FILED
April 25, 2008
Data Center
Missouri Public
Service Commission

Exhibit No.: 038 NP

Issue: Credit Quality

Witness: Michael Cline
Type of Exhibit: Additional Supplemental Direct

Testimony

Sponsoring Party: Great Plains Energy Incorporated and

Kansas City Power & Light Company

Case No.: EM-2007-0374

Date Testimony Prepared: February 25, 2008

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-0374

ADDITIONAL SUPPLEMENTAL DIRECT TESTIMONY

OF

MICHAEL W. CLINE

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri

P

*** Designates "Highly Confidential" Information
Has Been Removed. Certain Schedules Attached to This Testimony
Also Contain "Highly Confidential" Information and
Have Been Removed Pursuant to 4 CSR 240-2.135.

Case No(s). M 2087 0314

ADDITIONAL SUPPLEMENTAL DIRECT TESTIMONY

OF

MICHAEL W. CLINE

Case No. EM-2007-0374

1	Q:	Are you the same Michael W. Cline who submitted Direct, Supplemental Direct,
2		and Surrebuttal testimony in this proceeding?
3	A:	Yes, I am.
4	Q:	What is the purpose of your testimony?
5	A:	My testimony addresses the current request of Great Plains Energy Incorporated ("Great
6		Plains Energy"), Kansas City Power & Light Company ("KCP&L"), and Aquila, Inc.
7		("Aquila") (collectively, "Joint Applicants") for treatment of interest costs on Aquila's
8		debt, discusses a change in strategy regarding the refinancing of Aquila's debt, and
9		comments on the credit rating implications of the Joint Applicants' proposal in its
10		entirety, i.e., including elements other than interest cost as described in the Additional
11		Supplemental Direct Testimony of Terry Bassham and Chris Giles.
12	Q:	Please summarize the Joint Applicants' current approach to interest costs.
13	A:	As indicated in the Additional Supplemental Direct Testimony of Terry Bassham, the
14		Joint Applicants are withdrawing their request for recovery of certain components of
15		Aquila's actual debt interest cost. These include (1) high coupon rates in excess of
16		investment-grade equivalent rates on certain debt issues incurred by Aquila during a
17		period when its credit rating was under pressure due to unsuccessful non-regulated

activities; and (2) debt repurchase costs related to the previously-contemplated refinancing by Great Plains Energy of most of Aquila's existing debt, as described in my Supplemental Direct Testimony in this proceeding.

4 Q: Please elaborate on the Joint Applicants' request with respect to high-coupon debt.

1

2

3

5

6

7

. 8

9

10

11

12

13

14

15

16

17

18

19

20

21

A:

As described in my Supplemental Direct Testimony, Great Plains Energy will be acquiring all of Aquila's long-term debt, consisting of 15 separate issues totaling about \$1.037 billion¹, through the proposed merger. Of the total portfolio, nine issues totaling about \$53 million issued by Aguila were fully allocated to Aguila's Missouri operations at their actual coupon rates in Aquila's most recent rate case. Of the remaining Aquila debt, a total of about 60% was allocated to Aguila's Missouri operations in varying proportions for each of the six individual issues. Approximately \$600 million of this debt was allocated at a blended interest rate of 6.78% (compared to an actual weighted average interest rate of 12.69%). The blended allocated rate reflected either (a) the actual all-in cost if the debt was issued when Aquila was still investment grade; or (b) the investment grade equivalent rate at the time of apportionment if the debt was issued when Aquila was not investment grade. The two issues that received the treatment in (b) included Aquila's \$500 million, 14.875% Senior Notes and their \$137.3 million, 9.95% The Joint Applicants propose to use the established process for apportionments of the remaining debt in future rate cases as Aquila's Missouri rate base increases.

Q: What happens when the high-coupon debt matures and is refinanced?

¹ This is \$50 million higher than indicated in my earlier testimony (see Cline Supplemental Direct, page 2, line 22), because Aquila reallocated funds to support necessary capital expenditures.

The Joint Applicants have withdrawn their request with respect to recovery of Aquila's actual debt interest based on past commitments made by Aquila with respect to certain specific debt issues. Once those issues mature and are refinanced by Aquila, which the Joint Applicants expect to be an investment-grade company following the merger, Aquila will file for recovery of actual interest costs of the replacement debt, and other debt it issues, in rates going forward.

Q: Please elaborate on the Joint Applicants' request with respect to recovery of debt repurchase costs.

Great Plains Energy's initial plan, as described in my Supplemental Direct Testimony in this proceeding, was to use a combination of cash remaining from the Black Hills sale and new hybrid debt issued by Great Plains Energy to retire all but one of Aquila's currently outstanding long-term debt issues, *i.e.*, the \$500 million Senior Notes that mature in July 2012. As described in my testimony, by deploying this strategy, Aquila would have incurred approximately ** million² in cost to repurchase the debt, of which about ** million³ would have been recognized in the first five years. The Joint Applicants' initial request included this cost in the total actual interest cost they sought to recover in rates; however, a re-evaluation of the Joint Applicants' position with respect to actual interest, as well as the collapse of the hybrid debt market in the last few months of 2007, led Great Plains Energy to reconsider the refinancing strategy previously articulated. Said another way, Great Plains Energy does not plan to move forward with refinancing any of Aquila's existing debt post-closing that would give rise to debt repurchase costs for which it would seek recovery from Missouri customers.

