THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

GXP - Q2 2012 Great Plains Energy, Inc. Earnings Conference Call

EVENT DATE/TIME: AUGUST 09, 2012 / 1:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Kevin Bryant *Great Plains Energy, Inc. - VP, IR & Treasurer*

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

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

Scott Heidtbrink *Great Plains Energy, Inc. - EVP & COO*

CONFERENCE CALL PARTICIPANTS

Shah Pourreza *Citigroup - Analyst*

Paul Ridzon *KeyBanc Capital Markets - Analyst*

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

Michael Lapides *Goldman Sachs - Analyst*

Jay Dobson *Wunderlich Securities, Inc. - Analyst*

Charles Fishman *Morningstar - Analyst*

David Paz *BofA Merrill Lynch - Analyst*

John Alli *Decade Capital - Analyst*

PRESENTATION

Operator

Good morning. My name is Teris, and I will be your conference operator today. At this time, I would like to welcome everyone to the second-quarter 2012 earnings webcast. (Operator Instructions).

Thank you. I would now turn the call over to Kevin Bryant, Vice President of Investor Relations and Treasurer.

Kevin Bryant - *Great Plains Energy, Inc. - VP, IR & Treasurer*

Thank you, Teris, and good morning, everyone. Welcome to Great Plains Energy's second-quarter 2012 earnings conference call. Joining me this morning to discuss our second-quarter earnings and operating results are Terry Bassham, President and Chief Executive Officer, and Jim Shay, Senior Vice President and Chief Financial Officer.

Before we begin, 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.

I also want to remind everyone that we issued our earnings release and second-quarter 2012 10-Q after the market closed yesterday. These items are available, along with today's webcast slides and supplemental financial information regarding the quarter, on the main page of our website at www.greatplainsenergy.com.

With that, I will now hand the call to Terry.

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

Thanks, Kevin, and good morning, everyone. Thank you for joining us on the call.

I would like to begin by introducing Scott Heidtbrink, KCP&L new Executive Vice President and Chief Operating Officer. Scott began his career at Aquila in 1987 as a field engineer and held gas and electric distribution positions in operations, engineering, field and customer operations. He joined KCP&L in 2008 as a result of the acquisition of Aquila. Before assuming his new role, Scott was our Senior Vice President of Supply where he led our efforts to bring Iatan 2 into service and had oversight of our generation fleet. Scott's 25 years in the energy industry, vision and day-to-day leadership of our operations will help the Company maintain its strong and reliable system. Scott will be available during the question-and-answer session on this morning's call.

I would also like to take this opportunity to thank our employees who have done an outstanding job maintaining our transmission and distribution systems and our generation fleet during this incredibly hot summer. Their day-to-day execution ensures we are able to provide our customers the safe, reliable electricities they expect.

Yesterday we announced second-quarter 2012 earnings of $57.7 million or $0.41 per share compared with earnings of $43 million or $0.31 per share for the same quarter last year. The headline to our story for the second quarter, of course, is hot weather, which helped to offset much of the negative year-to-date earnings impact associated with unseasonably warm weather in the winter.

In addition, we continue to execute on our cost containment programs, including the ongoing benefits from the 2011 organizational realignment and voluntary separation program where we reduced the size of our workforce.

Based on our results today, we are reaffirming our earnings guidance for the year of $1.20 to $1.40 per share, and Jim will provide more detail on the quarter in his comments.

Turning to slide four, let me first provide an update on our general rate cases. Last week Missouri Public Service Commission staff and interveners filed direct testimony in our KCP&L Missouri rate case. The Missouri staff identified a revenue increase range of $16.5 million to $33.7 million based on a return of equity range of 8% to 9%. The staff further recommended the Commission authorize a return on equity of 9% at the high end of that range.

Although we disagree with many of the staff's positions, we remain confident that the results of these proceedings will be fair when we have completed them.

Staff and intervener testimony in GMO's rate case is due today, and evidentiary hearings in Missouri for KCP&L and GMO are scheduled to begin October 17. We anticipate orders to be filed next January with new rates effective later that month.

In Kansas, the Kansas Corporation Commission staff and intervener direct testimony is scheduled to be filed by August 22 with an evidentiary hearing scheduled to begin October 1 and orders due from the KCC by December 17 with new rates anticipated to be effective January 1 of next year.

