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GXP - Q1 2014 Great Plains Energy, Inc. Earnings Conference Call

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## CORPORATE PARTICIPANTS

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

**Jim Shay** *Great Plains Energy Inc - SVP & CFO*

## CONFERENCE CALL PARTICIPANTS

**Ali Agha** *SunTrust Robinson Humphrey - Analyst*

**Paul Ridzon** *KeyBanc Capital Markets - Analyst*

**Michael Lapidus** *Goldman Sachs - Analyst*

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

**Charles Fishman** *Morningstar - Analyst*

**Mike Bates** *Wunderlich Securities, Inc - Analyst*

**Sarah Akers** *Wells Fargo Securities, LLC - Analyst*

**Michael Goldenberg** *Luminus Management - Analyst*

**Paul Patterson** *Glenrock Associates - Analyst*

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## PRESENTATION

### Operator

Welcome to the Great Plains Energy, Q1 2014 earnings conference call. At this time, all participants are in a listen only mode. Later we will conduct a question-and-answer session, and instructions will follow at that time.

(Operator Instructions)

As a reminder, this today's conference is being recorded. I would now like to introduce to today's conference call Mr. Kevin Bryant, Vice President of Investor Relations, and Strategic Planning and Treasury, you may begin sir.

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### Kevin Bryant - *Great Plains Energy Inc - VP, IR & Strategic Planning, Treasury*

Thanks Kevin. Good morning everyone, and thank you for joining us for our first-quarter 2014 earnings conference call. Let me begin by introducing the members of the Great Plains Energy management team who are here with me this morning. 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 first-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 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, and first-quarter 2014 10Q 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'll now hand the call to Terry.



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

Thanks Kevin and appreciate everybody joining us this morning. Yesterday we announced first-quarter earnings of \$23.4 million or \$0.15 per share, compared to \$25.6 million or \$0.17 per share last year. With one quarter behind us we are well-positioned to deliver earnings at the middle to upper half of our guidance range as we discussed. As a result we are reaffirming our 2014 EPS range of \$1.60 to \$1.75 and Jim will discuss some more details on the quarter in his comments.

We remain confident in the return of growth to our service territory. We had a solid quarter of weather normalized demand growth, with a 1.7% increase compared to the first quarter of 2013.

And the industrial segment was up 6% and is the strongest we've seen in nearly four years. Ford Motor Company's Kansas City assembly plant was a driver for the industrial segment growth, and production of the transit van is underway with expectations that a second shift will be added later this year. With our competitive rates and our central location we see continued economic development opportunities, especially in the auto supplier, the railroad and the Data Center sectors.

In the residential segment March year-to-date single and multi-family housing permits were up over 70% compared to 2013. As we discussed on the year-end 2013 earnings call, we are confident in the growth prospects and our service territory with a strong first quarter weather normalized demand result. We remain confident in our a 0.5% to 1% growth assumption for the full year.

At Wolf Creek the mid cycle maintenance outages is near completion, and we expect that unit to return to service within the week. As a reminder, the unit's next refueling outage is scheduled to begin in the first quarter of 2015. In addition to the planned outages at Wolf Creek during the quarter, we also had coal unit outages, given the extremely cold weather these outages contributed to increased O&M and likely caused us to miss some margin opportunities.

Although we were not able to take advantage of those in the short-term, we believe our fleets in good shape and well prepared for the balance of the year. On the regulatory front, a unanimous stipulation and agreement has been filed in our Kansas abbreviated rate case, to add construction work in progress to rate base for the environmental upgrade at our La Cygne generation station. The agreement subject to commission approval includes a revenue increase of \$11.5 million, and the possible implementation of new rates earlier than originally expected on the August timeline. Construction on the project remains on budget and on schedule for completion in mid-2015.

On the legislature front, the Missouri session ends a week from today, and it's uncertain as to whether the legislative efforts we are supporting to reduce lag will be passed or not. While our Senate bill made progress, the environment around utility legislation remains unclear. We continue to advance our message that reinforces our view around the importance of these measures and will continue through next week.

Regardless of those outcomes though, we are excited about growth that continues in our service territory and are confident in our ability to manage costs, and deliver strong results in line with guidance for the year. Now I'll turn it over to Jim for our first-quarter results.

