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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Q4 2017 Great Plains Energy Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded. I would now like to turn the conference over to your host, Ms. Lori Wright, Vice President, Corporate Planning, Investor Relations and Treasurer. Please go ahead.

Lori A. Wright - *Great Plains Energy Incorporated - VP of Corporate Planning & Investor Relations and Treasurer*

Thank you, Casey. Good morning, everyone, and welcome to Great Plains Energy's year-end 2017 Earnings Conference Call. We appreciate that you are joining us this morning.

On the call, today, we have Terry Bassham, Chairman, President and Chief Executive Officer and Kevin Bryant, Senior Vice President, Finance and Strategy, and Chief Financial Officer.

Other members of the management team are also with us and will be available during the question-and-answer portion of today's call.

Today's discussion will include forward-looking information and the use of non-GAAP financial measures. 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. A reconciliation of the non-GAAP financial measures can be found in the appendix.

We issued our earnings release and 2017 10-K after market close yesterday. These items are available along with today's webcast slides and supplemental financial information for the quarter and full year 2017 on the main page of our website at greatplainsenergy.com.

As summarized on Slide 4, Terry will provide an overview of our business highlights for the year, followed by an update on our pending merger with Westar, our regulatory and legislative priorities and a review of our strategic plan. Kevin will then provide an update on tax reform and discuss the financial results for the quarter and the year.

With that, I'll now hand the call to Terry.

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

Thanks, Lori, and good morning, everybody. I'll get started on Page 6 of the presentation.

We made steady progress over the last several months moving our merger with Westar forward. Our collaboration with staff and other interveners in Missouri resulted in a constructive stipulation and agreement that we believe balances the interests of shareholders and benefits to customers.

This week, we filed rebuttal testimony in Kansas and Missouri. In both proceedings, our testimony identifies and responds to certain Staff and intervenor direct testimony previously filed in both states.

With testimony complete, our focus will shift to working with parties in both states toward constructive conclusion and approval of the merger. Procedurally, settlement conferences in Kansas are scheduled for next week followed by hearings beginning in Missouri on March 12 and in Kansas on March 19.

Our other approvals continue to progress in due course and we expect to receive FERC, NRC and FCC approvals in the coming months.

Finally, as we move closer to the Kansas order date on or around June 5, we continue our integration planning efforts to deliver on the unique opportunities this combination creates. The combined company will have a highly attractive earnings and dividend growth profile and will be positioned to deliver exceptional value to our customers and the communities we serve. The proforma company's strong investment grade credit profile and cash position has us on track to implement our planned multi-year share repurchase programs to rebalance the capital structure post closing.

Also, the combination will enhance regulatory diversity, broadening and diversifying our earning streams. We are as confident as ever that our implementation plans will put us in a position to be a top performing organization.

Now shifting over to Slide 7 for an update on our key regulatory and legislative priorities this year. Those include gaining all necessary approvals for our merger with Westar, working proactively with our state regulators to ensure customers receive the benefit of recently enacted federal income tax reform, which we estimate will result in substantial annual customer savings in both Kansas and Missouri and the pursuit of comprehensive legislative regulatory reform in Missouri.

While Kevin will provide color on how we see tax reform impacting us, we are actively working with our state regulators to address the impacts of tax reform and expect that regulators will review and update all costs necessary to serve our customers, including the tax reform impacts, in our 2018 rate reviews. The first of these rate reviews, our KCP&L and GMO general rate review applications were filed in Missouri last month to reflect in rates an estimated $67 million of annual tax savings to our Missouri customers. These general rate reviews will also update rates for several customer experience enhancements, including technology and green initiatives, and the true-up of our costs to serve customers, which will include efficiency savings resulting from the merger.

The combined net revenue increase requested in our Missouri cases is approximately $6.5 million. We plan to file our rate review application in Kansas early in the second quarter to address these same drivers as well as to reflect in our Kansas rates an estimated $33 million in annual tax savings to our Kansas customers.

We expect to conclude the rate reviews in all jurisdictions in the fourth quarter with new retail rates effective in late 2018 or early 2019. As a result, we will not provide earnings guidance until the merger and the rate reviews have been concluded.

Summaries of the Missouri cases we just talked about are included in the appendix of our presentation.

