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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Great Plains Energy third-quarter 2014 earnings conference call.

(Operator Instructions)

As a reminder, this call is being recorded. I would now like to introduce your host for today's conference, Lori Wright, Vice President, Investor Relations and Treasurer. Please go ahead.

Lori Wright - *Great Plains Energy, Inc. - VP of IR & Treasurer*

Thank you, operator, and good morning. Welcome to Great Plains Energy's third-quarter 2014 earnings conference call. Let me begin by introducing Terry Bassham, Chairman and Chief Executive Officer, and Jim Shay, Senior Vice President, Finance and Chief Financial Officer, who will provide an overview of our third-quarter results. Scott Heidtbrink, Executive Vice President and Chief Operating Officer of KCP&L, is also with us this morning as are other members of our Management team who will be available during the question-and-answer portion of today's call.

I must remind you of the inherent uncertainties in any forward-looking statements in our discussion this morning. Slide 2 and the discussion in our SEC filings contain a list of some of the factors that could cause future results to differ materially from our expectations.

I also want to remind everyone that we issued our earnings release and third-quarter 2014 10-Q after the market close yesterday. These items are available, along with today's webcast slides and supplemental financial information regarding the quarter, on the main page of our website at GreatPlainsEnergy.com. With that, I will now hand the call over to Terry.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Thanks, Lori, and good morning, everyone. I'd like to step back and introduce Lori Wright, our Vice President, Investor Relations and Treasurer. Prior to her new role, Lori was our Vice President of Business Planning and Controller for 12 years. Lori will be joining us at the annual EEI conference next week, so many of you will have an opportunity to meet her then.

Succeeding Lori as Vice President, Business Planning and Controller is Steve Busser, who many of you know. Steve joined our team in September and has a broad background in the utility industry, which makes him a great addition to our executive leadership team.

On the call this morning, we will discuss our third-quarter and year-to-date results, including our 2014 earnings guidance update, demand trends in the Kansas City region, and favorable third-quarter operating and maintenance expense compared to last year. We will provide an update on our regulatory strategy, including KCPL Missouri rate case that was filed last week, and we will also discuss the increase in our quarterly common stock dividend announced earlier in the week.

I'll ask you now to turn to slide 4 of the presentation. Yesterday we announced third-quarter earnings of $0.95 per share compared with $0.93 per share last year. During the quarter, we saw solid demand growth, our plants ran well, system reliability was strong, and we effectively manage our cost.

Our third-quarter results were significantly impacted, though, by weather, where cooling degree days were 17% below normal. This unfavorable weather impact for the quarter than compared to normal was approximately $0.09 per share. Yesterday, we also announced the reduction of our 2014 earnings guidance range from $1.60 to $1.75 to $1.52 to $1.62. This reduction in guidance for the year is primarily driven by the weather impact I just described.

As you recall, we affirmed our original guidance range in the second-quarter earnings call and discussed the cool July weather and guided down the range if the summer remained cool. At that time, we were also executing on an [OM] reductions to help offset lag created by transmission costs, property tax, and other expenses. Additional impact of the third-quarter weather caused us to reset total year guidance around the bottom end of the range.

As we look forward to the remainder of 2014, we will continue to closely manage our land cost. It remains important, however, that any remaining reductions be sustainable, as we prepare for the winter season. This also includes completing an additional outage for one of our coal units in 2014 to prepare for winter and build coal inventory.

As we look ahead, we continue to make progress towards our primary shareholder return targets, which include 4% to 6% earnings growth and 4% to 6% dividend growth from 2014 to 2016. The key drivers of our projected earnings growth through 2016, include: the successful completion of our major construction projects, which will enable us to safely meet the long-term energy needs of our customers and comply with environmental rules and mandates; effective cost management that will help us manage customer rate impacts and regulatory lag; adequate rate relief granted in our pending KCP&L Missouri case and the Kansas case we plan to file in January 2015; and long-term growth in our service territory.

First, regarding major construction, we are pleased to report that the La Cygne environment retrofit continues on schedule for completion in 2015 and at or below our budget. Second, we are on plan to manage O&M growth to approximately 1%, exclusive of items for which we have revenue offsets over the 2011 through 2014 time period. Not only does this help mitigate customer rate impacts, but also contributes to earnings growth.