**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

Thank you Terry and good morning everyone. I'll begin with slide 6 which provides a comparison of the 2014 first quarter to 2013.

As Terry indicated, our first-quarter 2014 earnings were \$0.15 per share compared with \$0.17 per share last year. Favorable year-over-year variances consisted of colder weather, new retail rates in Missouri, and an increase in weather normalized demand.

The favorable variances were more than offset by planned increases in O&M including Wolf Creek, general taxes and other items. Approximately half of the \$0.04 Wolf Creek O&M variance is due to the planned mid cycle outage, with the unit returning to service within the week. We will see the O&M impact of the outage continuing into the second quarter.

The first-quarter year-over-year O&M variance at Wolf Creek also included the impact of increased amortization from the planned refueling outage that began in the first quarter of 2013, where costs are deferred and amortized. Other O&M expense increased \$0.05 including increased operating and maintenance costs of coal units primarily due to outages, and increased Missouri energy efficiency investment at costs which are included in the retail rates.

As we indicated on the 2013 earnings call and consistent with our guidance assumption, we expect 2014 O&M to increase approximately 3% to 4% over 2013. We had planned increases in the first quarter and we expect that O&M for the first year in total to be flat as compared to the prior year with some fluctuations between quarters.

Turning to slide 7, for the first quarter total retail megawatt hour sales increased 6.6% compared to last year, heating degree days for the quarter were up approximately 15% compared to last year, and about 20% compared to normal. Compared to normal weather, first-quarter pretax gross margin was favorable by approximately \$15 million or about \$0.06 per share.

Included in the appendix of this presentation are details on customer consumption. As Terry mentioned, on a weather normalized basis demand was up 1.7% compared to the same period last year, which was in line with our expectations for the quarter. Of particular note I'd like to highlight that we've seen five consecutive quarters of positive residential growth.

Increasing property taxes and transmission costs that are under-recovered in Missouri remain an area of focus. For 2013 under recovered costs related to these items caused approximately 50 basis points of regulatory lag. As we established our EPS guidance range for 2014 we anticipated that these costs would increase further, and that we plan to manage the business to strong financial performance for the current year considering that multiple regulatory and legislative outcomes were possible.

Turning to our financing considerations, Standard & Poor's recently raised the senior unsecured debt rating at Great Plains Energy, KCP&L, and GMO sighting the regulated utility business model with supportive cost recovery, referencing the construction of the environmental upgrade at La Cygne as an example. We have no plans to issue equity through 2016, and we anticipate turning out some short-term debt at KCP&L at 2015. As a reminder, with our net operating loss carry forwards primarily from the Aquila acquisition, we do not anticipate paying significant cash income taxes through the end of 2020.

As Terry mentioned earlier, we were affirming our \$1.60 to \$1.75 EPS guidance range for 2014 which assumes normal weather for the remainder of the year, and are confident that we are well positioned to deliver strong financial results. Thank you for your time this morning. Terry, Scott and I would now be happy to answer any questions you have.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Our first question comes from Ali Agha, with SunTrust.

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**Ali Agha** - *SunTrust Robinson Humphrey - Analyst*

Can you remind us, the Missouri commission decided not to grant you the accounting deferral order. Was that assumed to be granted to you in your guidance and if so, what is the financial impact for not getting it?



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

We don't have an order on the AAO yet. They had one, not really hearing, but meeting on it. We don't really have an order yet. But to answer your question, certainly what we talked about at the beginning of the year is that if we receive the AAO it would help us move to the top end of our range. But we've always plan to manage within our guidance whether we got the AAO or not.

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**Ali Agha** - *SunTrust Robinson Humphrey - Analyst*

Okay, also on the O&M expense I just want to be clear, the coal outages that you referred to, were those planned or unplanned? It sounded like they were unplanned, and if that's the case (technical difficulty) how do you offset that to keep you on track for the year?

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

You were cutting out just a little but I think I got the gist of the question. They were a combination of planned and unplanned. And to the extent that we had some that were not scheduled, we always look for ways and we have ways to manage around that in our future outages. So, sometimes we have an unplanned and we do some work that allows us not to have another outage later that we would've expected to have. So, we would fully expect to manage around that and net, net not have a real impact on the year.