Next, I will turn to operations. As depicted on slide five, our combined fleet equivalent availability factor, or EAF, for the second quarter was 83% compared to 70% for the same period last year. The primary driver of the increase was due to our Wolf Creek nuclear unit that was down for virtually the entire second quarter last year for an extended refueling outage.

Although Wolf Creek had a strong second quarter this year, running at 100% EAF and capacity factor, we do expect increase in [RCO overstat] and are planning to spend additional dollars on the unit. With the extended refueling outage last year and the unplanned outage earlier this year, the unit's performance metrics have suffered. Although we have not been satisfied with Wolf Creek's performance the past few years, the unit has provided clean energy since 1985, and we, along with our co-owners, are focused on returning the unit to higher levels of reliable operations.

On the coal side of the business, our units have performed well this year, especially during the very hot summer. You may have seen or heard yesterday that there was an explosion in a coal bunker at our R-101 unit located in Western Missouri. No one was injured, damage was minimal and the unit was never taken off-line.

Moving to slide six, I will conclude my initial remarks in this section with a discussion of the La Cygne environmental upgrade. In May we successfully completed the approximately 580-foot tall chimney shell, one of the first steps toward installing air quality control equipment at our La Cygne units. The project remains on schedule for completion during the second quarter of 2015, and upon completion, we expect that 72% of our coal fleet will have emission-reducing scrubbers installed.

With that, I will now turn the call over to Jim.

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

Thank you, Terry, and good morning, everyone. I will begin with slide eight, which provides a current year earnings per share reconciliation to the prior year.

For the second-quarter 2012, Great Plains Energy's consolidated earnings were $0.41 per share compared to $0.31 in 2011. The contributing factors to the $0.10 per share increase were, first, an estimated $0.08 per share impact from favorable weather; second, approximately $0.06 per share from new retail rates in Missouri that became effective in May and June 2011 for KCP&L and GMO respectively; and third, special factors in 2011 of $0.06 per share related to the extended refueling outage at Wolf Creek and costs associated with our organizational realignment and voluntary separation program. These factors were partially offset by an estimated $0.03 per share for operating and maintenance expense at Wolf Creek, resulting from an increase in amortization from the 2011 extended refueling outage and other increased operating and maintenance expenses; next, approximately $0.03 per share of increased interest expense, primarily due to the absence of Iatan 2 carrying costs; and finally, other costs estimated at $0.04 per share, including dilution and a tax benefit in 2011 from a settlement of a 2006 to 2008 tax audit.

For the first six months of 2012, earnings per share were $0.34 compared to $0.32 in 2011. The primary drivers impacting the $0.02 per share increase include an estimated $0.18 per share resulting from new retail rates in Missouri that I previously mentioned and special factors in 2011 of $0.13 per share relating to the organizational realignment and voluntary separation program, the extended refueling outage at Wolf Creek and a loss representing KCP&L and GMO's combined share of the impact of disallowed construction costs for the Iatan 1 environmental retrofit and Iatan 2 projects and other costs as a result of a rate orders in 2011 by the Missouri Public Service Commission.

The primary drivers I just mentioned were offset mostly by, first, approximately $0.12 per share of interest expense due to the absence of Iatan 2 carrying costs; second, an estimated effect of $0.09 per share at Wolf Creek, resulting from the unplanned outage during the first-quarter 2012 and an increase in amortization relating to the 2011 extended refueling outage and other operating and maintenance expenses; third, an approximate impact of $0.30 per share resulting from less favorable weather year-to-date due to a decrease in heating degree days during the first quarter of 2012 that more than offset the impact of an increase in cooling degrees during the second quarter of 2012; in addition, approximately $0.01 per share due to customer mix within weather-normalized demand; and finally, an estimated $0.04 per share from a variety of other factors, including a tax benefit from a valuation allowance reversal in 2011, a benefit in 2011 from a settlement of a 2006 to 2008 tax audit and a loss on the sale of real estate during 2012.

Second-quarter 2012 and year-to-date earnings for the electric utility segment can be found in the appendix and in the earnings release we issued yesterday.

Next, turning to slide nine, I will provide a few comments on our retail customer consumption. For the quarter, total retail megawatt hour sales increased 4.6%, while estimated weather-normalized sales increased by 0.1%. Cooling degree days for the quarter were 56% above normal and about 30% above the comparable 2011 period. Compared to normal weather, the second-quarter gross margin was favorable by approximately $31 million or about $0.13 per share.

