FINAL TRANSCRIPT

Thomson StreetEvents℠

GXP - Great Plains Energy Inc Q2 2011 Earnings Release & Analyst Day

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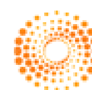

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CORPORATE PARTICIPANTS

Michael Cline
Great Plains Energy, Inc. - VP - IR, Treasurer

Mike Chesser
Great Plains Energy, Inc. - Chairman, CEO

Terry Bassham
Great Plains Energy, Inc. - President, COO

Jim Shay
Great Plains Energy, Inc. - SVP - Finance & Strategic Development, CFO

CONFERENCE CALL PARTICIPANTS

Erica Piserchia
Wunderlich Securities - Analyst

Steve Gambuzza
Longbow Capital - Analyst

Michael Goldenberg
Luminus Management - Analyst

Andy Levi
Caris and Company - Analyst

David Pods
Bank of America/Merrill Lynch - Analyst

PRESENTATION

Michael Cline - *Great Plains Energy, Inc. - VP - IR, Treasurer*

Good morning everyone. My name is Michael Cline. I'm Vice President, Investor Relations and Treasurer at Great Plains Energy and it's my pleasure to welcome you to our Analyst Day. I know there's a lot going on in the markets so very much appreciate you taking the time to be here. As we indicated in the invitation that we distributed in June, this is our first Analyst Day in five years.

As many of you are already aware and we're confident the rest of you will be after our comments this morning, we are a significantly different company than we were the last time the collective investment community came together in 2006 to hear our story.

So we're pleased to have the opportunity to discuss the truly transformational events of the past several years with you today and more importantly provide a sense of the landscape that we see as we look forward.

So I'd like to begin by introducing our speakers this morning, to my immediate right, Mike Chesser, Chairman and Chief Executive Officer. To his right Terry Bassham, President and Chief Operating Officer and to the far right, Jim Shay, Senior Vice President, Finance and Strategic Development and Chief Financial Officer.

We also have several other GXP senior officers in attendance this morning and Mike will introduce them in his welcoming comments in just a moment. As we move forward into the formal presentation I must remind you of the inherent uncertainties in any forward-looking statements in our discussion this morning. slide two, and the disclosure in our SEC filings contain a list of some of the factors that could cause future results to differ materially from our expectations.

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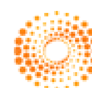

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Now, I'd like to spend just a moment reviewing this morning's agenda. Our meeting today serves a dual purpose in that we will be reviewing both our results for the second quarter as well as discussing our future outlook. We'll start with some opening comments from Mike before moving into the quarterly recap. Our intent is to keep the discussion of the quarter relatively brief so that we can devote most of the time to these strategic discussions.

In addition to our comments on the quarter in this presentation, I'd also remind you that we issued our second quarter earnings release and 10-Q after the market closed on Friday, both our available along with today's webcast slides and supplemental financial information on the quarter, on our Web site at www.greatplainsenergy.com.

Following a review of the quarter we'll move into the heart of today's meeting, which is our view as we look forward. And finally, we've allowed ample time at the conclusion of the discussion for any questions that you may have regarding the quarter, the strategic discussions, any other topics in which you may have an interest.

Those of you participating via webcast have the option at any point during the presentation to submit questions by clicking on the "Ask a Question Box" at the bottom of your screen. We'll compile your questions and respond to as many of them as we can during the Q&A portion. And finally, one last housekeeping note, you'll notice that inside the back cover of the bound copy of the presentation that you received this morning is a survey of your impressions of today's meeting.

Your feedback is very important to us so if you could take a few minutes before leaving today to jot down your thoughts and leave your completed survey with any of the company representatives we'd greatly appreciate it.

So as you can see we have a lot to accomplish in the next few hours. Our objective is to provide a clear, thorough, transparent and compelling view of our story. Thanks again for your interest and your participation and with that we'll get underway with some opening comments from our Chairman and CEO, Mike Chesser.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Thank you very much, Michael, and greetings to everybody. Very impressive group of folks here this morning, given all the things that are going with the US economy. We appreciate you carving out some time to hear our story. And we also, as Michael said, have quite a few people connected during the webcast.

And it was about five years ago that we had our last analyst conference, and I think a number of you were there as well. If you recall we held it in Pittsburgh, and the primary purpose of that meeting was to get into the detail about Strategic Energy. We rolled up our sleeves. We took tours and gave people some level of insight and competence about that company.

But as we stand here today five years later we are a much different company. We've gone through a lot of change, all focused on trying to move away from the deregulated model to more of a strong vertically integrated utility. So through that process we sold Strategic Energy. We acquired Aquila, and we also completed probably the most ambitious capital program in our company's history more than doubling our rate base through the comprehensive energy plan.

And I'll be talking a little bit about that later on but most of today's meeting is going to be focused on the future and why we believe that the strong integrated electric utility is going to be able to grow earnings and grow cash in the years ahead.

So I think you'll enjoy the presentation. I can tell you that we are filling in more detail in this presentation than we normally do on our Investor calls, and our Analyst meetings because we think it's important for you to get a fundamental understanding of the framework of our business, and what the drivers of our business are and how we think about earnings growth and credit coverages.

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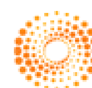

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And, of course, at the end we will have plenty of time for questions, not only during the formal part but our executive team will be available informally, if you want to meet any of them, and talk to them about their side of the business. So at this point, I'd like to introduce some of the executives that are here with us today starting first with Kevin Bryant, who is our Vice President of Strategy and Risk Management. If you guys would when I call your name and stand and wave to everybody?

Heather Humphrey, our General Counsel -- Lori Wright, is our Vice President and Controller, [Leah Huddleston], the newest addition to our team is our Assistant General Counsel. Leah has come to us from Detroit, Edison, among other places so it should give us a lot of competitive intelligence.

We also have with us Ellen Fairchild. Ellen is Vice President, Corporate Secretary and Chief Compliance Officer, and I'm sure a familiar face to many of you because she's spent a lot of time in our Investor Relations. And then Michael Deggendorf, Mike runs the delivery side of our business. And also over here on the right -- he wasn't there when I started, is Tony Carreno. He's our Director of Investor Relations. I'm sure many of you know him.

There are two folks that are not here with us today. One is Scott Heidtbrink. He runs the very important supply side of our business, the Senior Vice President of Supply. Scott actually came to us from Aquila and was one of the real pluses that we got out of the Aquila merger. Not only did we benefit financially but we got quite a bit of talent including some of the other executives that I talked about.

And also not with us today is Chuck Caisley, our Vice President of Marketing and Public Affairs. We are announcing this morning one change in our officer team. This will be one that probably impacts many of you and that is Michael Cline who is our Vice President of Treasury and Investor Relations is going to be moving jobs across the city to Kansas City Southern Railway where he'll take on a similar position there. So Michael has been with us for 10 years and he's been in charge of Investor Relations for the last three years.

Replacing Michael will be Kevin Bryant and Kevin -- I introduced a little earlier. He's currently Vice President of Strategy and Risk Management, in the finance area. Most of the last five years he's spent in the Energy Solutions side of our business taking care of our customers and prior to that he spent a number of years in the Finance group as well.

One of the things that we're very proud of at KCP&L is we have built a strong reservoir of talent -- they're able to move up into roles as positions become available and we have a talent development process that we all spend a lot of time on and we're very fortunate to have people like Kevin in the wings who can step up when new opportunities are created.

But I'm sure you all join me in appreciating Michael and thanking him for the outstanding job that he's done since he's been here. So I'd like to recognize him at this point in the program.

So as you saw our agenda is broken into two parts. The first is going through fairly briefly through the second quarter and then we'll get into the more strategic part of the business and where it's going, as I say, in great detail. And with that I will ask Terry to step up and start the review of the second quarter.

Terry Bassham - *Great Plains Energy, Inc. - President, COO*

Thanks, Mike, and again I would also thank you for being here today. There's more than a few things happening this morning we know, but we certainly appreciate you being here and hearing our story -- very excited about our opportunities having worked through five years of construction processes.

I'm going to cover a few points off the bat on the second quarter. Customer consumption, plant performance, customer satisfaction -- we'll see in predetermination and GMO Rate Case, cover those things that have happened in those areas over the

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course of the last quarter. And then turn it over to Jim for a minute for financials before we move into the strategic part of the presentation.

This a bit of an eye chart on consumption but what's important, I think, is to see is obviously we continue to struggle with our economy in Kansas City a bit. As you can see the total change in megawatt-hour sales negative about 2.5% with a change in whether normalized demand of 0.8%. So we had what would be considered, I guess, a quarter over quarter bad weather period. It was better than normal, if you will, so we had a warm second quarter but not as warm as a year ago.

One of the things you'll also notice is from a residential perspective we talked in the first quarter call about the fourth quarter of '10 and the first quarter of '11 were impacted pretty dramatically on the residential side by several factors, several of which include changes in rates and folks did and we think with heavy bills coming out of a very hot summer.

But we also talked about the fact we thought that that would not continue as a trend and although we're not excited about a negative 0.4% the trend is not what it was in the last few quarters as we anticipated. And again we had some weather help in the quarter because of warm weather from a residential perspective.

Weather normalized year-end or year-to-date 2.0% negative. I guess the other thing I would say from a commercial you can see that we're basically flat, which is not again great news but stabilizing we think. And from an overall perspective industrial continues to be a bit of a challenge to describe. We had about a 3% pickup in 2010 compared to year before, but again this year, year-to-date we've seen a 1% drop.

And we're going to be talking more as we get to the strategic piece of the presentation about the economy and about our area. But there's some basics on demand for the quarter. Plant performance, our units as a whole, as a fleet were 17% below year-over-year performance on equivalent availability factor. That was really due to Wolf Creek.

As you may recall, Wolf Creek was scheduled for a 49-day outage. Several things going on in the outage but the primary extension from our typical outage period in the mid-30 days was the replacement of our four turbine routers. As we began to work through the outage we had some additional scope growth, determined we had some additional work we needed to do after some testing on essential service water and some underground cabling. As a result, the ultimate outage at Wolf Creek ran 98 days and was virtually out for the quarter which caused the main difference in our performance year over year.

Coal, just as a heads up, you're probably aware and we'll talk a little bit about coal conservation. We put out an 8-K a week or so ago about the fact that due to flooding on the Missouri River we would need to conserve coal and that was going to have an impact on us for the year. Just as a heads up, that didn't really affect the second quarter materially as it began to happen in late June and July. But the 8-K details what our expectations are around the rest of the year and you'll see that in the third quarter results. I'll report those at the end of the quarter.

Customer service, we continue to work hard from a customer service perspective. During a period of a tough economy and increasing rates, we have continued to focus on customer service, not only at the call center where we talk to people everyday but obviously the folks in our field as we're generation mined and we keep our system in good shape so that reliability continues to be tier one or two depending on the area.

But as you can see the latest residential satisfaction survey continues to have us a tier one residential provider and so we continue to work hard in that area as we continue to work with folks about their bills, payment plans, just dealing with folks in a tough economy about how to help pay their bills and take care of their electric needs.

A couple of regulatory points for the quarter; this chart shows up later in the presentation with all of our units on it. It's maybe a bit difficult to read for a second but I think it will provide you with a good reference point after the meeting to show you the kinds of things that we expect to install on our various pieces of equipment. So this particular slide, though, is on the predetermination.

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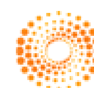

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As you know, we asked for predetermination in Kansas, for approval of our LaCygne 1 and 2 air quality control system. We've concluded hearings during the quarter, filed the briefs and we expect to have an order from the Kansas Commission August 22nd. We've been working with our EPC contractors through negotiations to file onto that contract and assuming we receive a positive predetermination order from the Kansas Commission we'll move quickly to begin construction on that project.

Finally, the GMO Rate Case we had results from the rate case right at the time of our first quarter call but post that call we finalized the order and ultimately as you will probably have seen from the Q we had the Commission actually provided us more increase in [St. Joe's] division that we asked for.

And basically it was a reflection of two things, from a fuel factor mechanism issue, but more importantly they reallocated some additional Iatan 2 to St. Joe Light and Power, which we weren't in agreement with but the rate increase, we thought was pretty stiff. They felt that was important and we appreciated that.

