

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

GXP - Q3 2013 Great Plains Energy, Inc. Earnings Conference Call

EVENT DATE/TIME: NOVEMBER 08, 2013 / 2:00PM GMT



## CORPORATE PARTICIPANTS

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

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

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

## CONFERENCE CALL PARTICIPANTS

**Charles Fishman** *Morningstar - Analysis*

**Paul Ridzon** *KeyBanc Capital Markets - Analysis*

**Brian Russo** *Ladenburg Thalmann - Analysis*

**Michael Lapidés** *Goldman Sachs - Analysis*

**Ali Agha** *SunTrust Robinson Humphrey - Analysis*

**Steven Fleishman** *Wolfe Research - Analysis*

**Paul Patterson** *Glenrock Associates - Analysis*

## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the Great Plains Energy third-quarter 2013 earnings conference call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Kevin Bryant, Vice President Investor Relations and Treasurer. Sir, you may begin.

---

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

Thank you very much, Sam. Good morning, everyone, and thank you for joining us for our third-quarter 2013 earnings call. Let me begin by introducing the members of the Great Plains Energy management team who are here with me today.

We have Terry Bassham, Chairman 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 our third-quarter 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 Q&A portion of today's call.

Before we begin I must remind you of the uncertainties in any forward-looking statements in our discussion this morning. Slide 2 in the disclosure in our SEC filings contain a list of some of the factors that could cause results to differ materially from our expectation.

I also want to remind everyone that we issued our earnings release and third-quarter 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.

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

---

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

Thanks, Kevin, and thank you, everybody, for joining us. Yesterday we announced third-quarter earnings of \$142.7 million or \$0.93 per share, compared to earnings of \$145.8 million or \$0.95 per share last year.



Positive drivers for the quarter include new retail rates, which became effective in January this year, and increased weather-normalized customer demand. Weather was cooler when compared to last year's very hot summer, reducing cooling degree days by about 18%.

Our strong operational performance and continued focus on cost management have resulted in our solid results for the first nine months of the year, with earnings per share of \$1.51. As a result, we are narrowing our 2013 earnings per share guidance range to \$1.54 to \$1.64.

While Jim will provide more details on the quarter and year-to-date results in his comments, we are pleased to narrow our guidance range to the upper half of the original range, consistent with our goals we outlined for you earlier this year. A big part of our success is reducing lag on our allowed return, has been the truing up our cost structure in our most recent rate cases, and implementing mechanisms to more closely track cost.

Moving forward we are continuing to push for riders or trackers to recover costs which are not controllable and should be more timely recovered. For example, we expect transmission cost to increase above what is currently recovered in the new retail rates that were effective earlier this year. To help mitigate the resulting lag, KCP&L and GMO have requested authorization from the Missouri Public Service Commission to implement an Accounting Authority Order, or we will call AAO.

If granted, the AAO will track incremental transmission cost from the effective date of rates in KCP&L and GMO's most recent general rate cases until the next general rate case proceeding, in which recovery of tracked transmission costs will be addressed. We expect an order from the Commission in the first quarter of 2014 and we will keep you updated as this docket moves forward.

We also expect to seek legislative relief in Missouri for increased property taxes. We have a rider in Kansas for these increases and hope to achieve a tracker in Missouri.

We also continue to make regulatory progress on Transource Energy, our joint venture with AEP. Last week, the SPP Board approved KCP&L and GMO's application to novate our two SPP regional projects to Transource Missouri.

Subsequently, SPP submitted its application for acceptance of the novation to the FERC. We anticipate FERC's acceptance and close of the transaction in the first quarter of 2014 and look forward to Transource's growth in the competitive transmission market.

Turning next to slide 5, earlier this week our Board of Directors approved an increase in our quarterly common stock dividend of nearly 6%, raising it from \$0.2175 to \$0.23 per share, or \$0.87 to \$0.92 per share on an annual basis. This action marks the third consecutive year we have increased the dividend and represents a three-year average growth rate of approximately 3.5% since 2010.