Now turning to an update on legislative reform in Missouri. Our focus remains on efficiently allocating capital to investments in a manner consistent with our existing regulatory frameworks. In Missouri, this framework is significantly impacted by regulatory lag that serves to disincentivize investments. In an effort to progress this regulatory framework, we've worked with policymakers and others in our industry over the last 5 years to bring pragmatic regulatory reform that provides clear regulatory treatment that can be relied upon by both investors and our customers. Senate Bill 564 now under consideration by the legislature is aimed at making needy reforms to Missouri's 100 -year-old regulatory framework. The legislation, which passed the Missouri Senate, offers consumer protections that ensure future energy costs are more stable and predictable, addresses regulatory lag from system investments and creates a more attractive platform to modernize the electric grid that currently exists in

Missouri. Although we're not done, we are one step closer to meaningful regulatory reform in Missouri. The bill now has moved to the House for consideration and voting.

We believe the right reforms can help attract business to the state and create jobs and that Senate Bill 564 furthers these aims. You might recall last summer, Governor Greitens, called lawmakers back to a special session that resulted in a bill that allowed for electricity rate reform for large power users. We've already seen the direct impact from that legislation.

Last fall, Nucor, the largest producer of steel in the U.S., announced plans to invest at least $250 million to build a rebar micro mill in Sedalia, about 90 miles east of Kansas City. The new facility is expected to create more than 250 high-paying jobs and once operational, will become our largest consumer of electricity. Nucor expects to begin production in 2019, with full operations in 2020.

Finally, before I turn the call over to Kevin, I want to recognize our KCP&L team for their work to provide another great year of customer service and for closely managing our operations during a very busy year.

As you can see on Slide 8, three central priorities continue to guide our business: providing best-in-class operations, enhancing customer engagement and prudently allocating capital to attractive targeted investments.

In 2017, once again we delivered solid operational performance and were once again recognized in the Plains region for providing the most reliable electric service to our customers. This is a testament to our continued focus on providing the quality of service customers need and expect from us.

During 2017, we also continued our strategic transition away from fossil fuel-based generation to more sustainable, renewable and carbon-free solutions to meet our customers energy needs. In fact, over 42 percent of the energy provided to our retail customers was met with non-carbon emitting resources and a balanced cleaner generation portfolio. We increased our renewable energy portfolio to approximately 1,450 megawatts, or almost 20 percent of total capacity and announced plans to retire end-of-life fossil units at three power stations.

Recently, we also contracted for an additional nearly 450 megawatts of wind generation capacity that will come online by early 2019. I'm proud to report that we are currently ranked within the top 10 in the nation for wind capacity. Both we and Westar have a strong history of pursuing renewable energy and our combined wind portfolio will be one of the largest in the nation, with renewable energy expected to account for approximately 30 percent of retail sales.

As part of our clean energy focus, we'll continue to invest in sustainable ways to deliver electricity to our customers. The electric vehicle charging network we launched several years ago has helped make Kansas City the number one city in the country in year-over-year electric vehicle sales growth. In our pending rate review cases in Missouri, we are proposing renewable energy and solar subscription programs to provide customers with a choice to participate more directly in renewable generation. The programs would provide customers with options to directly subscribe to receive renewable energy to offset the energy they use each month. This represents some of the many ways we are working to bring innovative solutions to our customers.

As you can tell, we've had a lot going on, but 2017 was a strong year and we look forward to progressing our business even more in 2018.

With that, I'll now turn the call over to Kevin.

Kevin E. Bryant - *Great Plains Energy Incorporated - Senior VP of Finance & Strategy and CFO*

Thanks, Terry, and good morning, everyone. I'll start with a review of our results on Slide 10 of the presentation.

Last night, we reported a fourth quarter 2017 GAAP loss of $0.46 per share compared to earnings of $0.39 per share in the prior year.

Adjusted earnings, that exclude the impacts of both our anticipated merger with Westar and the recently enacted federal tax reform, were $0.13 per share compared to the same number in the comparable period a year ago.

I'll discuss federal tax reform and the more ongoing impacts that we expect in a bit more detail shortly. As detailed on the slide, adjusted earnings results in the quarter as compared to the prior year were flat with a $0.03 decrease in other operating and maintenance expense being mostly offset by $0.02 of higher depreciation and amortization. Notably, for the first time all year, the weather impact for the quarter was flat when compared to normal.

For the full year, we reported a GAAP loss of $0.67 per share compared to earnings of $1.61 in the prior year. Adjusted earnings were $1.74 per share compared to $1.85 a year ago. Drivers for the full year decrease in adjusted earnings per share as compared to 2016 include a $0.21 per share impact from milder weather, driven by 16 percent decrease in cooling degree days. For the year, the unfavorable weather impact when compared to normal was approximately $0.19 per share. The decrease in adjusted earnings for the year was also impacted by $0.10 of higher depreciation and amortization, resulting from our continued investment in critical infrastructure that best serves our customers, consistent with our strategy that Terry discussed.