Ultimately though in determining the effects on our filed [AST] they determined to split the amount over the filed AST between two periods, this year and next. And so we'll be implementing the second phase of that increase over and above the $22 million AST next year.

So that was a bit of a development and it delayed the final order about three weeks, both of which impacted our expectation around final results. Again, I'm going to cover a little bit of this in our strategic piece of the presentation, but we feel good about our regulatory environment.

We did disagree with one in particular treatment of the Crossroads plant, 297 megawatts turbine in Mississippi that we acquired with the Aquila purchase. Ultimately they determined to disallow $50 million of the rate base to AST. They also make an allocation that we thought was inappropriate for some deferred tax offsets and they've disallowed the transmission expense related to the plant, all of which we disagree with and we will appeal to the Circuit Court in Cole County to address that issue. Other than that we felt like the order was very constructive. So with that I will turn over the second quarter financials to Jim.

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

Thank you, Terry, and good morning, everyone. I'd like to keep my comments on this quarter very brief so we can quickly move into the strategic discussion, which is really the focus for today. This is a reminder that the detailed information contained in the press release and 10-Q was issued on Friday, and we also have supplemental financial information on our Web site. I'd like to start by breaking down the $0.16 decline in earnings from $0.47 a year ago to $0.31 in the current year.

So we've got a $0.16 decline, which you can see on this line item. First, there's about $0.06 of special factors for the second quarter, which included $0.05 relating to Wolf Creek and a penny from the organizational realignment of voluntary separation program, which we announced in the first quarter. Second, there was about $0.03 from less favorable weather and $0.01 from lower weather normalized demand as compared to prior year.

Third, we had $0.02 from regulatory lag related to the new KCP&L rail contracts and higher property taxes. And finally, about $0.04 from other items including lower AFUDC equity, higher O&M expenses and increased interest expense partly offset by lower depreciation expense. Combining these items with the first quarter factors provides a good picture of what has driven the $0.29 decline compared to prior-year, which includes $0.13 in special factors.

Slide 17 and 18 contain our consolidated earnings per share for the quarter and year to date. In the interest of time I will move directly to the discussion of the quarterly results for the Electric Utility segment on slide 19. Quarterly earnings for the Electric Utility were about $23 million or $0.18 lower than prior year. I provided an overview of the main drivers impacting this segment in my earlier comments detailing the $0.16 decline in consolidated earnings.

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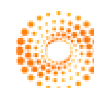

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For the year-to-date earnings for the Electric Utility segment were approximately $41 million or $0.31 per share lower than 2010. The main drivers of the reduced earnings are first, about $0.13 from Special Factors, I just discussed. Second, roughly $0.06 of regulatory lag from the new KCP&L Coal transport contract and general taxes.

Third, about $0.05 from lower weather normalized demand, and fourth an estimated $0.02 impact from less favorable weather and finally, a net $0.05 from other items including among other factors lower FUDC equity, higher O&M expenses, and higher interest expense partly offset by lower depreciation expense.

We continue to make progress in refinancing our near term maturities and lengthening the overall duration of our long-term debt portfolio. In May, Great Plains Energy issued $350 million of ten-year debt at a coupon rate of 4.85%. Proceeds were loaned on an inter-company basis to GMO, which used funds to repay two long-term debt maturities. Even with that transaction we still have significant refinancing requirements over the next 12 months. I will provide greater details around our financing plans in my 2011 and 2012 guidance discussed a little later.

Slide 22 contains a historical perspective on three of our key credit ratios. As you can see the items that have impacted year-over-year earnings have also caused a decline in our key credit metrics. One example is the affect of the extended Wolf Creek outage referenced in our July 8-K. The total disclosed consolidated impact was $21 million but because KCP&L has a fuel clause in Kansas the estimated net income affect was $7 million.

However, there is a negative impact on cash and credit metrics for the full amount, until the portion subject to the fuel clause can be recovered. This and a number of similar factors cause trailing 12-month FFO to debt at quarter-end to debt at quarter-end to be at the low end of the rating agency's guidelines for our current rating. We view this situation as temporary and expect improvements moving forward.

Also based on the earnings guidance for 2012 I will discuss later, we should be positioned to deliver better credit metrics next year. That said we understand that metrics are very important to the investors and the agencies. You should be aware that we have a very active ongoing dialog with the S&P and Moody's and key metrics is one of the topic we review regularly in the course of those discussions. That wraps up our comments on the quarter and we would like to now transition to the strategic portion of today's meeting. Mike will now come back to the podium to kick things off.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Thanks very much, Jim. Clearly we have had some challenges in the first half of the year. In fact, I don't think I ever recall a year where we've had tornadoes, floods, record cold weather, and most recently record hot weather. And it's gratifying to us that our utility has stood up and maintained sound, reliable service and good response time. So that, I think, is significant that obviously what we're here to talk about today is the long-term earnings growth potential for our company and that's what we'd like to get into at this point.

The theme for today's meeting is Transform, Focus and Looking Forward. And this chart, I think, does a reasonably good job talking about all the changes that have happened during our transformation as a company. And as I think back the major milestones that we achieved were not achieved without some question, some concern, some doubt on the part of our investors and legitimately so.

So as you think about when we decided to sell Strategic Energy. Up to that point in time Strategic Energy had been a major contributor to our earnings but there was also a lot of volatility, increasing competition in the market, and I think when we decided to sell it there was some question as to whether we were going to get real value for it. As it turned out I think we surprised everybody with the amount of shareholder value we were able to create. And I think we made the right strategic decision at the right time to sell it.

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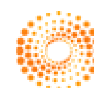

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Then, of course, we got into the question of acquiring Aquila and there again there's always reservation when you acquire another utility, how is it going to be treated by the regulators? Are you going to be able to achieve the synergies? Are you going to be able to achieve the integration of the two companies culturally? And I have to tell you I've been involved in a number of M&A activities through the years. I've never seen one go as smoothly as our acquisition of Aquila.

All of that has turned out in spades and the long-term earnings potential for that service territory is still there. It's a territory that surrounds the traditional Kansas City region and it's an area, of our service area, that still has the greatest potential area for growth. So I think that has turned out very well.

And then, of course, the comprehensive energy plan was a very ambitious undertaking, as I said, more than doubling our rate base, our $2 billion investment including possibly the last, as far as I could tell, maybe there's likely one more coal plant to be built in this country for a long time.

And there again that plant was super critical. There was questions about could we bring it on in a way that it would operate effectively, on schedule, and meet the Regulator's expectations. And it was very gratifying, it has been very gratifying to us that we did bring that plant on as promised and we got very little disallowances in the regulatory process and through the whole process I think it was recognized how well we executed. And again not just with the plant but the wind that we built during that time period and also the environmental retrofit.

So it has been a challenging five years, but I think one of the lessons for us and I think one of the lessons for the investment community is this is a company that can be counted on to execute. Every challenge that we've undertaken we've executed well and a large part of that reason is the quality of our management team. Our management team is second to none that I know of in the industry and they're certainly going to be well positioned to execute from this plan that we're talking about as we go forward.

And the other underlying strength for KCP&L is what I call our brand equity in the community. We believe very strongly in what we call community, political, regulatory love. And that basically says that you have to start by doing an outstanding job in the community and with your customers and with your customer service.

And if you can build that credibility, build that equity, so to speak, then the legislators are going to want to be associated with you, they're going to want to listen to you, they're going to respect you. And if you have that then, of course, the regulatory environment is going to be much more supportive as well. So we think you've got to start that from the ground up and our folks day in and day out are doing that.

I was just reading an e-mail as I came in today. We had a major storm that came through our system last night. We had 50,000 people out of service and at 10 o'clock at night we had 10 people report to a dry ice dispensation session or a service center and we actually -- we have accountants and lawyers and what some people would call non-essential personnel.

We don't quite see it that way dispensing dry ice. And this morning, six o'clock in the morning another 15 people showed up doing that. And the press coverage was outstanding. It was the lead story in the 10 o'clock evening news so there's a whole spirit about KCP&L and how we serve the community. But I think long term is part of our DNA and is going to be part of being a successful regulated utility.

This next chart, I think, shows some interesting facts. We talk about the growth that we've seen but our rate base has grown over the last five years by 164% while at the same time we've worked hard to keep our employee account down, our cost structure down. So I think these are some facts again, increasing basically generation by 56%. These are some facts that point to what a different company we are today than we were five years ago.

So with that as sort of a background, let's talk a little bit about the future. And I think any discussion of the future has to start with the industry that we're living in because clearly they're going to be drivers of change in this industry that makes it a much

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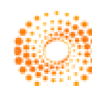

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different industry than it has been over the past 30 years. The first driver of change on this chart that I think is significant is natural gas prices.

I mean I'm sure you're all aware that shale gas has now been discovered and there is a discussion about -- and prices have dropped and there's a big question about, what does that mean for the future? Is there going to be more natural gas generation? What's the impact on the coal going to be, all those questions. And from our perspective clearly there is no one answer but history would tell you two things about natural gas prices.

As the demand grows the supply will get tighter and prices are going to go up and it's also going to be a lot more volatile. That's one of the things that's most frustrating for customers is if you're constantly passing through variable generating costs as opposed to slow, steady increases. So I think that all points to the fact that certainly some coal plants will be closed down but coal as a basic generation source is going to be a valued commodity for at least the next decade.

Another real wild card here is load growth. We have seen some very interesting dynamics in load growth over the last two or three years. We actually had a reduction in load growth last year over 2009 for the first time that I think any of us can remember. And that's being driven by a number of things.

First of all, it is the economy so the housing starts were down 70%, I think, nationwide and we saw the same things within Kansas City. But it's also being driven by this aspect of elasticity. It used to be people would think about elasticity as not applying to electricity use. It was relatively cheap as a percent of the customer's total bill and as prices went up they didn't seem to show any changes in their behavior. But we think for the first time we're beginning to see some price responsiveness from customers.

And then, of course, it's being driven by energy efficiency. Every appliance that goes in is much more efficient than the appliance that was there before. And with the Federal Energy Credits that we have there in 2009/2010 there were a lot of change outs in more efficient equipment.

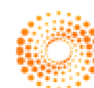
So we're not quite sure what that means for the future. We suspect load growth is going to be less than it historically has been. But then again the economy could turn around and all these electronics that everybody depends on for their lives could grow and we could see another resurgence in load growth. So I think planning we have to be prepared for both sides.

But one thing we know is that we have to do what we can to reduce regulatory lag because in a slow growth environment regulatory lag is what really hurts. And so we have a number of strategies as you'll hear later as a company to deal with the scenario that says that load does not -- load growth is not return.

Another big -- I'm still on that chart, another big driver, of course, are environmental rules. This cross-state rule that the EPA has recently propagated has a lot of questions around it or is proposing to define lots. And some people say it could result in coal plants having to be either retrofit or checked out in three years.

Some people say that could stretch to as long as six years if we can get some of the provisions in the Clean Air Act that allow for extensions to be enacted. But in either case it's pretty clear that the smaller coal plants are going to be the ones who are most likely impacted. But then again what does that mean in a lot of transmission corridors today including the Southwest Power Pool there is excess capacity. So there could be room to close some of those plants down without having to replace it. On the other hand if load growth returns you could see a resurgence in building again.

The final point of this chart that I think is interesting is this whole area of emerging technology. I personally believe that some of these technologies particularly solar is going to have an increasing impact on the utility industry. Some people say the cost of solar is coming down the same way the cost of semi-conductors came down in 2000, following Moore's Law, cost-cutting in half every five years.



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And if somehow they can solve the storage question so there's some cost-effective storage to go along with solar on the rooftop I think you could see utilities such as ourselves having to find a way to deal with that, engage in that business or be bypassed by it. So that, again, is going to be an important thing for us to get footprinted, our opportunity and our ability to provide solar to customers.

So those are some of the drivers of change that we're going to be facing. And then from a company standpoint there a number of things that we're going to have to do to make sure we're positioned to capitalize on that new world. And the first as I talked about before is going to be to significantly reduce regulatory lag. It's been higher than usual because of the comprehensive energy plan. We believe that going forward there are a number of tools including riders and [tractors] that we can be looking at to do that and we're going to be giving that top priority.

We also have to make sure that we have a strong credit profile, stabilizing our profile in 2010 we've had some impacts that we don't think will be returned this year but we had to give top priority to that. Because one of the real drivers for growth as you'll hear going forward is going to be investment opportunities. We're going to be looking at making investments and environmental retrofits.