³ From response to Praxair Data Request No. 32

A:

A:

² Cline Supplemental Direct Testimony, page 12, line 14 to page 13, line 3.

1	Q:	Has Great Plains Energy quantified the impact of not recovering actual debt
2		interest on the Aquila debt portfolio under the "no refinancing" assumption you've
3		discussed?
4	A:	Yes, we have. Schedule MWC-17 (HC) indicates that the difference between actual and
5		regulatory debt interest costs, under the "no refinancing" assumption, as well as other
6		assumptions regarding projected rate base growth at Aquila and debt apportionment
7		methodology, is approximately \$120 million over the 2008 – 2012 period.
8	Q:	In your Supplemental Direct Testimony, you discussed the recovery of actual
.9		interest and the net debt reduction that would have resulted from the refinancing
10		strategy you outlined as being key factors in achieving Great Plains Energy's
11		objective of attaining an investment grade credit rating for Aquila post-closing.
12		With these elements no longer part of your proposal, what is the expected impact on
13		the credit ratings of Great Plains Energy, KCP&L, and Aquila?
14	A:	In January 2008, Great Plains Energy asked Standard & Poor's ("S&P") and Moody's to
15		evaluate, through their Ratings Evaluation Service ("RES") and Ratings Assessment
16		Service ("RAS"), respectively, a regulatory proposal reflecting the revised approach to
17		interest described above, along with other components described in the Additional
18		Supplemental Direct Testimonies of Terry Bassham and Chris Giles. Copies of our
19	-	presentations to S&P and Moody's are attached as Schedules MWC-18 (HC) and MWC-
20		19 (HC), respectively. **
21		
22		
23		**

- 1 Q: Does that conclude your testimony?
- 2 A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated and for Other Requested Relief Case No. EM-2007-0374 Case No. EM-2007-0374
AFFIDAVIT OF MICHAEL W. CLINE
STATE OF MISSOURI)) ss COUNTY OF JACKSON)
Michael W. Cline, being first duly sworn on his oath, states:
1. My name is Michael W. Cline. I work in Kansas City, Missouri, and I am
employed by Great Plains Energy Incorporated as Vice President - Treasury and Investor
Relations.
2. Attached hereto and made a part hereof for all purposes is my Additional
Supplemental Direct Testimony on behalf of Great Plains Energy Incorporated and Kansas City
Power & Light Company consisting of <u>five</u> (5) pages, having been prepared in
written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that
my answers contained in the attached testimony to the questions therein propounded, including
any attachments thereto, are true and accurate to the best of my knowledge, information and
belief.
Michael W. Cline
Subscribed and sworn before me this 25 day of February, 2008.
Notary Public

My commission expires: Feb. 42011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

SCHEDULE MWC-17

THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION NOT AVAILABLE TO THE PUBLIC

Great Plains Energy RES - Aquila Acquisition

Presented to Standard & Poor's January 2, 2008



Background

- In October 2006 and January 2007, S&P completed RES analyses of GPE's acquisition of Aquila
 - Under transaction as proposed, S&P indicated that, with the exception of a change in outlook from Stable to CW-Negative and a downgrade of KCPL's CP rating from A-2 to A-3, GXP and KCPL ratings would be unchanged upon announcement
- •S&P followed through on these actions upon transaction announcement in February 2007
- Since announcement, GXP and ILA have achieved numerous milestones:
 - Filed merger cases in MO and KS
 - Initial filing in April 2007
 - Updated synergies and regulatory "ask" filed in August 2007
 - Cleared HSR in August 2007
 - Overwhelmingly successful GXP and ILA shareholder votes in October 2007
 - FERC approval October 2007
 - Separately, BKH has obtained state PUC approval in Iowa (September 2007) and Nebraska (October 2007)

HIGHLY CONFIDENTIAL



Background

- Milestones (continued)
 - Successful regulatory outcomes for both KCPL and ILA
 - ILA MO rate case May 2007
 - KCPL KS rate case Settled in September 2007; approved by the KCC in November 2007
 - KCPL MO rate case December 2007



Recent Transaction Developments

MPSC hearings

- Originally scheduled for December 3 14
- Hearings conducted December 3 6
- Postponed on December 6
 - New procedural schedule to be filed after GXP review of alternative proposal with parties
 - GXP to provide proposal to parties the week of January 7
- MPSC Chairman Davis recusal
- OPC Motion for Dismissal



Alternative Proposal

- ·Seeks to address parties' opposition to initial regulatory "ask".......
 - · Recovery of ILA actual interest cost
 - Availability of regulatory amortization for ILA
 - Synergy sharing
 - Transaction and transition costs
- •......in the context of objectives to <u>maintain</u> current credit ratings at GXP and KCPL and <u>achieve</u> investment grade credit rating for ILA