As we look ahead we are targeting a dividend growth rate through 2016 of 4% to 6%, supported by our expected rate base growth. We are also narrowing our target dividend payout ratio from 50% to 70%, to 55% to 70%.

Following the completion of the environmental upgrade at La Cygne in 2015 we expect our capital needs to return to a more normalized level, which would provide additional cash flow and dividend flexibility. These actions reinforce our confidence in the future of our business plan and the belief that a competitive, sustainable increasing dividend is an important driver of our total shareholder returns.

Now with that, I will hand the call over to Jim.

---

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

Thank you, Terry, and good morning, everyone. I'll begin with slide 7, which provides a comparison of 2013 to 2012. As Terry indicated, our third-quarter 2013 earnings were \$0.93 per share, compared with \$0.95 per share last year.

Although there are a number of puts and takes, the relatively modest decrease in year-over-year earnings was primarily driven by weather that was closer to normal this year. Recall, 2012 was one of the hottest summers on record in our service territory.

Year to date through September 30, earnings were \$1.51 per share compared to \$1.34 per share last year. The \$0.17 per share year-over-year increase was largely driven by new retail rates, increased weather-normalized retail demand, and lower interest expense. The increase was partially offset by the impacts of weather and other margin, primarily due to increased transmission and other costs.

Year-over-year operations and maintenance expense was impacted by an increase in the cost of certain regulatory items including pension, expense trackers, investments in energy efficiency programs under the Missouri Energy Efficiency Investment Act, or MEEIA, and solar rebates provided to Missouri customers, all of which are recovered with our new retail rates.

Third-quarter 2013 and year-to-date earnings for the electric utility segment, another category, can be found in the earnings release we issued yesterday.

Turning to slide 8, as Terry mentioned, we are pleased to announce that we are narrowing our 2013 guidance range to \$1.54 to \$1.64. Our weather-normalized retail load growth for the third quarter increased 2.8% compared to 2012.

We believe the favorable load growth is reflective of -- our strengthening service territory; a comparison to last year's extremely warm summer weather that impacted customer usage; and the impact in 2012 of our production line at the Ford Motor Company's Kansas City Assembly Plant that was temporary shutdown for retooling, in addition to a few other small plant closings. Year to date, our weather-normalized load growth is up 1% compared to 2012, which is in line with our full-year expectations of flat to 1%.

We have been tracking for some time a number of positive drivers in our service territory including unemployment trends, housing starts, and a number of other factors. These drivers materialized into solid load growth during the third quarter.

From a sector standpoint, weather-normalized residential demand was up 3.3% for the quarter, which marks the first three consecutive quarters of growth in this sector, which typically makes up approximately 40% of our retail sales, since the late 2009 and early 2010 time frame. The commercial sector was up 1.9% and is consistent with what we have historically seen, with commercial demand trends typically following the residential sector.

An increase in the industrial segment of 4.2% was favorably impacted by the Ford Plant, which accounted for approximately 40% of the increase. We also saw an increase in year-over-year demand with some of our industrial customers.

We have maintained our cost management discipline in 2013, which has contributed to our solid financial results for the first nine months of the year. Year to date through September, operations and maintenance expense has increased approximately \$8 million, which includes a little more than \$17 million of regulatory amortizations, pension cost trackers, and energy efficiency expenses which are recovered in our new retail rates.

Year to date, O&M also includes approximately \$10 million of other cost decreases. Cost management will continue to be an important area of focus.

On the financing front, our efforts to lower interest costs, strengthen our balance sheet, and enhance our liquidity continued in the third quarter. GMO completed a \$350 million private placement issuance in August, with proceeds from the offering ultimately used to pay off the Great Plains Energy \$250 million of 2.75% senior notes that matured during the month.

The remainder of the proceeds were used to pay down outstanding commercial paper at GMO. This transaction represents GMO's first standalone long-term debt financing since our acquisition in 2008.

