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GXP - Q4 2012 Great Plains Energy, Inc. Earnings Conference Call

EVENT DATE/TIME: MARCH 01, 2013 / 2:00PM GMT

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PRESENTATION

Operator

Good morning. My name is Darla and I will be your conference operator today. At this time, I would like to welcome everyone to the 2012 fourth-quarter year-end earnings call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

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

Kevin Bryant - *Great Plains Energy, Inc. - VP of IR & Strategic Planning, and Treasurer*

Thank you very much, Darla. Good morning, everyone, and thank you for joining us for our year-end 2012 earnings conference call.

Let me begin, as always, by introducing the members of the Great Plains Energy management team who are here with me today. We have Terry Bassham, President and Chief Executive Officer, and Jim Shay, Senior Vice President and Chief Financial Officer, who, in a few moments, will both provide an overview of the year's results. Scott Heidtbrink, Executive Vice President and Chief Operating Officer of KCP&L is also with us this morning, and will be available during the question-and-answer portion of today's call.

Before we begin, I must remind you of the inherent uncertainties in any forward-looking statements in our discussion this morning. Slide 2 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 in 2012 10-K after the market closed yesterday. These items are available, along with today's webcast slides, and supplemental financial information regarding the quarter and the full-year 2012, on the main page of our website.

With that very important stuff out of the way, I'll now hand the call to Mr. Bassham.

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

Thanks, Kevin, and good morning to everybody. Appreciate you joining us this morning. 2012 was an important year for us on many fronts, which included executing on the commitments that we made at our Analyst Day back in August of 2011. And while Jim will review our financial results in detail in a moment, as many of you saw in our earnings release yesterday, we reported earnings per share of $1.35 for 2012. This compares to $1.25 per share in 2011, and although at the bottom end of the range, is within the original guidance range we provided at Analyst Day.

We've achieved many of the strategic objectives we laid out in August of 2011, and believe we've laid the foundation for improved total shareholder returns. Achievements include the following -- first, we committed to file and complete rate cases in Kansas and Missouri, and to pursue routers and trackers where appropriate. We concluded the last of our cases, and we'll have new rates and a number of cost recovery mechanisms in both jurisdictions in 2013.

Second, we committed to reduce regulatory lag by tightly managing the business in a challenging economic environment. In the face of two consecutive years of soft customer demand, we tightly managed our operations, reduced our O&M in 2012 compared to 2011. This was done while we maintained our track record of operational excellence and continued delivery of dependable customer service.

Third, we committed to improve our free cash flow profile in support of increased dividends and strengthened credit profile. Our combined dividend increases in 2011 and 2012 represent a total increase of 5% over that time period. And on the credit front, our profile has strengthened, with our funds from operations to debt increasing by approximately 350 basis points to nearly 16% in 2012. By executing on these objectives, we strengthened our Company, and firmly believe the steps taken to reduce regulatory lag position us for improved financial performance.

Turning to slide 5. Our 2012 earnings per share of $1.35 represents 8% growth compared to 2011. Weather was a factor in our results, as the year started off unfavorably warm during the first quarter, but this warmth transitioned into a hot summer, including the warmest July on record. With strong cost management in 2012, we reduced total operating and maintenance expense by $11 million, despite the fact that Wolf Creek O&M increased $13 million. The favorable weather and reduced O&M were partially offset by soft demand and weaker off-system sales.

Turning to 2013. We believe we will deliver improved earnings benefiting from the new retail rates and recovery mechanisms, and by maintaining our focus on cost management and operational excellence. Our 2013 earnings guidance range of $1.44 to $1.64 per share represents 50 to 150 basis points of regulatory lag off of our authorized rate of return. Jim will provide more detail on our 2013 guidance in his comments.

Turning to slide 6, our weather normalized megawatt hour sales declined 1.3% in 2012. We believe the extremely hot summer impacted the weather normalization process during the third quarter, making it difficult to determine our sales trends with certainty. In addition to weather, we believe the economy, energy efficiency, and greater customer bill awareness contributed to the decline for the year.

We do not believe that the level of reduced demand is indicative of the long-term state of our service territory. For 2013, we are projecting a weather normalized growth range of flat to 1%. We see signs that the underlying economy in Kansas City region is improving, and we expect that trend to continue. The region has experienced 27 consecutive months of job gains, and the unemployment rate of 6.4% remains below the natural average of 7.6%.