Year-to-date total retail megawatt hour sales decreased 2.2%, while estimated weather normalized sales increased by 0.2%. Compared to normal weather, the positive gross margin impact of weather was about $17 million or about $0.07 per share respectively.

While our residential sales have declined, we continue to see signs of an improving local economy. Year-to-date through May, nonresidential construction was up 55%, and residential construction was up 36%. Home sales in the Kansas City area climbed 9% in May compared to the same period last year.

Additionally the unemployment rate for Metropolitan Kansas City fell to 6.8% in June, which is 1.5% lower than June 2011. Typically improvement in construction, home sales and employment are leading long-term indicators of where the local economy is headed with a positive impact to residential demand a lagging indicator.

Overall we are maintaining our expectation of 0.5% of weather-normalized demand growth in 2012. As I will discuss later, to the extent this growth is not achieved, it may be offset by the positive impacts from weather.

Turning to slide 10, in June we issued approximately 17.1 million shares of common stock to settle our obligation under the equity units. You may recall we successfully completed the early re-marketing of the debt component of the equity units in March. Proceeds from the June conversion were used to refinance a portion of GMO's $500 million, 11.875% senior notes that matured in July.

Given our 2012 and 2013 maturity schedule, we continue to evaluate a number of refinancing alternatives, but expect to refinance the remaining portion of this maturity with an issuance of long-term debt by early 2013. If we received fair and constructive outcomes in our rate case, we do not expect to issue additional equity through at least the end of 2013. Beyond 2013, if we have a need to issue equity that would support our credit rating and true-up to our cash structure, we would likely try to target the issuance to be included in the true-up dates in the general rate cases to bring the La Cygne environmental expenditures into rate base.

During the second quarter, we enhanced our liquidity profile when GMO put in place a new Accounts Receivable facility that has $80 million of additional capacity during the summer months and $65 million the rest of the year.

I will wrap up my comments on slide 11. As Terry indicated earlier, we are reaffirming our 2012 guidance range of $1.20 to $1.40 per share. With the majority of our earnings typically generated during the third quarter, we do not believe it is appropriate to change the guidance range at this time. However, July weather has been warmer than normal, and we believe that it is unlikely that our earnings for the year will be at the lower end of our guidance range.

We are also reaffirming our 2013 target of 50 basis points of normalized regulatory lag in our regulated operations. The Missouri and Kansas rate case outcomes will be key drivers in the ability to reach our target. We are hopeful that successful outcomes in these rate cases will enable us to avoid filing rate cases until we bring the La Cygne environmental expenditures into rate base.

Beyond 2013, our regulatory lag targets will largely depend on the outcome of our current rate cases, including mechanisms allowed, along with overall growth in the economy, service territory and customer consumption patterns. We will continue to manage the business tightly so we can deliver reliable and low-cost service to our customers.

That concludes my comments. Thank you for your participation, and I will now turn the call back to Terry.

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

Thanks, Jim. Our plan is to execute on a strategy of providing exceptional operational excellence and tightly managing costs while achieving successful outcomes in the Missouri and Kansas general rate cases. This will provide the framework for delivering strong shareholder returns.

We will also continue working on completing our La Cygne environmental upgrades on time and on budget. While partnering with AEP to form Transource Energy earlier this year, we are also well positioned to compete in the emerging competitive transmission market. Transource provides an opportunity for long-term growth, while further diversifying our earnings and footprint.

In conclusion, we remain focused on a simple vision of being a reliable regional utility for our employees, customers and shareholders, which we believe will create competitive long-term total shareholder returns for our shareholders in the years ahead.

Thank you for your attention this morning. Jim, Scott and I will now be happy to take any questions you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Shah Pourreza, Citigroup.

Shah Pourreza - *Citigroup - Analyst*

Good morning, everyone. When you think about your guidance for 2012, if we assume normal weather the rest of the year and weather-normalized sales coming in around 0.5%, could your earnings come in at the top end of the guidance range? We have seen some of your peers guide to the top-end.

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

With the benefit of $0.13 of weather in the second quarter and July coming in strong, potentially with just based on the weather patterns, there is a potential to perform well within the range. Reaffirming our 0.5% growth for the total year based on the first six months will require some growth. So it might have somewhat of a balanced case to protect it on the downside if we don't achieve that growth. But hopefully that helps provide some insight.