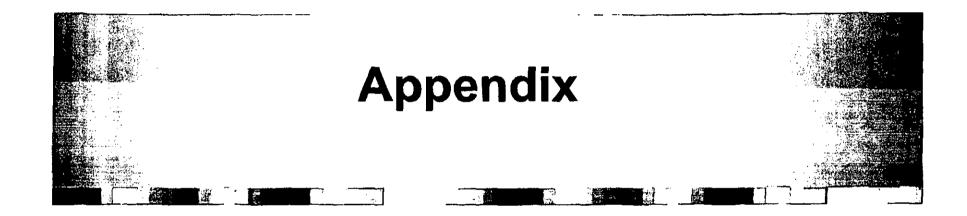
Credit Considerations

- •M. Chesser testimony at MPSC hearings highlighted critical importance of credit quality to GXP / KCPL
- Proposal reflects a positive 2008-2012 pro forma credit profile
 - Early (primarily 2008) projected FFO / Debt challenges are temporary and mitigated by
 - · Commitment by GXP to issue equity
 - · Reduced business risk of the entity
 - · Prudent management of capital expenditure timing
 - Significant recovery in 2009 and beyond as regulatory impacts from rate cases filed in '08, '09, and '10 are realized
- Details of the proposal are contained in the Appendix



Conclusion

- •GXP requests that S&P complete an RES assessment of the impact of this proposal on the credit ratings of (1) Great Plains Energy; (2) Kansas City Power & Light; and (3) Aquila
- •Verbal assessment requested by end of day Friday, January 4
- •Summary letter requested by end of day Monday, January 7





Key Assumptions

Regulatory

- cost of debt recovery and RO
- Transaction/transition costs
- Rate case timing
 - Trate case effective on
 - rate case effective or
 - rate case effective on

Capital structure

- Share issuance

 - \$

Operating

- revenue per year assumed from based on updated Aquila forecasts



Key Changes in Assumptions

		Change		Cum. Rate Case as 1		
	2008E	2009E	2010E	2011E	of 2006E Revenue	
February 2007		\$0.13	\$0.14	\$0.11	33.6%	
Cumulative rate base						
2006E rate case increase of \$23 MM						
Expenses, and the second as a result of change in NFOM, costs to achieve						
classified as NOL instead of NCL	100					
Accrued liability for legal contingencies						
lability management assumptions	مغن					
Equity issuance						
baseline revenue per year assumed from 2009E	3	100	3	3	1197611	
Regulatory Assumptions:	•				-	
Rate case timing						
Synergies:						
ROE				***************************************		
cost of debt recovery						
				7		
Other Changes				•		
lew GXP standalone case						
Other _						
ecember 2007						



Aquila Rate Case Increase Assumptions

·	2007E ⁽¹⁾	2008E	2009E	2010E	2011E	2012E
2007 Aquila Rate Case (Filed in July 2006)						_
Fuel Adjustment Clause						
Plant Allocations (2)						
Total						
rojected Rate Cases					_	
Amortization of Transaction Costs						
Amortization of Transition Costs						
Rate Case					7	
Rate Case				_	_	
Inflation, Allocations, Other				.		4
latan II Power Plant					- 13	
Rate Case						•
Rate Case	~ _					
Regulatory Amortization						
Cum. Rate Increase Required						7
% of 2006E Revenue (3)	· (4444)			(t	(1986)	ij
Rate Increase / (Decrease) per Year	()					
% of Prior Year Revenue						
ey Regulatory Statistics	_			- - -		
Rate Base						7
Regulatory Equity Ratio	1.					
Actual ROE						
Regulatory Cost of Debt			!			

Note: Aquila post-Asset Sale figures based on Aquila management plan as adjusted by GPE management.

- (1) Figures adjusted to reflect full-year impact of 2007 rate cases for illustrative purposes.
- (2) Reflects rate case increase authorized on 5/17/07 of \$13.6MM and \$45.2MM for L&P and MPS respectively.
- (3) 2006E Revenues of \$628.5 MM, adjusted to reflect full-year impact of \$30.8 MM rate increase in March 2006.



Preliminary Earnings Impact Analysis

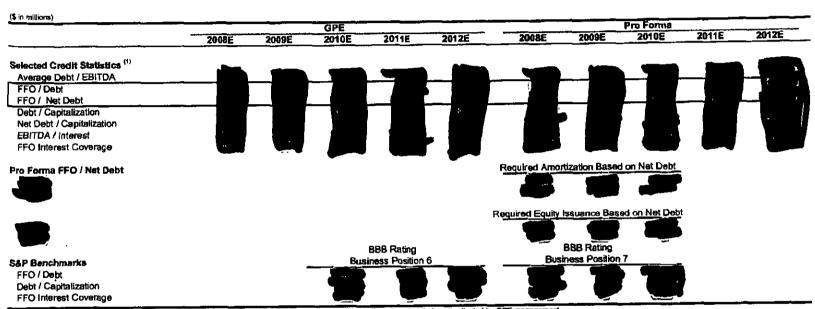
(\$ in millions)			2		NA W
	2008E	2009E	2010E	2011E	2012E
Revenue					
GXP (1)					
Aquila	'				
Total					
EBITDA (2)					
GXP (1)	4				
Aquila					
Total					
% Growth					
Net Income				_	
GXP Standalone ⁽¹⁾				عتاب	
Pro Forma ⁽¹⁾					
Increase / (Decrease)					
Average Shares Gutstanding					
GXP Standalone					
Shares Issued in Transaction					
Equity Issuances ⁽³⁾		_			
Pro Forma Average Shares					
EPS	_	_	_		
GXP Standafone (1)				شکت	
Pro Forma (4)					
Accretion / (Dilution) - \$		45			
Accretion / (Dilution) – %					

Source: GXP data per GXP management. Aquila data per Aquila management plan as adjusted by GXP management.