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**Ali Agha** - *SunTrust Robinson Humphrey - Analyst*

I see. And my last question on the weather normalized sales calculation, I know it's weather normalized but you know it's more art than science in many cases. Given the extreme weather that we saw is there a sense that some of that may also creep into this weather normalized calculations or how do you look at that plus 1.7% number?

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

Well we certainly would agree with you that there's a degree of art to this weather process and we have seen in situations where it was the most extreme, that it makes it even more so in that regard. So that certainly -- we are not suggesting that those numbers are exact from that perspective. But we think they are reliable, very reliable.

Remember I would say in part the industrial number is a return of a line at [Ford], so that 6% is certainly what we expected maybe even a little quicker than we expected. But not a long-term growth number for industrial, as we see Ford continue to move forward, we'll continue to see growth there but that is a bit lumpy if you will on the industrial side. Otherwise I think again the 1.7% is consistent with kind of our expectation and supportive of the 0.5% to 1% we have talked about.

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**Ali Agha** - *SunTrust Robinson Humphrey - Analyst*

Thank you.

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

You bet.

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**Operator**

Next question comes from Paul Ridzon, with KeyBanc.



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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Residential permits were up 70%?

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

Paul, you kind of came in half question.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Did you say building permits were up 70%, seven zero?

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

Right

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Is that just a lot of small numbers or is this just phenomenal?

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

A little of both. I'm certainly -- again we're working off of small numbers because of the way the market has been, but what we are seeing and have seen is that continued growth in the residential sector both absorbing houses that were not lived in, and building -- planning and building of new housing. So it's a little of both, but it certainly -- a good indication of continued support for those residential growth numbers.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

What's your read on the odds of legislation passing?

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

Well, you know every day you get closer to next Friday the odds are a little tougher, we are certainly positioned well to continue to communicate and have an opportunity. We've had bills passed in the last week of legislature, so you know providing percentage bets with legislative activities are a pretty dangerous thing. I'd say we've got good communication, we have support from our bill leaders, and we continue to communicate about it. As the week goes on it will be tougher because they've got a lot of bills they are trying to pass in the last week.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

And then just when do you expect resolution on the accounting order?

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

Actually probably the next meeting or two with the commission we actually expect an order pretty quickly.



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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

What's the feedback been?

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

Well I'd say the commission certainly has -- the commissioners certainly have some concerns about the AAO applied to this expense, so you know we will see where it goes and if it doesn't, obviously we'll get it trued up in the rate case and in the meantime we are prepared to offset those costs through O&M management.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

This is just for transmission, this is not property taxes correct?

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

Right, this is specific to transmission rather than property tax.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

I know you think O&M will be flat for the balance of the year, but should we look for an uptick in 2Q because of the Wolf Creek outage?

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

It certainly, all other things being equal, that is additional number in the second quarter we'll have to offset, so that will be in there but again our expectation will be to manage for the year flat. That was our plan to start with and we are right on plan.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Okay thank you very much.

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

You bet.

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**Operator**

The next question comes from Michael Lapidès, with Goldman Sachs.

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**Michael Lapidès** - Goldman Sachs - Analyst

Thanks for taking my call. Can we just been looking at the headline numbers on both O&M and general taxes, can you walk us through really kind of three buckets for both? One bucket is what do you think is recurring but is recovered in rates of the year-over-year change? The other is what is recurring but not recovered in rates? And then finally, what's really not recurring, like if come first quarter of 2015 you'd actually see a positive, meaning a decline in either O&M or general taxes, because what happened in the first quarter of 2014 was abnormal?

**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

Well in terms of general taxes, the \$0.02 that's highlighted on slide 6, half of that is covered with a revenue offset through the Kansas property tax rider, so that piece of the story is pretty straightforward. On the O&M side, Wolf Creek moving into next year would not have the mid-cycle outage, as a recurring expense so that would be a favorable comparison moving into next year. In terms of the overall O&M, it's up the \$25 million, which was in line with our plan and as Terry indicated we'd expect that to be kind of flattish throughout the rest of the year.