Shah Pourreza - *Citigroup - Analyst*

Yeah. On the residential side weather normalized, what is causing the drop that we are seeing on the sales end of it? Is it energy efficiency? Is it customers -- the general housing market? What is causing that drop?

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

Well, you can see that the use per consumption has dropped, and it might be due to maybe some of the weather patterns could be driving some customer behavior. As I indicated, based on the economic data, I think the long-term trends are positive, but there may be some impacts of energy efficiency and customer reactions to some of the hot weather that could be driving some near-term consumption issues. But it is kind of challenging to see through, and I think many utilities are trying to understand the same drivers.

Shah Pourreza - *Citigroup - Analyst*

Got it. Got it. And then just last question on the transmission front, can you just maybe elaborate a little bit on the transmission line you announce recently with Omaha Public Power? Why wasn't that in the Transco? Is this something that is early stages or something you can build into your outlook?

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

This is Terry. The one that was just announced was actually the second of the two projects that had been approved by the FCP and which we had announced was contributed to the Transource partnership. So it is not as much a new line as it is publicly announcing the process to hit the market, if you will, to find the path.

So yes, it is part of the Transource process. I think we have talked about the size of the project being around $400 million and would provide the startup, if you will, of Transource once we finished all the regulatory approvals for that.

Shah Pourreza - *Citigroup - Analyst*

Got it. And then is there any updates as far as the Transco with AEP as far as projects or how are we doing there?

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

The process has continued in the AEP, and we, as a group, are working on projects that are available to be bid on. But we really don't have anything today in terms of firm announcements around projects, which we can see the end date to.

Shah Pourreza - *Citigroup - Analyst*

All right. Thanks so much. The questions were answered.

Operator

Paul Ridzon, KeyBanc.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Good morning. How are you? I'm just looking at weather for the third quarter so far, and it looks like July alone had as many heating degree days above normal as the entire second quarter. Could we translate that to something on the order of $0.10 to $0.13?

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

I would be hesitant to convert July weather at this point. If we have not worked through our closing process, I would be hesitant to convert that at this time. But clearly July weather has the potential to help us perform well within the range.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

And just a clarification on your comments on guidance, did you say you did not foresee being at the lower end of the range or lower half of the range?

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

The lower end of the range.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Okay. Thank you very much.

Operator

Brian Russo, Ladenburg Thalmann.

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

Good morning. You mentioned earlier escalating costs or operating and maintenance costs at Wolf Creek. I was just curious if you could elaborate on that, and how comfortable are you with the cost trends to match that of sales growth?

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

Yes, certainly we have indicated that given past performance, we expect there to be some additional oversight and expense. We are spending dollars to improve performance. So that is the trend we have talked about. We believe, though, that is manageable within our current guidance and within our expectations. And so as an entity, we expect to live within our means and don't expect that to have a negative impact overall.

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

Okay. And can you just update us on the status of the fuel audit?

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

Yes, the fuel audit is -- we are expecting to get in order on bad this month. We did have a preliminary hearing or a preliminary discussion about that by the Commission a week or so ago. We had at least one commissioner wanted some additional time, but the commentary around -- in the open meeting, the commentary around that was positive, so we continue to feel very good about that outcome.

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

Okay. And then lastly, staff testimony in the KCP&L/GMO case, was there any mention of cap structure or the equity ratio?

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

No, no mention of equity at all. The mention of cap structure had a few adjustments, but nothing that is not typical for us to see and deal with.

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

And then lastly, on the staff testimony, it was a little unclear as to what their position was on the all-systems sales with the sales outside the service territory. I was just wondering if you could just maybe elaborate on what their position is?

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

Yes, in general, they opposed our request for I guess what I would call an improvement to the current methodology, which is a 40th percentile estimate of success on sales included as an offset to base rates. We had asked for an additional opportunity to capture some sales that might occur above that and some protection below that. They opposed that improvement, if you will, but they basically continue the same methodology we have had over the last several years using our estimate of the expected costs or expected result.

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

Thank you very much.

Operator

Michael Lapides, Goldman Sachs.

Michael Lapides - *Goldman Sachs - Analyst*

Hey, guys. Just a couple of model-oriented questions and then one strategic one. On the model-oriented side, what are you embedding for O&M growth rates for 2012? Like what is in your guidance for 2012 O&M growth?