- (1) Pro forms for sale of Strategic Energy
- (2) EBITOA includes income related to AFUDC equity. Excludes effect of transaction and transition costs.
- (3) Equity Issuances assumed to take place
- (4) Excludes effect of transaction and transition costs. Pro forms for sale of Strategic Energy.



Preliminary Pro Forma Credit Impact



Notes: GPE statistics per GPE management. Pro forms statistics based on GPE management plan and Aquilla management plan as adjusted by GPE management.

(1) Proforma for sale of Strategic Energy.

117



Synergies and Customer Look

KCPL/Aquila perspective

(\$ in millions)								
	2008E	2009E	2010E	2011E	2012E	2013E		
NFOM Savings		78	7					
Offset								
Retained					- 55			
Cumulative								

Customer perspective

(\$ in millions)						
	2008E	2009E	2010E	2011E	2012E	2013E
Net Retained		7	7	7	1	
Transaction costs						
Transition costs						
Retained						
Cumulative						



Share Issuances

- Incremental shares issued in
- Share price of assumed

(\$ in millions)	·—— <u>·</u>				
	2008E	2009E	2010E	2011E	2012E
Share Issuances					
GXP standalone					
Equity / Adjustments					
Total					هو

Pro Forma GXP Financials



Preliminary Income Statement

			37 37	一 導 75	
(\$ in millions, except per share data)	2008E	2009E	2010E	2011E	2012E
EBITDA ⁽¹⁾			_		
GXP		جَنتي			
Aquila					
EBITDA					
Depreciation and Amortization					
Operating Income (EBIT)					
Equity Earnings					
Other					
AFUDC Equity – GXP	1				
AFUDC Equity - Aquila					
Total Other income					
nterest Income					
Amortization of Debt Write-Up					
AFUDC Debt – GXP					
AFUDC Debt - Aquila					ع الله
nterest Expense - GXP				77	
nterest Expense – Aquila	250		<u>\</u>		
Total Net Interest Expense					
Pretax Income					
ncome Tax Benefit / Taxes					L
Effective Blended Tax Rate		_((
let Income (Loss) from Continuing Operations					
Mark-to-Market and Unusual Items					
Preferred Stock Dividends					
Pro Forma Net Income (Loss) Available for Common					
verage Shares			5		
ro Forma Net Earnings (Loss) per Common Share	3				
% Growth		16.7%		2.8%	

Source: GXP data and retained synergies per GXP Management. Aquila data per Aquila Management Plan, as adjusted by GXP Management.

⁽¹⁾ EBiTDA excludes income related to equity AFUDC.



Preliminary Balance Sheet

(\$ in millions)	2008E	2009E	2010E	2011E	2012E
Cash & Equivalents					
Restricted Cash	,				
Accounts Receivable	4				
Inventory		i de la companya de			
Prepaid Pension					
Other Current Assets		(65		- 35	
Total Current Assets		المتناو		محمه	
Gross PP&E		 			_2
Accumulated Depreciation					
Net PP&E	1				999
Price Risk Management Assets	· *45	78	722	- 1997	
Capitalized Restructuring Costs			3		
Capitalized Financing Fees					733
Goodwill					
Other Assets			حجيو		
Total Assets					
Accounts Payable					
Accrued Expenses & Liabilities					
Other Current Liabilities					
Total Current Liabilities					
Existing GXP Debt					Ç
Aquila Debt Write-up					
Acquisition Debt					
Aquila Revolver Debt					
Aquila Long Term Debt					
Total Debt			A		4
Deferred Tax Liabilities					
Price Risk Management Liabilities	کک ے				
Deferred Credits and Other Liabilities					
Total Liabilities					*********
Preferred Stock	755		همتنه ا		
Stockholders' Equity					
Total Liabilities & Shareholders' Equity					



Preliminary Cash Flow Statement

(\$ in millions)	2008E	2009E	2010E	2011E	2012E
Funds from Operating Activities					
Net Income					
Depreciation and Amortization		7.0			
Amortization of Debt Write-Up		7.5	A STATE		()
Amortization of Restructuring Costs	4				78
Amortization of Financing Fees				322	- 22
Loss from Equity Investments					
Deferred Taxes				1200	<u> </u>
AFUDC Equity – GXP					
AFUDC Equity – Aquila				7	
Changes in Other LT Assets and LT Liabilities					
Change in Working Capital					
Cash Flow from Operating Activities					
Funds from Investing Activities					
GXP Capex					4
Aquila Capex		-1	4	{	
AFUDC Debt – GXP			4		
AFUDC Debt - Aquila				7	
Asset Sales					
Cash Flow from investing Activities					
Free Cash Flow (FCF)					
unds from Financing Activities					
Additional Borrowings / (Mandatory Repayments):					
GXP Debt					
Aquila Debt	7				
otal Optional Debt Repayments:	- : -				
GXP Debt					45
Aquila Debt				76	
Preferred Stock Dividends					455
Common Stock Dividends		4		7	
quity Issuances / (Repurchases)					
Cash Flow from Financing Activities					
Net Cash Flow	-				-

Source: GXP data and retained synergies per GXP Management. Aquita data per Aquita Management Plan, as adjusted by GXP Management.