With approximately 40% of our retail megawatt hour sales coming from the residential sector, the health of the housing market remains a key indicator of economic growth in our region. Single-family new housing permits rebounded significantly in 2012, reaching the highest level in five years. Although we have a ways to go to return to pre-recession levels, these numbers suggest that Kansas City's housing market is recovering.

Gains in the housing sector generally translate into increased customer confidence, which would be good news for the commercial sector. Commercial vacancy rates have remained flat for an extended period of time, but we are beginning to see some positive movement.

For the industrial sector as a whole, we expect improvement. Ford Motor Company's Claycomo facility began shutting down its escape vehicle line in the second quarter of 2012. This shutdown was the primary driver of our overall decrease in industrial demand in 2012. Ford shut down the escape line to prepare the plant for production of the new transit commercial van. Production of the new van is expected to begin by the fourth quarter of 2013. This is part of a $1.1 billion investment in the facility, which is estimated to add an additional 1600 jobs, along with a second shift for the F-150 truck line.

When the update is complete, we expect overall demand at the plant will increase by approximately 25%. In addition, General Motors recently announced a $600 million investment near our service territory, and we expect growth in the region as other local manufacturers expand their operations to support the local Ford and GM plants.

Turning to slide 7, we've provided a summary of our rate cases. The completion of the cases in Kansas and Missouri was a significant accomplishment for our Company. Though we were disappointed with certain aspects of the rate case orders, we executed on our commitment and achieved positive outcomes, which we believe position us to maintain reliable service to our customers and reduce regulatory lag.

Total annual revenue increase is nearly $150 million, with a weighted return on equity of 9.6%. Outside of an abbreviated rate case in Kansas for construction work in progress on the LaCygne environmental upgrade, we expect to avoid filing General Rate Cases until we seek recovery of the LaCygne project once it's completed by mid-2015.

Although these cases are now behind us, we continue to advance strategic initiatives on both the regulatory and legislative fronts. In Missouri, we expect to receive regulatory approval in the third quarter of this year, to novate our Southwest Power Pool regional projects to Transource. In Transource Missouri's FERC case, a settlement on the base ROE was filed earlier this week. The settlement, subject to Commission approval, includes a base ROE of 9.8% with a 55% cap on the equity component of the post-construction capital structure.

As a reminder, last fall, FERC approved certain incentive rate components, including a regional transmission organization adder and ROE risk adder, and CWIP. Including the incentive rate components, the weighted average all-in rate for the two SP projects would be 11.15%.

On the legislative front, we're working with other Missouri utilities to support legislation which would provide electric utilities, a mechanism for the recovery of new infrastructure upgrades, and certain cost of service expenses between rate cases. Gas utilities in Missouri have had this type of mechanism since 2003, and we believe that this is a smart and fair way to ensure electric utilities have additional tools to create economic development and jobs. We will keep you updated on this bill as it progresses.

On slide 8, I'll provide an update on Wolf Creek. The unit began its planned refueling outage in early February, and is expected to return to service in April. Several major plant modifications will take place during the outage, including the installation of an additional diesel generator, improved reactor coolant pump seals, and a forked auxiliary feed water pump that will provide the station with increased safety margin for several important plant systems.

The O&M costs associated with the refueling outage will be deferred and amortized over approximately 18 months, as usual. As we indicated during our third-quarter call, we anticipate increased Wolf Creek O&M costs compared to what's in rates. When comparing year-over-year expenses, Wolf Creek O&M costs for '13 should be generally in line with '12. The recent escalation in cost increases is the result of increased NRC oversight, combined with efforts to comply with new industrywide regulations following the Fukushima nuclear power plant incident in 2011.

We're continuing to progress on the RFP that we initiated in the fall of last year. Along with our co-owners, we are reviewing all options to improve the unit's performance. We're evaluating responses to the RFP, and expect to have an update later this year on what, if any, changes might be made. And we'll keep you updated on further developments.

Turning to slide 9, we look at 2013. This year, we remain focused on execution. In addition to reducing regulatory lag, our priorities include diligently managing O&M and capital expenditures, improving our long-term cash flow generation and credit profiles, providing reliable customer service, keeping the environmental upgrade of LaCygne on schedule and on budget, and successfully novating our two regional SPP projects with Transource Missouri.

As we look beyond '13, upon the completion of the upgrade of LaCygne, all of our large base load coal units are expected to be in compliance with existing proposed environmental rules and regulations. This will result in approximately 72% of our coal fleet being scrubbed, and provides us great flexibility around our remaining units. In addition, once LaCygne is complete, we expect our capital needs to return to a more normalized level, providing us more cash flow flexibility.