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

In terms of a run-rate, we have not gotten that granular within our guidance span. I mean but we do have a real sharp focus on cost control, and other than some incremental expenditures for Wolf Creek, that is relative to our previous guidance. That is really the only area of potential cost growth for the balance of the year. So we remain very vigilant and focused on cost control, and I think you can see some of that in some of the year-over-year O&M comparisons.

Michael Lapides - *Goldman Sachs - Analyst*

Okay. And when we think about the rate increases you have taken to date, what is left for the remainder of 2012? I mean what have you not taken that you will take in the third and fourth quarter of 2012?

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

When you say rate increases we have taken --?

Michael Lapides - *Goldman Sachs - Analyst*

That you have already received from your last round of cases that went into effect a number of months ago, you had some benefit from it in the first quarter. You had incremental benefit from the second quarter. I'm just trying to think about the dollar millions that you will receive in the third and potentially beyond that in terms of what is left from the last rate increases allowed by the various commissions?

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

Well, without knowing usage patterns and actual dollar amounts, this will be a full year of increase reflected from the last increase. So we will have a full-year's effect of the increase that went into effect last summer. The actual dollar impact of that will be based on usage and those kind of things.

Michael Lapides - *Goldman Sachs - Analyst*

Did those increases go into effect at the third quarter of last summer or second quarter? So, in other words, there is nothing incremental to take in the third quarter of 2012 that you have not likely already taken?

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

On a year-over-year basis, no.

Michael Lapides - *Goldman Sachs - Analyst*

Okay, just checking. The last thing, Wolf Creek. Both you, Westar, and the munis that own on a small slice of Wolf Creek, you faced some operating issues; you have had some cost pressure. Is there any re-thinking by the joint owners about whether you all are the logical owners given a little bit of a lack of economies of scale, given a little bit of a lack of recent operating performance issues and cost pressure?

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

I would say, first of all, we are very confident that we will be able to operate effectively as we currently stand. So our three owners are committed to good operations. We have in the past operated well. The unit has aged a little bit, and we need to spend some money and focus on performance. So we are confident of that and committed to that.

I would also say that we are always looking for opportunities to get better. So we will continue to look at opportunities. We have a program where we share information and work together with our other single-unit smaller sites to try to gain some economies of scale that way and share knowledge. So we are always looking at how to get better, and we will continue to do that as we go.

Michael Lapides - *Goldman Sachs - Analyst*

Sounds good. Thanks, Terry. Thanks, Jim.

Operator

Jay Dobson, Wunderlich Securities.

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

Good morning, Terry.

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

Good morning, Jay. How are you?

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

Very well. Thank you. Just a couple of questions. First, just to clarify, the Wolf Creek refueling outage, that is still scheduled for first quarter of 2013?

Scott Heidtbrink - *Great Plains Energy, Inc. - EVP & COO*

Yes. This is Scott Heidtbrink. That is correct.

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

Okay. And we should, Jim, expect that to impact earnings by about $0.06? I think you had said on the first quarter that sort of delaying that offset the $0.06 negative of the unplanned outages. Is that still the way to think about it?

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

What we broke down in the first quarter was that the $0.06 was the impact to the first quarter related to higher fuel expense and O&M that we experienced during that period. And then we were impacted year over year by another $0.01, which was the impact of the prior higher amortization this year from the prior refueling outage.

You can see in our current quarter we had another $0.02 of that carry over that higher amortization. But, as we look forward, obviously the full RFA team cost amortization will roll through this year, except for maybe a month, and then we will start the RF-19 amortization in 2013, but I don't, Jay, we have put a number to that.

But we indicated earlier that we thought that we would be able to cover this year that this would be P&L neutral relative to our preliminary forecast.

Now, in our current update, we are noting that we do have some higher expenses for the last six months of this year than what we earlier thought. But hopefully that helps you work through your modeling issues.

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

That helps a lot. Maybe onto operating cost then, I'm thinking operating costs ex-Wolf Creek when I look at the income statement it does sort of highlighting, Terry, your comments early on. I think the operating costs were lower.

As we look out over the balance of the year -- and, again, excluding what we are seeing at Wolf Creek, which is likely some continued growth there -- what is the underlying trend of operating costs?

Scott Heidtbrink - *Great Plains Energy, Inc. - EVP & COO*

Well, our goal is to keep things flat. Obviously we have got some increases that drive our rate case need or ask, but we said that once these cases are over, we don't expect to file, and that is because we expect to maintain our overall cost structure at flat at least. And to the extent that we can continue to drive process improvement and opportunistically find places, we would hope to have flat to down.