Finally, last month we amended certain terms on Great Plains Energy's KCP&L and GMO's credit facilities including extending the maturity by approximately two years to October 2018. We also removed Great Plains Energy's guarantee of GMO's credit facility. Total capacity for the three five-year facilities remains at \$1.25 billion.

This concludes our prepared remarks, and we thank you for your time this morning. Terry, Scott, and I would now be happy to answer any questions you may have.



## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Charles Fishman, Morningstar.

### Charles Fishman - Morningstar - Analysis

Thank you. On the dividend payout ratio change, it sounds like La Cygne is probably the main driver. But is my thinking correct that we are seeing an improved environment in Missouri that maybe gives you a little more confidence of the earnings and cash flow going forward, that also entered into the thinking of the Board on this payout ratio change?

### Terry Bassham - Great Plains Energy, Inc. - Chairman, President, CEO

Yes. This is Terry, and absolutely. I would say that we are very encouraged with our growth rate numbers. And although the comparison of this year to last, given the anomaly of what happened last year, is still part of our analysis to determine what an ongoing rate is, I think it is clear to us that we have growth returning to our territory. And we are very excited about that.

That, included with reduced cash flow on capital expenses as we move through La Cygne, both were factors in that adjustment.

### Charles Fishman - Morningstar - Analysis

So then, that legislation, and I forget the Bill number in Missouri, that you were active in last year that finally made it out of committee and went to the full House or Senate there, I don't recall. Is that something you will still pursue in addition to the property tax trackers and transmission trackers?

### Terry Bassham - Great Plains Energy, Inc. - Chairman, President, CEO

Yes. So there's a couple of things there. One is what we talked about here, in that we continue to work on every front to minimize lag and more timely recover all our costs.

But the ISRS is the term used for the Bill you are talking about last year, would be in addition to that an opportunity to spend additional capital and recover it more timely on infrastructure investment. And, yes, we would anticipate working with Ameren and Empire and the other utilities in the state on that issue again this year.

And that would certainly be an exciting opportunity to update our system and harden certain parts of our system, and recover those costs more timely.

### Charles Fishman - Morningstar - Analysis

Okay. It's good to see the growth returning. And I have some additional questions that I will wait till next week with. Thank you.

### Terry Bassham - Great Plains Energy, Inc. - Chairman, President, CEO

Sounds great. Thank you very much.



---

**Operator**

Paul Ridzon, KeyBanc.

---

**Paul Ridzon** - KeyBanc Capital Markets - Analysis

Good morning. When did the Ford Plant come up, and is it up to full load?

---

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

I'm sorry, when did -- say it again?

---

**Paul Ridzon** - KeyBanc Capital Markets - Analysis

The Ford Plant?

---

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

Oh, no. The increase you have seen here is actually incremental growth in the sense that they added an additional Ford F-150 line, so they are building more trucks here, the most popular truck in the country, actually. The actual retooling for the new Transit van is running a little bit behind original schedule and won't happen until early 2014. And so we will see another additional increase at Ford in 2014, year-over-year, based on the Transit start.

---

**Paul Ridzon** - KeyBanc Capital Markets - Analysis

How many megawatts is the Transit line? Do you have a sense of that?

---

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

We can get that number for you. It replaces what dropped last year. And again, the F-150 is incremental.

But we can distinguish by looking at past data which is which; and we will get that for you.

---

**Paul Ridzon** - KeyBanc Capital Markets - Analysis

Are you pretty confident that -- I mean, last year, pretty much a year ago today, it wasn't a great day for your stock, given some demand concerns. Do you think that was really just an anomaly?

---

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

Yes. I think it was a bit of an overreaction to a single quarter's report-out. Again, as a reminder for folks on the phone, we had record temperatures from May through July; actually July was the hottest July on record in Kansas City. And then we had normal temperatures in August and September.