We expect Transource to develop future transmission projects on a national basis, providing us with an opportunity to diversify and grow earnings outside of our retail rate regulated business. The completion of the Comprehensive Energy Plan, positive outcomes from our recent cases in the LaCygne environmental upgrade, position us to provide long-term reliable power without additional generation needs for several years.

In summary, we believe we are in an excellent position to reduce regulatory lag and improve cash flow, which provides flexibility to provide competitive total shareholder returns. We're prepared to respond to the challenge facing our industry, which we believe bodes well for our customers and investors, as we focus on delivering improved results in the future. I'm excited about our prospects in 2013, and look forward to your continued interest.

Now with more details on the full-year '12 and our outlook for '13, I'll turn the call over to Jim.

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

Thank you, Terry, and good morning, everyone. I'll begin with slide 11, which provides a current year earnings per share reconciliation to the prior year.

As Terry indicated, our 2012 earnings per share were $1.35 compared with $1.25 in 2011. The primary drivers behind the $0.10 per share increase were increased earnings of $0.19 per share, due to new retail rates in Missouri that became effective in May and June 2011 for KCP&L and GMO respectively, and the impact of $0.22 per share from events in 2011 that did not reoccur in 2012.

These events are outlined in more detail in the earnings release we issued yesterday. The increase was also due to an estimated impact of $0.03 per share from favorable weather. The increases were partially offset by lower weather normalized demand of $0.09 per share and higher expenses at Wolf Creek of $0.08 per share, which includes the unplanned outage in the first quarter of 2012. The offset also includes the impact of dilution of $0.07 per share relating to the issuance of common shares in June 2012 to settle our obligations under the Company's equity units; about a $0.06 per share decrease in other margin; and an estimated $0.04 per share from a variety of other factors, including increased expenses from nonregulated activities and increased interest expense.

For the fourth quarter 2012, the Company's consolidated earnings were $0.03 per share compared to $0.01 in 2011. The primary drivers impacting the $0.02 increase was a $0.05 per share decrease in interest expense, primarily due to the maturity of the $500 million high coupon GMO senior notes in mid-2012, at a lower interest rate on the refinance debt that was underlying the equity units. This was partially offset by an estimated $0.03 per share decrease in margin. Our full-year 2012 and fourth-quarter 2012 earnings for the Electric Utility segment and Other category can be found in the Appendix and in the earnings release we issued yesterday.

Turning to slide 12. We are targeting a meaningful uptick in 2013 with earnings guidance of $1.44 to $1.64. Our 2013 regulatory earnings potential is $1.86 per share, determined using a rate base of approximately $5.7 billion, an ROE of 9.6%, and a common equity ratio of 52%. Our earnings per share guidance assumes reduced lag off our regulatory potential, which is all detailed in the Appendix.

On our third-quarter 2012 earnings call, we discussed additional risks beyond our original goals relating to demand and cost issues. The actions we are taking increase our confidence to improve -- to achieve solid performance within our guidance range. One of the risks we identified was demand. You recall that we had negative load growth during the third quarter of 2012, driven by a number of factors, including extreme weather. Given the magnitude of the third quarter decline and the positive drivers in our service territory, we believe we'll see load growth in 2013. Accordingly, we believe flat to 1% load growth is an appropriate assumption for the year.

The other area of offsets to the risks identified relates to cost management. Starting with 2012, our cost management efforts have been solid, as we were able to manage O&M down $11 million despite $13 million in Wolf Creek cost increases. We were able to manage our O&M down primarily due to, first, the impact of a full year of the organizational realignment and voluntary separation program. Second, tightly managing an administrative O&M. Third, fewer plant outage days with reduced overtime in 2012 compared to 2011. And, finally, cost from events in 2011 that didn't reoccur in 2012.

For 2013, we expect O&M to include increases of approximately $28 million, due to regulatory amortization, pension costs, and the Missouri Energy Efficiency Investment Act. As a reminder, these costs are recovered in our new retail rates. For 2013, we will balance O&M and other cost of service not recovered in rates, in line with our view of demand.

We will continue to proactively manage costs through a number of efforts that include headcount reductions through attrition; ongoing comprehensive cost reviews that target O&M amounts below those included in rates; reduced overtime during planned plant outages, and the diligent management of contractor usage; ongoing supply chain transformation activities to streamline our procurement costs; and lower rail costs through contract negotiations.

