

## Notice of *Ex Parte* Contact

TO: Data Center  
All Parties in Case No. EM-2007-0374

FROM: Chairman Jeff Davis

DATE: April 10, 2008



On April 10, 2008 I received the attached letter and brochure from Mike Chesser, Chairman and CEO of Great Plains Energy and Bill Downey, President and CEO of Kansas City Power and Light. This case, EM-2007-0374, is a contested case. The Commission is bound by its *ex parte* rule, and, I am therefore giving notice to the parties this communication has been received.

Although communications from members of the public and members of the legislature are always welcome, those communications must be made known to all parties to a contested case so that those parties have the opportunity to respond. According to the Commission's rules (4 CSR 240-4.020(8)), when a communication from any person interested in a case (either oral or written) occurs outside the hearing process, any member of the Commission or Regulatory Law Judge who received the communication shall prepare a written report concerning the communication and submit it to each member of the Commission and the parties to the case. The report shall identify the person(s) who participated in the *ex parte* communication, the circumstances which resulted in the communication, the substance of the communication, and the relationship of the communication to a particular matter at issue before the Commission.

Therefore, we submit this report pursuant to the rules cited above. This will ensure that any party to this case will have notice of the attached information and a full and fair opportunity to respond to the comments contained therein.

cc: Commissioners  
Executive Director  
Secretary/Chief Regulatory Law Judge  
General Counsel

STAFF

Exhibit No. 122

Case No(s) EM-2007-0374

Date 4/21/08 Rptr RF

April 3, 2008

To Our Friends:

With energy-related issues appearing in the news on a more frequent basis, we want to provide an update on what Kansas City Power & Light (KCP&L) is doing to address these issues and best serve our customers.

The electric utility industry is entering into a new era of higher costs and greater uncertainty. Over the next 10 to 15 years our region will see significant growth in demand for electricity. At the same time, the cost of supplying that electricity will continue to increase. With communities asking for more environmental stewardship, including carbon reduction, our mission of providing clean, reliable electricity will become more challenging. We will have to execute creatively to supply electricity under this new set of mandates. Part of our strategy includes developing and deploying new technologies such as renewable energy and energy efficiency.

Today our region has a competitive advantage with lower energy prices. KCP&L's electricity prices, for example, are currently 30 percent below the national average. We plan to maintain that competitive advantage in the face of change. KCP&L's Comprehensive Energy Plan, our road map for energy and environmental planning, is one step toward this goal. Complementing the Comprehensive Energy Plan is our pending acquisition of Aquila's Missouri operations, which will expand opportunities in western Missouri and eastern Kansas.

#### **Ensuring affordable, reliable and clean energy**

In 2003, we began soliciting input from hundreds of people in our community and region to assess our area's growing energy demand and began to develop our Comprehensive Energy Plan. We believe a balanced portfolio of energy sources makes the most sense, and our Comprehensive Energy Plan incorporates wind power, energy efficiency and coal generation. Our commitment to collaborate with the community and to maintain our environmental leadership continues to guide us as we execute on the Comprehensive Energy Plan. Plan elements include the following:

**Incorporating Wind Power:** We were the first investor-owned utility to own and operate a wind farm in Kansas.

**Investing in Environmental Improvements:** Our first phase of environmental equipment upgrades to our LaCygne power plant was **completed on-time and on-budget.**

**Implementing Energy Efficiency Programs:** KCP&L's energy efficiency programs allow both residential and business customers to **better control their energy usage and costs while lowering carbon emissions.**

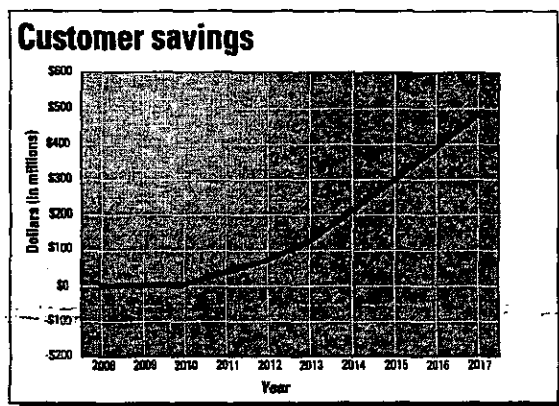
**Investing in Efficient, Low-Cost Supply:** Our Iatan 2 coal plant is **under construction and scheduled for completion in 2010.**

As the global demand for energy grows, our projects are competing for equipment, materials and labor. The resulting upward pressure on prices and tightened schedules requires a *focused and disciplined approach*. Using world-class project management processes and tools, we are aggressively managing our construction programs. In an effort to mitigate increasing material and labor costs, we are working with vendors and contractors on alternatives and have engaged third-party experts who have worked on similar projects. We are confident when completed, the cost for Iatan 2 will be competitive with other plants built during this time. Additionally, Iatan 2 will be of great value to our customers as one of the cleanest, lowest operating cost and most efficient plants in the United States.