We are targeting 4% to 5% rate base growth through 2016 and are currently on plan. On October 30, KCPL filed a general rate case in Missouri and we plan to file for new rates and Kansas in January 2015. We expect to see a fourth-quarter 2015 benefit from these cases, but more importantly, a full year of rates in 2016, which will help provide earnings growth.

We are assessing the timing of the GMO rate case that we are required to file by early 2016. Finally, our service territory continues to grow, as Kansas City and its surrounding areas continue to be a great place to live and grow a business. In his remarks, Jim will have details on specific customer segments.

Turning to slide 5, in Missouri, KCP&L is requesting an increase of $120.9 million on a rate base of approximately $2.6 billion and a return on equity of 10.3%. New rates are anticipated to be effective on or around September 30, 2015. The primary drivers of the rate case are the environmental investments in La Cygne, upgrades at Wolf Creek, and truing up transmission costs and property taxes.

As we've mentioned today and on previous calls, we have worked aggressively to manage cost and minimize lag. Despite these efforts, KCP&L continues to be impacted by regulatory lag, particularly in Missouri. For example, in 2013, following the implementation of new rates and an authorized return of 9.7%, KCPL earned a 6.5% ROE in this Missouri jurisdiction.

We believe regulatory mechanisms, such as riders and trackers are necessary to provide us with a realistic opportunity to earn our authorized return. Therefore, to help mitigate lag going forward, we've requested a fuel adjustment clause inclusive of transmission cost in our Missouri rate case. We've also requested trackers for property tax, critical infrastructure protection standards, cybersecurity, and veg management costs.

While we continue to manage our controllable costs, the costs associated with generating and delivering clean, safe, and reliable electricity continue to rise. Timely and adequate recovery of our capital investments and cost of service is essential to continue providing reliable service to our customers and meeting government mandates.

Turning to Kansas, KCPL will file a rate case on January 2, 2015, with new rates anticipated to be effective October 2015. While we are still working on the details of that case, drivers will include the recovery of the remaining investment in La Cygne that isn't already in retail rates and infrastructure upgrades including Wolf Creek.

Turning to slide 6, I will discuss our dividend growth, which is the other one-half of our shareholder equation. This week, our Board approved an annual dividend increase of 6.5% and is reflective of our confidence in our long-term plans. The increase raised our quarterly common stock dividend from $0.23 per share to $0.245 per share, or $0.92 per share to $0.98 per share on an annual basis.

This action marks the fourth consecutive year we raised the dividend and the increases is at the higher-end of our targeted annual dividend growth rate of 4% to 6% from 2014 to 2016. Near-term, our targeted dividend payout ratio is 55% to 70% through 2016; longer-term, we are targeting a dividend payout of 60% to 70%. This action reflects our belief that a competitive, sustainable, and increasing dividend is an important driver of our total shareholder returns. For more details on the quarter, I'll turn the call over to Jim.

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

Thank you, Terry, and good morning, everyone. I will begin with slide 8, which provides a comparison of 2014 to 2013. As Terry indicated, our third-quarter 2014 earnings were $0.95 per share compared to $0.93 per share last year. For the year-to-date period, earnings were $1.44 per share compared to $1.51 per share last year.

The story for the second quarter compared to last year is we were favorably impacted by the release of uncertain tax positions, a decrease in O&M expense, new retail rates in Kansas, and other items. These factors were partially offset by an unfavorable weather variance and increases in general taxes and depreciation and amortization.

Turning to slide 9, for the fourth quarter, we are assuming normal weather and are projecting full-year weather-normalized demand growth of 0.5 to 1%. Our weather-normalized sales growth for the third-quarter increased 0.5% compared to 2013. This marks the fifth consecutive quarter of overall positive demand growth in our service territory. Year-to-date weather-normalized sales through September were up 0.9% compared to 2013 and in line with our full year expectations.

The industrial segment year-to-date demand is up 3.9%, primarily driven by Ford Motor Company's Kansas City assembly plant. In September, Ford announced the addition of 1,200 jobs at the plant that will bring the total to more than 6,000 by the end of the year. The workers are being hired for a second shift that will support strong sales of the new transit van. The Ford plant will have the capacity to produce 0.5 million vehicles a year, which will be more than any other Ford plant in the world.

We're also seeing an influx of auto suppliers moving to the region to support Ford and the General Motor plant near our service territory. This year, auto suppliers have either announced or opened facilities totaling investments of more than $100 million that are expected to create over 800 jobs. The commercial segment's year-to-date demand is up 1%, and investments of over $200 million in the Kansas City region have been announced this year for office, warehouse, and data center projects. These projects are expected to result in over 3,000 additional jobs in the area.