These impacts were partially offset by our continued effort to tightly manage our cost structure as results for the year were also impacted by lower other operating and maintenance expense and favorable other margin items. Adjusted earnings for the year were also offset by an increase in weather-normalized demand.

For the year, weather-normalized demand was up 0.8 percent, net of an estimated impact of 0.9 percent from our energy efficiency programs.

As highlighted on Slide 11, the improved demand growth in our service territory was supported by strong job growth that has yielded continued expansion in the residential real estate market as reflected by residential customer growth that increased by 1.3 percent for the year. In fact, the fourth quarter marked the 27th consecutive quarter of residential growth with full year growth results representing the strongest that we've seen in over a decade. We did however experience continued decline on the industrial front with weather-normalized sales down 2.5 percent for the year. This decrease is largely attributable to the continued decline in our total number of industrial customers and their aggressive adoption of energy efficiency measures.

Several weeks ago, Harley-Davidson also announced plans to consolidate its motorcycle assembly plant in Kansas City and shift production to its plant in York, Pennsylvania by fall 2019. This announcement mirrors the national trend of steady declines in domestic manufacturing activity. We will continue to monitor the auto sector across our service territory to understand potential impacts of local automakers and their suppliers and are encouraged that Ford's Kansas City plant continues to run at full production to meet continued demand for its popular F-150 line of trucks.

The disappointment of the Harley plant leaving our service territory notwithstanding, we continue to actively work with our state and local economic development partners to tout the merits of our region and to support continued economic growth moving forward.

As Terry mentioned, we look forward to welcoming Nucor to our region and are optimistic about what the addition brings, including over 250 new jobs to the community and up to 60 megawatts of additional load. With industrial sales comprising only about 15 percent of our total retail sales, the addition of Nucor, which will come online by mid-2019, is expected to exceed the load of our next 5 largest energy users combined.

Nucor and progress on other economic development projects, including backfilling the Harley facility, will serve as an offset to the Harley consolidation announcement. Overall, we remain encouraged by the broader economic climate in our region.

Looking ahead to 2018, we expect continued stability in the labor market and growth in the housing market to support our expectations of weather-normalized sales growth of flat to 0.5 percent, net of the estimated impact from our energy efficiency programs.

Turning to Slide 12, I'll conclude my remarks by providing a bit more color on the anticipated impacts of federal tax reform that was enacted in late 2017.

As you know, the prospect of tax reform was a key area of focus for our industry where folks from all across our sector supported efforts to simplify the tax bill and further stimulate long-term economic investment and growth across our nation.

We highlight the major tenets of the Tax Cuts and Jobs Act on the left side of the slide. From a GAAP earnings perspective, the results of revaluing our deferred tax balances due to the lower federal corporate tax rate and other impacts of tax reform caused us to recognize an approximate $130 million onetime, noncash charge to 2017 earnings.

On a stand-alone basis, since we currently do not pay cash federal taxes, a lower corporate tax rate reduces our tax obligations and has related impacts on our cash flow and credit metrics. As a result, we expect an ongoing decrease in annual cash flow of approximately $100 million and 1 percent to 2 percent decrease in our stand-alone cash flow to debt metrics. This reduction in cash flow will however result in direct benefits to our customers through increasingly competitive electric rates as the annual tax savings are expeditiously reflected in rates through this year's rate reviews in Missouri and Kansas.

With 2017 in the books and another year of consistent performance behind us, disciplined management of our business and focused capital allocation remain paramount as we look forward to investing nearly $3 billion of capital expenditures across our 5-year stand-alone plan.

On a pro forma basis, upon completion of our merger with Westar, we expect to maintain our strong investment grade credit profile. As we've discussed since the announcement of the transaction last year, we expect the combined company to benefit from a strong balance sheet and significant ongoing cash flow that will support continued investment in our region, planned post-close share repurchases and a growing dividend. Thank you for your time this morning.