Turning to the next slide. Beyond 2013, we expect earnings growth in 2014 and 2015 will moderate, as there are fewer drivers of earnings growth in between rate cases. This is especially true during periods where there is less certainty around load growth. Listed on this slide are a few factors to consider for those periods. For 2014, we'll realize the benefit of one additional month of new Missouri retail rates, and earn AFUDC on our LaCygne environmental upgrade. We are also in the process of negotiating new coal transportation contracts.

For 2015, we'll pick up the full-year benefit of the LaCygne abbreviated case in Kansas. Our current plans are to file General Rate Cases after the LaCygne upgrade is completed and to include the request for a fuel clause in the KCP&L Missouri filing. We project that our rate base will increase approximately 14% from $5.7 billion to $6.5 billion during that period. Although not linear, this implies 4% to 5% annual growth. During this period, it will be important for us to continue to manage O&M in line with our view of demand growth.

From a capital planning standpoint, our 2012 to 2014 capital expenditures are approximately $180 million less compared to the amounts we forecasted last year. This includes the impact of successful innovation of our transmission projects to Transource. It is also important to note that we do not plan on being a cash taxpayer until approximately 2018, due to the combination of net operating loss utilization and bonus depreciation. Accordingly, our goal would be to complete the construction of LaCygne with no plans to issue equity.

Next, turning to slide 14. We view a competitive and sustainable dividend as a key part of our strategy to deliver improved total shareholder returns. We've increased the dividend 2% in both 2011 and 2012. Our goals include maintaining our current credit rating with an FFO to debt at 15% or greater. Accordingly, we are targeting future dividend growth consistent with past practices and in line with our targeted payout ratio. As Terry mentioned, following the conclusion of our LaCygne upgrade project, we expect our capital needs to return to a more normalized level, giving us more cash flow flexibility and providing, among other possibilities, common dividend stock growth opportunities for our shareholders.

Turning to slide 15, in closing, our target is to provide improved total shareholder returns. As outlined in our presentation, we expect to achieve our target through the combination of solid earnings growth and competitive dividends.

Thank you for your time, this morning. Terry, Scott, and I would now be happy to answer any questions you have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Paul Patterson, Glenrock Associates.

Paul Patterson - *Glenrock Associates - Analyst*

On slide 22, and you mentioned in your prepared remarks that there was 100 basis point ROE risk adder, and you mentioned the settlement. And when I looked at the settlement, I didn't see that. I mean, I may have missed it. I mean, we've got all that -- it's very busy. But it looked to me -- I saw the 50 basis points for the RTO, and I see this 100 basis point for the Sibley. Is that part of the settlement? Or is that something that was agreed to before? Could you just elaborate a little bit on that?

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

Yes, that was part of what was done in the fall.

Paul Patterson - *Glenrock Associates - Analyst*

Okay.

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

So the settlement here was really focused around the base ROE.

Paul Patterson - *Glenrock Associates - Analyst*

Okay, but they mention a 10.3% FRP, Formula Rate Plan. That's not inclusive of this ROE adder, is that right?

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

It includes the RTO, but not the other.

Paul Patterson - *Glenrock Associates - Analyst*

Okay, but the 100 basis point will apply to that as well?

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

Yes.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. It's a little -- okay. But for some reason, wasn't in there. Now that's just with the KCC, right? Was there any other reason why the other -- none of the other parties were part of this? Was it just because they weren't part -- I mean, in other words, was it just procedural? Or was there -- were they actually actively opposing it?

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

We didn't -- no, we didn't have any other parties that had intervened, but were active. So although there were some other interveners, KCC was the only active one on this issue.

Paul Patterson - *Glenrock Associates - Analyst*

I got you. And the Sibley is still then $380 million, is that right?

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

Sibley is -- say again?

Paul Patterson - *Glenrock Associates - Analyst*

Is about $380 million in CapEx?

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

For future -- I'm not sure which --?

Paul Patterson - *Glenrock Associates - Analyst*

My understanding is that the full cost of the Sibley project was about $380 million?

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

Oh, yes.

Paul Patterson - *Glenrock Associates - Analyst*

Is that still the case?

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

Yes, yes, I'm sorry. Yes.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. And then on the weather normalized growth, it looks like you had a $0.01 positive on slide 11, if I understood that right, in the fourth quarter. And yet it looks like sales growth was down. Is that some rate design issue?

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

Point to me that again, just for one minute.

Paul Patterson - *Glenrock Associates - Analyst*

When I look at slide 11, okay, I look at the fourth quarter and it looks at a WN sales growth, I think it is.

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

Yes.

Paul Patterson - *Glenrock Associates - Analyst*

Right? WN demand, excuse me.

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

Right.