Kind of to set the whole thing back in terms of the context, as we indicated at the beginning of the year, when you look at the O&M -- level of O&M that we have for 2014, and you compare that to what we had in 2011, you back out the one-time impact \$10 million related to the Wolf Creek mid-cycle outage of \$10 million, everything else is really covered in rates either through the MEEIA legislation or it relates to regulatory amortizations, pensions and other costs. So really flat, we are continuing to remain flat on recurring O&M

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**Michael Lapidès** - *Goldman Sachs - Analyst*

Okay so I mean if I just look, trying to think about it very, very high level in a year-over-year basis, what you're basically saying is except for the Wolf Creek piece, and the coal outage piece, I assume you wouldn't expect to incur the coal outage piece in the first quarter of 2015, everything else is either nonrecurring or covered in rates?

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**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

Yes.

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**Michael Lapidès** - *Goldman Sachs - Analyst*

Okay thanks guys.

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

Thank you.

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**Operator**

Our next question comes from Brian Russo, with Ladenburg Thalmann.

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

Good morning.

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

Hi Brian.

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

Can you just remind us what's the EPS impact for 100 basis points of load growth?



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**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

You know it depends on the time of the year. It could be \$0.05 to \$0.10 is about 1%.

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

Okay great, and what's he allowed ROE in the midpoint of your guidance, your earned ROE?

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**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

It would be about 40 or 50 basis points is the midpoint.

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

Of lag?

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**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

Of lag.

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

Got it. Remind us, KCP&L Missouri doesn't have a fuel clause yet, I'm sure you'll file for it in your next rate case, but could you just remind us of the mechanics and how that played out in the first quarter was it a positive or a negative variance?

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

It would have been slightly negative to the extent that our expected fuel cost was higher -- expected fuel cost was lower than incurred and that was kind of our mentioned that if we had -- our units are very efficient and low-cost so if we have a unit that's out we run a different unit that may be a little bit more expensive, or we buy some power, so that would be a negative.

And then on the off-system sales portion, we have kind of an agreement about what that number is and our point was to the extent that we missed an opportunity for an off-system sale, that was not really in the numbers here but a missed opportunity. And that would've flowed through you know to the bottom line as well over the course of the year. Does that make sense?

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

Yes it does. I guess off-system sales at higher prices may have offset the less capacity you had to actually sell?

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

Yes, it hurt our margin there if you will. And it could have been off-system purchases or it could have been running another unit which was more expensive on the margin



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

Okay just remind us in terms of Missouri legislation, what should we be focusing on? I know the Senate Bill 702, what are the other bills that have that are at committee or have been pushed out of committee?

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

The other one related to our issue would be House Bill 909 which is a similar bill on the House side.

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

Okay great, thank you

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

Thank you.

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**Operator**

The next question comes from Charles Fishman, with Morningstar.

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**Charles Fishman** - *Morningstar - Analyst*

On you said 40 to 50 basis points lag on -- regulatory lag. Remind me, roughly another 100 basis points for non regulatory costs?

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**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

That's correct, that's correct.

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**Charles Fishman** - *Morningstar - Analyst*

Okay and then with Missouri Bill 909, is the main opposition to that still that big aluminum smelter in the South Southern Missouri?

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

Yes, I don't know that they identify themselves as a single customer, but commercial customers as a group are the main opposition to that bill, that's correct.

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**Charles Fishman** - *Morningstar - Analyst*

Okay, thank you.

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

You bet.



**Operator**

Our next question comes from Mike Bates, with Wunderlich Securities.

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**Mike Bates** - *Wunderlich Securities, Inc - Analyst*

Most of mine have been answered as well. Just to be clear though, with Wolf Creek, I'd been under the impression on your year-end call that costs for that outage for expected to be right around \$9 million or \$10 million for the full year. Can you give us an idea of what the impact might be in the second quarter?

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

There's two pieces there remember, we also have some amortization related to Wolf Creek in the first quarter from the last refueling. And so that \$9 million to \$10 million we talked about is still the number for the mid cycle, but it will be split a little bit -- not split a little bit -- it will be split about half between first quarter and second quarter. So you could see \$4 million to \$5 million over the second quarter that we will be dealing with.

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**Mike Bates** - *Wunderlich Securities, Inc - Analyst*

All right. The unscheduled coal outages, have those plans been brought back online yet? Or did they carry into the second quarter as well?

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

No, no, let me be clear. We want to be clear about what our opportunity was, but we put a lot of capital into our units. We had our best availability factor last summer we've had in five years. We just from a timing perspective as cold as it was, when you have an unscheduled outage you could have a missed opportunity there. Our units are in good shape, they're all running, we are ready for our summer peak.