We're going to be looking at making investments in renewables, wind and possibly solar, possibly energy efficiency. And all of that can only be a positive is you have a strong and reliant credit profile so that's going to be something we pay a lot of attention to. We're also going to have to continue to manage our own end costs. We had a voluntary separation program this year. We're moving our own end costing to the top tier one, tier two area across the company.

But basically we're looking at having to live within our mean and depending on how load growth goes we're going to have to make sure that our own end costs are not out of line. There's a lot of new technology. There's a lot of new process improvements that we believe we can do that without affecting the top tier service reliability that we have. And as Terry pointed out our satisfaction rating right now is tier one.

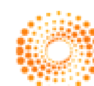
We're going to need to continue to do an excellent job in the regulatory arena. I think we have built a strong reputation. I think we have a comprehensive energy plan process. We've been treated well but we have new commissioners in both states and we need to continue to work at and develop those relationships.

And I think the final thing that we're going to be looking at is are there some additional sources of value, additional business lines closely related to our core business and our core competency such as solar installation, such as electric vehicle charging stations, those kinds of things that we can continue to on the margin increase our return on investments. So we'll be looking at that as well.

So I guess in summary it's fair to say that when we look at our company through your eyes -- we'll go to the next chart, we recognize that you're looking for a long-term return and that return comes in two forms. It comes through earnings growth including reduced regulatory lag, cost management, those kinds of things. And also it comes in the form of a competitive dividend.

And as we look at the drivers going forward for our business we see a pathway where we'll be able to grow earnings, grow cash flow, and be able to deliver on both components of that shareholder value equation. And we'll be talking more about that and Jim and Terry will be talking more about that in a few minutes.

So again thank you all very much for being here and let's get into some of the deep dive that I promised you at the beginning of the meeting.



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Terry Bassham - *Great Plains Energy, Inc. - President, COO*

Thanks, Mike. And let me just reiterate what Mike said. What you're going to hear from Jim and I are some specifics, some very specific challenges and actions that we plan to take to do just what Mike said. We've laid out a plan. We've got some regulatory lag to deal with. We work with our regulators. We're going to work with our own costs within the company and we're committed to delivering shareholder value and eliminating those kinds of lags and take advantage of the assets that we've been building over the last several years.

So strategically I'm going to cover several operational-regulatory topic, environmental, obviously a big topic in the United States from the EPA rules. Renewable energy and energy efficiency, transmission options for the company, plant operations long term, regulatory strategies and then the state of our service territory as a wrap up talk a little bit about the economy and the things that are happening in our territory. So first of all environmental, we have talked for the last several years about the fact that looking at the EPA regulations that we saw coming down the pike past Iatan 1 and 2, we saw about a billion dollars worth of investment necessary to meet the rules.

We had not outlined what those investments were necessarily and in which plants they might apply to. And so what we've done here is we're going to talk a little bit about those plants which we currently see as more likely to continue operating. And then some plants, which may be less likely. And you have an idea of where our billion dollar allocation is, if you will.

So obviously we've seen Unit one and two. We solved for the predetermination, we're working with Westar, we're ready to move forward with that project and as we've disclosed and talked to the commissioners about that's a $1.23 billion project, 50% of which is ours. In addition to that Montrose 3 and Sibley 3 are two other units, which we believe ultimately are more likely to continue to operate under the current rules and our ability to retrofit those projects. Again, we haven't made final decisions on anything other than LaCygne 1 and 2 but they seem to be more likely just given the nature of where they are and what they do.

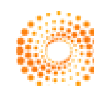
What we've then talked about a little bit here for the first time really is those units, which might be less likely. We haven't made any decisions. We'll continue to watch the rules. We'll continue to look at the timing but as you can see here we have several units that probably look a lot like units that you're hearing other utilities talk about smaller, older, less efficient. And you just really have to look at it as a smart thing to spend a dollar retrofitting those. So we've kind of outlined for the first time here that Montrose, Sibley and Lake Road have certain units.

Remember some of these stations have multiple units so there might be other units there that continue to serve another purpose. So this is a chart I was telling you about earlier. I know it's a big of an eye chart, but later referenced after this meeting it could be helpful. So the easiest way to look at it again is that obvious the checkmark means that we've already installed, the green diamond is planned installation and then yellow is not installed. You can also see where we have green and yellow. It's not installed but we do plan.

So again, for example, Iatan 2 across the board there you can see we basically we have everything installed, a brand-new unit, the latest equipment including cooling towers. And as a follow-up on Iatan 2, I'm going to make a little plug here -- Mike didn't mention it, but just last week we got word that Iatan 2 was named the Power Plant of the Year in Power Generation magazine.

So, again, based on a lot of work and time to get that unit built, it's turned out to be an excellent unit. It's running and cranked up and started ahead of schedule and has been a very good unit for us. But, in addition to that, you see the other projects here that we would look at, based on the nature of the unit, where they're located, and the unique characteristics of those units.

So, you can see, kind of, how that would work based on our plans moving forward in the future. So, what, ultimately, do these plants have to be. Well, the regulatory environments that we live in, and you know most of these, I know all of them.



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So, we've got [Care] which is now called the interstate cross state rule. We've got the Industrial Boiler MACT, Utility Boiler MACT, 2O2 rules. So, what we've, kind of, done here is listed over the next couple of pages, and I won't go through them word by word, but what we've done is listed, kind of, the rules that apply, what we're doing, to be compliant.

And, so, we've got quite a bit of detail here on each of the units, as you can see through there. Each of the units in which pieces would be installed and what it would relate to, including GMO and Sibley 3. And, then, obviously, on the less likely, and, again, I stress again, we've not made decisions. Obviously, we've got lots of issues when you decide to shut down a plant. We've not made final decisions. But, assuming that we chose not to retrofit on these projects and, obviously, ultimately, they would need to be shut down.

So, what we listed here is, kind of, our view of how the rules would work andw hen we might have to shut those down. For the most part, I think you'd probably agree, it seems to be in the 2016-2018 time period. We'd obviously have to make that decision early enough to install equipment if we weren't going to shut them down. If not, we'll run them to the end of the useful life.

What I'd point out here, is that we have several ways to meet that demand. That's about 540 megawats in total. And, so, we've looked, obviously, at our load at the time. We'd look at our needs, but we did have several options, including renewable additions that we may made over time based on the portfolio standards in Kansas and Missouri.

We've also got demand size management programs that might affect our load and we believe the rules are set up well to earn on that.

We also have CTs, gas generation, added the portfolio, probably would serve the balance, our overall portfolio, and make some sense depending on the amount we needed.

And, then, finally, we could use purchase power agreements to meet that need as well. It gives us lots of flexibility on how to meet those demands.

The key things for renewables. So, from a renewables perspective, we're driven -- our need for renewables is driven by two main agreements or two main things. The first is our 2007 collaboration agreement with Sierra Club you're aware of. And, then, obviously, we have RPS standards in both Kansas and Missouri.

The message for you here today is we have a lot of flexibility in meeting those requirements. So, we have the ability to do PPA. We have the ability to use RECs and we have the ability to actually own. So, we have some growth potential there, assuming capital is available and provides shareholder returns.

And, then, finally, we continue to believe that with the right set of rules, energy efficiency continues to be not only a means to meet customer demand, but a way for us to allow to spend dollars and earn on energy efficiency programs.

So, a quick picture of who we are from a renewable perspective. Just as a reminder, we've had a few things going on. First of all, the 100 mw at Spearville I, which was part of the CEP. We also just completed recently 48 additional megawatts of what we're calling Spearville II. But, it's basically a sister site. That's not in rates yet. So, that would be something that would be included in the next rate case.

Cimarron site, we've just signed for 131 mw, again, to help meet our needs for 2012 requirements in both states. And, in part, our Sierra Club agreement. We signed a PPA for that site as opposed to ownership for capital reasons. And, then, we, obviously own -- not obviously, but we do own RECs in both wind and solar.

And, then, you may not be aware, but we actually have contracts for 60 mw of EPA that runs out in 2016 at the GMO site. Or, the GMO utility in Gray County, Kansas.

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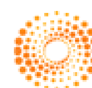

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a collaboration agreement and the standards. Remember, that our requirement or our obligation was an initial 100 mw, with another 100 mw to be considered earlier in the CEP process, with 300 additional by 2012, subject to regulatory approval.

So, we continue to be in a position of looking at what we can get done in that regard and what would be approved, included in rate. Otherwise, we won't be able to do the extra megawatts. Again, remember that we went through the list of the 48 and the 131 we just signed. We also just renewed or reissued our [RP] update from our last wind request, asking for up an addition 221 mw by next year. That would be to meet the Sierra Club agreement.

Again, we've seen prices drop in the wind space over the last year. And, so, we want to be opportunistic, if possible, to look at wind sites that may be available at good prices. We'll look, again, to see how that comes back. We'll look to see whether we're able to get those done and include them in rates through PPA or, possibly ownership. We'll look at those opportunities.

Renewable portfolio standards. We have a series of charts here that will help you, again, reference what our requirement is, and what we've done to meet those requirements. The main thing to understand, first, though, is that there is a difference in the way you calculate these requirements in the two states.

So, for Kansas, you're required now to have 10% of the three year average Kansas peak retail demand, and the way you meet that, the rule is a little different in that you can utilize, basically, all of your generation, all of your renewable generation.

Moving the 15%, 2016, 20% by 2020. And, does include all that you would expect to be your typical resources. However, Kansas is very supportive of wind resources as an economic development tool, given the nature of Western Kansas and the valuable assets out there, given the wind speeds.

So, as you can see, the requirements there, and what we've done is kind of overlaid or placed underneath that, a listing of the way we would expect to meet those. And, as you can see from the color charts, it can be a bit confusion again, because the rules are a little different.

But, as you can see, the various pieces serve to meet our requirements there, including the potential for some additional resources.

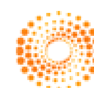
So, for Missouri, slightly different, 2% of the electricity provided to retail customers. The calculation is a little different. And there is, in fact, a small portion of that, which has to be solar, which we are working to meet.

That 2% rises to 5% in 2014, 10% in 2018, 15% in 2021. And, again, our resources to meet those requirements are listed here. And, again, you can see what we've done, what pieces they are by color. And, again, we've added a Gray County piece here that applies to Missouri, not Kansas, because that's an [Acquila] piece. Or, it's an Acquila GMO previous Acquila GMO asset, but shows up in Missouri as opposed to Kansas.

So, if you look from a final portfolio perspective over time, you can see where our resources are from this chart. You can see what we expect to have by the end of 2011-2012. And, you can see where we would begin to need again. It looks like 2016, when requirements for both states begin to move up, that we begin to get additional resources.

But, again, what I would tell you that some uncertainty around the PTC and other things that cause the prices for wind turbines and wind sites to go down. And, we're looking at the value of those properties to determine whether or not it might be an opportunistic time to acquire additional resources now. We'll continue to look at those options.

Transmission, remember, continues to be an issue in Western Kansas. So, we'll also be looking at other Kansas sites and even some sites in Missouri, might be possibilities as well.



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Energy efficiency. We've got several programs that we've worked with over the course of the last five years as part of our CEP. You've all heard those from us, you've heard our commitment to energy efficiency. You've heard our leadership, if you will, and our states around energy efficiency as a resource. What we've also said repeatedly, though, is that that resource has to come at adequate shareholder returns.

And, so, we've worked through our pilot programs over the last five years and as that five year period has ended, the rate to move forward with permanent programs were not quite finished from a regulatory perspective and getting those things put in place.

So, we've, basically, except for some basic programs that we have in place to deal with education and other household customer related things, we've, basically, terminated most of our projects and said, "We're ready to move forward once the rules are in place. But, not until."

So, Missouri is a little ahead of Kansas from that perspective. In Missouri, remember, that we've had some positive legislation in Missouri. After that legislation was passed, it moved to the commission for rule making.

The rule making was just finished recently. And, based on that rule making, we'll be filing our plan to begin to invest in energy efficient resources probably in the next months. But again, that plan and the one still a little uncertain piece is how exactly the mechanism for lost revenue and recovery and full recovery of adequate returns would apply. We'll get files and we'll work through that over the coming months.