And we talked about at the time that you've got folks in August and September who are dealing with historically high bills, that they didn't really have a choice but to run air-conditioners given the heat, and had the ability to do some good old-fashioned energy efficiency and try to manage down their usage they will pay for those bills. And the normal things that were happening in our economy.

But certainly those numbers we think were an anomaly. And again, weather-normalization gets a little tougher when the numbers get that extreme. So we absolutely believe that was a hiccup given extreme weather, and there is much more representative this year of the growth happening in the Kansas City area.

---

**Paul Ridzon** - *KeyBanc Capital Markets - Analysis*

You said that degree days were down 18%. What was it down versus normal?

---

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

4%.

---

**Paul Ridzon** - *KeyBanc Capital Markets - Analysis*

4%? Okay. Thank you very much.

---

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

You bet. Thanks, Paul.

---

**Operator**

Brian Russo, Ladenburg.

---

**Brian Russo** - *Ladenburg Thalmann - Analysis*

Hi, good morning. I am just curious. Have any other utilities been granted this Accounting Order that you guys are pursuing for the transmission cost deferral?

---

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

Well, utilities are granted Accounting Orders all the time for various issues. For example, if you have a big storm run through and you have a huge expenditure of storm expense, oftentimes you can get an Accounting Order. We received one for a past storm several years ago.

So Accounting Orders are not that unusual. They are fact-based.

So we are a little different here because of the way our fuel runs in our system and because of the SPP process. But Accounting Orders are not that unusual. The actual result of the request will be fact-based and so we feel good about it, but we have obviously got to work through the process.



**Brian Russo** - *Ladenburg Thalmann - Analysis*

Could you quantify the EPS drag you are incurring on this delay in the transmission cost recovery?

---

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

Yes, it I think it is around \$0.03 or \$0.04. It is important to us.

---

**Brian Russo** - *Ladenburg Thalmann - Analysis*

Okay. Then lastly, with your revised guidance to the upper half of the guidance range, what is that in context of your 50 to 150 basis points of targeted lag?

---

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

Yes, so our range was originally 50 to 150; but when we gave that range we made it clear that our focus was on the top end of that range, which is what we have done today. So this would put it between 50 and about 100.

So we're working again to be at the top end of that original range. And we are very, very happy to announce that move today.

---

**Brian Russo** - *Ladenburg Thalmann - Analysis*

Okay, great. I realize you have got a fairly large capital expenditure program and you don't have new rates in Missouri until 2016. Do you think the upper end of the reg lag, or the 50 to 100, do you think that is sustainable until we get into 2016? Or will we see degradation of that?

---

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

No, you will see us continue to work on the high end of that range. We are committed to cost management.

I think our ability to do that this year speaks to that. We will continue to do that.

Our work on riders and trackers and other ways to mitigate any kind of uncontrollable cost, to try to get those recovered on a timely basis, reflect our commitment to that. And I think you will continue to see us work on the high end of that range on an ongoing basis.

---

**Brian Russo** - *Ladenburg Thalmann - Analysis*

All right, great. Thank you very much.

---

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

You bet. Thank you.

---

**Operator**

Michael Lapidés, Goldman Sachs.



---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Hey, guys. Congrats on a good quarter and, obviously, thank you for taking my call. One or two -- and these may be more for Jim at this point, one or two detail questions.

First of all, of the rate increases both at KCP&L and GMO that were granted, what is left to be taken? Meaning, you have quantified the cents-per-share impact for the broader Company; but is there a way you can break it out of what is remaining on the rate increases that you took at each of the subsidiaries?

---

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

Michael, I am a little unclear on the question. We have the full impact of the orders reflected in the financials. I am a little unclear on the question.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Well, the rate increases went into effect right around the beginning of the year, so there is probably some level of rate increase you haven't taken that you are still going to get in the fourth quarter, and a tiny little bit I think in January of next year. I am just trying to think about, given that it is volumetrically sensitive a little bit, what is left over to take?

