costs and other incidental expenses of the Trust Fund excluding costs arising from KG&E's furnishing of goods, services, or facilities to the Trust Fund and excluding compensation which is excessive or unnecessary to carry out the purpose of the Trust Fund.

Notwithstanding the foregoing, except for payments for administrative costs (including taxes) and other incidental expenses of the Trust Fund (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Trust Fund, no disbursements or payments from the Trust Fund shall be made: (1) unless 30 working days prior written notice of such disbursement or payment has been made to the NRC or (2) if the Trustee receives written notice of an objection from the NRC's Director of the Office of Nuclear Reactor Regulation or the Director of the Office of Nuclear Material Safety and Safeguards, as applicable. Except that,

the foregoing shall not apply if the Trustee is provided with a certificate executed by an officer of KG&E stating that such withdrawal is to be made pursuant to 10 CFR 50.82(a)(8).

The Trustee shall be under no obligation to check or verify the correctness of the instructions given it by KG&E.

KG&E shall direct the Trustee to make only such disbursements from the Trust Fund as are authorized by IRC Section 468A and the Treasury Regulations thereunder and this Agreement may not be amended so as to violate such provisions or any other applicable law, and all such amendments shall be made in accordance with applicable law. The Trustee shall have no responsibility with respect to any use made of moneys following their disbursement pursuant to the requirements of this Section.

### Section 3. Contributions to the Trust Fund.

(a) KG&E will transmit to the Trustee, as soon as reasonably practicable after the end of each calendar quarter, amounts collected by KG&E through its rates for electric service to pay KG&E's share of the estimated cost of decommissioning the WCGS at the end of its useful life. Each transmittal shall be in the form of a KG&E check or an electronic funds transfer made payable to the Trustee. The Trustee shall be under no duty to inquire as to the correctness of the amounts paid by KG&E, nor to bring proceedings or otherwise determine or seek to enforce transmittal of such money from KG&E.

(b) If any part of any contribution made to the Trust Fund is subsequently determined by KG&E to be in excess of the amount which should have been so contributed, the amount of any such excess contribution shall, at KG&E's discretion and upon written notice to the Trustee, be credited by the Trustee against future contributions until reduced to zero.

(c) The amount which KG&E will contribute to the Trust Fund in any taxable year shall be the lesser of (1) the amount of nuclear decommissioning costs included in KG&E's cost

of service for rate making purposes for such taxable year that is properly allocable to WCGS, or (2) the ruling amount applicable to such taxable year as determined by the Internal Revenue Service ("Service") under IRC section 468(A).

#### Section 4. Uses of the Trust Fund.

No part of the Trust Fund may be used for, or diverted to, any purpose other than the following:

- (a) The Purpose described in Section 2;
- (b) Investments described in Subsections 5(b) and (c) but only to the extent that a portion of the assets is not currently needed for the Purpose described in Section 2;
- (c) To pay administrative and other incidental expenses incurred by the Trustee in managing the Trust Fund and as described in Sections 7 and 10. For purposes of this subsection, the term "administrative and other incidental expenses" means all ordinary and necessary expenses incurred in connection with the operation of the Trust Fund;
- (d) Distribution to KG&E of the assets of the Trust Fund which are in excess of what was reasonably required to satisfy the Purpose described in Section 2; or
- (e) Credit against future contributions of KG&E any excess contribution within the meaning of Subsection 3(b) of this Agreement.

#### Section 5. Trustee Management of the Trust Fund.

It is the intent of KG&E that there shall at all times be validly appointed, by written instrument, one or more investment advisors with respect to the Trust Fund, each of which shall have agreed to invest moneys in the Trust Fund, without distinction between principal and interest, in accordance with all applicable laws and regulations, including, but not limited to, the IRC and Treasury Regulations promulgated thereunder. Notwithstanding anything otherwise provided in this Agreement, the Trustee shall be fully protected and shall incur no liability to any

person when acting pursuant to the instruction of any investment advisor appointed by KG&E. Any moneys which from time to time are a part of the Trust Fund but are not under management of an appointed investment advisor may be invested by the Trustee in shares of a money market fund which itself invests in securities, the principal and interest of which are guaranteed as to timely payment by the United States of America.