Paul Patterson - *Glenrock Associates - Analyst*

And it looks to me like it was for the fourth quarter 2012 a positive of $0.01?

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

Yes.

Paul Patterson - *Glenrock Associates - Analyst*

On that slide. And yet it looks to me like you guys actually had negative sales -- weather normalized sales growth for the fourth-quarter?

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

Yes.

Paul Patterson - *Glenrock Associates - Analyst*

I was wondering why it was positive -- in the earnings but negative in terms of sales growth?

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

I think this is -- hold on one minute. No, we had -- for the fourth quarter, we were -- had $0.02 of unfavorable compared to normal, which created a -- and we had negative demand in the prior year of $0.01. So the net impact was $0.01. So it's an '11 versus '12 versus normalized.

Paul Patterson - *Glenrock Associates - Analyst*

Okay, I'll follow-up with you guys afterwards. I think I understand. I think I see what you guys might be doing, but let me check on it later with you.

Just in terms of weather normalized growth here, it's been difficult for you guys to predict this. I understand that. And you guys have been optimistic in the past, and it hasn't worked out in terms of what you guys had seen. What makes you guys more optimistic now? And why do you feel that your forecast now is more likely to be accurate in terms of sales growth than you have in the past?

I mean, for a couple of years here, you guys have expected more than what you've actually gotten. And you guys are aware of this, obviously. So what is it now that you guys feel more confident about in terms of achieving the sales growth, given the recent record?

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

Well, certainly, I think it's been more difficult to judge demand going forward given the Recession, and I think we've done a fairly good job up until probably the third quarter. I mean, if you looked at where we were through the first two quarters of last year, we were pretty much on track as well. The third quarter was an outlier for sure. And so we said at the time that we thought the extreme heat, things going on in the economy, that it was difficult to kind of figure through what was happening that was weather normalized demand versus weather and other impacts.

Moving forward I think our -- number one, I think we're being fairly conservative in the sense that we're flat to positive only 1%. I think that's consistent with what you've probably seen across the country for our industry. And I would say that the details we provided around what's happening specifically in Kansas City region, support that as well. And that is, again, with 40% of our load based on housing, we've got very strong improvement in housing numbers. And so we think, given those estimates, that we believe a flat to 1% is a solid number.

Paul Patterson - *Glenrock Associates - Analyst*

Can you give us an idea what the sensitivity would be if you guys ended up being negative? Or just what it would be for every 0.5% or so?

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

Yes, you know, 1% is about 10% -- or $0.10 in earnings per share.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. And then, finally, on the coal contract negotiations, could you give us a little bit of a flavor? You mentioned 2014 and 2013, you guys -- you just have your drivers, what we're potentially seeing there, in terms of how it might impact earnings? Just give us a little bit more flavor in terms of your -- you know, what we should be thinking about with respect to 2014 and what-have-you, with respect to these negotiations that you guys are entering into and how it might impact earnings?

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

Sure. So a couple of factors around the edges. One, the contracts actually run out at the end of the year. So we'll certainly see the impact in '14 going forward. We might have an opportunity, as we continue negotiations, to have some impact on '13, but we don't really have anything at this point to point to.

In terms of structure, remember that those expenses are part of coal expense and our fuel expense, and would flow through our fuel factors everywhere except Kansas City Power & Light and MO. So the uptick we're talking about there, or the upside, the opportunity we're talking about there, is related to Kansas City Power & Light and MO, although that is our largest individual percentage of load. So those are kind of the aspects of it. So, again, I think we're hopeful to be able to do something maybe in '13 to help '13 some, but, really, it's more of a '14 and forward focus probably.

Paul Patterson - *Glenrock Associates - Analyst*

Okay, just in terms of the magnitude of what -- I mean, could you just give a flavor in terms of what these contracts are versus what the market is? Just roughly speaking, what we might be thinking about?

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

Well, probably not really. I mean, I would tell you we've talked before that transportation is about half of our total cost. So it gives you a kind of a sense of what kind of magnitude we're talking about there.

In terms of where we're at, I would say that, in general, prices have softened a little bit here, and that we're expecting to improve on what our current pricing is. We're currently in negotiations, though, and so I don't really have an ability to tell you where we think we'll come out on that.

Paul Patterson - *Glenrock Associates - Analyst*

Okay, thanks so much.

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

You bet. Thank you.

Operator

Ali Agha, SunTrust.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Terry or Jim, when I look at your '13 guidance, the $0.20 range that you put out, understand that you've got the 0% to 1% load growth assumption, so that's about a $0.10 swing there. What would you attribute the other $0.10 swing that's embedded in your guidance?