Year-to-date residential sales are flat through September; however, we are encouraged by positive trends in both the labor and housing markets, with 48 consecutive months of seasonally adjusted job growth. Employment levels are their highest since 2008 and September single-family housing permits are the highest since 2007.

Turning to O&M, for the third-quarter, these expenses were down over 3% compared to the same period in 2013 and in line with our expectations. As we have indicated previously, we expected the second-half 2014 O&M expenses to be less than the first half of the year and lower than the second half of 2013. Through the third quarter, we are on plan.

On our second-quarter earnings call, we highlighted some of the drivers of regulatory lag that will impact earnings in 2015 that we expected to true up in KCP&L Missouri's rate case. We expect this lag will continue increasing and impact our earnings potential until new rates are in effect in late 2015. We plan to provide 2015 earnings per share guidance and 2016 and 2017 drivers on our year-end earnings call in February.

With the benefit of a full year of new retail rates at KCP&L in 2016, we remain confident in our plant to deliver 4% to 6% earnings growth from 2014 through 2016. This target is based off our original 2014 earnings guidance of a $1.60 to $1.75 per share. Only financing front, we will likely issue long-term debt at KCP&L during 2015 and we currently have no plans to issue equity through 2016. Thank you for your time this morning. Terry, Scott, and I would now be happy to answer any questions that you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And our first question comes from Ali Agha from SunTrust. Your line is now opened. Please go ahead.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Thank you. Good morning.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Good morning.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

In the Missouri rate case, as you folks point out, the implied rate increase embedded in your ask is about 15.8%, which looks [the service] fairly high. How much should sensitivity do think is out there as you're going through the rate case process for that magnitude of a rate increase?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

How much resistance? Is that what you said?

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Resistance, sensitivity, exactly, given the amount of the rate increase embedded there?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

I certainly would tell you that, that percentage might be on the high end of what typically we would like to file, but I would tell you that based on the make-up of the case, it's a very solid case. The things that we are asking for are related to mandates and things we've been talking about for a long time. So we're looking at, again, property tax, transmission, we're looking at La Cygne, and we're looking at generation at Wolf Creek.

Those are the kind of things that traditionally have been strong ask and so we're in, we think, we're also at a position with our rates, that we're not above necessarily our region and still remain below the nation. So we feel good about our case. Certainly, we will see some typical response and typical resistance, but in general, we feel really strongly about it.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Okay. Terry, I know the last round of rate cases, the ROEs, I believe, have been brought down across the board. Just anecdotally, are you getting any sense, statewide, both Kansas and Missouri, where their ROEs have stabilized, is there any talk of, in the low interest rate environment, more pressure on ROEs? Just general, big picture, any sense on that?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

I'd say first, our ask is in line with the other utilities who have asked, both in Kansas and Missouri, and so we are in line with our peers in terms of what we think is appropriate. Our I'll remind that our ROE in Missouri is 9.7% and our Kansas is at 9.5% and so we do think that we have a strong case for an increase in that ROE. Certainly as interest rates continue to remain low, you see commissions addressing that issue, and I do think that will be one of the primary issues in this case, but again, we are well-supported. Ameren is already in there with a similar ask and Empire, as well, so we will continue to monitor those cases, as well, as we push ours along.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Thanks.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Thank you.

Operator

Thank you and our next question comes from Charles Fishman from Morningstar. Your line is now open. Please go ahead.

Charles Fishman - *Morningstar - Analyst*

Good morning. I had a question on slide 5, the KCP&L rate case request. Let us take a look at the left-hand side, down at the bottom, the requested authorization to implement, if I could go over those. The fuel adjustment clause, the other utilities of Missouri have those, so, gosh, I hate to say anything is a slam dunk in the regulatory world, but that seems like a pretty -- I would think you're pretty confident you're going to get that. Is that correct?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

That's right. We're legally entitled to a fuel clause and don't expect much resistance, if any, to that.

Charles Fishman - *Morningstar - Analyst*

Okay. Then on the other three trackers. I'm assuming no legislation is needed for those three?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

We don't believe so. Especially, let me start from the bottom. The vegetation management tracker is, again, something that in one form or another, other utilities have, so that's something we had believe that will be able to get in some form. The mechanics are important. In terms of the property tax and the CIPS, other utilities are seeing the same kind of issues, and so from that perspective, this will be, and obviously, we asked for a property tax tracker legislation last year.