(a) In the event KG&E should fail to appoint an investment advisor or should such appointment, to the actual knowledge of the Trustee, lapse, the Trustee shall, in managing the Trust Fund, discharge its duties with respect to the Trust Fund solely in the interest of the Purpose of the Trust Fund as described in Section 2 of this Agreement and with the care, skill and caution a prudent investor would, in light of the purposes, terms, distribution requirements and other circumstances of the investments under management, and shall make investments not in isolation but in the context of the trust portfolio and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the assets under management.

The Trustee shall not engage in any act that constitutes self-dealing as defined under IRC Sections 468A and 4951 and the Treasury Regulations promulgated thereunder. If the Trustee engages in an act of self-dealing in violation of this Agreement, the Trustee (and not the Trust Fund) shall be liable for any tax imposed.

(b) Subject to Trustee's right to rely upon instructions of investment advisors and subject to applicable Federal and state regulations, the Trustee shall prudently invest and reinvest the principal and income of the Trust Fund and keep the Trust Fund invested, without distinction between principal and income, and in such a way as to attempt to maximize the after-tax return on the investments and reinvestments. Investments may include, but are not necessarily limited

to, equity investments, fixed income securities, cash equivalents, index and mutual funds, other commingled funds and other alternative investments. Selection of the investment media for the investment and reinvestment of the principal and income of the Trust Fund shall be in the sole discretion of the Trustee, except for any portion of the Trust Fund that may be subject to the instructions of an additional investment advisor; provided, however, that investments shall be so diversified as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so; and further provided that on the written request of KG&E to retain cash, the Trustee shall retain so much cash as shall be specified in such request and shall be under no obligation to invest the same as herein provided, and also that the Trustee in its discretion may retain cash temporarily awaiting investment.

(c) Subject to Trustee's right to rely upon instructions of investment advisors, in addition to complying with the limitations contained in Subsections 5(a) and (b), the Trustee shall make only such investments and reinvestments (i) which are authorized by the laws of the State of Kansas for the investment of trust funds, and (ii) which meet all applicable requirements of IRC Section 468A and the Treasury Regulations promulgated thereunder with respect to a Nuclear Decommissioning Reserve Fund, and shall make no investments in securities issued by KG&E or any of its affiliates, partners, or joint venturers, or any other owner or operator of WCGS. Furthermore, the Trustee shall not make any loans from the Trust Fund to KG&E or to persons with whom KG&E to a significant extent is associated or affiliated, or to persons who have the power, directly or indirectly, to significantly influence or direct the actions or policies of KG&E.

Section 6. Further Express Powers of Trustee.

Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee in discharging its duties hereunder, is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expedience of any such sale or other disposition;

(b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Trust Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacity, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person or to deposit or arrange for the deposit of any securities issued by the United States government or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all securities are part of the Trust Fund.

(d) To vote any securities of any issuer at any time in the Trust Fund, and to give general or special proxies or powers of attorney, with or without substitution, with respect thereto; to consent to, participate in, and take any action in connection with, reorganizations,

recapitalizations, consolidations, mergers, liquidations and similar transactions with respect to issuers of securities constituting assets of the Trust Fund, and to receive and retain any securities resulting from any such transactions; to deposit the securities of any issuers in any voting trust or with any protective or like committee, or trustee, and to exercise any subscription rights, conversion, or other rights or privileges, with respect to any securities in the Trust Fund.

(e) To lend all or any part of the Trust Fund to qualified persons at such times and upon such terms as the Trustee may in its sole discretion determine and to invest and reinvest any cash collateral deposited as security for the property loaned in accordance with this paragraph, provided that any loan of securities shall be pursuant to a written agreement between KG&E and the Trustee.

Section 7. Taxes and Expenses.

(a) The Trustee shall prepare and timely file all Federal, state and local income tax returns or other reports (including estimated tax returns and information returns) as may be required from time to time with respect to the Trust Fund, and KG&E agrees to provide the Trustee in a timely manner with any information within its possession, which is necessary to such filings.

The Trustee shall prepare and submit to KG&E in a timely manner all information reasonably requested by KG&E regarding the Trust Fund required to be included in KG&E's Federal, state and local income tax returns or other reports (including estimated tax returns and information returns).