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

It could relate to O&M expenses. It relates to our ability to manage our overall capital structure, and our ability to take advantage of any opportunities from either Wolf Creek or the rail contracts on the upside, or weather-type initiatives. So if you had demand on the lower end, you had some really soft weather, we'd certainly be working to offset those to stay, again, within the midpoint of that range. But those things would drive the numbers up and down from that midpoint.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Okay. But, generally, fair to say that -- I mean, you would start off assuming normalized weather when you're putting your guidance and budget together?

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

Yes. Yes, but -- absolutely. But as the year goes, you see how demand goes, you try to work through your O&M and manage costs up and down, maybe based on whether you have growth. And then if you have good weather, obviously, that can add to it. If you have really soft weather, that could obviously affect it to some degree. But you would expect, again, to manage O&M around those aspects of it.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Okay.

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

You know, our practice has been the last two years to start the year with a $0.20 guidance range. And we've been -- our pattern has been to narrow it to a $0.10 after we get the third quarter in, which is a majority of our sales. So that's just consistent with our past practice.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Okay. And given that, as you point out, you're not going to have another major rate case well into mid-'15, so rates really in effect in '16 onwards. So when you look at the pattern going forward, are you guys confident you can maintain your earned ROE in '14 and '15 as well? Keep it flat? Or should we assume there'd be maybe downward pressure on those ROEs, just looking at the timing?

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

No, I think what we've signaled here is that our opportunity for growth over that period is a little bit muted until we get to that case. We have AFUDC and we'll have the effects of the partial case or abbreviated case in Kansas on LaCygne. But until we start seeing more growth, then our management around our cost is critical. And, no, I don't think from a pressure perspective we feel '14 and '15 is any different maybe than '13.

One of the things that we've outlined here is that, in addition to what we just achieved in our rate cases, around both increased O&M and trackers and rider-type things, we're also talking to the legislature in Missouri about opportunities to even improve upon the outcomes we just got in those cases. So there's certainly -- could be pressure, but we expect to manage it and manage it positively.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

Okay. And then, lastly, I mean, putting it in some context, you mentioned your CapEx will support maybe a 4% to 5% annual growth in rate base over the next couple of years. Given that you're not planning to issue any equity, and if I'm hearing you right, you'll manage your costs so that your ROEs won't erode much from here, is it fair to say that EPS growth should pretty much drive that rate base growth over the next couple of years?

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

No, I would say that if your question was, will our earnings track rate base growth, there will -- not all of the CapEx that we have will earn AFUDC on, nor will we be able to get into the Kansas abbreviated case. So we could see earnings growth during that period being below rate base, due to some capital lag in between rate cases.

Ali Agha - *SunTrust Robinson Humphrey - Analyst*

I see. Thank you.

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

Thank you.

Operator

Charles Fishman, Morningstar.

Charles Fishman - *Morningstar - Analyst*

I just want to make sure I understand this right. Third quarter of last year, 4.2% demand drop. What you're saying is maybe that was a modeling anomaly, and maybe more of that was weather-related, and less of it was really weather normalized demand loss?

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

Yes, there's a couple of factors. If you go back, it's a year-over-year comparison. And we had an increase or an uptick in demand in the third quarter of the year before. When you then compare what happened in '12 to that, that provides a bit of an anomaly. On top of that, we clearly had the hottest July and a very hot -- hottest June, and an extremely hot May, that clearly affected folks' response to those bills coming through.

And so, yes, I don't think there's any doubt that we think that the calculation of weather normalized demand, as we've traditionally done that, probably wasn't exactly indicative, or definitely difficult to say was indicative of an actual weather normalized demand number. And so if you look at the trends before that quarter and that year, and the trend in the fourth quarter, they do not line up with those numbers. And so we think that was an anomaly quarter for sure.

Charles Fishman - *Morningstar - Analyst*

Okay. Senate Bill 207 went to the Senate floor last week. Was there -- does that still include generation? Or has it been trimmed down to just distribution only?

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

Current version of the bill does include generation opportunities there. So we're certainly a long way from knowing what the final bill looks like, but currently it still does. It was in front of a House hearing last week -- or actually earlier this week. And so we continue to make progress there and we're hopeful of a reasonable outcome.

Charles Fishman - *Morningstar - Analyst*

So some version of this has gone to the House too?

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

It has.

Charles Fishman - *Morningstar - Analyst*

If you were to get that and it included generation, would the Missouri jurisdiction of LaCygne get addressed in that?