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

I mean one of the variables that we don't have as much control over is some of the transmission allocations that we get from SPP. We are trying to address those through the current series of rate cases through the combination of riders and trackers to minimize lag moving forward.

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

Got you. No, that is helpful. And then, Terry, I heard you reiterate your forecast of 50 basis points of lag. I just wanted to get a little bit more behind that. Is there something, anything new in there, or is it just an ongoing commitment?

And I guess following on to that, if you did end up -- and I'm sure you are hoping you will do better than where the staff is in Missouri -- but if you ended up with something like a low ROE, would that 50 basis point still hold just to the lower earned level, or should we think of that as being disappointing to the commitment?

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

No. No, I think what you are hearing from us is a continued commitment to that goal, and we said all along that we would expect to do that through managing our business. We believe we will get a fair and reasonable outcome from our rate cases, but to the extent that we have something a bit different than that, we are going to manage that, and we are committed to delivering on that. Once we get through 2013 and look at what happened in the rate cases and see what costs happened, we will probably be able to give some guidance around 2014 estimates. But for 2013, our commitment is to deliver on our 2012 and 2013 commitment.

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

That is great. And then last question, Jim and Terry, I guess, the guidance -- and I hear you that you are sort of saying it will be the low end of that guidance, but July weather pretty good, and you have got the Wolf Creek still moving around. If we exclude Wolf Creek and allow that to explain why you would not say it is the upper half of that range, anything else that you are worried about that prevents you from getting somewhat more optimistic even within that range?

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

I would say with all those assumptions, you are exactly right. I would say what we have seen in the past, we saw this last year, some December weather, and we are also maintaining our guidance in the context of the rate case outcome, which on occasion there are issues in the rate case that involve one-time but adjustments to the books that could affect it. And, again, we are committed to delivering on our promise there regardless.

So I would say outcome of the rate case, and what we saw last year with some very mild weather in the early winter that could affect that to a degree. But, otherwise, that affects us within that range, not outside the range.

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

Great. Thanks for the clarity.

Operator

Charles Fishman, Morningstar.

Charles Fishman - *Morningstar - Analyst*

Good morning. If I could follow up on a previous question or your answer to a previous question, the Missouri staff testimony in the KCP&L case, the bulk of the differences, the offsystem sales, is there something else that is material in the differential? It looks like it is about, what, $70 million, $80 million revenue difference?

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

Yes, no, you might have misunderstood me there. Actually the office in sales is not really a material difference at all. They had -- the request we had made to improve on that mechanism would have given us the ability again to protect the downside and share some of the benefit on the upside if it occurred. It did not have a dramatic impact on the ask itself.

Looking at the delta between our filing and the higher end of their recommended range, probably -- well, not probably -- the most prominent difference is the ROE. If you look at a 10.4% ROE for us and a 9% for them, that is by far the largest single input to that difference.

And there were some rate-based adjustments, jurisdictional allocations and cost of debt adjustments that they made we disagree with that would probably drive a large part of the delta between the two, not necessarily, though, to offer some sales.

Charles Fishman - *Morningstar - Analyst*

Okay. Thank you for clearing that up. And then just another question on regulatory question. So the way I understand it is the next round would be you would wait until the La Cygne environmental upgrades are done, and if I look at slide six, that looks like early 2015. You get that in rate base, and then you would consider the next round of rate cases? Did I understand that correctly?

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

Well, our goal is exactly that. Our goal would be to finalize this case and not have another general rate case until La Cygne was completed. We are looking at the opportunity for, if you call it, an abbreviated case in Kansas only related to the construction work in process opportunity in Kansas, which would be an abbreviated filing done during likely 2013 to bring up to speed our CWIP balances. But, again, that is an abbreviated case focused on that issue. Otherwise, our goal is to maintain costs, live within our means and not have another case in the interim.

Charles Fishman - *Morningstar - Analyst*

Okay. Thank you.

Operator

Shah Pourreza, Citigroup.

Shah Pourreza - *Citigroup - Analyst*

Hey, guys. Thanks for taking a follow-up question. On the OSS margin threshold for KCP&L Missouri, I think last time you estimated that the 40th percentile equated to about $27 million in margin. Since then, I think gas prices have come off. Do you guys have a little bit more of a best guess of where the OSS margins could be at the 40th percentile?