Subject to the limitations contained in Section 7(b) hereof, the Trustee may employ, at the expense of the Trust Fund or KG&E, independent certified public accountants or other tax counsel to prepare or review such returns and reports.

The Trustee agrees to sign any tax returns or other reports where required by law to do so or arising out of the Trustee's responsibilities hereunder, and to remit from the Trust Fund appropriate payments or deposits of Federal, state and local income or franchise taxes directly to the taxing agencies or authorized depositories in a timely manner.

Notwithstanding Section 18 hereof, any interest or penalty charges assessed against the Trust Fund pursuant to Chapters 67 or 68 of the IRC, or pursuant to any similar state or local tax provisions, as a result of the Trustee's failure to comply with this Section 7 shall be borne by the Trustee and not the Trust Fund.

The Trustee agrees to notify KG&E in writing within fifteen days of its receipt of a notice of audit, but in no event later than fifteen days prior to the commencement of any audit of any Trust Fund's Federal, state or local tax returns, and to participate with KG&E on behalf of the Trust Fund in such audits and related inquiries. The Trustee further agrees to provide KG&E with any additional information in its possession regarding the Trust Fund which may be reasonably requested by KG&E to be furnished in an audit of KG&E's Federal, state or local tax returns.

(b) All ordinary and necessary expenses incurred in connection with the operation of the Trust Fund including, but not by way of limitation, legal, actuarial and accounting expenses, the expenses incurred by the Trustee in the performance of its duties hereunder, including reasonable fees for legal services rendered to the Trustee and expenses incident thereto, reasonable fees relating to the determination pursuant to Section 2 that the WCGS has reached the end of its useful life and expenses incident thereto, such compensation to the Trustee as may be agreed upon in writing from time to time between KG&E and the Trustee, and all other proper charges and disbursements of the Trustee, including all real and personal property taxes, income

taxes, transfer taxes, and other taxes (excepting only excise taxes imposed as a result of any act that constitutes self-dealing, which tax is borne by the Trustee as provided in Section 5(a) of this Agreement) of any and all kinds whatsoever that may be levied or assessed under existing or future laws of any jurisdiction upon or in respect of the Trust Fund hereby created or the Trust Fund or any money, property or securities forming a part thereof, shall be paid by the Trustee out of the Trust Fund, and the same shall constitute a charge upon the Trust Fund. After notice to KG&E, the Trustee shall contest any tax or other charge which may be levied or assessed against the Trust Fund and the expenses of such contest shall be paid out of the Trust Fund; but it shall not be required to institute or continue such contest unless the Trust Fund contains moneys adequate for that purpose, or unless it is indemnified to its satisfaction by KG&E against its counsel fees and all other expenses, costs and liabilities to which, in its judgment, it may be subjected by any such action. Before obligating itself for extraordinary fees or expenses, the Trustee shall in each case obtain the written consent of KG&E.

Section 8. Quarterly Valuation.

The Trustee shall quarterly furnish to KG&E a statement confirming the value of the Trust Fund and the return earned on the Trust Fund's value on an annualized basis. Any securities in the Trust Fund shall be valued at market value as of no more than 60 days prior to the date of valuation.

Section 9. Advice of Counsel.

The Trustee may from time to time consult with counsel, who may be counsel to KG&E, with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected and shall incur no liability to any person, to the full extent permitted by law, in acting upon the advice of counsel.

Section 10. Trustee Compensation.

The Trustee shall receive as reasonable compensation for its services as Trustee such amounts as may, from time to time, be agreed upon in writing between KG&E and the Trustee. Such compensation shall be paid from the Trust Fund and if not therefrom, by KG&E.

Section 11. Successor Trustee.

In addition to the provisions in Section 14, the Trustee may resign or KG&E may replace the Trustee, but such resignation or replacement shall not be effective until KG&E has appointed a successor Trustee (which may not be KG&E, or any of its affiliates, partners, or persons who have the power, directly or indirectly to significantly influence or direct the actions or policies of KG&E), and such successor accepts the appointment. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer and pay over to the successor Trustee the assets and properties then constituting the Trust Fund. If for any reason, KG&E cannot or does not act within 90 days in the event of the resignation or removal of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the Trust Fund in a writing sent to KG&E and the present Trustee by hand delivery, certified mail or confirmed facsimile 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 7.