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

No, the real generation piece we're talking about here is new generation. I mean, it's related to -- I mean, not new generation -- it's related to updates on kind of ongoing generation improvements. It's not really specifically addressed right now on environmental. But we're not done yet. I mean, we'll see where that goes. Right now, it's mainly intended to provide for infrastructure improvements, whether it be T&D, our generation, but again, LaCygne's project's already underway.

Charles Fishman - *Morningstar - Analyst*

Okay. Good luck on 207. Thank you.

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

Yes. Thank you very much.

Operator

Brian Russo, Ladenburg Thalmann.

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

Just back on the guidance in the midpoint of $1.54, that implies basically 100 bps of lag. Is that accurate?

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

Yes, that's about right.

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

And, also, would it imply 0.5% load growth? Or something different than that?

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

You could look at it that way. Obviously, there are several factors that go into that, but you could look at it that way.

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

Okay, and is there any assumption made on the wholesale margins? Or does the midpoint assume you're flat?

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

I'd say the midpoint assumed we hit our -- kind of our target, which we haven't discussed -- described a number. But that was part of the settlement. And that black box settlement included an assumption around a wholesale sales expectations, updated for current gas prices. And so the midpoint would assume kind of that range.

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

Okay, so to ask the question differently, I guess, does the midpoint assume you get full recovery of your fuel costs?

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

Yes.

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

Okay. Okay. And I was surprised to hear you say that the Wolf Creek costs that were operating expenses in '13 are to be flat. I think previously you mentioned it as a potential headwind in '13. I was just curious if you could elaborate as to why it's flat?

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

Yes, a couple of things. I mean, obviously, the unit has run extremely well since our last outage, and went basically breaker-to-breaker up to the start of our refueling outage. So that's certainly been a positive. We've certainly been through and will continue to work with our NRC reviews and other projects that give us more comfort.

One thing we did say and remember is that although we expect '12 and '13 to be flat, it is slightly below what's in rates because of the timing of the test year. And so you could call that a bit of a headwind, although we certainly managed other costs to offset that, as Jim described in his comments.

So it's a headwind to the extent that we had to manage it. We have managed it. And we believe that '13 will be flat to '12 with some opportunity for that to improve going forward, as we wrap up NRC inspections and the unit continues to run well, which we anticipate.

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

Okay, great. And then, also, on slide 23, it looks like, if I'm reading this correctly, the non-reg costs are declining about $0.04 or $0.05 in 2013. What's driving that?

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

Yes, a couple of factors. With lower interest -- the way we do the calculation with lower interest costs through some of the refinancing and what's in rates, we apply that lower interest rate and the new cap structure to the NOL and the good wills. Plus we had -- in 2012, we had a couple of nonrecurring items, if I can use that term. There was the loss on the sale of the property and some expenses related to GMO depreciation as part of the rate order that impacted the '12 expenses.

So we've got the $0.10 that you see on that chart would be a more normalized run rate. And as we utilize NOLs, that number will reduce to the $0.07 range kind of in the '16/'17 time frame. $0.07 -- that should be the number to use moving forward.

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

Okay, $0.07 by 2016, you said?

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

Yes.

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

Okay. And then just your prior goal or target of managing the ROE lag to 50 basis points, I realize it's not the midpoint, but rather the high end of the range, but is that still your target? I mean, I guess you're trying to run the business as profitably as possible, but just maybe get your thoughts on that.

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

Yes, there is no doubt that our goal would still be to turn in our 50 basis points opportunity, but we just finished our rate cases. We have more clarity around those numbers. We have had some challenges around Wolf Creek in demand that have continued developed since August of '11. But as we stand here today, that's the top end of our range. We certainly want to drive to that number, but we've outlined the work around that we need to do. And we think we've got an opportunity to hit the midpoint or above. That's certainly our focus as a management team.

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

All right, great. Thank you very much.

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

Thank you.

Operator

Chris Turnure, JPMorgan.

Chris Turnure - *JPMorgan - Analyst*

Most of my questions have been answered already, but I just wanted to clarify on the O&M side. The total increase into 2013 is $28 million? You guys have given a lot of puts and takes here; just wanted to put some numbers around it.

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

No, what the comment there was to point out that we had $28 million of increase in O&M headed into '13 that were not lag-related. They were related to things that were approved in the rate case and would be included going forward, and that we would collect on. And so that was what that number was intended to show, is things that were not lag and that we were collecting moving forward, but were in rates and so didn't cause any pressure there.

Chris Turnure - *JPMorgan - Analyst*

Okay, and then outside of that, we know that Wolf Creek is going to be flat? What are we looking at besides that?