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**Mike Bates** - *Wunderlich Securities, Inc - Analyst*

Thank you very much.

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

You bet, thank you.

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**Operator**

Next question comes from Sarah Akers, with Wells Fargo.

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**Sarah Akers** - *Wells Fargo Securities, LLC - Analyst*

Just a question on transmission expense I know Ameren has MISO costs included in their fuel adjustment clause, is this something you plan to request for GMO's FAC and then the new KCP&L fuel clause in next year's rate case? And as a follow-up to that, is there anything unique about Ameren that would support a different outcome for GMO and KCP&L there?

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

Yes and no. Yes, we would ask for those and no there should be anything different. This would be the typical cost that would be included in that factor.

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**Sarah Akers** - *Wells Fargo Securities, LLC - Analyst*

Okay so even if the legislative and regulatory initiatives don't go forward this year, by 2016 you expect those MISO transmission costs to be included in the FAC?

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

Yes, the commission filing in the legislation was actually intended to deal with the fact that they are not currently included. Once we were able to get that in place those will flow through to those factors.

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**Sarah Akers** - *Wells Fargo Securities, LLC - Analyst*

Got it, thank you very much.

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

You bet, thank you.

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**Operator**

Next question comes from Michael Goldenberg, with Luminus Management.

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**Michael Goldenberg** - *Luminus Management - Analyst*

I have a question, so more along the same topic of fuel adjustment clause and trackers and all that, like the 2015 rate case. 2016 rates will be the key driver for recovered (technical difficulty). Is that correct?

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

You're kind of breaking up.

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**Michael Goldenberg** - *Luminus Management - Analyst*

I'm sorry let me grab the phone. Is it fair to say that judging from this conversation that the 2015 rate case for rates in 2016 will most likely will be the primary vehicle for fuel adjustment costs as well as recoveries of many of the items, assuming the legislature does something next year?

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

Absolutely.

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**Michael Goldenberg** - *Luminus Management - Analyst*

Okay, have you guys done preliminary analysis as to how much in total would the rate case -- rate increase be to recover all of those?

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

We certainly are in a preparation for that case and have done some work around that. We wouldn't provide early numbers but I would say that our focus is on recovery of La Cygne, our focus is on implementation of the fuel factor, and in recovery of any costs that are causing lag. Certainly if we are not allowed to track some of these interim costs, we won't be flowing those through, and that would reduce the overall ask in that case a little bit. But in general we think they're manageable cases from a level perspective, and we expect to file those again sometime in probably 2015 to be effective first of 2016.

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**Michael Goldenberg** - *Luminus Management - Analyst*

Do think at some point before the filing you'll give us a preview with some sense of numbers of increase or we will just have to wait until the cases are filed?

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

No, as we work through these issues that involve all these costs and whether or not we are allowed to get the AAO or get the legislation, as we get closer we will begin to see what kind of ranges that we might have. But obviously we have a public notice requirement to file in the case and we will have to be careful about giving any specific numbers until we are finished and make a public filing. We certainly can talk about the sense of what kind of costs we are recovering.

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**Michael Goldenberg** - *Luminus Management - Analyst*

And there is going to be -- the filing has to be by January 30, 2015?

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

The case needs to -- and we're still working on the details around that, the case needs to be sure and pick up La Cygne once it becomes in-service. So, when in-service happens we need to be able to true that up in the case. If we could get in-service earlier we might file earlier, but we have a certainly a backend deadline for mid-summer 2015.

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**Michael Goldenberg** - *Luminus Management - Analyst*

That's with the true up?

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

Yes right, and depending on the state we would back that up to some degree, remember that Missouri is about three months longer process in total than Kansas is.

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**Michael Goldenberg** - *Luminus Management - Analyst*

Yes, thank you very much.

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

Thank you, Michael.

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**Operator**

Our next question comes from Paul Patterson, Glenrock Associates

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**Paul Patterson** - *Glenrock Associates - Analyst*

Just to circle back on a few things to make sure I understand them. Could you tell me what the customer growth expectation? I know what your sales growth expectation is but given Paul Ridzon's question and your comments about permits, how should we think about customer growth? At least on the residential side how should we think about it?

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

Are you asking how do we look at growth as customer count versus customer usage?

