

## 2007 Missouri & Kansas Rate Case Questions and Answers

### Key Questions, Comprehensive Energy Plan and Operating Costs

#### **Why is KCP&L asking for a rate increase?**

The primary drivers for this rate request include:

- 1] The need to be able to continue progress on our multi-year Comprehensive Energy Plan (CEP) designed to ensure affordable, reliable and clean electric power to ensure the needs of our community's bright future. Demand for electric power has increased for both residential and commercial customers. Our Plan includes important investments such as further infrastructure upgrades, environmental improvements (much of this rate increase will go to fund the new La Cygne Selective Catalytic Reduction (SCR) unit designed to lower nitrogen oxides (NOx) emissions), affordability and efficiency programs, a new coal-fired plant and a new wind generation facility.
- 2] While making progress on our plan for the future, our costs for fuel and the power we purchase on the wholesale market have increased. Other operating costs have also gone up. Those additional costs are not reflected in our current rates and must be recovered through this rate increase.

#### **Didn't KCP&L just raise rates last year and wasn't that also for both capital and operating costs?**

Yes. Last year KCP&L received rulings from regulators in both Kansas and Missouri that allowed it to raise rates 7.4 percent in Kansas and 10.5 percent in Missouri. Those rate increases reflected the level of rate base and expenses as of September 30, 2006. However, our rate base and our expenses have continued to increase over those levels.

#### **What will this rate increase do to my typical residential bill?**

A typical Missouri residential bill will see an increase of 8.28 percent or about \$6.04 per month. A typical Kansas residential bill will see an increase of 10.82 percent or about \$9.11 per month.

#### **What is the timeline for the CEP?**

The last elements of the Plan investments are scheduled to be online by 2010.

#### **What percentage of this next rate increase will fund the Comprehensive Energy Plan versus operating expenses?**

Approximately 36 percent will fund in-service portions of the CEP, 40 percent of the proposed increase will cover increased fuel costs and 24 percent will cover increased operating expenses.

#### **Why is the portion for operating expenses so large?**

Operating expenses have increased, in some cases substantially. Until this year, our customers had not had a rate increase in nearly 20 years – meaning that the company

absorbed increasing costs prior to that time. Costs are rising to the point that we must seek recovery in customer rates now. In addition, our ability to generate revenue through sales of excess power on the wholesale market is less than what it once was. Personnel costs as well as materials costs also have risen.

**What about the Energy Cost Adjustment? Why is it being added to the request?**

The Kansas Corporation Commission is requiring KCP&L to include an Energy Cost Adjustment (ECA) mechanism to help deal with future fuel cost fluctuations. ECAs are commonly used and in place at other utilities in Kansas.

KCP&L's operating costs and fuel costs have been increasing. We have absorbed much of these increasing costs through efficient operations. Previously, one of the other ways that we offset higher costs was through profits we receive from sales of generated energy that we don't use for our existing retail customer base (some refer to this term as "off-system" sales or wholesale sales). While several utilities have ECAs in place, KCP&L's will be lower than most peer utilities in Kansas.

**What are some examples of rising fuel costs?**

Costs for coal, our primary generation fuel, continue to increase. Costs for power we purchase on the wholesale market in times of peak demand also have gone up.

**Why are you asking for a higher increase in Kansas than Missouri?**

In Missouri, we are requesting an 8.28 percent increase. In Kansas, we are requesting a 10.82 percent increase. The higher increase request for Kansas customers this year ties to the timing of last year's Kansas rate case settlement. When we settled our 2006 Kansas rate case, we were expecting more revenues from our off-system sales, which help keep customers' rates low. Our 2006 Missouri rate case went to hearing later in the year, and we were better able to anticipate the market decline.

**What about the portion meant for capital investment? How will that portion be used?**

A major example of a Comprehensive Energy Plan investment to be funded in part through this rate case is the new Selective Catalytic Reduction (SCR) system on La Cygne Unit 1 that will be in-service before the rate case is decided. This unit will catalytically reduce flue gas nitrogen oxides (NOx). This technology is the most effective method available for reducing NOx emissions in plants like La Cygne.