So, my message, again, is that we are committed to energy efficiency. We think that's the way to meet customer demand, but we're only prepared to move forward if we can earn returns that are appropriate for shareholders.

Kansas, a little behind Missouri, in the sense they don't have legislation, and we've had several cases to deal with it that never got finalized. But, the bottom line is if we sit today, there's not energy efficiency rules in place for the same kind of investment in Kansas. And, we expect to work with the parties and the commission in the coming months to investigate the opportunities there.

We've said here that we're committed to pursuing additional 300 mw. Again, I would say that's in the context of the fact that we've got to get a plan filed. That we've got to get it approved in Missouri, and what we have to deal with issues in Kansas from that perspective before we can actually attack that. So, our strategy again is to continue to work with stakeholders to get our rules applied, and begin to look at opportunities for investment through '11. But, more, probably, importantly in '12 and '13.

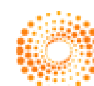
Transmission. Again, key things, first of all, we have two projects that been awarded us through would be called the right of first refusal process by the SBP that we've talked about in past disclosures.

The first, is a $54 million project from Iatan to Nashua, which has 2015 in service date. And, Sibley-Maryville-Nebraska City line, which is longer, 345 as well, but a longer line. So, $380 million project to be completed in 2017.

We've got increased competition, and with the new rule 1000, the right of first refusal process has been changed. And, what's, again, important here, is flexibility. Renewables in our plan that we're going to present to you, our renewables are not included in our plan as rate based assets. They're included in our plan as PTA's, to protect capital.

We, obviously, have the ability to do that differently if we see an opportunity. Transmission is just the opposite. We have these two projects in our plan from a capital perspective. And, we would expect to do these projects and put them in rate base. Unless, we had other opportunities to maximize their value.

So, quickly, a couple of slides. Probably don't need to educate you on the regional transmission organization, but just as a reminder, where SPP sits.



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You probably heard a lot of recent discussion and information about Entergy joining MISO as opposed to SPP. And, we're obviously talking with the parties who are involved in that, talking with MISO and SPP to understand that process and that impact.

In terms of visually, where are our projects? You can see our projects listed here. The first project was part of the CPP balanced portfolio plan that came out a couple of years ago. And, then, the CPP priority projects, a more recent group of projects that included our second project. And, then, you can see the total projects that were included in both of those plans. Again, those that had been awarded to us and we would move forward with those, unless we made other choices.

So, what are the other choices? Well, in general, we have the ability to move forward with these, but we're also looking at opportunities that might exist from that perspective. Anything we did, obviously, we would measure against our ability to put these in rate based, and recover those through our traditional first rate.

At a current 11.1% rate of return, we can calculate and see what our value would be from that perspective. Anything we could do to enhance that ownership of that asset, we would consider. But, we'll measure that against our ability to do that, obviously.

There are competitive issues continuing to develop in the sector. Again, as I said FERC 1000 just came out. A lot of first refusals, basically, have been changed. And, so, we would not anticipate automatically getting additional projects because they're in our territory.

We do think we'll continue to be competitive from that perspective. We think we bring value to our territory from a lot of reasons. And, so, it's not that we would expect not to have any additional projects, but they may not be as automatic as they were in the past.

Plant operations. Key things. Obviously, we are very proud of Iatan 2. A combination of its addition and the reduction in demand currently, we don't expect the need for new additional base load generation for several years to come.

We are targeting modest improvement, and the units we do expect to continue to operate are units that run well, but we think there's room for improvement there. And, finally, we don't see any current or forward-looking changes to our nuclear portfolio moving forward.

So, this is, kind of, who we are. Again, you can see from the map where our plants are located. And, the bar chart clearly shows we're, obviously, a heavy coal company to allow us to provide customer growth cost, reliable power. But, we are about an 80% coal company, 15% nuclear.

And, we continue to look at opportunities. As the environment process works, there might be opportunities there to diversify. That's a bit more with renewables and, obviously, potentially, gas if we had, ultimately, chose to shut down some of those older units.

So, what's our strategy around operations? Again, we have a lot of opportunities and flexibility because of the opertions of Iatan 2. So, from a retrofit perspective, we, obviously, are going to look at those opportunities.

If we work through each of the likely retrofit, we would be about 86% scrub. And, so, you can see that we're moving toward compliance, and we think that our expenditures and the dollars we've spent in the CEP provided us with a great benefit and flexibility from that perspective.

And, we'll continue to look at opportunities to backfill, if we end up needed additional generation or replacing generation that's retired, again, through renewables and other, so that we can diversify that portfolio. And, then, finally, we want to improve our fleet performance as it stands today.

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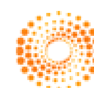

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The green line, as you can see on page 60 is our availability of our nuclear unit, not too atypical. Obviously, the jagged chart represents planned outages for refueling that caused the unit to be off for a time during a 18 month cycle. What I'll point out to you on the red and blue lines is that, obviously, between 2006 to 2008, we began to see our operations and our coal fleet suffer. And, we committed to improve that.

We replaced senior management, in fact, Scott Heidtbrink, to as Mike mentioned, took over about that time. And, we have seen a steady increase in performance from our existing fleet.

In 2010, our EAF was approximately 82%, which is -- and that excludes Iatan 2. Because, recall, it was in startup, and would not have been included in the calculations. But, it was an improvement to over '09, and our best performance since '04.

We've been spending our capital in a way to help improve performance. Probably the largest project we took on was replacement of the cyclones. That was seen in one, which is outperformance there very well. We've also done some additional work at Iatan 1 and Sibley 3. The strategies, basically, are, again, we're operating in the low 80s. We think the mid to higher 80s is more appropriate.

So, what we're doing is we're benchmarking our unit by unit against the market, against other utilities performance. And, we expect a target capital and OM expenditures for those units that we can get the greatest increase in operation efficiencies. And, move that overall EAF up and provide again more generation from these low cost units.

We also expect to continue working through what we call the Cruise Rating. Basically, there was a period where we were running these units as hard as they could go. And, ultimately, determined that although in the short term produced more megawatt hours in the short term, our unplanned outages rose.

Very coincident with the time period where you saw our EAF drop. We've been working to move toward what we call a Cruise Rating, which is drop the overall performance a little bit, but an ongoing basis. We've seen additional availability as a result of that, and we're going to continue to work through that.

Nuclear strategy. Obviously, Wolf Creek is -- we own 40% of Wolf Creek, along with Westar and [Cepco]. The site, as a reminder, is situated for two units, although we don't have any current plans for additional building on the sites. The additional site does provide an asset that we may be able to utilize in the future. But, at this point, we don't expect any additional nuclear capacity.

In our last outage, we did replace our turbine rotars, which we believe will provide us an uprate on the unit as it exists today. And, we'll continue to focus on management of the process, management in the face of additional regulations from the NRC.

We've worked through the issues we think around Fukushima, and what we've seen so far is a very reasoned response from NRC. And, we don't believe that we'll see any additional costs there that are not manageable in the normal course of operation.

Regulatory. The question I know many of you have about our regulatory plans now that we've completed the CEP. So, key themes for regulatory. Our rates continue to be regionally and nationally very competitive.

Overall, over the last five years, I think you'd have to agree that we have received very fair and constructive regulatory treatment in our two jurisdictions. We certainly had to prosecute some cases. We had some noise that happens in litigation. But, in the end, I think we're operating in two states which have been very fair in our working through a large construction project. And, our program, and including those in rates.

We continue, though, to deal with regulatory lag, and we will continue to work with our regulators on how to eliminate that lag.

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I'm going to give you some strategies and Jim's going to quantify with some numbers. First of all, we continued to pursue internally our operating costs. We do not anticipate or expect to just, simply, turn to customers for all increase in cost. We've been working hard to move our operations to a tier one cost structure while protecting reliability and customer service.

Just a few examples, we've talked a little bit about the separation program that had an impact on the quarter. But, we basically offered a voluntary separation program, which received 140 [folks]. Will allow us, then, to have savings next year after a one time charge this year. And, we continue to work to manage through attrition, additional jobs out of the structure.

In addition to that, we've also addressed salaries. It's a tough economy and you've got to do some of these things, but we froze, basically, all the executive salary increases.

We limited our management increase merit increase, which traditionally would be 2% to 3% to 1%. We, obviously, had union contracts, which we honored. But, again, we talked to employees about where we find ourselves from a cost structure. And, the bottom line is, we need to live within our rates.

We've been filing rate cases, we've been providing information. And, ultimately, we've got to live within those rates. There have been a few things that are over and over those rates, causing some current lag that Jim has talked a little bit about, and we'll talk a little bit here in a minute. And, as a result, those have to be recovered.

We have to manage cost the best we can to offset those, because to the extent we can't do that, then we have to through riders and trackers or a rate case, we have to go collect those. And, here's just a few. Transmission expenses, Wolf Creek property taxes and fuel and purchase power.

Recall, that we have fuel factors in each -- in Kansas and at GMO and Missouri, but we do not have a fuel factor in Kansas in GMO. It won't have an opportunity for that towards 2015. So, we've got to manage that process from that perspective. Again, from a success perspective, again, I continue to stress that we believe our regulatory environment is strong. They've been constructive in our cases.

And, in fact, just a week or two ago, you see under the third bullet, the Missouri Commission opened a docket not at our request. But, over the course of testimony in the last case, it became clear that the wholesale sales process we were going through created a gap between Kansas and Missouri and the way they did that. As a result, the commission voted five-oh to open the docket and address that issue.

Again, very positive sign that the commission's looking to be fair from that perspective and noted in the order that if we continue to have that gap, it would discourage us from making those kind of sales and they wanted to deal with that. So we find it to be a positive development.

So from a rate case perspective, many of you have asked and talked about when do we expect to file a rate case? What's that process?

Our strategy will be to eliminate, as best possible, regulatory lag. And that's likely going to be a combination of rate cases, riders, trackers. Just given the rate increases we've been through, it would be our goal not to have a rate case and to be able to reduce costs and simply recover the riders or trackers, which is a more efficient way of doing that. But I'm not sure that we feel like we'll be able to get there.

And so, if we can't, we'll file a rate case. Likely to be the end of this year, first of next year. Certainly likely to affect 2013 rather than 2012, just because of the -- just because of the cycle of those kind of processes. Jim's numbers reflect that process.

Again, a few things that could affect -- or do affect our need for a rate case, things that you know about and that we've talked about. We had the renewables, which are coming in. We've got the conversion of the common equity, refinancing of some of

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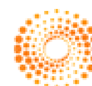

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the GMO debt, and we'll work through, in particular, property taxes and transmission to try to recover some of those things through riders that would work more efficiently on an ongoing basis.

Ultimately, we also continue to see economic declines or demand declines. We may just have to have a case from that perspective to reallocate costs across sales.

So finally, just a couple of comments about our territory and I'll turn it over to Jim. Basically, from a theme perspective, we, like a lot of folks in the country, have short-term challenges. You've seen the numbers. We believe we're situated well in the medium and long-term in our territory, with a service territory that will grow as the economy improves.

Again, remember that we have a lesser sized industrial base, which is -- tends to be more volatile. But with some of the things that have happened in this recession, we've been particularly hard hit with housing and the changes that happened in housing.

So just a couple of points here, again, on a busy chart with some data that you could use. We do have a stable governmental sector. We have a central location in the country and we do have low-cost -- cost of living.

We do have some weaknesses from low employment growth and beginning to have cities and metros compete, pretty aggressively, for new business.

We do have some new opportunities. Ford just announced that they have a new product line and we believe the Ford plant will continue to prosper. Probably the most interesting thing in our territory to happen in awhile was the announcement of Google bringing high-speed Internet to Kansas City, MO and Kansas City, Kansas, which we've already begun to see a lot of interest in our territory from data centers and other businesses about the opportunity possibly to come to Kansas City and take advantage of that opportunity.

Having said that, as you can see, a few of these charts, gross metro product, you can see in that 2009, 2010 time period, we're still pretty flat after the drop. And we anticipate growth beginning in, maybe, later '12 and '13, but we continue to be fairly flat there.

Probably the most telling of the charts here, and again, makes us maybe a bit unique, is residential building permits. As you can see in the 2010, 2011, and we believe, probably, even the 2012 time period, it's had a very dramatic drop, which fits with this chart, also, that shows on the far right-hand corner, that banks -- banks owning real estate, which is not what banks want, obviously.