Standalone Aquila Financials



Preliminary Income Statement

(\$ in millions)	2008E	2009E	2010E	2011E	2012E	
EBITDA – Inc/ Regulatory Amortization Depreciation & Amortization Operating Income (EBIT)		3	3	3	3	
AFUDC - Equity						
Interest income Interest Expense AFUDC - Debt			4	4		
Net Interest Expense						
Pretax Income Income Tax Benefit / Taxes	. 33		1			
Net Income (Loss) Net Income (Loss) Excluding Transition Costs		=	-3	3		



Preliminary Balance Sheet

A Formula a					
(\$ in millions)	2008E	2009E	2010E	2011E	2012E
Cash & Equivalents	2			— 3	
Restricted Cash Accounts Receivable					
Inventory					
Prepaid Pension		- 45			4
Other Current Assets				- 3	
Total Current Assets			الله		
Gross PP&E					
Accumulated Depreciation		2			.
Net PP&E					
Price Risk Management Assets					
Restructuring costs	,				
Goodwill					
Other Assets					
Total Assets			المنت		
Accounts Payable					
Accrued Expenses & Liabilities					
Other Current Liabilities		جه			
Total Current Liabilities					
Revolver Debt					
ong Term Debt					حجيه
Total Debt					4
Deferred Tax Liabilities	7	7	78		
DTA - Restructuring Costs					
Price Risk Management Liabilities					
ong-term Gas Contracts					
Deferred Credits and Other Liabilities					
Total Liabilities					
Stockholders' Equity					
otal Liabilities & Shareholders' Equity					ستسو

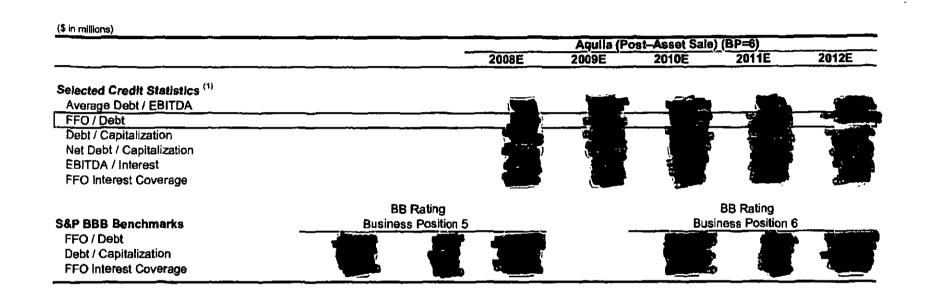


Preliminary Cash Flow Statement

(\$ in millions)	2008E	2009E	2010E	2011E	2012E	
Funds from Operating Activities						
Net Income						
Depreciation						
Amortization of Restructuring Costs			1			
Deferred Taxes - Restructuring costs	7					
Deferred Taxes - NOL Utilization	44		(200			
Deferred Taxes - Regulatory Amortization					4	
Deferred Taxes - Depreciation						
AFUDC - Equity						
Changes in Other LT Assets and LT Liabilities						
Funds from Operations (FFO)						
Change in Working Capital						
Cash Flow from Operating Activities						
Funds from Investing Activities						
Total CapEx						
AFUDC - Debt			'			
Cash Flow from Investing Activities	تندو					
Free Cash Flow (Cash Available to Service Total Debt)						
Funds from Financing Activities					- Printer-	
Total Optional Debt Repayments				ظنته		
Cash Flow from Financing Activities					*	
Net Cash Flow						



Preliminary Credit Statistics





Capital Expenditure

		Post-Transaction Period					Total
	2007E	2008E	2009E	2010E	2011E	2012E	'07-'12
Aquila Management Plan							
atan - Great Plains Estimates							
Adjustments (With Impact on Rate Base)					-		
Peakers				4		4	
Environmental							1.
Other Generation)		f and a		4
otal Distribution					1 1		1
Total Transmission				6			27.5
Total IT		مجوي					
Total							بيش
otal Adjustments to Capex							-
Total Capex	9.00						

Note: Aquila post-Asset Sale figures based on Aquila management plan as adjusted by Great Plains management.

Great Plains Energy RAS - Aquila Acquisition

Presented to Moody's January 2, 2008



Background

- •in January 2007, Moody's completed an RAS analysis of GPE's acquisition of Aquila
 - Under transaction as proposed, Moody's indicated that GXP and KCPL ratings would be unchanged upon announcement
- •Moody's followed through and affirmed GXP and KCPL ratings upon transaction announcement in February 2007
- Since announcement, GXP and ILA have achieved numerous milestones:
 - · Filed merger cases in MO and KS
 - Initial filing in April 2007
 - Updated synergies and regulatory "ask" filed in August 2007
 - Cleared HSR in August 2007
 - Overwhelmingly successful GXP and ILA shareholder votes in October 2007
 - FERC approval October 2007
 - Separately, BKH has obtained state PUC approval in lowa (September 2007) and Nebraska (October 2007)