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**Paul Patterson** - *Glenrock Associates - Analyst*

Yes that's it, you got it.

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

It's a little of both actually. I know that's a big discussion across the country right now. You know, with the economy picking up, do we have customer count improving but usage maybe not growing? And we've actually seen some usage growth, and we've seen count as well, so it's a mix.

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**Paul Patterson** - *Glenrock Associates - Analyst*

Okay, but when you look at the 0.5% to 1%, how much of that is customer growth would you say?

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

I don't know that I've got that break out right this second in terms of the split. I would tell you that it's a little of both though, and again we've got mix issues in there as well depending on the sector and how it's growing.

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**Paul Patterson** - *Glenrock Associates - Analyst*

Sure, okay, then just to follow-up on the SB 702, it sounds like you guys are actually hopeful that you think 702 might pass, is that right?

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

Well again we are still continuing the conversation, but we are down to a week and you know a lot of the work at the legislature gets done in the last three weeks. But that also means that there's quite a choke point in trying to get as many things done as possible. So we are still down there talking, we are in a position to have that conversation and move forward, but it is pretty hard to handicap with only a week to go.



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**Paul Patterson** - *Glenrock Associates - Analyst*

I haven't seen any activity in it since February.

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

Yes, we got out of committee really quickly, and then it really hadn't done much since then. But again, a lot of things work that way, they get out of committee and really the last three weeks things begin to shake out. So yes again, a lot of things will happen the next week, it is hard to handicap where ours will fall in that kind of process.

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**Paul Patterson** - *Glenrock Associates - Analyst*

Okay and then 909? Would you guys -- what are your thoughts on that?

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

It's the same it's on the House side so -- it's in exactly the same process obviously it's got to move through both houses ultimately to get finished up and so --.

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**Paul Patterson** - *Glenrock Associates - Analyst*

Okay just sort of like -- if this doesn't happen, is there any thought of a different approach to the issue because this will be a couple years now where you guys have been trying to get more timely cover -- recovery through legislation. So how should we think, I mean just I guess it's a little bit early to say because we've got some time left I guess, but are there any thoughts are you guys thinking about anything different perhaps if this doesn't happen?

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

I'd suggest to you there's two things to think about. One is strategic and one is execution. On the strategic side we're likely to continue to push for legislation in the state of Missouri to put in place riders and trackers and different mechanisms for us to continue to bring Missouri along in the context of what other states are doing. And so we will likely continue to do that.

I would tell you from a timing perspective, these things get trued up in the rate case. And so if we're not able to achieve what we are looking for here, by the time we start the process again next year, you know we will basically have been through another year. So on the execution side, it's our job to offset those costs and to manage our returns and lag from that perspective over that time period.

So, we will have to execute on that through O&M and maintenance and growth and we will have to continue to look strategically at how to bring things to the legislature and commission. But focus wise, we will be looking toward that rate case in 2016 to true all those things up

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**Paul Patterson** - *Glenrock Associates - Analyst*

Okay great thanks a lot.

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**Operator**

(Operator Instructions)

Next question comes from Michael Lapidès, with Goldman Sachs

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**Michael Lapidès - Goldman Sachs - Analyst**

Once again thank you for taking my follow-up question. I hate to get down in the weeds, I could use a little more -- and I'm sure I'm not the only one on this call -- a little more understanding of how the nuclear amortization works. And at a high-level kind of think about when did it kick in, and when will we see it stop having an impact on O&M? Like when will it normalize out, I think it's the end of 2014 I'm not entirely positive on that. And then second, that means that normal nuclear refueling outages therefore won't necessarily have an impact on O&M going forward? Two items.

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**Jim Shay - Great Plains Energy Inc - SVP & CFO**

Well the mid-cycle outage is the one that's getting expensed so that's the \$10 million that normally doesn't get expensed, so that is happening between the first and second quarter of this year. And then we get onto just our normal program, we continue to amortize the prior refueling outage cost those being the actual full refueling outage from 2013, we will amortize those through the next refueling outage cycle.

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**Michael Lapidès - Goldman Sachs - Analyst**

So in other words on the normal refueling outage cycle, we should never see a quarterly bump in O&M anymore related to a standard refueling outage, that it is really just getting smoothed out over the cycle?