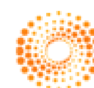
Banks owning real estate is pretty heavy in Kansas City as opposed to other metro areas. And again, given our level of sales from residential housing, with starts down and, obviously, foreclosures happening, until that trend turns up, we're not going to see as much growth as we would normally see from the residential sector.

So with that, I'm going to turn it back over to Jim to cover the financial strategy.

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

Thank you, Terry. In this section, I'd like to cover 2011 and 2012 guidance and also 2013 drivers. The topics that I'll be covering are, in addition to guidance and drivers, capital expenditures and rate base. We'll also be talking about dividends and discussing cash flows and financing strategies. Please advance. Please advance the slides. Thank you.

Summarized on slide 78 are the special factors impacting our 2011 guidance, which I previously discussed in my second quarter comments. You'll recall that there were $0.13 in year-to-date impacts and we're also forecasting an additional $0.08 to $0.12 for the balance of the year, relating to coal conservation. We are providing a range for these impacts, but to simplify the discussion,



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I'll refer to the impacts of coal conservation to be $0.10 for the second half of the year and, accordingly, the total year impact of special factors to be $0.23 per share, which is shown on the bottom right portion of the slide.

As reflected on slide 79, our EPS guidance for 2011 is $1.10 to $1.25. Before discussing the earnings potential in 2011 guidance using the regulatory view, I'll first provide an EPS walk, from the $1.53 earned in 2010 to the 2011 guidance range.

Before starting, I wanted to clarify a few of the mechanics regarding how we are approaching the walk on the slide. Each of the categories has an EPS value assigned to it, so all of the amounts that we reference will be in those terms. We expect that there will be variances between the amounts provided in each column and the actual results.

On the right side of the schedule, we have a column called Guidance Variability, which is intended to capture any such variances. In addition to these variances, we believe there will be other variations in other categories not listed on the slide. We discuss these areas in more detail on the next slide.

We use this approach with respect to guidance variability throughout the presentation and thought it would be helpful to clarify this up front.

Moving back to the left side of the slide, the first factor to discuss is weather. Total year earnings in 2010 benefited from $0.19 compared to normal, which is shown in red on the slide as a deduct. In the same column, you can see that 2011 year-to-date earnings through June had an $0.08 benefit from weather, compared to normal, which is shown in green. So the net amount in the column reflects a net $0.11 decline from 2010 to 2011, due to weather.

The second column is weather normalized load growth, which is shown as having a negative $0.05 for the first six months compared to last year. For the purposes of the first two columns, we are including the impacts of weather and weather normalized demand only for the first six months of this year, as these are the amounts that are known and have been quantified and reflected in our earnings release.

I will note, however, that July weather was warmer than normal, the benefits of which are not reflected in this chart. Any benefits from July may be able to offset any downside risk to weather normalized load growth for the rest of the year, which is challenging to forecast. We'll discuss these factors in more detail on the 2011 guidance variability slide, which follows.

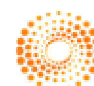
The third column shows the $0.33 positive impact of new retail rates in 2011. The $22 million rate increase for Kansas went into effect in December of 2010 and 2011 has the benefit from a full-year impact of those rates, or about $0.08.

The remaining $0.25 benefit relates to new Missouri rates. In rough figures, we will see incremental 2011 revenues of approximately $60 million relating to the $100 million increase that went into effect in May and June for KCP&L in the GMO jurisdictions. The next column shows a $0.31 decline from 2010 related to AFUDC and carrying costs. This is several components.

We earned $0.43 in AFUDC debt and equity and carrying costs during 2010, mostly due to Iatan 2. In 2011, we earned $0.12 in the first six months, mostly due to carrying costs earned under construction accounting for KCP&L Missouri and GMO prior to the effective date of new rates. The net effect is the $0.31 decline shown on the chart.

The next column reflects the $0.05 decline, which includes dilution of approximately $0.01 relating to higher share count and $0.04 relating to higher interest costs. The net impact of special factors is negative $0.16 for the year, as shown on the next column. The previously discussed $0.23 this year is offset by $0.07 of charges incurred in 2010 that relate primarily to impairments taken on Iatan 2 during 2010, pursuant to the Kansas rate order.

The last column on this slide is guidance variability, I previously mentioned, which has a range of $0.15 per share, which I'll review on slide 80. In developing our forecast for 2011, the single biggest variable relates to retail demand. You'll recall that we



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originally expected 0.7% weather normalized load growth for the year, which we had adjusted to an expectation of flat for the year at the end of the first quarter.

Through the first six months of 2011, weather normalized demand has declined 2%. Accordingly, we no longer believe that a flat is a reasonable expectation for the year. Forecasting consumption is challenging in this environment, but our current view is that weather normalized demand will be flat for the balance of the year. This would result in a 1% decline on a weather normalized basis for the full year.

As I previously noted, July was warmer than normal and August has started off the same. From an overall load growth perspective, we currently expect weather effects to offset any decline in weather normalized demand for the second half of the year.

The guidance variability column on the previous slide also captures the effects of a number of other variables we've listed here. One is coal conservation, where we've disclosed an estimated range of $0.08 to $0.12 per share. This range includes the 2011 impact of any increase relating fuel and/or purchase power or a shortfall in wholesale margin for KCP&L Missouri, which does not have a fuel clause adjustment.

I would mention that we do get a number of questions about the wholesale margin mechanism for Kansas City Power and Light in Missouri, for which we've provided a description in Appendix C. Regarding the other variables, we expect the normal puts and takes between categories. However, when combined with other factors, we believe our overall variability range to be reasonable.

In summarizing our thoughts on earnings guidance variability, we anticipate movements within the range to be largely associated with retail demand. This is typical, given the seasonality of the third quarter and its corresponding material impacts on our total year results.

Having discussed the guidance range for 2011, I'd like to next discuss how we see the regulatory earnings potential for the company and reconcile with our 2012 guidance -- 2011 guidance. This will then serve as the base line for our 2012 guidance.

Here on slide 81, we show how $5.6 billion in rate base, with a 47.5% common equity ratio and a 10% authorized ROE yields $1.91 in potential earnings per share.

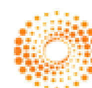
Using all of the same assumptions for 2012, you can see that the earnings potential decline to $1.83 due to the factoring in the partial year impact of share count of new shares to be issued, pursuant to the conversion of the equity units.

On slide 82, we show how the $1.91 in regulatory potential for 2011, based on the 10% ROE, walks down to our EPS guidance range of $1.10 to $1.25. I plan to spend a few minutes on this slide to walk through each of the items listed.

First, it is important to explain a few of the mechanics and rationale. Each element of the walk is calculated as a component of interest expense, using two inputs from a recent rate case. A 52% debt ratio and a pre-tax debt cost of approximately 7%.

Also from a mechanics standpoint, you'll note that the line item entitled Retail Demand NFOM is left blank. NFOM designates non-fuel O&M expense. One of the key elements of our strategy for 2011 and 2012 is to manage NFOM with the amounts we have allowed in rates.

We have, and continue to plan, to continue to balance NFOM growth against our view of demand growth as it develops in the coming months. Our intent is to capture any potential variance from this assumption in the guidance variability line, which I'll discuss in a moment. With these factors as background, the first item in decline is a decline from regulatory potential associated with utility capital investment lag of $0.04.



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The company currently has approximately $400 million in utility capital investments that are not included in rates. The largest component is $300 in construction work in process, or CWIP. This item also includes the remaining portion of Iatan, not included in the last rate case and C&D investments not in rates.

In addition to CWIP, this line item captures roughly $50 million in disallowed crossroads costs in Missouri, which we are appealing, as Terry mentioned, and $50 million associated with the Spearville wind farm that was not included in the last Kansas rate case.

The next line item was cost of service lag associated with depreciation of $0.03. This lag is generated by depreciation on assets and services, but not in rates. The next line item is $0.05 of cost of service lag associated with fuel and other.

As you'll recall from our discussion of the first six months, KCP&L had $0.03 of regulatory lag associated with higher coal transportation contracts before new rates went into effect in Missouri. The remaining $0.02 is a structural issue relating to Missouri and Kansas jurisdictional gaps Terry previously discussed, as well as KCP&L wholesale margin impact.

The fourth item is cost of service lag relating to property taxes and transmission. As Terry discussed, we are projecting cost increases in these line items beyond the amounts allowed in rates in our recent cases. On a per share basis, the lag associated with property taxes is $0.02 and with transmission, it's $0.04. As Terry mentioned, there are mechanisms available in Kansas and Missouri to reduce this lag going forward.

In addition to the $0.06 of lag that I just discussed, this line item includes Missouri's disallowance of annual transmission costs for crossroads, which we are appealing. The total lag represented by the items I've described so far is roughly 100 basis points, as shown by the ROE of about 9% on the regulatory normalize line items.

The next couple of lines include issues specific to 2011. The first item is $0.18 to adjust for the fact that 2011 results will not get the full year benefits of the recently authorized $100 million rate increase in Missouri. The second line item reflects the $0.23 in special charges, previously discussed.

The guidance variability line corresponds to the $0.15 range we discussed as part of our $1.10 to $1.25 range for the year. On the regulatory estimate line, you can see that the net result of the items discussed so far. You'll note that the total estimated lag on our regulatory operations is roughly 200 to 300 basis points in 2011.

In the next section, I'll discuss -- I discussed the impacts of costs unrelated to regulatory operations and our 2011 guidance and earned ROE.

The first item is corporate and shareholder costs of approximately $0.04 that are not allowed in rates. These costs include community expenses, charitable contributions and other allocated costs related to corporate and non-regulated activities.

The second item is non-regulatory capital costs, which represents $0.10. Essentially, these are financing costs, not in rates, because the assets are not in rates. The majority of these relate to the GMO acquisition and include roughly $170 million of goodwill and $450 million of deferred tax assets.

The deferred tax assets include NOLs and tax credit carry-forwards related to the GMO acquisition. Although the company is not able to earn on these deferred tax assets, they do provide cash benefits if the NOLs were utilized. I'll discuss the future impacts of these items in my 2012 review. They're also addressed in the appendix.

The combined impact of these two factors is $0.14 in earnings per share or about 140 basis points. And finally, the consolidated estimate line captures everything I've described and reflects our EPS guidance range for the year and the corresponding lag of 370 to 450 basis points.

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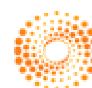

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On slide 83, we use the same approach used for 2011 as the base line for establishing our EPS guidance range of $1.35 to $1.55 for 2012. On the left side of the page, the shaded information is the 2011 information I just reviewed. On the right side is the comparable information for 2012.

First, you'll remember that the -- from the earlier chart that the regulatory potential for 2012 is $1.83. This is $0.08 lower than 2011, due to an assumed increase in shares outstanding from the equity units.

The next line item shows that utility capital investment lag increases from $0.04 to $0.07 in 2012. As we invest in utility capital expenditures, this amount will grow between rate cases, as we incur additional interest expense net of AFUDC.

On the next line item, you can see the cost of service lag tied to depreciation increases from $0.03 to $0.05 as we place additional assets into service that are not included in rates. Cost of service lag, tied to fuel and other, decreases. It decreases from $0.052 in 2011 to $0.02 in 2012.

As I previously discussed, the 2011 lag relating to the coal transportation contracts is eliminated. We have held the cost of service lag associated with property taxes and transmission flat in our guidance. As with any of the line items we're discussing, any variances are expected to be covered in the guidance variability line.

The next line item is the retail demand and NFOM debt -- and NFOM net. As I previously indicated, we have implemented rigorous programs designed to control NFOM cost growth, while still being able to deliver a high level of system reliability and customer service.

In 2012, we will benefit from a full year of cost savings relating to 140 employees, who elected the voluntary separation program, which will help to offset unavoidable cost growth.

As we finalize our 2012 NFOM budgets in the coming months, we will take into account our view of weather normalized demand growth in our service territories, to ensure that our NFOM targets are in line. We have confidence in this approach and believe it to be the right strategy, given the overall uncertainty in the economy and its corresponding impact on load growth.

In the next section, you can see that the 2011 rate case timing and special factors do not apply to 2012, which creates a positive comparative impact of $0.41 per share in 2012. I'll discuss our guidance variability range of $0.20 on the next slide.