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

I'm looking to see. I think the actual filing was around $23 million, and honestly since that filing, prices have dropped some. And so it is probably I would guess -- we have not done the true-up yet -- but I would guess it is going to be closer to $20 million when it is all said and done. We will file a true-up when it is all said and done. At that point, we will be able to show you the exact number.

Shah Pourreza - *Citigroup - Analyst*

Terrific. Thanks.

Operator

Paul Ridzon, KeyBanc.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Back on the wholesale, what did you ask for that was different than the previous construct?

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

We had asked for an opportunity if we were over our target by a particular percentage, then we propose sharing the overage between us and customers. It would be an opportunity for us to -- incent us to have an opportunity to gain a few dollars if we had a good year.

And, in return, on the other side, we had also suggested that below a certain percentage of the lower end that if something dramatic happened, which has happened to us here a couple of times, we would have some protection on the lower end. And so the staff did not adopt that; instead, preferred the current methodology as it stands.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

What is the timeframe when you can get a full fuel pass-through?

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

It would be in the 2015 case.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

2015? Okay. Thank you.

Operator

Michael Lapides, Goldman Sachs.

Michael Lapides - *Goldman Sachs - Analyst*

Hey, guys. Just thinking about the ARC in Kansas, the abbreviated rate case. If you filed it next year, are you using a year-end 2012 kind of allocated CWIP balance for La Cygne when you file?

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

No, it should be updating through 2013. The idea would be -- again, it is abbreviated, but in the sense that it addresses in particular this issue -- but it should carry through the better part of 2013.

Michael Lapides - *Goldman Sachs - Analyst*

Meaning it will have, like, a known and measurable component or have like a forward look to it?

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

Yes, we will file it and then get an update three months after we file to give us the most current dollar amount at that time, which should put us through 2013.

Michael Lapides - *Goldman Sachs - Analyst*

Got it. And, Jim, when you look at the cap structure and you made a comment in your prepared remarks regarding potential refinancing opportunities, can you talk about which tranches and include things like the impact of make-wholes you think are most viable for potential refinancing alternatives?

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

We are -- as we indicated earlier, we would be -- we are planning on combining a couple of financings and doing -- we would think about doing a couple of longer-term financings early next year. It could be in the first half of next year. It could be one or two financings. We have got both, I believe, $250 million of KCP&L notes that are due. So we would package those plus as part of a larger refinancing next year.

Michael Lapides - *Goldman Sachs - Analyst*

But are there any ones that are not coming maturities, meaning the next 12 to 24 months, but were you look at the tranche and you say, wow, given where interest rates are in the market and where companies with your credit ratings are doing financings right now, I could save a significant amount by taking it out early?

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

No, we are not seeing anything like that.

Michael Lapides - *Goldman Sachs - Analyst*

Okay. Thanks, guys.

Operator

David Paz, Bank of America.

David Paz - *BofA Merrill Lynch - Analyst*

Good morning. I had a question. You may have addressed this, but can you just remind me what items are trued up in your rate case in Missouri?

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

Yes, the main thing would be plant. We would also have some other smaller adjustments for our employees and sales, but in general the biggest one that has the major impact is plant and service and wholesale sales. Remember, we talked about it being the wholesale sales number.

David Paz - *BofA Merrill Lynch - Analyst*

And that is at the end of this month, correct?

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

Yes, end of August.

David Paz - *BofA Merrill Lynch - Analyst*

I guess generally is that -- well, let me ask this, generally how many months after a filing a rate case do you true-up both in Kansas and Missouri?

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

In Kansas, it is seven. I'm being told it is a little shorter than that. It is three in Kansas and five in Missouri, I'm sorry.

David Paz - *BofA Merrill Lynch - Analyst*

Okay. So, if we look into the next round of rate cases, I believe, Jim, you have mentioned that timing of any equity needs would be tied to that next round of rate cases. Should we think about it as timing to the true-up date?

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

Yes, I mean in my comments we talked about, if we have a need for equity based on our cap structure, obviously timing it in connection with future rate -- with a true-up would make sense. But it really is largely driven by -- if there are any equity needs to support the current rating. But we try to time it in connection with the true-up.

David Paz - *BofA Merrill Lynch - Analyst*

Is there a certain target equity ratio that you look for when you go into a round of rate cases?

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

We want to be at least 50-50.

David Paz - *BofA Merrill Lynch - Analyst*

Great. Thank you.

Operator

Jay Dobson, Wunderlich Securities.