This will be something we'll have to fight about. The likelihood of receiving those two are a little less firm, but again we asked for them here, and if we're not successful, then that gives us an opportunity to look at legislation, as well. But these, again, are things that we don't control, but which are very important and we have a good argument for why those ought to be tracked going forward.

Charles Fishman - *Morningstar - Analyst*

So the property tax and the CIPS tracker, other utilities in Missouri have asked for those, but nobody has gotten it yet?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

I don't know that someone has asked for those yet. In fact I know that no one has asked for a CIPS. This is new. We continue to push the point that we have to have these kind of mechanisms on uncontrollable cost so that we don't have to file general rate cases. We do have a property tax rider in Kansas, though, and so again, we think this a good basis for having it in Missouri and don't believe the law has to be changed to do that.

And then CIPS would be something a little more new. Everybody has experienced an additional cost in our CIPS monitoring and compliance, and again, we think, we will get it trued up in this case, but as it continues to go forward, we don't think a general rate case is the place to have to bring that up again.

Charles Fishman - *Morningstar - Analyst*

Okay, thanks for the additional information.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

You bet. Thank you

Operator

Thank you and our next question comes from Paul Ridzon from KeyBanc. Your line is now open. Please go ahead.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Actually, Charles just asked my question. Thank you.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Thanks, Paul.

Operator

Thank you and our next question comes from Steve Fleishman from Wolfe Research. Your line is now open. Please go ahead.

Steve Fleishman - *Wolfe Research - Analyst*

Yes, hi. Good morning, Terry.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Good morning.

Steve Fleishman - *Wolfe Research - Analyst*

Couple questions. You mentioned the mild summer weather caused the guidance reduction, but you also never really say whether year-to-date is in line with the normal, so if you take this back to the beginning of the year in the guidance, if weather is normal, could you better explain the guidance reduction?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Yes, if you go back and recall in the first quarter, although we had positive weather, which looked similar to what we've had in the third quarter, we weren't able to take all that to the bottom line. If you recall, we had coal plant outages that were not scheduled and we also, over the course of the next two quarters, didn't ultimately get riders and trackers for our property tax and transmission. As a result, we weren't able to take full advantage of the weather and then what we did have, we were able -- we were using, if you will, to help offset the hole created by those things.

As we got to the second quarter, we guided, firm guidance, but we guided down based on what appeared to be a cool -- or what was a cool July. As it turned out, the entire quarter was cool, and that put us in a position then with $0.09 of additional lag to deal with, and as we look at opportunities to offset that lag, and yet maintain our sustainability of those cuts long-term, so that we maintain earning power of the Company through the rate cases, our guidance dropped as a result. We weren't able to completely offset, if you will, the full effect of the second-quarter weather -- or third-quarter weather. Did that get you there?

Steve Fleishman - *Wolfe Research - Analyst*

That helps. Just one other clarification on the $0.05 benefit in the quarter on the tax true-up. Was that anticipated in your initial guidance or no?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Yes, that's been in our guidance all along. To be frank, we had a statute of limitations that didn't run into the third-quarter and so it was in our Q, but we didn't talk a lot about it until we knew for sure that it would come about. And so -- but it's been in our guidance all along. Again, as you work through that scenario I gave you around guidance, the short story as the year goes by, we have less flexibility without making cuts that would be not sustainable moving forward as we get ready for the winter and make sure that we are good position to protect our earnings power.

Steve Fleishman - *Wolfe Research - Analyst*

Okay. Another question, just on the -- you sounded very confident on the ability to get a fuel clause in this case. There is technical argument on whether you can seek it now or you have to wait till after June of 2015 to seek the increase. Could you just clarify why you're so confident that you'll win on that? What is your legal argument there?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

First of all, we will receive a fuel clause at some point. We feel very strongly that the way the wording of the language is, if you will, and the timing, we are correct in the sense that we can ask for it in our case we just filed, but there's some wording around seek to utilize that's critical and we don't seek to utilize it until after the third quarter, so it's the fourth quarter. If, in fact, someone picked up on the argument and suggested if there's ways to mitigate that for one quarter till January 16, we feel very confident that, that wouldn't be something that the commission would have any interest in doing.