The combination of all factors listed so far in projecting our ROE for the following year, for our regulated operations yields 8.2% to 9.3%, or roughly 100 to 200 basis points of lag, in 2012 compared to an authorized 10% ROE.

In the final section of this slide, you can see that we plan to hold corporate and shareholder costs flat from 2011 to 2012. You'll also note that the impact of non-regulatory capital costs is expected to remain unchanged from 2011 to 2012, due to the anticipated utilization of bonus depreciation in 2012.

It is important to note that this $0.10 of lag will decline over time as the GMO NOLs and tax credit carry-forwards are utilized. Again, this subject is discussed in more detail in the appendix.

And finally, the consolidated estimate line captures everything I've described and reflects our EPS guidance range of $1.35 to $1.55 for the year, and the associated lag of 230 to 340 basis points, compared to a 10% authorized ROE. In providing 2012 guidance, we have a variability range of $0.20 per share, or approximately $48 million pretax.

The following is an overview of a few of the key factors. As previously discussed, we plan to balance NFON growth against our view of demand growth. In addition, the impact of weather, plus or minus, may have a significant impact on our results, which we believe our guidance variability range provides some room to cover. We show riders and trackers as one of the drivers of variability. The previous slide shows the property tax and transmission costs, not in rates of a combined EPS impact of $0.08.

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As Terry discussed, the states we operate in have mechanisms available to address lag caused by these factors. We will determine the best path forward to reduce regulatory lag with these cost elements as part of a broader strategy.

The other section includes the same drivers I've previously discussed in reviewing 2011 guidance variability. We feel that we have a good understanding of the potential cost fluctuations relating to these factors.

With regard to interest expense in particular, we do get a number of questions. So there are a couple of items that we wanted to point out.

In mid-2012, the equity units will convert to common stock. The debt component of the equity units will be remarketed by GXP, ostensibly at a significantly lower interest rate than the approximate 10% rate that currently applies for GAAP purposes.

Great Plains, in turn, expects to lend the remarketing proceeds on similar terms to GMO, which would use the funds, along with the proceeds from an expected separate offering, to refinance $500 million of 11.875% debt that matures next July.

Keep in mind that because of fair market value amortization GAAP interest expense on this debt is only about 5.5%. We therefore expect the blended costs to refinance this debt will be higher. But keep in mind that our consolidated outstanding debt would be lower by an estimated $250 million, as these events transpire -- when -- as -- should these events transpire as planned.

I'll talk more about our financing plans a little later, but bottom line, we expect the net result of these factors I've mentioned, to result in lower consolidated interest expense in the second half of next year.

Having provided 2012 guidance from a regulatory potential perspective, we wanted to also show here, on slide 85, how our 2011 guidance walks forward to our 2012 view.

In the left column, you can see the 2011 guidance range of $1.10 to $1.25. The second column shows a negative $0.08 impact, which is a reversal of the positive effects of weather, compared to normal, that we have seen through the first six months of this year, previously discussed. In the second column, we have projected $0.08 as an early view of projected weather-normalized load growth in 2012 that would offset the weather reversal effect I just mentioned.

As discussed, we'll be developing a tighter view of weather normalized demand for next year and the coming months, so this number should be viewed as essentially as a placeholder, with any changes being covered by our $0.20 per share of guidance variability category.

The next column reflects the expected $0.18 benefit in 2012 of having Missouri rates for a full year as compared to only a partial year in 2011.

The next column is a negative $0.07 per share in AFUDC and carrying costs. As I discussed in the 2011 walk, the company had a 2011 benefit from carrying costs earned under construction accounting on Iatan 2 under the effective date of new rates in Missouri. There will not be a corresponding benefit in 2012.

Also, the LaCygne project, included in our capital plan, is not expected to have a significant AFUDC during 2012, as it will be in the early stages of construction. We've included projections on AFUDC and CWIP in Appendix C. The negative impact of $0.08 per share in financing dilution, shown in the next column, is primarily associated with the higher share count associated with the equity convert in 2012.

In the next column, the positive $0.23 relates to the 2011 special factors previously discussed, which would not impact 2012. And finally, I discussed the $0.20 guidance variability range on the previous slide. This slide concludes the discussion of our 2011 and 2012 guidance range, which we hope is helpful.

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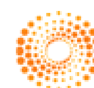


As we've previously communicated, we wanted to use today as an opportunity provide drivers for 2013, in addition to guidance for 2011 and 2012. We do so here on slide 86. You'll recall that the regulatory view of our 2012 guidance reflected 230 to 340 basis points of lag on our regulated operations. We are not satisfied with this level of lag and believe that 50 basis points or lower should be our goal for 2013.

Our plans to achieve this reduction include both operational and regulatory strategies. First, operationally. We will execute the strategies Terry outlined, which include maintain a high level of system reliability and plant performance. Given the inherent uncertainty predicting weather-normalized load growth, especially two years out, we continue to believe that a view of O&M and load growth should offset each other as a reasonable base case.

As our goal is to manage NFON within rates, higher demand may create upside to our base case view. Conversely, if anemic load growth were to persist into 2013 at levels below general expectations, it could put pressure on our ability to achieve the targeted lack of 15 -- 50 basis points.

In the next section, we'll discuss our future capital plans. It is important to note that we expect that lag associated with utility capital investments will decline as we pick up AFUDC associated with our environmental and other capital projects. From a regulatory standpoint, which is our other major strategy, as Terry discussed, our view here is that we will likely file rate cases later this year or early next year, with new rates effective at the beginning of 2013.

As an alternative to, or perhaps in combination with rate cases, we may file for riders and trackers to address lag associated with property taxes and transmission in 2012. We plan to communicate with and work with the commissions and staff in both states in the coming months, to finalize our approach to achieve the targeted reduction in lag.

And finally, there are a few other financing items impacting 2013 that we don't want you to lose sight of, including the full-year effects from the equity units conversion and debt for marketing. And also the refinancing of the GMO debt that I referenced earlier.

To wrap up our thoughts on 2013, we are not satisfied with 100 to 200 basis points of regulatory lag, which we are forecasting for 2012. We believe we have operational and regulatory paths to improvement and we are targeting 50 basis points of -- or less of lag from our regulated operations in 2013.

As Mike and Terry have discussed, improving total shareholder returns, while maintaining a high level of system reliability and customer satisfaction are the key focal points of our strategy. In the next two sections, I'll be discussing capital expenditures and how they drive rate-based growth and our approach to dividends.

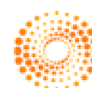
Slide 88 shows projected capital expenditures for 2011 to 2015. The 2011 to 2013 estimates are consistent with the amounts included in our 2010 10-K. The slide also includes our projections for 2014 and 2015.

The capital expenditures are in line with the plans Terry outlined, including the $1 billion in high likelihood projects to comply with environmental mandates, along with the SPP transmission projects.

It is important to note that the slide does not include any investments for renewables, which we currently plan to do under PPAs, nor does it include any investment in energy efficiency as an acceptable recovery mechanism is not yet in place.

Slide 89 shows how capital expenditures are expected to translate to rate-based growth. As I mentioned earlier, we have not finalized our regulatory plans, but believe filing rate cases later this year or early next year is a viable strategy.

This slide reflects the impact on rate base of filing cases next year with a follow-on case in 2015, for illustrative purposes. Subject to finalizing our plans, the following are a few comments on this illustration.



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First, it is important to note that the dark portion of the bars represents our projections of what would actually in rates if we filed according to the schedule I just discussed. If a rate case were filed later this year, it is estimated that it would include a rate base of approximately $5.8 billion.

With our expected investments in environmental and transmission, rate base could grow to approximately $6.6 billion by the end of 2015, representing compounded annual growth of 4% to 5% from the 2011 level.

In addition, we anticipate approximately $800 million in pending rate base at the end of 2015, mostly relating to Montrose 3 and Sibley 3, these environmental projects, and also the Sibley-to-Nebraska City transmission project Terry spoke about. We would file to include these in rate base post-2015.

On the subject of dividends, in this next section, I'll discuss our approach as part of a strategy to improve total shareholder returns. Before discussing our approach, we think it's important to reflect on how the utility sector has approached dividends during the recent period of high capital intensity.

The chart at the top of slide 91 shows that since 2005, the sector has been a net borrower. We believe that the high probability of recovery of investment, through the regulatory process, is one of the aspects of the electric utility industry that has allowed for payment of a sustained dividend under these circumstances. The bottom-left side of the chart shows that the electric utility segment, in total, has financed $98 billion in dividends, with borrowings and that the sector currently has a mid-BBB rating.

The information to the right, in the same table, shows the corresponding activity for Great Plains during the same period. As Mike and Terry have discussed, we have had a successful completion to the CEP and have excellent operating assets in place to meet the long-term energy needs of our clients. At the same time, you can see that from a size standpoint, the CEP investment to the size of the company was greater than investments made by the sector as a whole compared to its relative size.

As Terry said, these investments will make our environmental spending needs, in the next few years, more manageable, and also provide some runway to see how various factors play out before we have to make additional decisions on additional generation.

That said, these investments combined with a tough economy have contributed to a credit rating for Great Plains that is lower than the sector as a whole. Accordingly, it is important that in approaching cash dividends, we have a disciplined approach that ensures we maintain a strong credit profile.

The top of this slide is essentially a restatement of the total shareholder return slide. Mike discussed earlier, our goal is to deliver increased earnings, while reducing lag, aggressively managing costs and increasing our asset base. We want to complement our earnings profile growth with a competitive dividend that we regularly review.

In doing so, we will use a balanced approach that considers a number of factors, two of which are particularly important. First, improving the company's credit metrics at sustainable and higher levels is a key goal.

Second, at the same time, we view a sustainable and increasing dividend as a key component of total shareholder return. Effective execution of the plans we've outlined will provide earnings and cash flow growth that, based on a target 50% to 70% pay-out ratio range, should allow for both growth in the dividend and the desired improvement in our credit profile.

On slide 94, we project and overview of projected net free cash flow and how it relates to the operating and financial plans we've outlined. In operating activities, we reflect the estimated cash from operations projected from the EPS guidance range, we've previously discussed.

It is important to note that working capital levels are variable and that our operating teams have been working on strategies to improve working capital as an additional source of cash. With regards to capital expenditures, I wanted to mention that

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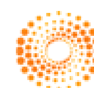

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consistent with our approach to working capital, we are also looking for opportunities to reduce base CapEx through efficiency without negatively impacting system performance or customer service.

Regarding dividends, our Board reviews this topic each quarter. For illustration purposes, and illustration purposes only, we have assumed an annual common dividend of $0.83 per share to simplify the analysis. The increase in dividends from 2011 to 2012, in the illustration, relates to the increase in share count associate with the equity units.

The slides shows that we are planning for negative free cash flow of between $200 million and $240 million over the next two years, which we plan to finance with borrowings, as I'll discuss on the next slide. We expect that to be a reasonable run rate during the build period for 2015, outlined in the capital expenditure plan. We would expect that financing cash needs of this magnitude with debt over the period would be manageable and consistent with our credit objectives.

My final slide is a summary of our financing strategy for 2011 and 2012. As discussed on the previous page, our plan is to finance our 2011 and 2012 cash needs with debt. For 2011, we expect to complete a $300 million to $400 million issuance at KCP&L, which will be used in part to satisfy $150 million maturity later this year.

In 2012, the $500 million GMO senior notes are expected to be financed with the remarketing of the equity units and issuance of new long-term debt, as described on the slide. At this point, we expect to meet our cash needs in 2012 with short-term debt. So other than refinancing, no new long-term debt is contemplated.

From an equity standpoint, we've discussed the equity conversion in June of next year and have no current plants to issue any other equity in 2011 and 2012. As Terry mentioned, there could be build opportunities with renewables and potentially transmission, if equity were financing -- equity financing were available on terms that would make those opportunities accretive to shareholders. It would take an improved valuation in our stock from current levels for such investments to make sense.

In closing, I would like to leave you with a few thoughts. As a company, our primary focus is on improved total shareholder returns through a combination of earnings and dividend growth.

