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Harris, Loretta

From: Green, Rick
Sent: Thursday, January 25, 2007 4:30 PM
To: [REDACTED] Herman Cain [REDACTED]; Irvine O. Hockaday Jr.
[REDACTED] Nicholas Singer (Nick)
[REDACTED] Patrick Lynch [REDACTED]
Cc: Armstrong, Beth; Empson, Jon; Morton, Leo; Reitz, Christopher; Stamm, Keith; Bellville, Debbie; Debbie Hackett [REDACTED] Green, Rick; Harris, Loretta;
[REDACTED] Karleen Mahn
Subject: Board Update

Dear Directors:

Since my last update, both Mike Chesser and I met with Chairman Jeff Davis of the Missouri Public Service Commission (MPSC). I also spoke with the leaders of the MPSC Staff, Wes Henderson and Bob Shallenberg. In a nutshell, Chairman Davis indicated his support for the transaction and wants to get it across the line as quickly as possible. We can, however, expect strong opposition from the Staff.

Chairman Davis said that he wants to see a strong utility in the western part of the state and is willing to move quickly to get the transaction approved. It is clear that he wants to demonstrate to a wide audience that he can push deals through in Missouri. He specifically said that he wants to show that Missouri is not like New Jersey (the regulators in that state delayed and then effectively killed the Exelon-PSEG merger after almost all of the other regulatory approvals had been obtained). He is aware of the aspects of the transaction which may consume some political capital.

The discussion with Staff, which preceded my meeting with Chairman Davis, was the polar opposite. Both Bob Shallenberg and Wes Henderson noted the unprecedented nature of the regulatory plan and expressed surprise that we would bring this type of transaction to them. They believe a 2007 rate case will attract additional hostile interveners. They mentioned our previous commitment to not burden customers with our non-investment grade issues. Finally, they said that KCP&L was granted accelerated amortization so they could build a power plant and it was not negotiated to "give them more cash for a merger." As you know, these issues had been anticipated and previously discussed with the Board.

Chairman Davis' appointment to the MPSC runs through 2012 and the gubernatorial election in Missouri is not until November 2008. There have been rumors that Governor Blunt is being considered as a Vice Presidential candidate, but even if that were to happen the Lieutenant Governor is a Republican. Therefore, absent an event that is unforeseeable at this point, it is expected that Jeff Davis will remain Chairman of the MPSC through at least November 2008.

Mike Chesser met with the Kansas regulators yesterday and has reported back similar support for the transaction. I expect to speak with Brian Moline, Chairman of Kansas Corporation Commission, yet this week.

Turning to the structure of the transaction, one of the few remaining issues we have with Great Plains is the 2007 rate case. We have told them that we are not necessarily opposed to it but that we have to be involved in the decision. We noted that regulatory risk is the greatest risk we face as a business and we have a mutual interest in doing what will make sense at the time, which isn't foreseeable at the moment. As I mentioned in my last update, Mike Chesser has committed to being open-minded on this point.

Finally, seven of our employees including the state vice presidents for Kansas, Colorado, Iowa and Nebraska met with the Dave Emory, CEO of Black Hills and six others from his organization. They were very interested in a full discussion of issues facing each of our 7 business function leaders. Dave reported back that he felt the meetings went extremely well. Our team felt the same way noting that their culture feels similar to ours. They pointed out that they fully recognize that Black Hills is a 130,000-customer utility acquiring 600,000 more customers. Consequently, they did not walk in with a dictatorial tone. They intend to grow employment in

Lincoln, Nebraska as well as Omaha. Black Hills feels it will be easier to recruit to Omaha than Rapid City, South Dakota.

I have another breakfast meeting with Mike Chesser on Monday and I also plan to follow up with Dave Emory. I will keep you apprised as we head toward our meeting in Dallas next Friday.

--Rick

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