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

Terry, I just wanted to follow up at a little bit of a higher level. So a belated congratulations. You have a CEO title since the last call. You are what, 64 or 68 days into the new title. As you look forward, I know you have got a lot on your plate from a regulatory perspective immediately. How do you envision changing what investors and folks on this call now see as Great Plains Energy?

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

I thought you were about to say I was 64-years-old. Yes, we have -- I think we have had a history of operational excellence and community employee excellence, and we have built a lot of great assets over the last several years, and in those years, I was the CFO.

I think what we have tried to say since Investor Day a year ago is that we are committed to total shareholder return excellence. And we want to be what we are talking to our employees about, what we are talking to shareholders, what we are talking to the community about, is we want to be known as a reliable utility on each of those fronts.

So we want to be that utility that performs on a regular basis. We certainly had a lot of -- between the merger and the sale of strategic and the things that have happened in our economy and usage, like most utilities, we have had some difficult times and maybe being as reliable in those discussions as we would like.

But, going forward, our commitment is to perform on a day-to-day operational basis at top-tier and to be able to be very reliable in terms of our returns. So we expect to really focus on costs, and in our current regulatory and economic environment, I think that we owe that to our customers. And we are working very hard to be sure that we can deliver on our expectations and be a very competitive regulated utility return.

Jay Dobson - *Wunderlich Securities, Inc. - Analyst*

That is great. Thanks very much, guys.

Operator

(Operator Instructions). John Alli, Decade Capital.

John Alli - *Decade Capital - Analyst*

I just wanted to ask, you have a pretty good history of settling in Kansas. Historically when do these come? I know staff is coming kind of the middle of this month, etc.?

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

Yes, you were a little light. If I heard you, though, the question was whether or not we saw an opportunity possibly to settle in Kansas?

John Alli - *Decade Capital - Analyst*

Yes, and then historically like timing wise, when does that happen?

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

Yes, I mean I think we are always looking for an opportunity to settle in both jurisdictions, and yes, traditionally we have had a little more success with that in Kansas.

You know, traditionally the discussions around settlement would occur after their testimony is filed. So, as we get the testimony filed in Kansas as we have now in Missouri, positions are known and you have the ability then to start discussing settlements. And that can really continue until the Commission's order occurs, but more likely from the time that they file their testimony to the start of hearings tends to be the best time to do that.

Once you have done the work around hearings and gone through that, you are working on briefs, the time allowed to talk about settlement gets a little tougher to do. So I would say between August, the start of September and the beginning of the hearings in October is probably the primetime for that opportunity.

I would also say that in particular Missouri, but in both jurisdictions, we are also able to settle issues. But sometimes when we have a hearing, it may not be so clear to see that even though we had a hearing we settled a large number of the issues before going to the hearing to minimize what really turns out to be in front of the commission for a decision, which is an important element, too, especially in Missouri. But we do hope to be able to talk to both parties about something that makes sense to avoid the costs that goes with litigation.

John Alli - *Decade Capital - Analyst*

Great. Thanks, guys.

Operator

Paul Ridzon, KeyBanc.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

You last rated the dividend in November. How should we think about that trajectory going forward? Should we look like that as an anniversary date?

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

We have not announced that. What we have said, though, is that part of our investment thesis is to be a growing utility both in our shareholder value, which includes growth in dividend. So we have given metrics around our payout ratio and given out our expectations to maintain that ratio, and so as we look at opportunities to deliver on that investment thesis, you will see that.

Other than that, we have not committed to a particular quarter to make that kind of announcement.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Is the ongoing rate cases in two jurisdictions that will not be resolved by year-end, is that maybe going to give you pause to do anything?

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

No. I mean I think both our Commissions realize that a healthy dividend payout or a healthy utility is important, and our ongoing shareholder returns are part of the process. And I don't think that the fact we have a rate case pending will have an impact on that at all.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Thanks, again.

Operator

Thank you and there are no further questions. I will now turn the call back over to Terry for any closing remarks.

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

Great. Thank you, everybody, for calling in this morning. I hope the answers to the questions have been helpful to our materials. I look forward to seeing many of you at our opportunities to get out of the office and visit with shareholders, and if at any time, you have additional information, feel free to call our Investor Relations team.

Thank you very much for dialing in today.

Operator

Ladies and gentlemen, thank you for joining today's conference. Thank you for your participation. You may now disconnect.