Section 12. Record Keeping and Audits.

(a) The Trustee shall keep accurate and detailed accounts of all moneys received, investments and reinvestments made, receipts and disbursements through the Trust Fund, all costs incurred, income from the Trust Fund and other transactions hereunder and all such

accounts and other records relating thereto shall be open to inspection and audit at all reasonable times by any person designated by KG&E. Within thirty (30) days following the close of each calendar quarter or such other accounting period as KG&E may from time to time reasonably designate, and within thirty (30) days after the replacement or resignation of the Trustee as provided under Section 11, the Trustee shall file with KG&E a written account setting forth all moneys received, investments and reinvestments made, receipts and disbursements through the Trust Fund, all costs incurred, income from the Trust Fund, and other transactions with respect to the Trust Fund, and other transactions with respect to the Trust Fund effected by it during such calendar quarter or during the period from the close of the last calendar quarter to the date of such removal, resignation or termination.

(b) Within fifteen (15) days after submitting a federal, state or local income tax return or any other report or document with any federal, state or local agency pertaining to the Trust Fund or this Agreement, the Trustee shall submit a copy thereof to KG&E.

(c) To protect the Trust Fund against waste and subject to Subsection 12(d), no one other than KG&E may require the Trustee to account or may institute an action or proceeding against the Trustee or the Trust Fund. KG&E and the Trustee intend that no third party shall have access to the Trust Fund except as provided herein.

(d) Notwithstanding any other provision of this Section, the Trustee shall have the right to have a judicial settlement of its accounts. In any proceeding for a judicial settlement of the Trustee's accounts, or for instructions in connection with the Trust Fund, the only necessary party thereto in addition to the Trustee shall be KG&E.

Section 13. Amendment of Agreements.

KG&E reserves the right at any time and from time to time to amend, in whole or in part, any or all of the provisions of this Agreement by notice thereof in writing delivered to the Trustee. No amendment which affects the rights, duties, privileges, immunities or responsibilities of the Trustee may be made without its written consent. No amendment shall authorize or permit any part of the Trust Fund to be used for or diverted to purposes or uses other than those described in Sections 2 and 4.

Section 14. Termination of Trust Fund.

(a) This Agreement shall continue in effect until terminated by the provisions of paragraph 14(b) below or pursuant to Section 11, and a successor Trustee is appointed and has accepted such appointment.

(b) In no event shall this Agreement extend for a term longer than the final payment of KG&E's share of the cost of decommissioning the WCGS at the end of its useful life. Upon final payment of KG&E's share of the cost of decommissioning the WCGS at the end of its useful life, this Agreement shall terminate and any remaining funds shall revert to and become the property of KG&E.

Section 15. Choice of Law.

This Agreement shall be construed and enforced in accordance with the laws of the State of Kansas to the extent not superseded by Federal law.

Section 16. Action by KG&E.

(a) Any action of KG&E required or permitted under this Agreement may be taken by the Board of Directors of KG&E or by any committee, officer, employee or agent of KG&E duly authorized by its Board of Directors to act on its behalf in such respect. Any such action by

KG&E shall be evidenced by a resolution of its Board of Directors certified, under the corporate seal, to the Trustee over the signature of the Secretary or of any Assistant Secretary of KG&E, and the Trustee shall be fully protected in acting in accordance with such resolution so certified to it. KG&E shall furnish the Trustee from time to time with certified copies of resolutions of its Board of Directors evidencing the appointment and authorization of any committee, officers, employees or agents of KG&E or of any other person authorized by the Board of Directors to act under this Agreement, and the appointment and authorization of any successors thereof and the Trustee shall be fully protected in acting in accordance with the instructions and certifications of persons whose appointment is so evidenced.

(b) All certifications, orders, requests, instructions and objections of KG&E to the Trustee shall be in writing and the Trustee shall act and shall be fully protected in acting in accordance with such certifications, orders, requests and instructions. The Trustee shall have no duty or power to act in the absence of such orders, requests and instructions from KG&E, except as provided for herein. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event terminating the authority of any person authorized to act on its behalf hereunder has occurred.

Section 17. Miscellaneous Provisions.

(a) In fulfilling its responsibilities and duties hereunder, the Trustee shall comply with pertinent federal, state or local laws and regulations applicable to trust companies and fiduciaries performing similar functions.