From a financial standpoint, over the next few years, improving our credit profile is a strong priority. We will seek to optimize working capital management and manage capital expenditures to improve cash flow. We will prudently deploy additional leverage to meet cash needs until our stock valuation improves. We recognize the value of a sustainable and increasing dividend and will look to take action in that regard when appropriate. We are developing strategies to accommodate these objectives.

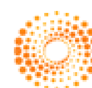
That concludes my comments. I appreciate your time and attention this morning. And now I'll turn it back over to Mike.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Thank you very much, Jim. That was a lot to go through and I think you and Tony and the rest of the group did an excellent job at laying out the foundation for our plan.

And I think, in summary, it's -- I've talked to a number of you and you've said that as you look at our company, you see 2013 as being really the first clean year when -- and I think that's probably a reasonable way to look at it. We obviously, in 2011, have had a number of unusual events that have depressed earnings. 2012, we make significant progress towards growing cash flow and earnings. And then 2013, we'll be able to implement our strategy to close the regulatory lag, either through riders, trackers or rate cases.

I think all that adds up to a pretty promising, sustainable, earnings growth opportunity in the years to come. And as a final chart, here, I think -- if you think about our company, I think there was a couple of things that you should be keeping in mind.



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First, we do have a focus on shareholder value creation. And every -- in every way that that adds up, including a lot of emphasis on regulatory lag and a lot of emphasis on making sure we have an underlying strong credit profile.

The platform for growth, I think, is significant, very attractive. As we think about the environmental investments that we have the potential to make, the transmission investments, the renewables, I think that's -- that gives us more than enough opportunities to grow the way regulated electric utilities grow.

We do, as we've talked about, have a strong track record with our regulators. And we're -- following this meeting, we're going to be meeting with regulators in both states and laying the same plan out to them and making it clear to them how important this regulatory lag issue is for shareholder value.

And finally, the underpinning of all of our -- the reputation we have with all of our key stakeholders, as we talked about earlier.

So hopefully you all see this as we do, as a compelling long-term investment thesis. And at this point, well, I appreciate your attention. We would welcome any questions that you might have.

We can take questions from the audience. We also are going to be -- have questions coming in from the webcast as well. So I'll take any questions. Yes? Are we going to have -- Tony, do we have -- oh. A lady here and then -- yes? There. Who's going to handle the microphone? Tony?

QUESTIONS AND ANSWERS

Unidentified Audience Member

How are you doing?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Oh. Okay.

Unidentified Audience Member

I wanted to ask you a simple question. One is, I'm not exactly clear what sales growth is in you -- what you're projecting for sales growth for 2012 and beyond.

And number two, I'm wondering what the rate impact you see, perhaps, happening on customers, with not just the rate base petition, but the PPA for RPS and just trackers and what have you. Just all the stuff, what are you expecting to see on that?

And then, the cost growth. Is that -- how is that factored in your ROE, 50 basis point ROE, for 2013?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Sure. Let me make a couple of comments and you guys can get the specific number on the sales forecast. One thing I will say, in 2012, we have what I would consider to be a very conservative sales forecast. And as we don't see any reason to believe things are going to be turning around any time soon, some folks that we've talked to have had more aggressive sales forecasts for the industry and for us. And obviously if you believe in that more aggressive growth, you're going to have a higher earnings potential.

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In fact, before I get to the second part of your question, you -- Jim or Terry, do you know the exact number in the 2012 forecast?

Unidentified Company Representative

Yes, for 2012, as you saw in the walk, we really have a placeholder of about 1% growth, but this is clearly a placeholder, at this point. Forecasting weather normalized load has been very challenging. As you'll recall, we started the year with a view of 0.7 that we moved down to flat. We're now expecting flat for the rest of the year, so we'd be down 1% for the year.

So we want to be very cautious in forecasting weather-normalized load growth for next year. We want to get more data and that's why we have a fairly wide guidance range for next year, kind of due to the unpredictability of that one point.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

And as you mentioned in your presentation, that the aim would be to modulate the LMM spend levels, with the sales territory -- you would say it sort of doesn't come as high as we were projecting, then we would have to take the steps to cut back on our own [M costs], which we think is achievable.

To your second question, the tolerance for rate increases. A couple of points here. First of all, our rates are still below the national average. I think we've been able to make the case, and even more so going forward, that's held that these investments that are having to be made are investments that are mandated by federal legislation.

And I think our commissioners have gotten that. They bemoan the fact that some of these investments have to be made, but they recognize there's not a lot of options around that. And I think the whole focus on riders and trackers is important as well. So you're not always covering forward with a major rate case, but you're actually able to pass expenses on as they legitimately occur. I think that's a less impactful way for commissioners to allow us to recover the costs that we incur.

So we've had pretty -- we've gone through, I think, our rates have gone up through a comprehensive energy plan, close to 50%. And we've been able to make the case and -- that it was needed, it was legitimate, rates everywhere are going up across the country and I don't think we've seen, at this point, the kind of backlash that you might have expected. But we will see.

Unidentified Company Representative

Yes.

Unidentified Company Representative

Cost roll?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Pardon?

Unidentified Company Representative

Cost roll through question?

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Unidentified Company Representative

On the Crossroads question, on a percentage basis, you asked about percentages. I would say that, obviously, passing through transmission and property taxes is not going to be a large percentage increase. But the more things you can -- as Mike said, put through from a rider, tracker perspective, that you can formalize and even lower the need for any rate case asks.

We haven't worked through a final ask that we would make and so we don't have a percentage forecast. But it certainly wouldn't be anything similar to what we've done in the last several years, given the large rate base it has.

On Crossroads, I would say that the -- the Crossroads disallowance is built into our 50 basis point regulatory lag. It's -- as you noted, we didn't have a write-off related to that, and that related to the accounting rules. But certainly that amount of rate base not included in rates would be a bit of lag. But that's included in the 50 and we, again, our plan is to manage that as well as other pieces that go with that.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Sure. This lady here has a question.

Erica Piserchia - *Wunderlich Securities - Analyst*

Hi. It's Erica Piserchia from -- .

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Yes. Hi, Erica.

Erica Piserchia - *Wunderlich Securities - Analyst*

From Wunderlich Securities. How are you? A question, I guess, on slide 89, where you show the rate-based growth. There's that lighter blue set of bars, which you defined as in progress. As I understand, there's some construction work in progress and also some opportunities with deferred taxes. Can you just give a little bit of clarity on what portion of that would be AFUDC earnings, I guess, going forward? And what portion of that is non-earnings?

Unidentified Company Representative

Well, we show in the Appendix C, I think -- I believe that the appendix will show the '11 and '12 impact. But we don't have a forecast thereafter. But the large investments in all the environmental projects would earn accordingly, moving forward. But we haven't provided that specific forecast by year.

Erica Piserchia - *Wunderlich Securities - Analyst*

And I guess -- I mean, just thinking of the out-years, you mentioned use of NOLs moving forward to changing that. I guess what's the balance of LaCygne as of the end of 2012? I mean, if the balance of construction was in progress?

Unidentified Company Representative

For 2012?

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Erica Piserchia - *Wunderlich Securities - Analyst*

Yes. If it was.

Unidentified Company Representative

I don't have the exact number. But it's probably going to be in the less than $200 million range, as project. So for us, about half that. We start construction in the fall, a little later than expected, and we'll be starting construction in '12. So I guess it could be 100 or less, would be my guess.

Unidentified Company Representative

Yes. We would have 63 for '12. And -- excuse me, '11. 63 in '11 and 171 in '12.

Erica Piserchia - *Wunderlich Securities - Analyst*

So going forward, you would be able to earn some level of AFUDC on -- .

Unidentified Company Representative

Yes.

Erica Piserchia - *Wunderlich Securities - Analyst*

An ascending unit?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Yes.

Erica Piserchia - *Wunderlich Securities - Analyst*

And then just more broadly, with regards to environmental strategy, maybe sort of beyond what we're seeing. You talked a little bit about the different options that you have, but specifically with regards to financing into future years and how you think about that, relative to environmental, do you anticipate pursuing any type of tracker on the environmental side, in [Nubilly] or predetermination, again, similar to what you've seen in this?

Unidentified Company Representative

Yes. Well, as you mentioned, we've asked for the tracker in Kansas. If we get that, then we'll have an ongoing tracker, similar to our writer, similar to what West Star has used in the past. If they don't grant that, we have equipment rate base, which causes us to have to file a rate case, but a little slower, clunkier mechanism, but which we would obviously want to use as well.

Missouri, the transmission -- the environmental rider is something that we have proposed to the legislation on, but we're likely not going to get that rider, absent some legislation, until the 2015 time period. It's similar to our fuel rider, we think. But we'll continue to look at opportunities there.

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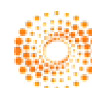

Erica Piserchia - *Wunderlich Securities - Analyst*

Okay. And then just a final question on your statements with regard to financing needs of the future years, when you think about equity, I guess this is in reference to the renewables and transmissions, I guess your current plan is to -- can you clarify that? You plan to pursue a transmission with a partner? And under that current, you don't anticipate equity in 2013? Did I hear that correctly? Or -- ?

Unidentified Company Representative

Our plan is to move forward on our own. And so our current plans don't have equity built in and has us moving transmissions with those two projects on our own.

We've talked about the opportunity to maybe work with another party, but at this point, we'll -- that happens, and if it doesn't happen, we'll move forward on our own with those projects, and that's worked into the capital plan.

Erica Piserchia - *Wunderlich Securities - Analyst*

Okay.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

One of the things that we're thinking about there is the whole transmission market is going to be in flux with the new rules coming out and -- but these projects are very attractive projects to transmission companies. And so the question is, and I'm not sure we'd be able to get there, but the question is would there be a way that we have some kind of a relationship with a transmission company that would ensure us a longer trajectory of earnings growth rather than just these two projects?

Erica Piserchia - *Wunderlich Securities - Analyst*

Okay. So that decision is not being based on financing needs so much as based on developing a longer-term strategic partnership?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Exactly. Yes. So we think that's worth looking at. And we -- and there has been some interest. But we're nowhere near finalizing an arrangement like that at this point.

Unidentified Company Representative

And remember, from a financing perspective, we have capability to put the project back, if we want to do that.

But there is flexibility there if in fact we had some financing issues.

Erica Piserchia - *Wunderlich Securities - Analyst*

Okay.

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Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Okay? We have a question here and then I'll try to keep track of whose hands go up. Yes?

Steve Gambuzza - *Longbow Capital - Analyst*

Steve Gambuzza with Longbow Capital.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Yes.

Steve Gambuzza - *Longbow Capital - Analyst*

I just have a few questions on the '12 earnings bridge, slide 83. First on the AFUDC change in 2012, where you have a negative impact in '12 versus '11. I heard you say that you don't intend to issue any new money long-term debt in 2012. Is that correct?

Unidentified Company Representative

Can we go to the bridge?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

There it is. [2002].

Unidentified Company Representative

That's not the bridge. What slide number?

Steve Gambuzza - *Longbow Capital - Analyst*

Slide 83 has the numbers and the bridge is on slide 85.

Unidentified Company Representative

Yes. Yes.

Steve Gambuzza - *Longbow Capital - Analyst*

It would be $0.07 negative for AFUDC carrying costs in 2012?

Unidentified Company Representative

So -- yes, the main impact there is we had the benefit, during the first six months of this year, of the carrying costs prior to that period, prior to new rates going into effect in Missouri. So we won't have that corresponding benefit for next year. So when you're comparing doing a bridge from one year to the other, that goes away.

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Steve Gambuzza - *Longbow Capital - Analyst*

I think I heard you say, also, that you don't intend to issue any long-term debt, new money long-term debt, in '12. That you're going to rely on short-term debt. Is that right?

Unidentified Company Representative

Well, there would be a -- the financing plan would also include a component of long-term debt as part of the overall refinancing of the GMO $500 million debt. There would be a component of new debt issued. So if my point was not clear, I apologize.

Steve Gambuzza - *Longbow Capital - Analyst*

And you only earn AFUDC to the extent your equip balance exceeds your short term debt balance, correct?

Unidentified Company Representative

Yes.

Unidentified Company Representative

Yes.

Steve Gambuzza - *Longbow Capital - Analyst*

So it sounds like you're going to have a relatively high short-term debt balance in 2012?

Unidentified Company Representative

Yes.

Unidentified Company Representative

The long remains debt yield.