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**Jim Shay - Great Plains Energy Inc - SVP & CFO**

Yes, it's just when you have a mid-cycle outage like we had you have to expense the O&M, and that's the \$10 million impacting this first and second quarter of this year.

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**Michael Lapidès - Goldman Sachs - Analyst**

Got it, and finally just two things on the statements in the Q. One, commercial paper up about \$100 million in the first quarter, what is your plan with that? And two, there was a \$38 million cash inflow proceed from an asset sale, can you remind us what that was?

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**Jim Shay - Great Plains Energy Inc - SVP & CFO**

Yes, on the asset sale that is the completion of the novation of our existing projects to the Transource joint venture. And secondly the commercial paper, as we've indicated, we plan to term out some short-term debt in 2015 at the KCP&L level.

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**Michael Lapidès - Goldman Sachs - Analyst**

Got it, and one last thing what was the rate base amount, what was CWIP amount of La Cygne that was added into your earnings power as part of the abbreviated case? And then what's the remaining CapEx that will occur from that level to the completion of the project?

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**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

\$104 million was put into rates and we will have \$95 million that goes in the next general rate case on the Kansas side.

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**Michael Lapidès** - *Goldman Sachs - Analyst*

Okay, and then the whole and then the remainder on the Missouri -- all of it in the Missouri side?

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**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

Yes roughly 55% of the full 615 will go in on the Missouri side.

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**Michael Lapidès** - *Goldman Sachs - Analyst*

Got it, okay thanks guys much appreciated.

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

Thanks Michael.

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**Operator**

Next question comes from David Paz, with Wolfe Research.

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**David Paz** - *Wolfe Research - Analyst*

Just going back to property taxes and the transmission expense, how much do expect each of those items to increase this year versus last year?

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**Jim Shay** - *Great Plains Energy Inc - SVP & CFO*

The run rate and property taxes are a little easier to get our arms around because those are assessed amounts. So that was about \$0.05 of lag last year, which is on track to kind of double this year. Transmission costs last year were about \$0.04 and they are currently on that run rate, they are more -- they are on a run rate to double this year. They're a little bit more challenging to forecast because we are really dealing with allocated costs from SPP so there's going to be more volatility associated with transmission.

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**David Paz** - *Wolfe Research - Analyst*

Got it, okay thank you. And then another question just in March you filed a notice of intent to request a La Cygne accounting order. Not sure whether you actually filed for one yet, but in light of what occurred last month with the transmission expense, how should we think about the process there and exactly just remind me exactly why you were filing for an accounting order, or at least you are intending to file for an accounting order on La Cygne.

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

These are completely different things. Remember too, that we have to file a notice of what we are going to file, kind of a process point with the commission. Rather than a accounting order for an expense that's been expended like we talked about on the transmission, this is to allow us to



do construction accounting on La Cygne from the time that it goes in service until the time it goes into rates. Which we have traditionally gotten in both our commissions when appropriate. So that's really what that is and why it's different.

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**David Paz** - *Wolfe Research - Analyst*

As an example, the later accounting order?

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

Exactly, exactly the same thing.

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**David Paz** - *Wolfe Research - Analyst*

Great, thank you so much.

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

You bet, thank you.

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**Operator**

Next question comes from Ali Agha, with SunTrust

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**Ali Agha** - *SunTrust Robinson Humphrey - Analyst*

One quick follow-up. You know I think it was in the last year-end slide you guys had laid out some rough outlooks for 2015 and 2016 earnings growth as well. And I just wanted to confirm that even if we don't get the AAO and the legislation that profile that you were suggesting still is the same or should we think that moves around if those legislation and AAO does not come through?

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

Those are exactly the same. We are continuing to work at every corner to deal with our regulatory lag, but we are -- our guidance that we gave around those numbers are regardless. It will affect maybe within the range of the things we have to do to make sure we deliver on that, but they are not dependent or don't change on receiving those two orders.

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**Ali Agha** - *SunTrust Robinson Humphrey - Analyst*

Thank you.

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**Operator**

I'm not showing any further questions. At this time I'd like to turn the conference back over to Terry for closing remarks.

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

All right we appreciate everybody being on the call. We appreciate all your questions. Have a good weekend and have a good Mother's Day. Thanks, everybody.

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**Operator**

Ladies and gentlemen this does conclude today's presentation. You may now disconnect and have a wonderful day.

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