---

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

We will have full rates in effect for Kansas for all 12 months; and for Missouri we will wind up having 11 months effectively. So as you think -- it's like really there would just be one month of the Missouri rates would be the additional benefit that 2014 would pick up, if that is the question.

And obviously the fourth quarter we have got the full benefit of the new rates for the entire period.

---

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

Michael, certainly from a volumetric perspective, a large piece of our earnings are driven by the summer. So in terms of cents-per-share impact of those increases, we have seen very large chunk of the value of that, because usage in the fall and even early winter is a little lesser.

We do have a January, as Jim mentioned, for Missouri; and January can be cold. And we have got some opportunity there, if you will.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Got it. Okay. On the property tax trackers, what is the annual property tax tracker that you are receiving in Kansas right now? And what is the amount you would like to request in Missouri? I am just trying to quantify what the impacts are in both states.

---

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

Yes. The impact in both states would be probably \$0.08, maybe \$0.08 or \$0.09. Remember that now Missouri is 65% to 70%, and Kansas is about 35%-ish. Is that right? So you take the total and divide.

We see the opportunity on the tracker in Missouri to be worth about \$0.05. So that is again a portion of the total.



**Michael Lapidès** - *Goldman Sachs - Analysis*

Okay. So in other words, you are already getting the -- I want to make sure I understand. The Kansas tracker, are you getting another increase in 2014 and 2015? Like, is it an annual increase each year or was it a one-time step up?

---

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

No, no, no. We have a tracker for costs, those costs in Kansas as they come through. So any increases will be flowed through.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Okay, and that tracker is worth a couple of cents, roughly?

---

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

It all depends on what the property tax increase in Kansas is; but yes. And I have been reminded that in Kansas it is actually a rider. So it's even better from a cash flow perspective.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Okay. Then the Missouri tracker, what is the timeline for getting potential approval of this?

---

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

Well, we have got a -- and remember that as we file a rate case we would true it up as well. But between now and then what we are trying to do is capture that difference.

If we filed something and went through the legislative process starting in January, hopefully we would have something signed in the summer. That is kind of a typical process.

So you do that between say July and August and it should be -- what effect it has, how much it is, and how it works then be defined by the words in the Bill. But the hope would be that we could recover any of those differences until the next rate case is filed.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Okay. The property tax growth rates are basically a drag on earnings right now of a couple of cents or a little bit more?

---

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

Yes, a little bit more, actually. Where they're a drag in the sense that we don't offset them, and as you've seen we're working to offset those, but this would be a pickup from that perspective.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Understood. Thank you, guys. Much appreciated.



---

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

You bet. Thanks, Michael.

---

**Operator**

Ali Agha, SunTrust.

---

**Ali Agha** - *SunTrust Robinson Humphrey - Analysis*

Thank you. Good morning. Terry, wanted to just to clarify a couple of things. One, on the transmission Accounting Order, that drag of \$0.03 to \$0.04 that you mentioned, that is something that you are experiencing this year, and if you get that tracker that should go away next year? Is that the way we should look at that?

---

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

That's correct.

---

**Ali Agha** - *SunTrust Robinson Humphrey - Analysis*

Okay. So also taking in this Missouri tracker that you are looking at, roughly the \$0.05 or so of drag, if I am right here, if you get that as both of those trackers, all else being equal, there is about \$0.08, \$0.09 of incremental earnings that you would pick up next year that currently you are not getting. Is that the way to look at this?

---

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

That is. We are offsetting those costs, like we offset other costs when we have increases that we can't control, if you will, as they come through. These two, though, are opportunities we believe to get assistance because we don't control them and they are costs that clearly should be paid by ratepayers.

So waiting until the next rate case is not appropriate. So we're pushing hard there.

Your description, though, of the effect is exactly right.

---

**Ali Agha** - *SunTrust Robinson Humphrey - Analysis*

Okay. Then apart from that, given the cost-cutting program which is ongoing, as you mentioned, if you look at your O&M for 2013, off that base how should we think about overall O&M growth going forward for the Company?