I would say that in the absolute worst-case scenario, we could simply file for the fuel factor the very next year and ask for it to be implemented, and after truing up fuel cost, the risk around that is very, very minor. But again, we feel very strongly that the commission understands we've agreed to this delay, if you will, sent to the CEP, and that it is something we are entitled to under the law.

Steve Fleishman - *Wolfe Research - Analyst*

Okay. And last question is just on the rate filing overall. Is there strategies that you might have that could help moderate the rate hikes? Is there way to maybe phase them in or things like that?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Obviously, those are the kind of things that we can talk about in a settlement discussion, as the case moves along, but honestly at this point, unless we were able to do that with a rider or tracker in some way so that we weren't creating lag by phasing it in, we wouldn't be very interested in that discussion. The way the law is set up and the requirement for us to file, and I'll remind you, we ask for riders and trackers and we're told that's a general rate case issue, we believe we are entitled to all of it now and believe the law supports that.

Steve Fleishman - *Wolfe Research - Analyst*

Okay. Thank you.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Thank you.

Operator

And our next question comes from Michael Goldberg from Luminus. Your line is now open. Please go ahead.

Michael Goldberg - *Luminus Management - Analyst*

Good morning.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Good morning, Michael.

Michael Goldberg - *Luminus Management - Analyst*

How are you?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Good.

Michael Goldberg - *Luminus Management - Analyst*

I have two questions. On the [steep, the EPS] stuff and the outages, anything that happened in 2014, when I think about 2015 and beyond, is there any items that you would highlight that have ongoing effect?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

You blinked out at the very beginning.

Michael Goldberg - *Luminus Management - Analyst*

I'm sorry. What I wanted to say is there are clearly a lot of moving pieces in 2014, there is weather, there is outages, there is tax benefits. Any of it ongoing into 2015 and beyond?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Obviously, weather is something everybody. That's not unique obviously and it will be what it will be and it's our job to manage around it. From an ongoing perspective, remember the transmission and property taxes that we've talked about continue to be a lag and will even slightly grow again next year. We've also got some depreciation related to capital projects that are closed, that are included in the rate case, but will continue to be there. You combine several of those things that certainly continue to affect what would happen, but those are the kind of things you would expect to occur in the year that you're processing a rate case and should be trued up by the fourth quarter.

Michael Goldberg - *Luminus Management - Analyst*

So that's all the as -- none of that is new from Q3, right?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Correct. Again, the things that we've talked about in this call, weather-related, but the things we've talked about are not new to our discussion and things we've been wrestling with and attempting to recover in several ways, but the things we've been talking about all year long.

Michael Goldberg - *Luminus Management - Analyst*

What about overall weather-normalized sales growth? Is that looking any different versus the quarter before?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

No. We've remained on track with our guidance. Certainly, we are starting our energy efficiency programs in Missouri. We are starting slow, if you will, through the dollar amount but as those continue to grow, they may have some impact, but those are all within our guidance and expectations. Certainly Ford is peaking out. From Ford's perspective, Jim talked about that, and we expect that to level off as they get in full production mode, but we remain confident with our current guidance for the year around growth.

Michael Goldberg - *Luminus Management - Analyst*

Got it. Okay and then finally, on Ford specifically, what is the ramp-up that you're going to see in that plant?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Ramp-up to date, we just talked about.

Michael Goldberg - *Luminus Management - Analyst*

Right, but then going forward, you mentioned the second shift. I'm trying to convert that into numbers expected in terms of industrial growth?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

I don't think Ford necessarily will contribute to additional growth. They've reached peak here probably in the third or fourth quarter.

Michael Goldberg - *Luminus Management - Analyst*

Third or fourth. So third or is there another step-up in the fourth?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

There's not a material step-up. They may continue to grow a little bit, but no, the bump ups you've seen really were finished off in the third quarter. They're now at full capacity.

Michael Goldberg - *Luminus Management - Analyst*

Understood. Got it. Thank you.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Thanks, Michael.

Operator

Thank you and our next question comes from Brian Russo from Ladenburg Thalmann. Your line is now open. Please go ahead.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Hi, good morning.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Brian.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Could you just remind us the EPS impact from the transmission lag, as well as the property tax lag?

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

Brian, this is Jim. It was about $0.10 last year and it's really on a rate to double that, so we will have a full $0.20 of lag in the current year associated with those two items.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Okay, so that's -- it seems like 25 basis points is $0.05, so it looks like that's 100 bps of regulatory leg?