Background

- Milestones (continued)
 - Successful regulatory outcomes for both KCPL and ILA
 - ILA MO rate case May 2007
 - KCPL KS rate case Settled in September 2007; approved by the KCC in November 2007
 - KCPL MO rate case December 2007



Recent Transaction Developments

MPSC hearings

- Originally scheduled for December 3 14
- Hearings conducted December 3 6
- Postponed on December 6
 - New procedural schedule to be filed after GXP review of alternative proposal with parties
 - GXP to provide proposal to parties the week of January 7
- MPSC Chairman Davis recusal
- OPC Motion for Dismissal



Alternative Proposal

- •Seeks to address parties' opposition to initial regulatory "ask".......
 - · Recovery of ILA actual interest cost
 - · Availability of regulatory amortization for ILA
 - Synergy sharing
 - Transaction and transition costs
- •.....in the context of objectives to <u>maintain</u> current credit ratings at GXP and KCPL and <u>achieve</u> investment grade credit rating for ILA



Credit Considerations

- •M. Chesser testimony at MPSC hearings highlighted critical importance of credit quality to GXP / KCPL
- •Proposal reflects a positive 2008-2012 pro forma credit profile
 - Early (primarily 2008) projected FFO / Debt challenges are temporary and mitigated by
 - · Commitment by GXP to issue equity
 - · Reduced business risk of the entity
 - · Prudent management of capital expenditure timing
 - Significant recovery in 2009 and beyond as regulatory impacts from rate cases filed in '08, '09, and '10 are realized
- •Details of the proposal are contained in the Appendix



Conclusion

- •GXP requests that Moody's complete an RAS assessment of the impact of this proposal on the credit ratings of (1) Great Plains Energy; (2) Kansas City Power & Light; and (3) Aquila
- •Verbal assessment requested by end of day Friday, January 4
- •Summary letter requested by end of day Monday, January 7

Appendix



Key Assumptions

Regulatory

- cost of debt recovery and ROI
- Transaction/transition costs
- Rate case timing
 - rate case effective on
 - rate case effective on
 - rate case effective on

Capital structure

- Share issuance

Operating

- revenue per year assumed from based on updated Aquila forecasts



Key Changes in Assumptions

		3			
	Change In				Cum. Rate Case as %
	2008E	2009E	2010E	2011E	of 2006E Revenue
February 2007	1				
Cumulative rate base					
2006E rate case increase of \$23 MM					
Expenses as a result of change in NFOM,					
costs to achieve	-		-		· ·
classified as NOL instead of NCL					ش
Accrued liability for legal contingencies					
Liability management assumptions:					7
Equity issuance					
baseline revenue per year assumed from 2009E					
legulatory Assumptions:					•
Rate case timing	شد				
Synergies:					
ROE					
cost of debt recovery					
		三			
Other Changes					
lew GXP standalone case					
Other				3	
December 2007					



Aquila Rate Case Increase Assumptions

(\$ in millions)		·				
	2007E ⁽¹⁾	2008E	2009E	2010E	2011E	2012E
2007 Aquila Rate Case (Filed in July 2006)						
Fuel Adjustment Clause		,				_
Plant Allocations (2)				` `		
Total						
Projected Rate Cases				-		
Amortization of Transaction Costs						
Amortization of Transition Costs			`##		1	
Rate Case						
Rate Case				\ 		
Inflation, Allocations, Other						
latan II Power Plant						a de la
Rate Case				(02	•	400
Rate Case					- 	1
Regulatory Amortization						
Cum. Rate Increase Required				Ţ		
% of 2006E Revenue (3)]	
Rate Increase / (Decrease) per Year				``		, and the second
% of Prior Year Revenue						
ey Regulatory Statistics						
Rate Base						
Regulatory Equity Ratio	-	-		, Marian Maria	'	'
Actual ROE					:	
Regulatory Cost of Debt			4			
Augustory Sout of Dobt		-		-		

Note: Aquila post-Asset Sale figures based on Aquila management plan as adjusted by GPE management.

- (1) Figures adjusted to reflect full-year impact of 2007 rate cases for illustrative purposes.
- (2) Reflects rate case increase authorized on 5/17/07 of \$13.6MM and \$45.2MM for L&P and MPS respectively.
- (3) 2006E Revenues of \$628.5 MM, adjusted to reflect full-year impact of \$30.8 MM rate increase in March 2006.