(b) The Trustee shall not permit the indicia of ownership of any of the assets of the Trust Fund to be maintained at a location outside the jurisdiction of the district courts of the United States.

(c) This Agreement is subject to all laws, statutes, rules and regulations, now and hereafter in effect, of any applicable governmental body of competent jurisdiction. In the event any provision of this Agreement is inconsistent with the IRC, as now in effect or as such act may from time to time be amended, or any Treasury Regulation issued thereunder, as now in effect or as may from time to time be amended, as such may be applicable to a Nuclear Decommissioning Reserve Fund, the provision of this Agreement so affected shall be deemed modified or superseded so as to be consistent with such act, and all other provisions of this Agreement and the provision or provisions as so modified shall in all respects continue and be in full force and effect.

Section 18. Limitation of Liability.

The duties of the Trustee are only such as are specifically provided herein. The Trustee shall incur no liability whatever, except for misconduct or negligence, so long as it has acted in good faith. KG&E agrees to indemnify and hold harmless the Trustee against any loss, cost, expense or liability which Trustee may incur as a result of its service hereunder, unless such loss, cost, expense or liability shall be proximately caused by the misconduct or negligence of the Trustee, so long as Trustee has acted in good faith.

Section 19. Acceptance of Trust Fund.

The Trustee hereby accepts this Trust Fund and agrees to hold all the property now or hereafter constituting the Trust Fund hereunder, subject to all the terms and conditions of this Agreement.

Section 20. Notice.

Any notice, request, instruction, direction, requisition or other document required or permitted to be given under this Agreement shall be sufficiently given if delivered in person, or if sent by certified mail or confirmed facsimile as follows:

If to KG&E, delivered or addressed to:

Kansas Gas and Electric Company  
P. O. Box 208  
Wichita, Kansas 67201  
Attention: William B. Moore, President

with a copy delivered or addressed to:

Kansas Gas and Electric Company  
c/o Westar Energy, Inc.  
P. O. Box 889  
Topeka, Kansas 66601  
Attention: Larry D. Irick, General Counsel

If to the Trustee, delivered or addressed to:

UMB Bank, N.A.  
2401 Grand Boulevard  
Kansas City, MO 64108

Attention: Corporate Trust

Or to such other address as may be specified from time to time by KG&E or the Trustee.

Any report or document submitted to the KCC shall be sent by United States mail,

postage prepaid, as follows:

State Corporation Commission of Kansas  
1500 S. W. Arrowhead Road  
Topeka, Kansas 66604

Attention: Secretary

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective authorized officer or management officials, duly authorized, and their corporate seals to be hereunto affixed and attested, as of the date set forth below.

Date: October 29, 2003 KANSAS GAS ELECTRIC COMPANY

By: Larry J. Smith  
Title: Secretary

Date: 10/29/03

UMB BANK, N. A.,  
as Trustee

By:   
Title: Vice President

Attested:

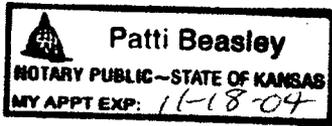
By:   
R. William Bloemker  
Assistant Secretary

STATE OF KANSAS )  
 ) ss:  
COUNTY OF SHAWNEE )

On this 29<sup>th</sup> day of Oct, 2003, before me personally came Larry D. Irick, to me known, who, being by me duly sworn, did depose and say that he is the Secretary of Kansas Gas and Electric Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

Patti Beasley  
Notary Public

My appointment expires:  
11-18-04



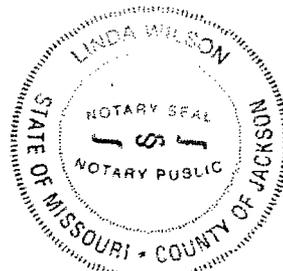
STATE OF MISSOURI            )  
  ) ss:  
COUNTY OF JACKSON         )

On this 29th day of October, 2003, before me personally came Anthony P. Hawkins, to me known, who, being by me duly sworn, did depose and say that he is the Vice President of UMB Bank, N.A., the banking association described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

  
\_\_\_\_\_  
Notary Public

My appointment expires:

\_\_\_\_\_



MY COMMISSION EXPIRES:  
JULY 11, 2004