We're now happy to answer any questions you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Thank you, and Christopher Turnure with JP Morgan. Please go ahead.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

We saw the proposal from staff in Kansas on the merger a couple of weeks back and then we saw your rebuttal testimony, I guess, a couple of days ago, but could you give us an update ahead of the settlement conference next week on how discussions are going and some of the key negotiating points there?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

Yes. So we head into some formal negotiations, if you will, next week, set up to have all interveners and parties in the case meet. As we discussed, we've been meeting with parties, including Staff, all along the way to be sure that we know their concerns and we're looking at opportunities to meet those concerns. So now that all the testimonies is on file, we'll be able to do that next week to see if there is a settlement that could be reached with all parties. If not, we may be able to settle with some. I'd say that from a Staff perspective, we really appreciate the way they've gone about the review, they and [OPAC] and some other parties, and we think the structure works. We'd like to work on some of the details as you could see from our rebuttal, and we'll look to have conversations with them and other parties about that. So we're optimistic, but certainly have hearings set. If we're not able to come to a complete resolution, we'll have hearings on those things we don't agree on them. I know that sounds a little vague and high-level, but that's kind of where we're at headed into the discussions. Most of the things we would say otherwise are kind of laid out in the testimony right now.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

I appreciate that. And I'm just wondering if on the issue of ROEs specifically, you can give us a little bit more context here, just high-level thoughts on how, I don't know, maybe the Commission might view this or historically how it's been treated in any situations outside of a general rate case?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

Yes. I mean that's obviously one of our concerns and things we will want to get comfortable with as we come to any kind of settlement, that we were agreeing to a framework that works. And if it assumes a structure that would operate off of this rate case that's already filed, we would have to get comfortable that ROE and some other things were knowable or at least as knowable as they can be between the parties. Obviously, we can't bind the Commission in that process. But certainly, I think, it's a little unique. But I think, anytime you get into something like this there are unique issues, and if the parties are in agreement on how we want to move forward and what the framework is, we'll come up with the way to manage that. And I think that's hopefully where we will get to here. If not, then we'll head to the hearings and we'll describe them, or work through those in the hearings themselves. Again, I know it sounds a little, vague but this is a unique issue, but something I think that all of us understand and will have to either get nailed down or work through in some way over the course of the next several months.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

Got it. And then my second question is probably something that you haven't specifically calculated, but how can we think about rolling up all of the various cost pressures over the next several years, and think about the impact of those alone on customer rates? We know, obviously, that you struggled in Missouri to earn your authorized rate of return there and a lot of that's been, of course, due to property taxes, transmission costs and probably, to some degree, fuel and purchase power that has not been passed through as well. So is there a number that we can think about pressuring the customer bill over the next several years there?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

So let me hit a couple of things there. Number one, obviously your description there is exactly the strategy of the merger. That we believe our ability to drive and achieve efficiencies will help affect and manage and allow us to earn our return, even despite those issues. Now I will say, on a couple of fronts, remember that now with the fuel factor, that's an old term I use, but the fuel clause in Missouri has eliminated a lot of the volatility that we spent many years fighting, as gas prices dropped. And you've seen over the last several years, the stability that that has brought to us in Missouri from that specific item. I'd also say that transmission has levelized to some degree because of the SPP plans that initially happened and now have leveled out and then property taxes have leveled out to a degree. So I would say that as you look at those and the efficiencies we can drive to the merger, we feel confident we can earn our return post day-one in the combined entity in each of our jurisdictions.

Kevin E. Bryant - *Great Plains Energy Incorporated - Senior VP of Finance & Strategy and CFO*

And Chris, this is Kevin. I'll add, if you think back to a couple of years ago, when we had active rate cases, a lot of that was driven by rate base investments. We had big investments in our comprehensive energy plan and then with our environmental retrofit. With our CapEx profile moderating, we're seeing CapEx in the $500 million to $600 million range. As Terry mentioned, we would expect to be able to maintain competitive rates as we move forward. If you look at the rate caps that were laid out in Senate Bill 564, it's at a 3% level. We certainly would expect to be able to manage within that. So our strategy is to -- we know we've had a significant investment cycle to moderate our rate increases moving forward in the Westar transaction along with kind of our moderating CapEx profile, gives us comfort that we can do that.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. And just on PPAs, specifically, anything kind of known over the next couple of years that might put pressure just in and of itself on the customer bill from known PPAs?

Kevin E. Bryant - *Great Plains Energy Incorporated - Senior VP of Finance & Strategy and CFO*

No, quite the contrary. The PPAs we have been doing the last several years have been economic. So they've allowed us to lower our cost to serve our customers. So we'll continue to be opportunistic. If we see PPA opportunities where the pricing is attractive and we can impact customer bills and evolve our renewable portfolio, we'll certainly take advantage of those opportunities.

Operator

(Operator Instructions) Your next question comes from the line of Charles Fishman with Morningstar research.