---

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

If you look at what is happening this year, I think what we have described is that we have an increase in total year-over-year O&M. But those things that are increased are included in the revenue, which was recovered in the rate cases. And absent those numbers we are flat to actually a little bit better this year over last year.



As we go forward, we will continue to work hard on that trend. And given inflation and load growth effects that could happen to those, and then our ability to manage, we may not be exactly flat; but we would expect to be very close to managing that within our lag numbers. Which -- the focus again is to make sure that we are earning our regulated returns, as I discussed in the earlier question.

---

**Ali Agha** - *SunTrust Robinson Humphrey - Analysis*

Right. So flat to maybe up 1%, but at or below inflation. Is that fair to think about that?

---

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

We will give you some -- a little more specificity when we give our earnings guidance in February. And again it will be somewhat dependent on growth and inflation, like you mentioned, and other things.

But certainly we are working hard to maintain those costs like we did this year, and we will be looking at our opportunities to earn that return, which is at the end of the day what we are focused on.

---

**Ali Agha** - *SunTrust Robinson Humphrey - Analysis*

Right. The 4% to 6% annual dividend growth target that you are looking at going forward, over what period of time are you looking at that? And assuming you stay in that range, does that keep your payout ratio relatively constant? Or given the flexibility you think the payout ratio creeps up as you (technical difficulty) that strategy?

---

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

Yes, I think what you are asking is -- is the 4% to 6% growth we're talking about keep us on the low end of that payout ratio range? And I think it does early on.

As we move forward we will be obviously looking at whether or not that range ought to change. Again, once we have completed La Cygne and we look at the cash flow from that, looking at load growth, those kind of things, we think that with our service territory load growth, completing our construction, and opportunities around our cash that we will continue to look at that range and ratio; and we will be able to compare those then to our growth rates.

But right now it is kind of on the low end of that payout ratio.

---

**Ali Agha** - *SunTrust Robinson Humphrey - Analysis*

My last question. I think you guys have been pretty clear that you don't see the need for equity in 2015, which is the year you have been trueing up your balance sheet for your next rate case. Given that fact, is there any reason for us to assume you may issue equity in 2016? Given that you won't have a rate case balance sheet true-up requirement the year after that?

So is it fair to assume, if you don't need in 2015, there is no real reason for equity in 2016 either?

---

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

We don't have any plans for that, unless there were some investment of some sort that would drive that need. Right now, the way we stand, you are exactly right.



---

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

And we don't have any tax payment needs through 2018. We've got a strong NOL position, so we won't be a cash taxpayer in 2018, which helps us as we think about equity.

---

**Ali Agha** - *SunTrust Robinson Humphrey - Analysis*

Thank you very much.

---

**Operator**

Steven Fleishman, Wolfe Research.

---

**Steven Fleishman** - *Wolfe Research - Analysis*

Yes, hi. Good morning. What a difference a year makes.

---

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

You are telling me.

---

**Steven Fleishman** - *Wolfe Research - Analysis*

Terry, just a question on Transource.

---

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

Okay.

---

**Steven Fleishman** - *Wolfe Research - Analysis*

You may be aware AEP is planning to lay out a lot more of their transmission growth plans. I think at EEI.

Could you give us a sense of -- in looking at Transource in that mix, could you just clarify again what part is Transource versus any other part? So we know what might be consistent with yours.

And if they announce more, are you also going to talk about more Transource projects at EEI?

---

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

Well, first of all we have a Transource Board, so obviously any Transource announcements of work -- we are working very closely with AEP and have really enjoyed our partnership with AEP in that regard. I would suspect that a lot of what you hear from AEP will be related to ongoing current transmission projects they have, and those tend to be more utility projects, not the competitive Transource projects.