Preliminary Earnings Impact Analysis

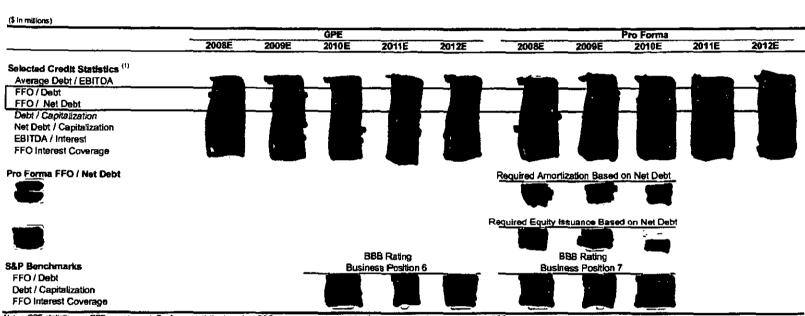
			1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m		D (1)
(\$ in millions)					
	2008E	2009E	2010E	2011E	2012E
Revenue					
GXP (1)					13.0
Aquila					
Total					
EBITDA (?)					
GXP (1)		4		•	
Aquila	1.				
Total					
% Growth					
Net Income					
GXP Standalone (1)					
Pro Forma (1)					
Increase / (Decrease)					
Average Shares Outstanding		_			
GXP Standalone					7
Shares Issued in Transaction					
Equity Issuances (3)					
Pro Forma Average Shares					
EPS					
GXP Standalone (1)					
Pro Forma (4)					
Associated (CDU) and an in-					
Accretion / (Dilution) - \$				7	
Accretion / (Dilution) - %					

Source: GXP data per GXP management. Aquila data per Aquila management plan as adjusted by GXP management.

- (1) Pro forma for sale of Strategic Energy
- (2) EBITDA includes income related to AFUDC equity. Excludes effect of transaction and transition costs.
- (3) Equity Issuances assumed to take place at the
- (4) Excludes effect of transaction and transition costs. Pro forms for sale of Strategic Energy.



Preliminary Pro Forma Credit Impact



Notes: GPE statistics per GPE management. Pro forms statistics based on GPE management plan and Aquila management plan as adjusted by GPE management.

(1) Proforms for sale of Strategic Energy.

(2)



Synergies and Customer Look

KCPL/Aquila perspective

	2008E	2009E	2010E	2011E	2012E	2013E
NFOM Savings		1	1		7	7
Offset		<u>_</u>				
Retained				1		
Cumulative					الجهين	

Customer perspective

(\$ in millions)	2008E	2009E	2010E	2011E	2012E	2013E
Net Retained	1	100	7			
Transaction costs						
Transition costs	*-					
Retained						
Cumulative						



Share Issuances

- Incremental shares issued in the same of the same o
- Share price of assumed

(\$ in millions)					
	2008E	2009E	2010E	2011E	2012E
Share Issuances	<u> </u>			<u></u>	
GXP standalone			1	1	
Equity / Adjustments					
Total				-	1

Pro Forma GXP Financials



Preliminary Income Statement

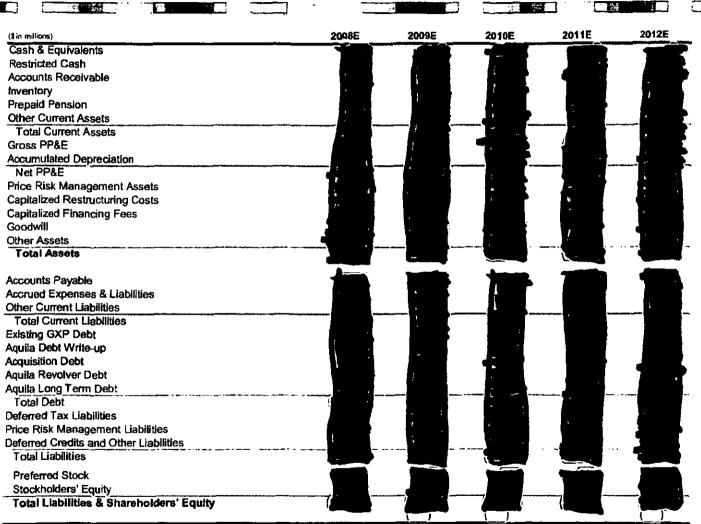
				25 mars 2 2 3	
(\$ in millions, except per share data)	2008E	2009E	2010E	2011E	2012E
EBITDA ⁽¹⁾					
GXP					
Aquila	<u> </u>				_,
EBITDA			نحسر		
Depreciation and Amortization			1 100		
Operating Income (EBIT)					
Equity Earnings Other AFUDC Equity – GXP AFUDC Equity – Aquita Total Other Income				_	
Interest Income Amortization of Debt Write-Up AFUDC Debt - GXP AFUDC Debt - Aquila Interest Expense - GXP Interest Expense - Aquila Total Net Interest Expense					
Pretax Income					
Income Tax Benefit / Taxes Effective Blended Tax Rate					
Net Income (Loss) from Continuing Operations Mark-to-Market and Unusual Items Preferred Stock Dividends Pro Forma Net Income (Loss) Available for Common				-	
Average Shares					
Pro Forma Net Earnings (Loss) per Common Share % Growth		3	3	3	

Source: GXP data and retained synergies per GXP Management. Aquila data per Aquila Management Plan, as adjusted by GXP Management.

⁽¹⁾ EBITDA excludes income related to equity AFUDC.



Preliminary Balance Sheet



Source: GXP data and retained synergies per GXP Management. Aquita data per Aquita Management Plan, as adjusted by GXP Management.