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

That's correct.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Okay.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Remember, property tax [isn't] KCPL MO. We have property tax in Kansas.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Got it. Are you earning your allowed ROE in Kansas?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

In 2013, we earned our return in all of our utilities or all of our jurisdictions except KCP&L MO.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Got it, okay. Then are you -- a lot about utilities in your area are creating transmission subs and forming joint ventures to participate in the SPP FERC 1000 project. Just I was just wondering what your strategy is there?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Again, our strategy is our partnership with AEP. Transource is the partnership we formed now two years ago, 2012, in which we contributed two projects and in return have a 13.5% interest in Transource as a whole, going forward. We really like our partnership with AEP. AEP is well-known, obviously, and focused on transmission from their corporate perspective, as well, and so we've got projects we bid on and hope over the next 12 to 18 months to be able to announce results of some of the work that's been done in the RTOs.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Okay, great. Can you remind us what your retail transmission ROE is in Kansas?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

What our retail -- it is 10.4%, I believe. It's basically the same as the [Westar's].

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

But the effective--

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

It is 10.6%.

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

But the effective rate that our customer pays is the state-regulated rates through a flowback mechanism.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Okay, so the flowback, then it is really 9.5%.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Yes.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

In Kansas.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

And Missouri.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Okay, great, and then lastly, are you seeing similar weather normalized load growth trends at your Kansas utility similar to your utility Kansas peer highlighted yesterday?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Actually, remembering what our jurisdiction looks like, KCP&L MO has, obviously, the urban Missouri side of Kansas City, whereas Kansas City, Kansas is similarly urban, but on the Kansas side, very connected. When we purchased Aquila, we picked up additional territory outside that core urban territory, so although it's Kansas and Missouri, they're very similar. We are seeing more growth, I would say, as a general statement around the areas outside of the traditional KCP&L MO, just because of the -- it's where the growth is, but from a Kansas/Missouri perspective, they are well-connected or very close in geographic nature and so they're not materially different.

Brian Russo - *Ladenburg Thalmann & Company Inc. - Analyst*

Okay, great. Thank you very much.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

You bet. Thank you

Operator

And our next question from Michael Lapides from Goldman Sachs. Your line is now open. Please go ahead.

Michael Lapides - *Goldman Sachs - Analyst*

Yes. Hey, guys. Couple of questions. First of all, wanted to [sanity] check O&M. I just want to make sure because the way it seems to read for this year implies a pretty big step down in fourth quarter 2014. Just want to make sure I understand that correctly, and if so, what are the drivers of that?

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

For second-half, Michael, we talked about, exclusive of energy efficiency, that year-over-year, the second half of the year we expected our O&M to be down about $15 million. For the third quarter, we were down about $8 million, so that would imply, our target is a decrease of $6 million for the fourth quarter year-over-year.

Now the offset to that is incremental energy efficiency spend, so you'll see about an extra $7 million of O&M that wasn't in our original forecast related to programs cost for energy efficiency for Kansas City Power & Light Missouri, so that would be an offset. If you look at it on a total year basis, we're still, exclusive of energy efficiency, really in that 3% to 4% range still, but with energy efficiency, our overall headline O&M will be more like about a 5% increase.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

But remember, the reason we break that out and say but for energy efficiency, is that is recovered through a rider. That's already recovered. So in terms of things that would cause lag, we're right on track with the reduction in the second-half that would get us where we said we'd be

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Michael Lapides - *Goldman Sachs - Analyst*

And meaning, when you say the energy efficiency is recovered with a rider, it's one-for-one in real time or is it done via the rate case and if expense is greater or less then you manage accordingly?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

No, this is one of our successes, if you will, on the rider front is that as we work through the details of energy efficiency, we demanded a rider to be able to recover those in a real time and so it is not rate case related.

Michael Lapides - *Goldman Sachs - Analyst*

Got it.

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

We also recover throughput [disincentive] on top of the program cost.

Michael Lapides - *Goldman Sachs - Analyst*

Okay. One other thing, in terms of the rate case, looking at the equity layer and the rate base, the equity layer is a little bit lower than what you had authorized in the last case? Can you walk us through that? And the rate base, the $2.56 billion, what is the Kansas rate base right now? I'm just trying to think about total KCPL-wide?