So they kind of fall in three buckets. Transource covers those competitive areas of the country other than Texas, which they already have a partnership, and those things which are inherent to their service territories. So what we have seen in the past quarter from them related more to those shorter-term, near-term.

So I would expect that to continue as we look forward to a longer run rate, then that would I think probably entail a whole lot of Transource information. And that is still in progress, obviously, because we are in the startup phases if you will of those bids and those participation in the markets that are open for those projects.

So certainly as we work very closely with AEP and as Transource begins to ramp up those projects we will be lockstep in our announcement around those.

---

**Steven Fleishman** - *Wolfe Research - Analysis*

Okay. One other question on cost. Could pension be any material impact next year, particularly if discount rates end up being higher?

---

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

Well, it could help cash maybe. But remember that we have trackers in both states.

---

**Steven Fleishman** - *Wolfe Research - Analysis*

That's right.

---

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

And so from that perspective it is not an earnings issue. Obviously, if funding went down there could be cash benefits.

---

**Steven Fleishman** - *Wolfe Research - Analysis*

Okay, thank you.

---

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

You bet. Thanks, Steve.

---

**Operator**

Paul Patterson, Glenrock Associates.

---

**Paul Patterson** - *Glenrock Associates - Analysis*

Good morning. A lot of my questions have been answered, but just to circle back on sales growth in slide 12. Really remarkable residential sales growth weather-normalized. I was just wondering, could you give us just a little -- and sorry if I missed this -- the customer growth levels that are there?

It just seems remarkable just in general from what we were seeing from the last several quarters from most of the utilities in your area and outside your area, sort of all around the country. Just wondering if you could elaborate a little bit more as to why you think it is that much of a rebound.

---

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

I think this is a good question. This is an important thing that I think we have tried to reflect, but let me try to be clear.

Remember, these are year-over-year numbers again. So to the extent that we believe -- and we did at the time and we believe now -- that the numbers reflected last year in sales declines were an anomaly, they were not a reflection of actual ongoing growth. It was effect of the weather, extreme weather impact not only on the calculations but also on people's response to their bills that were coming in.

Then our growth rates compared to that drop last year, they should be a little higher. So, we are not declaring today that we believe we have got 3% growth in our territory on a quarter-over-quarter basis.

What we do believe strongly, though, is that we have got growth in our territory and that it is solid growth. As we continue to watch how that develops we will be able to maybe give you more sense, and obviously give you a sense of our expectations for next year in our earnings guidance.

But again, we gave flat to 1% for this year understanding that anomaly and we are on the high end of that. So we feel very good about where we are at. But certainly the quarter is a reflection partly of its comparison to last year, which was an anomaly, we believe.

---

**Paul Patterson** - *Glenrock Associates - Analysis*

Okay. So I guess cautiously optimistic I guess is how we should think about it in terms of going forward, in terms of future growth rate.

---

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

I am extremely optimistic. My only caution is on what the percentage is. It is again a little hard to give an ongoing growth rate when we've got again the larger impact that happened in industrial, and the up and down in it caused by last year's weather.

But we are certainly very, very optimistic about the growth in our territory. And again, it would be easy just to say that; but if you recall, we have been talking about the metrics that support growth, especially around residential, for several quarters. But indicating that the reflection in electricity sales has been a bit muted, I think we are starting to see it.

So it is reflective of metrics that we have talked about before, which is housing starts and those kind of things.

---

**Paul Patterson** - *Glenrock Associates - Analysis*

What has customer growth been in the residential sector year to date? Do you have those numbers?

---

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

Yes; about 1%.

---

**Paul Patterson** - *Glenrock Associates - Analysis*

it is about 1% for the residential? Okay, I got you. Okay. That's very helpful. Thanks a lot, guys.



---

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

Thank you.

---

**Operator**

(Operator Instructions) Paul Ridzon, KeyBanc.

---

**Paul Ridzon** - *KeyBanc Capital Markets - Analysis*

On the \$0.03 to \$0.04 of transmission drag, is that a growing number?