Steve Gambuzza - *Longbow Capital - Analyst*

Okay. And then on parent financing costs, which you said don't change between 2012 and 2011, $0.10?

Unidentified Company Representative

I apologize to you, the first part of your comment was cut out?

Steve Gambuzza - *Longbow Capital - Analyst*

Your parent non-regulatory capital costs is $0.10.

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Unidentified Company Representative

Yes. Yes.

Steve Gambuzza - *Longbow Capital - Analyst*

Those don't change between 2011 and 2012, even though you're refinancing the debt and even though you've captured the share count dilution in the other part of capitalization. Why is that?

Unidentified Company Representative

The goodwill balances -- the goodwill balance doesn't change. And really what's driving -- you're pointing to the $0.10 of lag. That's really driven by the deferred tax assets associated with NOLs.

We've got significant bonus appreciation next year. So for tax purposes, the NOL balance will not decline in the corresponding deferred tax assets. So in future periods, you'll see that component of lag decline.

Steve Gambuzza - *Longbow Capital - Analyst*

But isn't that influenced by the cost of financing and deferred tax assets? So if you're refinancing down to a much lower rate?

Unidentified Company Representative

Well, we use a long term -- to simplify the analysis, we use our regulatory debt -- regulatory debt rate of 7% to simplify the analysis. And there could be puts and takes out -- in between categories that account for those sorts of variables. But we think the overall analysis is directionally correct.

Steve Gambuzza - *Longbow Capital - Analyst*

Thank you.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Okay. Michael?

Michael Goldenberg - *Luminus Management - Analyst*

Good morning. Michael Goldenberg with Luminus Management. Just have two questions. The first is on the equity layout. When you think about filing rate cases in 2013, I guess, historically, Missouri has been relatively flexible, anywhere between 45% and 54% layout. What are you thinking in terms of that?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Well, I think we're historically low in terms of debt to equity. So I mean, I think this would be -- I don't think we would encounter any opposition to that.

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Michael Goldenberg - *Luminus Management - Analyst*

No, I understand you wouldn't encounter opposition. Do you have target equity layout that you would like to receive, put a 2012 rate case -- .

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Right.

Michael Goldenberg - *Luminus Management - Analyst*

Filing, which could be put up in 2013.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Right. Right. Right.

Unidentified Company Representative

The equity units would drive it towards 50%. That conversion, in itself.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Sure. So that should be a reasonable mix. I don't think we would be questioned as having too much equity to earn on. I don't think -- in that range.

Michael Goldenberg - *Luminus Management - Analyst*

And secondly, on the dividends. You use an $0.83 in '11 and '12, in the slides. Does that also mean you're assuming $0.83 dividends? I understand it may be up to the Board, but are you assuming that the '12 -- and what are you thinking long term in terms of that?

Unidentified Company Representative

Yes. I can't emphasize enough that that slide was for illustrative purposes. And then what we really wanted to show was the increase in cash associated with the new share count. I mean -- so as you're building a financial model, we wanted you to have that view of the incremental cash associated with the new shares.

So completely an illustration. And as we've discussed, the dividend policy and strategies have really kind of been the parameters that we've outlined in the chart. But that slide was not intended to be indicative to a flat dividend next year, as illustrated.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

I think a way to look at that, Michael, is we believe we see a trajectory of improved cash flow, improved earnings, improved credit metrics and an opportunity to grow the dividend. And the world we're living in, right now, today, has -- still has a lot of uncertainty around that, in terms of the economy and other things.

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But as that firms up, as the external environment firms up around these, and we continue to strengthen our confidence in it, in that trajectory, we're going to look to grow the dividend. That's the commitment that I've made. I think it's very important that we do that. But we have to -- we want to do in the right context.

Michael Goldenberg - *Luminus Management - Analyst*

And my final question, relating to regulatory environment, I just saw a lot of traffic being proposed and one word I didn't see in the slides, maybe I missed it, was decoupling. Especially for the two sets, the GMO and (inaudible) Kansas, where you already have fuel pass through. Could decoupling at all be unfavorable? Thank you.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Well, nothing is off the table at this point, as we start to engage in these conversations with regulators. And the main thing is we want to get this regulatory lag closed. So the -- and these kinds of purchases tend to be collaborative.

In the past they have -- Missouri hasn't been favorable towards decoupling, but the world is shifting. They may be. So I wouldn't rule any of that out at this point.

Unidentified Company Representative

Our thoughts around the plan were to ensure that what we proposed was reasonable and achievable. And obviously if you moved something like decoupling, you're talking about changing the entire environment of the state. It wouldn't just apply to us.

And so, like Mike said, we're open to talk about lots of things, but we're wanting to present to shareholders what we believe is achievable without major legislation or change in the current regulatory atmosphere.

Michael Goldenberg - *Luminus Management - Analyst*

All right. All right, great.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Sir?

Andy Levi - *Caris and Company - Analyst*

Hi. It's Andy Levi from Caris and Company. Just back on Michael's question, so for 2013, you would want to see the 50% equity ratio as far as trying to calculate rate base and earnings from that? Is that what you're saying?

Unidentified Company Representative

That -- I mean -- .

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Andy Levi - *Caris and Company - Analyst*

I mean, should we make condition to lose that?

Unidentified Company Representative

No, that would be the plan if a rate case were filed. And that clearly takes the benefits of the convert in the equity ratio.

Andy Levi - *Caris and Company - Analyst*

I have a couple of other questions. And just on the dividends, I mean, I guess with the CEO and the CFO, they generally make a recommendation to the Board and the Board obviously decides what to do with that dividend. Do you plan to make a recommendation to the Board as far as increasing the dividend over the next six to 12 months? Is that something that you're hoping for?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Well, what I've said before, and I'll, I think, continue to say, is we think that the -- this plan will support improved credit coverages and a growing -- and increasing the dividend. But the time at which we make that recommendation is going to depend on the environment that we're in and the confidence that we have in the economy around us.

So it's hard to -- today, would definitely not be the day to do that. We'll have to see how the coming months are in terms of retail demand growth, the security of the national debt, all those things play into it. Before we start, our plan is, once we start, we want to be able to continue to grow and not to have to be impacted.

Andy Levi - *Caris and Company - Analyst*

Okay. And then as far as the sales growth issue, I guess in the first quarter you talked about the [heat pumps] and things like that. What do you think, I mean, beyond the economy? I mean, have you been able to put even a finger on what's the issue with sales growth in the first half of the year? And kind of what's going on there?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Well, there is a couple of things. First of all, this year, we had, in the first quarter, we had an unusually strong drop in residential demand. A lot of that, we think, was driven by the rate case -- the electric rate increase that is required by the commission in Kansas. And that's where we had a lot of electric heat.

So we think, okay, there were some conversions. So we've gone on there, from electric to gas. That was not going to be represented in the summer time. And it turns out, I think we're right. In the summer time, weather adjusted demand has been more flat than what we saw in the winter time. But normally, an electric utility, in the days I grew up in the utility business, you'd see 2% to 4% growth a year. And that would cover a lot of rising O&M costs and other things.

I -- there was a question in my mind if we're ever again going to see 2% to 4% growth a year, because of the increasing efficiency of equipment, energy efficiency programs that utilities have, or don't have, that's happening around us, increasing distributed generation sources coming in.

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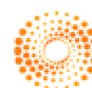

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So I think we're -- long term, there's a good chance we're going to be looking at lower growth rates. And we're going to have to find regulatory strategies, whether it's through trackers or whether it's through decoupling or whatever, to be able to keep that regulatory line down.

Andy Levi - *Caris and Company - Analyst*

And then my last question. For 2012, obviously 2011 you've had some issues with coal deliveries, flooding, things like that, coal files, et cetera. Did your 2012 estimates include any lasting effects from 2011? From that?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

From the coal conservation?

Andy Levi - *Caris and Company - Analyst*

Yes.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

I don't believe it does. We figure that will run out by the fourth quarter. Michael?

Unidentified Audience Member

Sure. Jim, if I look at the cash flow guidance in the appendices on bonus depreciation, $300 million and then $200 million in taxation or cash taxes, it strikes me that if I take this point of your guidance and add $280 million to $300 million of depreciation this year, you're not seeing much of a tax benefit from tax savings.

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

Yes.

Unidentified Audience Member

Meaning $162 million of net income, $280 million to $300 million of depreciation, that almost equals your $468 million, or so, a little bit below that, of cash from [all]. But that it ramps up in next year, meaning midpoint of your guidance, $1.45 on 145 million shares or so, and then you kind of bridge me through what's happening from a cash tax savings or other cash flow related items that explain the benefits you realized in 2012?

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

The -- we're really managing to a two-year cash position of the use of the -- from $220 million to $240 million. So we've got our earnings guidance range. And as you've correctly noted, we do not get significant cash savings from bonus appreciation and that really extends our NOL period out in the future, future periods.

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So what we want to do is, through some combination of working capital management and common sense approaches, to base CapEx management, manage that close the depreciation, those are -- we're kind of looking at all different levels of cash to achieve our two-year cash target of incremental uses of $220 million, $240 million.

Unidentified Audience Member

And how does what's happening with the flooding of coal delivery impact working capital over the next six or eight months?

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

The combined impact of both of the items is about $50 million. I mean we have 20 -- you just pull it right out of the 8-K, it's $20 million related to Wolf Creek and our range on the coal conservation, about $30 million. So it's combined impact of $50 million.

Unidentified Audience Member

Okay.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Other questions? Do we have any questions from the webcast coming in? No? Well, we -- yes? Hold for a question in the back.

David Pods - *Bank of America/Merrill Lynch - Analyst*

[David Pods], Bank of America, Merrill Lynch. A couple of questions.

In Kansas, has the state implementation plan been approved by the EPA? And is there any potential for pushing back the June 2015 deadline for the steam project?

And then the second question, regarding Missouri. You mentioned a rate -- a proceeding that was opening on the regulatory lag. Does that also address the time between rate case filings and rate case decisions? Are you moving up from 11 months to a shorter time frame?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

David, I'm sorry, I was having a hard time hearing. Could you just say that just a little louder, so I can understand? Sorry.

David Pods - *Bank of America/Merrill Lynch - Analyst*

All right. Do I just go back to question one?

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

That's much better. Yes. Please. Yes. Sorry. I was trying.

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David Pods - *Bank of America/Merrill Lynch - Analyst*

Sure. Kansas, in Kansas, the -- has the state implementation plan been approved by the EPA? And also, is there any potential for pushing back the June 2015 deadline under the consent [to previous] with the [KDHE] on the scheme?

And then the second question, regarding Missouri, you mentioned a docket that was open on regulatory lags. Does that also include addressing the timing between rate case filing and when rates are in effect? They're current at 11 months, would that be reduced? Thank you.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

Got you. Good afternoon.

Unidentified Company Representative

Yes. First of all, the Kansas plan has not been formally approved yet. But that doesn't translate, for us, into a delay on LaCygne. That's 2015. Because our agreement's driven by the original Hays agreement with KDHE.

This actually became a topic in the predetermination testimony and the Chairman of the commission actually called the KDHE to come and talk to them, or cross-examine them, actually. And they made it clear that that's part of their plan and so things could be done, but it would make a change in the entire state plan. So 2015's a pretty solid date for us, and we're continuing to move forward from that perspective.

On the regulatory lag that the docket opened was [faded] specifically to deal with what you might dollars that fell through the cracks and they specifically mentioned the wholesale sales. So that docket doesn't appear to be specific to rate case lags within the state due to the length of cases. It's really multi-jurisdictional companies that might have cracks in between the two ways they make rates. So it's a little different focus than all regulatory lag. It's specific to the utility with a jurisdictional difference.

Mike Chesser - *Great Plains Energy, Inc. - Chairman, CEO*

But I think there has been some discussion about possibly -- through some other proceeding, closing that rate, dropping that at the time from file to rates from 11 months to something lower. We're -- obviously we'd be very supportive of that and just overall, I think the tone in Missouri is -- has been generally supportive, from the legislative side as well as the commission side.

Other questions? Okay. Well, we've gone through an awful lot today. Thank you very much for your attention. We will be here for any informal questions that you have.

And make sure you get a chance, at some point, to meet Kevin, who will be our new head of IR and if you don't meet him, he'll be out to meet you in the months to come. So thank you again for attending.

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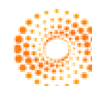

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