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

Total rate base, you'll recall we're targeting going from $5.7 billion to $6.5 billion, so the Missouri piece of that is about $500 million of increase and so we are well on track to achieve that overall rate base growth target. The current Kansas rate base is -- trying to find that number, thank you -- the current Kansas rate base is $1.9 billion and we have $1.8 billion in GMO, so we currently will have on file $6.3 billion, plus in the upcoming Kansas case, we will get to pick up the remaining La Cygne piece and a few other items, so we are well on track to be at our $6.5 billion number.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

What was the first part of the question, Michael?

Michael Lapides - *Goldman Sachs - Analyst*

The equity ratio in the rate case. Just curious, 50% seems a little lower than what you had gotten or what you'd asked for the last case. I may be confused there but just want to see [it and check]?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

In the last case we were at between 52% and 53% and a combination not issuing additional equity. And there was some concern at the last case that anything over 50%, given our risk profile at this point. We won that issue but as it has wandered down toward 50%, we think that's probably the appropriate ongoing ask and it's our actual capital structure expected at true-up.

Michael Lapides - *Goldman Sachs - Analyst*

Got it. Finally, looking at slide 5, and sorry to ask a whole bunch of rate case questions, looking at the property tax and transmission costs, the $10.4 million and $16.6 million, is that a forward look? Meaning, because you're asking for a tracker there, that's a mid -- that's beginning whenever rates go into effect in the next 12 months after that, not necessarily a historical look of what they were?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

It's forward in the sense that it will be May 2015, so we will get true it up to the true-up time period. It's not a forward-looking asset forecast. That's why we're asking for the tracker or rider.

Michael Lapides - *Goldman Sachs - Analyst*

Got it. Okay. I appreciate it, guys. I'll follow-up offline. Thank you.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Thank you

Operator

And our next question comes from Shahriar Pourreza from Citigroup. Your line is now open. Please go ahead.

Shahriar Pourreza - *Citigroup - Analyst*

Hi, everyone. I apologize if this was asked. I had to hop in a little bit later, but when you look at the trackers that you are requesting in Missouri, you're under-earning about -- a little over 300 basis points. How much -- if you had these trackers in place, how much can you tighten up that regulatory lag?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

The size of the lag at this point for fuel, and really transmission, plus property tax, would go a long way to closing that gap considerably. We've always talked about trying to operate in this 50 to 100 basis point of lag the first year out of a rate case. All three of these would certainly give us the ability to do that on a stable base, not just the first year out. So that's what happens with those kind, but certainly the current lag associated with property tax and transmission is the primary driver of that basis point lag we've been talking about.

Shahriar Pourreza - *Citigroup - Analyst*

Okay. It was good color on the fuel adjustment cost, but can you just remind me, just real quick, if you don't receive the fuel adjustment tracker, what will be your next up? How would you account for that? Are you going to refile for another tracker when you can [admit] 2015?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Again, we don't think there's a high likelihood that we don't get the fuel factor, but if we didn't, it would be a timing issue. It's not denial of our ask in terms of our right to the fuel factor, if you will. All fuel costs will be trued up at that point to eliminate any lag that existed and then we would immediately make some filing in 2015 to ask specifically for a factor, which again, I don't think legally is the appropriate response and I don't think practically makes any sense either. We will confident about that, but potential lag going forward is minimized by our ability to make a filing after the case is over.s

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Shahriar Pourreza - *Citigroup - Analyst*

Got you. And then very last question on GMO, can you just remind us with the lag is there, and when you do file your rate case, what mid-2015 or somewhere after that, what mechanisms, trackers, riders you're going to seek there?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

We don't currently have a lot of lag at GMO. That's one reason we haven't set a firm time on when we will file the case. We have got to file by 2015 because of the MEEIA filings, but remember that GMO doesn't have La Cygne and already has a fuel factor, so it's only KCPL MO that suffers from, if you will, that mechanism.

Kansas also has also has the property tax rider. What we will need to do is true up MEEIA, and the one thing that we don't have in GMO we want is transmission as part of our FAC even though we have an FAC. So it will be important to make that filing, but currently, or as of 2013, I would put it, we weren't under-earning there.

Shahriar Pourreza - *Citigroup - Analyst*

Got it. Thanks so much.

Operator

(Operator Instructions)

Our next question comes from Charles Fishman for Morningstar. Your line is now open. Please go ahead.

Charles Fishman - *Morningstar - Analyst*

Thank you. I just had a follow-up. On the Ford plant, if, let's see, slide 13, industrial growth year-to-date, weather-normalized, 3.9%. Do you have any feeling, if you took out the incremental, that second shift at Ford, what would that number go down to, just roughly?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Your question is what percentage of our growth in that sector is Ford?