Charles J. Fishman - *Morningstar Inc., Research Division - Equity Analyst*

Terry, just a follow-up on Senate Bill 564. I talked to Calvin few weeks ago,and at that time, 564 coming out of the Senate was just preliminary. Is that -- has the Senate finalized that now?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

Yes. There was the initial hearing which had a filibuster was probably about the time you were hearing about that. It's now been through its process with two other readings. And so now it has passed the Senate. It is in the House and the process would be to pass through the House. And once that has occurred, depending on how it comes out, if it comes out as Senate Bill as is, then it would go to the governor's desk basically. If there is changes they'd work through that. But right now, we're in the House process and we've moved through the Senate, which is certainly a step we've been working on for several years.

Charles J. Fishman - *Morningstar Inc., Research Division - Equity Analyst*

I know you have. The governor has expressed support for this, correct?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

Yes. He has.

Charles J. Fishman - *Morningstar Inc., Research Division - Equity Analyst*

Okay. And then all SB 564 addresses is essentially quit. It doesn't include anything with respect to transmission as a real estate accruals that you would hope to get someday, maybe?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

No, you're right. It's got some other things related to renewables and stuff like that, but its focus is on what we're calling PISA in the bill, that's correct.

Operator

And your next question comes from Ali Agha with SunTrust.

Ali Agha - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Terry, Kevin, I apologize I jumped on a little late. So if this is repetitive again, sorry for that. But, just a couple of questions. On the Senate, I mean, on the Kansas Staff testimony, when they talked about the sharing mechanism for anything that on above 9.3%, which I believe is your current authorized ROE there. I was just wondering, in your planning for the merger, have you assumed that your authorized ROE goes up or that you are allowed to earn above that or would that fall within the framework of earned ROE, thinking about on the Kansas side?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

Again, I think the testimony as written is a very good structure. Obviously, we've got some things in our rebuttal and some things we want to talk about to make sure that it works for both shareholders and for customers. I don't believe if you saw our planning that we anticipated as part of our 6 percent to 8 percent that we were going to over-earn in any of our jurisdictions dramatically over time. And so, we would expect to manage within the concepts that we talked about in that testimony. There is always a lot of detailed work through and we want to do that, but the sharing mechanism is something that we think works structurally, and we hope to be able to continue to talk about that with Staff and other parties.

Ali Agha - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Okay. And also in that context, assuming the Senate Bill passes in Missouri, does that overall from a combined company perspective, kind of change either your thought on how your earned ROE/lag in Missouri or the 6 percent to 8 percent overall growth rate that you're targeting post-merger, how would that all change assuming that bill becomes law?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

Well, the main thing that would happen is it would allow us to earn our return while making additional investment. Remember that we had talked about that the way we're going to address this issue in Missouri, unfortunately, somewhat similar to Ameren as we just wouldn't be able to invest as much if we weren't able to recover adequately. And this allows us to make additional investment that we would perceive we need to make to continue our customer service. It still should fall within our 6 percent to 8 percent. It obviously would allow us to earn that return and give us the kind of flexibility and make the investment that we think customers need and want to continue the kind of service we provide today. So it's a much needed improvement that we talked about and I think it would help us manage within the context of our earned returns which is the key.

Ali Agha - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Right. And then lastly, assuming the merger does close in the June time frame or so, can you just remind us again the timeline you are looking at in terms of executing on the share buyback plan? And I believe it's still a 2-stage plan.

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

Yes. Again, I think given the calendar, second quarter is still kind of the focus given an early June timeline in Kansas. And then we continue to plan to execute on our stock buyback in the way we talked about, which is over approximately a 2-year period with those same 60 million shares we discussed previously. Nothing has really changed.

Ali Agha - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

But the start would be soon after close of the merger?

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

We would certainly want to allocate our capital efficiently and having $1.3 billion on the balance sheet is something we would try to start to get working on pretty quickly.

Operator

And there are no further questions in the queue at this time. I'll turn the call back over to Terry Basham for closing remarks.

Terry D. Bassham - *Great Plains Energy Incorporated - Chairman, President & CEO*

All right. Well, thank everybody for joining us. I know it is a busy end of the week. We appreciate you dialing in. And as always, look forward to talking to you in the future about our merger and the possibilities for our company over the next several years. We're very, very excited about the combined company. Thank you. Have a good weekend.

Operator

And ladies and gentlemen, this concludes today's conference call. Thank you for your participation, and have a wonderful day. You may all disconnect.