In what the Sierra Club has called “a groundbreaking agreement that can serve as a model for environmental groups and utilities working together,” we, along with the Concerned Citizens of Platte County, have agreed to pursue a set of initiatives to offset all carbon dioxide emissions from Iatan 2 and to reduce emissions from other plants.

#### **Creating a financially-strong regional utility**

We announced our plans to acquire Aquila’s Missouri-based electric utility assets in February 2007. Over the past year, the transaction has received 15 of 16 state and federal regulatory approvals. We anticipate a final approval from the Missouri Public Service Commission (MPSC). In the face of concerns raised during the regulatory proceedings, we have revised our proposal to bring savings to customers earlier and mitigate future price increases.



The customer savings graph above demonstrates the benefit of operational efficiencies through the integration of these two utilities. In a time of rising cost pressures, we have a responsibility to take advantage of every opportunity to mitigate their impact and keep electric prices down. Our acquisition of Aquila is one of the most significant steps we can take today to offset rising costs for years to come.

Additionally, creating one financially-strong regional utility will improve the total living environment of our community through improved service and expanded investment in environmental initiatives.

One of the cornerstones of our Comprehensive Energy Plan is that the company maintains a strong credit rating. That goal is equally important during the acquisition process. We have continued communication with credit agencies and other financial institutions to demonstrate our ability to maintain a strong financial condition. Their response has been universally positive, and that information has been shared with regulators. Over the past two years we have successfully raised more than \$1 billion in debt and equity to fund capital requirements while maintaining a balanced capital structure and an investment-grade credit rating.

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**Moving forward in the best interest of the Kansas City region**

Amidst the challenges outlined in this letter, our primary goal is to provide clean, reliable and affordable energy for generations to come. We would appreciate your support of this important initiative. Even more importantly, we would appreciate your feedback.

You can contact us directly at 816-701-0599. You can go to a special Web site we have created for the acquisition: [www.oneregionalutility.com](http://www.oneregionalutility.com). Or, you can contact the MPSC directly, especially if you were unable to attend the public hearings hosted by the MPSC on this topic in December. The MPSC contact information is: Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri 65102; telephone 800-392-4211; e-mail [pscinfo@psc.mo.gov](mailto:pscinfo@psc.mo.gov).

Sincerely,



Mike Chesser  
~~Chairman and CEO~~  
Great Plains Energy



Bill Downey  
~~President and CEO~~  
Kansas City Power & Light

## CEP Update 2005-2010

### Renewable Energy

- ✓ Built first investor-owned wind farm in Kansas
- ✓ 100 megawatt facility in Spearville, KS
- ✓ Project completed ahead of schedule and under budget

### Energy Efficiency

- ✓ 14 residential and business programs
- ✓ Customers control energy usage and costs
- ✓ Anticipated total savings – 79,000 megawatt hours of electricity
- ✓ Programs implemented ahead of schedule and on budget

### Environmental Improvements

- ✓ La Cygne – Phase One Unit 1 SCR equipment significantly reduces emissions and improves region's air quality
- ✓ Completed on schedule and under budget
- ✓ La Cygne Phase Two upgrades to be implemented in 2011 due to equipment shortages
- ✓ Iatan 1 – On schedule to complete AQCS in late 2008/early 2009

### New Generation – Efficient,

#### Low-Cost Supply

- ✓ High-efficiency 850-MW Iatan 2 coal plant is under construction
- ✓ On schedule for a 2010 completion date
- ✓ KCP&L employs a focused and disciplined project management approach. Utilizing world-class processes and tools allow us to aggressively manage the Iatan 2 construction project
- ✓ This cost/schedule reassessment is underway, and will allow us to determine the impact of cost pressures on the ultimate cost of our construction projects
- ✓ Iatan 2, when completed, will be financially competitive with other coal plants currently being built around the country

## Finding Opportunity From Challenges: Collaborative Resource Strategy 2010 & Beyond

### Continued Commitment to Collaboration

- Reconvene the community to discuss options and opportunities
- Engage communities in the Aquila service territory
- Develop a long-range resource plan