Charles Fishman - *Morningstar - Analyst*

Yes, or at least the incremental Ford, just -- and I realize that's something that you're just going to have to make an educated guess at?

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

It wouldn't be significant to the overall. Ford is an important customer to us, but they're one of a number of industrial customers, so it would have some impact, but plus or minus, it's not a huge impact of one shift.

Charles Fishman - *Morningstar - Analyst*

Okay. So that 3.9% weather-normalized industrial growth is coming from a lot of places then, you're saying?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

We've talked about -- industrial is a smaller piece of the total pie, but within the industrial class, we don't have a single large customer that makes up a big percentage of the total. It's a lot of different companies. Certainly, Ford has had a major impact on that class over the last two years, because they went from two shifts down to one and then back to basically three shifts, and so it's moved around a little bit over the last 1.5 years since they announced the $1 billion upgrade, if you will. Does that make sense?

Charles Fishman - *Morningstar - Analyst*

Yes, okay. Thank you. I look forward to seeing you at the EEI.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Yes, absolutely. Thank you.

Operator

And our next question comes from Paul Ridzon from KeyBanc. Your line is now open. Please go ahead.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Given that you filed your rate case and you've got some visibility on when you expect rates to kick in, is it -- are you still looking at a flattish unit growth year-over-year, weather-normalized?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

For next year?

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Yes.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Yes, again, as you can see from the things that are causing the regulatory lag and our response to those with our rate case filing, there's not a lot of growth drivers for 2015 over 2014. Obviously, got territory growth potentials, but yes, you go to see the lag continued to 2014, so we are in this lumpy stair-step increase in earnings, as well as rates process that is in part the nature of regulation in Missouri. Does that make sense?

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Yes, thank you.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Yes.

Operator

Thank you and our next question comes from Michael Lapides from Goldman Sachs. Your line is now open. Please go ahead.

Michael Lapides - *Goldman Sachs - Analyst*

Hey, one of these times, give her a third shot, she'll get the last name right (laughter).

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

They're call you Lapides and that's [a cue].

Michael Lapides - *Goldman Sachs - Analyst*

Get in line (laughter). Real quick, on weather -normalized demand, I'm in the slide in the appendix, just curious, residential demand was actually pretty weak, meaning flat year-to-date, down third quarter. Have you ever talked about what your earnings sensitivity is for every 100 basis point or 1% change in residential, small commercial, and industrial? I'd assume you're a lot more sensitive to res and small com, but I don't know if you've ever put out there what that sensitivity is?

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

Overall, we've talked about on an annual basis, 1%, depending on the time of year, is about $0.05 to $0.10. Residential in the summer would be more sensitive than industrial in the winter is the way to think about that, but we've never really broken it down on a customer class basis.

Michael Lapides - *Goldman Sachs - Analyst*

Okay. Also looking at the bridge on slide 8, just curious, I don't know why I thought I saw somewhere in the press release that weather was a $0.09 drag, but I think this said $0.06. I may have just misread that, but just wanted to [sanity] check?

Jim Shay - *Great Plains Energy, Inc. - SVP of Finance & CFO*

This is a comparison to prior year and the $0.09 is a comparison to normal.

Michael Lapides - *Goldman Sachs - Analyst*

Got it. Fine. Thank you, guys. Much appreciated.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

Thank you, Michael.

Operator

Thank you and our next question comes from Steve Fleishman from Wolfe Research. Your line is now open. Please go ahead.

Steve Fleishman - *Wolfe Research - Analyst*

Sorry, I just had one quick follow-up. Curious if the election season in Missouri created any changes to the legislature that might be meaningful in terms of some of the legislative initiatives that utilities have had the last few years?

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

No, we had a lot of attention, obviously, on the things happening in Kansas, but there really wasn't much in the way of material change, if you will, happening in Missouri this go around. It was a much quieter season.

Steve Fleishman - *Wolfe Research - Analyst*

Okay, thanks.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

All right. Thank you.

Operator

Thank you and I'm not showing any further questions. I would now like to turn the call back to Terry Bassham for any further remarks.

Terry Bassham - *Great Plains Energy, Inc. - Chairman & CEO*

All right. Thank you everyone for calling in. Thank you everyone for your attention to our detail and questions. We will be at EEI next week and we look forward to seeing everyone there. Thank you very much.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone have a great day.