---

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

Well, in theory it is. These are based upon the growth in the SPP projects. So over time it could.

It hasn't grown quickly, and certainly we will have a fuel factor in place with our next case in 2016, so this is a temporary issue. We are offsetting with other cost controls to not let it have an impact. But as we manage those costs it is an opportunity to recover some of those uncontrollables.

It will grow in the future. But in the future we will have a traditional factor way of recovering it through rates.

---

**Paul Ridzon** - *KeyBanc Capital Markets - Analysis*

So for 2014 we should think of it essentially flat with 2013, the \$0.03 to \$0.04?

---

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

Yes, yes, in that same range, could be a little bit bigger.

---

**Paul Ridzon** - *KeyBanc Capital Markets - Analysis*

If you are successful in any of these legislative efforts, would we see that \$0.08 to \$0.09 come back? Or would that take the pressure off and you'd be able to spend a little bit more elsewhere?

---

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

Well, we will not start spending O&M simply because we have additional revenue. So let's be clear about that.

Having said that, there will be other factors that could drive O&M, such as growth hopefully and some other stuff. But, no, we certainly would not see incremental recovery of cost as an opportunity to spend additional O&M. We will maintain that solid focus on O&M regardless.

---

**Paul Ridzon** - *KeyBanc Capital Markets - Analysis*

So these issues haven't put you in an unsustainable austerity mode?



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

No. I know there are some investors who have not -- who have wanted us to cut maybe some additional costs. But we continue to watch sustainability, because reliability for our customers on a long-term basis remains extremely important to our long-term shareholder value returns. So we work hard to make sure that it is a process improvement or a sustainable cut that can be maintained.

Otherwise, we file for rate cases and the day after we are in need of dollars. And that makes no sense either.

---

**Paul Ridzon** - *KeyBanc Capital Markets - Analysis*

Understood. Thank you.

---

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

You bet.

---

**Operator**

Michael Lapidès, Goldman Sachs.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Hey, Terry. Quick follow-up. When you are done with La Cygne you will still have a handful of smaller coal plants that remain uncontrolled from an environmental standpoint. When do you have to make the decisions regarding what you are going to do to add controls or what you might do to replace that capacity?

---

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

Well, we are coming -- we are getting there. If you look at our IRP that was filed in Missouri this last spring, it would suggest that the first of the shutdowns would happen at Montrose on a single unit in 2016. And obviously if that remains on track we will need to start processes for both community and employee and investor announcements that would say now is the time to start moving that direction.

The others are scattered -- 2016, 2018, 2020 kind of periods. So we are nearing the time where we will make decisions. Do we spend CapEx on these units? Do we spend money on the back ends of these units in some way? Or do we begin to shut them down?

So that is -- the time is near, no doubt.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

what does that mean in terms of potential needs for new supply?

---

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

Well, it depends on a couple of things. Number one, growth. Obviously, if we have growth needs that have to be met we will have to look at that.



You can look at opportunities for renewables. Look at additional wind opportunities.

You can look at repowering a station or a unit. So we have some units that could be converted from coal to gas.

If you look at our current IRP that was filed, again with those same assumptions around retirements, we don't need generation until 2016 -- or 2026. The issue with that, obviously, is the load growth assumption that exists. So if we have better load growth we might need something sooner.

---

**Michael Lapidès** - *Goldman Sachs - Analysis*

Got it. Thank you, Terry. Much appreciated.

---

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

You bet. Thank you, Michael.

---

**Operator**

Thank you. At this time I am not showing any further questions. I would like to turn the call back to Terry Bassham for any further remarks.

---

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

Thanks, Sam. Thank you, everybody, for joining us this morning. Obviously, I think as most of the companies are doing, we are headed to EEI. So for those of you on the call that are headed that direction, we will see you there. Otherwise, we appreciate everybody dialing in for our call. Thank you much.

---

**Operator**

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

---

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2013, Thomson Reuters. All Rights Reserved.