### Renewable Energy

- Pursue an additional 400 MW of wind generation, subject to regulatory approval

### Energy Efficiency

- Pursue aggressive expansion of energy efficiency as a bridge until new generation technologies are available and economically viable
- Expand energy efficiency and demand management product offerings
- Energy efficiency projects designed to reduce annual electricity demand 100 MW by 2010; additional 200 MW by 2012

### Environmental Improvements

- Further environmental upgrades at La Cygne Units 1 & 2

### Commitment to

#### Total Living Environment

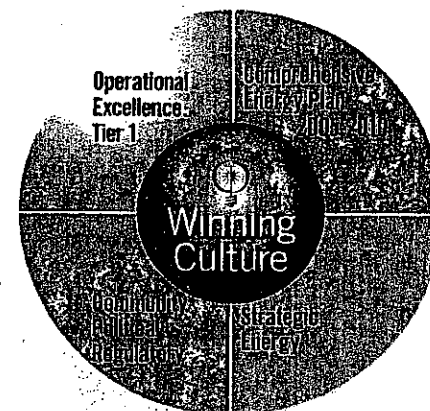
- Collaborating with stakeholders to address a changing world

Comprehensive Energy Plan  
& Aquila Transaction

# UPDATE

### STRATEGIC INTENT

- Increases Shareholder Value
- Improves Total Living Environment



**GREAT PLAINS  
ENERGY**

**Kansas City  
Power & Light®**  
ENERGYZONINGUTILE

# Building on a Solid Foundation

## Operating in a More Challenging Environment

- Increasing demand for electricity
- Fewer viable options to supply demand
- Increasing environmental regulation
- Shortages of labor and materials

## Financial Strength of Great Plains Energy

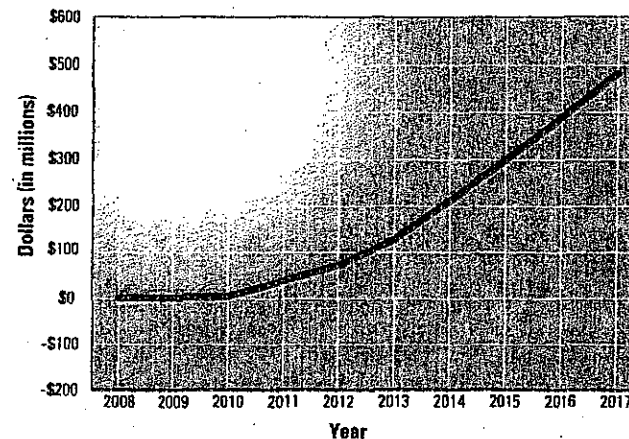
- Track record of financial stability
- Investment grade credit rating
- Strong balance sheet
- Balanced capital structure

## Operational Excellence

- Earned Tier One Status in overall residential customer satisfaction (JD Powers 2007 Customer Satisfaction Index Results)
- Named most reliable utility nationwide (PA Consulting's 2007 National Reliability Excellence Award)
- Awarded EEI's prestigious Edison Award for distinguished industry leadership and innovation (June 2007)
- Received Mid-America Regional Council's Regional Leadership Award for leadership and excellence in addressing regional challenges and improving quality of life for customers

## Revised Aquila Proposal

### Customer savings



## Revised vs. Original Proposal

### What Has Changed In Missouri

Previous "ask"	Current "ask"
• Immediate approval for retention of 50% of utility operational synergies (\$260 million net of transition costs) over 5 years	• Recovery of utility operational synergies through traditional ratemaking process • Regulatory lag expected to provide opportunity for the retention of approximately 50% of the synergies
• Recovery of 50% of transition costs (\$45 million) over 5 years	• Recovery of 100% of updated transition cost (\$58.9 million) over five years
• Recovery of 100% of the transaction costs (\$95 million) over 5 years	• Recovery of 100% of the revised transaction costs (\$64.9 million) over 5 years • Company no longer requesting recovery of CIC and Rabbi Trust for Senior Aquila officers
• Recovery requested of actual interest costs in Aquila customer rates	• No recovery of Aquila actual interest costs in excess of equivalent investment grade costs
• Authorization to use additional amortizations in Aquila rate cases to meet credit metrics, consistent with KCP&L's treatment	• Will include as a component in a future regulatory plan for Aquila

Amounts shown are total amounts before allocations between Missouri and Kansas jurisdictions.