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

Yes, it's flat to up just a little bit, but up a little bit is within the current rates. So O&M is not causing any lag at all from that perspective.

Chris Turnure - *JPMorgan - Analyst*

Got you, thank you.

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

You bet.

Operator

Sarah Akers, Wells Fargo.

Sarah Akers - *Wells Fargo Securities - Analyst*

As a follow-up to Charles' question on the Missouri legislation, is it your understanding that you would be able to implement these mechanisms pretty quickly after they pass, if they pass?

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

Well, that's certainly the plan. Again, the legislation is not written yet, but the typical timing would be effective around August/September. There would be some process at the PSC. What process there is and the timing around that would be in part how the legislation is written. And again, it's not final. But the goal of the process is certainly not to have a long period of rule-making post-legislation.

I'd love to say that I hope we have some positive opportunity in '13, but practically speaking, I would focus on '14 and beyond. That's for sure.

Sarah Akers - *Wells Fargo Securities - Analyst*

Got it, thank you. And then, again, I know it's still early, but do you have any kind of broad estimate of what portion of your CapEx would qualify for rider treatment at this point?

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

We've got some numbers we worked on. I'd be a little hesitant to provide those until we see what the wording is. But I would say that a large chunk of our CapEx spend is focused on maintaining our system, because we've cut a lot of other stuff out. And, so, I would say that this would be very helpful to help us collect, again, dollars timing-wise on a more efficient way, and allow us to get some projects going maybe a little faster.

Sarah Akers - *Wells Fargo Securities - Analyst*

Okay, and then one on Wolf Creek. And sorry if I missed this. But I know in the past, you've talked about potentially aligning with another fleet operator. Where does that process stand?

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

We went out with an RFP last fall and asked for bids or responses to requests around opportunities to have someone else operate the plant. It was pretty broad. We wanted to be sure and get all the different parties and opportunities. That's currently -- we've had those returned back to us and we're currently reviewing them. We'd expect in the next quarter or two probably to have some information or decision around that, although we may not have a contract if we did that.

But the options are to do something different from an operational perspective or to continue to operate as is. Again, we'll be looking for opportunities to reduce overall costs and improve performance with whichever way we go.

Sarah Akers - *Wells Fargo Securities - Analyst*

Great, thanks a lot.

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

Thank you.

Operator

(Operator Instructions). Adam Muro, Goldman Sachs.

Adam Muro - *Goldman Sachs - Analyst*

Adam Muro subbing in for Michael Lapides here. Congratulations on a good quarter, guys. I was looking at the midpoint of your guidance. What sort of O&M growth are we assuming versus 2012 for that? That would be the first question. And as a follow-up, voluntary separation program, that had a meaningful impact on fourth quarter. How should we be thinking about this line item going forward?

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

What was the -- I'm sorry -- the second question, what did you -- I got the O&M question. What was the other one?

Adam Muro - *Goldman Sachs - Analyst*

So the voluntary separation program you had, that had a meaningful impact. I was wondering how we should be thinking about this going forward?

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

Yes, so, they kind of fit together. On an O&M, we're pretty much flat. Again, we've described where we are on the elements. But, overall, we'd expect to maintain our O&M flat year-over-year, a slight increase maybe in certain elements, but offset by others. From one of the ways we're doing that, though, is the line item you're talking about. Remember, we had about 150 folks leave under ORVS year before last. We've maintained those numbers in terms of total headcount reduction. And as a result, we'll continue to see the benefits of that plus some as we go forward.

We've also outlined, moving forward, that we expect in '13 to utilize attrition to manage headcount down as well, and continue to see benefits of lower employee counts.

Adam Muro - *Goldman Sachs - Analyst*

All right, thank you.

Operator

At this time, there are no further questions. Gentlemen, please proceed with your presentation or any closing remarks.

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

Okay, thank you very much. I would like to take the opportunity to thank our employees. We've obviously had a good year, but we've had a lot of challenges. And we just had a couple of snowstorms hit our area. And, again, a great set of employees dedicated to our customers and our community. And I really want to thank them on the call today.

Again, our goal was to provide a review of our accomplishments and our '13 outlook. We think that our strategy to be a reliable regional utility with our employees is very achievable, and we're very excited about that. So thanks for everybody calling in this morning. And, obviously, if you have additional questions, you can follow-up with our Investor Relations team. Thank you.

Operator

Ladies and gentlemen, this concludes today's Great Plains Energy 2012 fourth-quarter year-end earnings call. You may now disconnect.