Preliminary Cash Flow Statement

(\$ in millions)	2008E	20092	2010E	2011E	2012E
Funds from Operating Activities					
Net Income	4				
Depreciation and Amortization					
Amortization of Debt Write-Up			, ,		
Amortization of Restructuring Costs					
Amortization of Financing Fees					
Loss from Equity Investments					
Deferred Taxes					
AFUDC Equity - GXP					
AFUDC Equity - Aquila			,		
Changes in Other LT Assets and LT Liabilities					
Change in Working Capital				l	
Cash Flow from Operating Activities					
Funds from investing Activities					
GXP Capex					
Aquila Capex					
AFUDC Debt – GXP	,				
AFUDC Debt - Aquila					1 '
Asset Sales					
Cash Flow from investing Activities					
Free Cash Flow (FCF)					
Funds from Financing Activities					
Additional Borrowings / (Mandatory Repayments):					
GXP Debt					
Aquila Debt				Y	
Total Optional Debt Repayments:					
GXP Debt					
Aquita Debt			1		
Preferred Stock Dividends					
Common Stock Dividends					
equity Issuances / (Repurchases)					
Cash Flow from Financing Activities					
Net Cash Flow			_==		

Standalone Aquila Financials

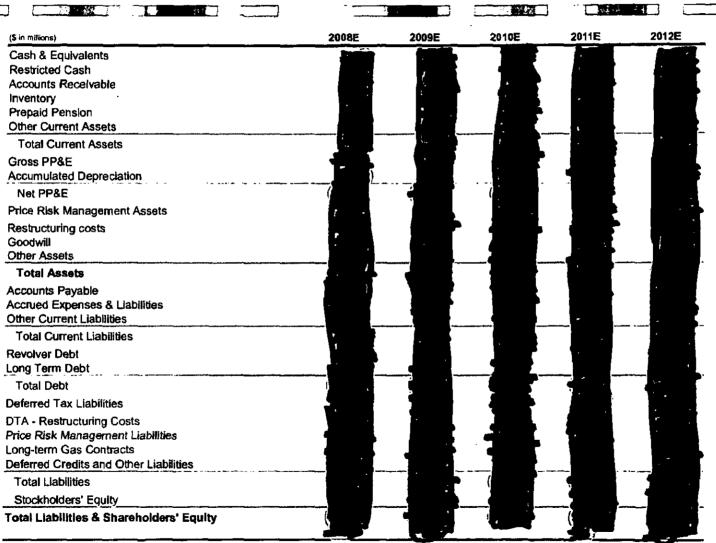


Preliminary Income Statement

(\$ in millions)	2008E	2009E	2010E	2011E	2012E
EBITDA – Inc/ Regulatory Amortization Depreciation & Amortization Operating Income (EBIT)					
AFUDC - Equity					
Interest Income			وتسوي		
Interest Expense		((
AFUDC - Debt	1		1		
Net Interest Expense					
Pretax Income					
Income Tax Benefit / Taxes			1		
Net Income (Loss)					
Net Income (Loss) Excluding Transition Costs					



Preliminary Balance Sheet



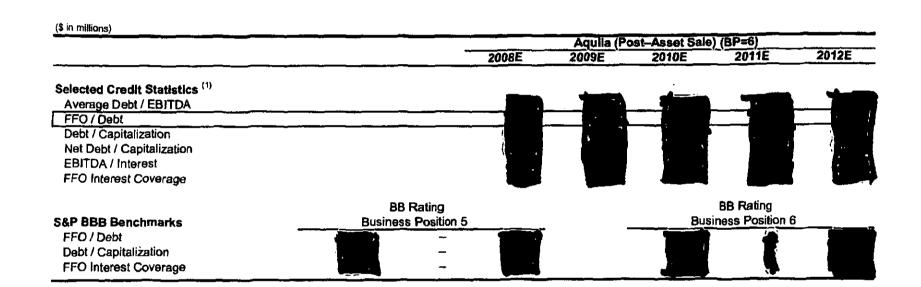


Preliminary Cash Flow Statement

(\$ in millions)	2008E	2009E	2010E	2011E	2012E
Funds from Operating Activities					1
Net Income			4.55		
Depreciation					
Amortization of Restructuring Costs					
Deferred Taxes - Restructuring costs	<u> </u>				
Deferred Taxes - NOL Utilization					
Deferred Taxes - Regulatory Amortization				44	
Deferred Taxes - Depreciation					
AFUDC - Equity					
Changes in Other LT Assets and LT Liabilities					
Funds from Operations (FFO)					
Change in Working Capital					
Cash Flow from Operating Activities					
Funds from Investing Activities				_	-
Total CapEx			4		
AFUDC - Debt	:				
Cash Flow from Investing Activities					
Free Cash Flow (Cash Available to Service Total Debt)					
Funds from Financing Activities	<u>.</u> _			.	
Total Optional Debt Repayments					
Cash Flow from Financing Activities					
Net Cash Flow			-	_	



Preliminary Credit Statistics





Capital Expenditure

			Post-	Transaction F	erlod		Total
	2007E	2008E	20 0 9E	2010E	2011E	2012E	'07-'12
Aquila Management Plan							
latan – Great Plains Estimates			4				
Adjustments (With Impact on Rate Base)							
Peakers					THE REAL PROPERTY.		4.00
Environmental		(,	1	
Other Generation							ļ
Total Distribution			1				
Total Transmission							
Total IT							
Total					_		
otal Adjustments to Capex							
Total Capex							و الم

Note: Aquila post-Asset Sale figures based on Aquila management plan as adjusted by Great Plains management.