**So progress is being made on the Comprehensive Energy Plan?**

Definitely. Another example was our new Spearville Wind Energy Facility, completed late last year and now providing clean, renewable wind power to the Kansas City area. Our numerous energy efficiency programs have proven to be popular and well-received by our customers. We are purposefully and systematically delivering on the promises included in our Comprehensive Energy Plan after receiving broad agreement that the Plan ensures affordable, reliable and clean electric power to meet the needs of our community's bright future.

**So why was the Plan necessary?**

On average, KCP&L residential customers use 42 percent more electricity today than in 1986 (bigger homes, more appliances, etc.). In addition, our community is growing on the commercial front, with nearly \$1 billion of new economic development in the downtown district alone. We must meet that increasing demand and the Plan outlines a comprehensive set of investments to ensure plentiful, safe and reliable power for the future. Remember that our Plan has several elements, including environmental improvements, the new wind facility, the new high-efficiency coal plant, infrastructure improvements and efficiency, affordability and demand response programs.

**If I live in one state, will I be paying for construction of generation facilities that are located in the other state?**

KCP&L constructs and operates its generation fleet to serve all of our customers in both states. Both states benefit from generation produced in all our facilities. Likewise, all customers share in paying for the construction and operating costs for all generation. It is important to note that rate increases for new plant construction only become effective at the time the plant is in-service. The anticipated in-service year for Iatan 2 is 2010.

**Rate Increase Process**

**When would new rates or pricing go into effect?**

We will be requesting an effective date of January 1, 2008 for both states.

**How can we be sure new rates will be fair and reasonable?**

We work hard to ensure that rates are fair and reasonable and work with regulators on that issue as well. KCP&L's costs and operations will be examined in detail, and rates will be set to recover only those costs fundamental to providing safe, reliable, affordable service.

**What is the regulatory process, and how does the system work?**

Utilities file requests for rate increases with the state regulatory commissions for Missouri and Kansas. In this rate case, the commission, KCP&L, and any interveners will spend several months reviewing the evidence, resolving issues and attending hearings.

**How will the increase affect my monthly bill?**

If the amount of electricity you use remains the same, your bill will go up slightly. A typical residential customer in Missouri uses 700 kWhs per month in winter and 1,200 kWhs in summer, and would see an increase of about \$6.04 per month. A typical residential customer in Kansas uses 850 kWhs per month in winter and 1,500 kWhs per month in summer, and would see an increase of about \$9.11 per month.

**What am I currently paying for electricity?**

A typical residential customer in Missouri uses 700 kWhs per month in winter and 1,200 kWhs per month in summer, and pays about \$72.92 per month. A typical residential customer in Kansas uses 850 kWhs per month in winter and 1,500 kWhs in summer, and pays \$84.08 per month.

**Will rate increases in Kansas and Missouri be the same?**

No, because there are differences in the kinds of customers KCP&L serves in each state. There also are differences in our cost to serve them. These differences drive different pricing overall, and therefore different increases.

**How do KCP&L's rates compare with utilities in other areas of the country?**

According to Edison Electric Institute's July 1, 2006 rankings, the national average residential rate for the 12 months ending June 30, 2006, was 10.08¢ per kWh. KCP&L's residential average rate for the same period was 6.88¢ per kWh, almost **32 percent** below the national average. These averages were based on rates in effect during the survey period, and neither reflects our 2007 rate increase nor other changes in rates in progress around the country. Our 2007 rate increase puts our residential rates about **23 percent** below the national average. If the proposed 2008 rates are approved, our residential rates will be around **17 percent** below the July 2006 national average.

**Will the increase be consistent across all steps of the rates?**

Yes.

**Will all classes of customers — residential, commercial and industrial — receive the same increase?**

We are asking for an equal percentage increase for all classes.

**Since you received favorable rulings from state regulators last year, do you expect the same this year?**

No two rate cases are alike (just as no two utilities are alike and can't be compared in terms of rate treatment). Each case involves different circumstances, has different costs, and different capital requirements. In the case of the CEP, we have received broad agreement that these investments are needed to ensure the region's energy future.

**What happens if you do not get a favorable ruling? Do you have any options to amend or reduce the scope of your Comprehensive Energy Plan?**

We feel confident that the rates we're requesting are fair and reasonable. We expect to provide testimony in our case to provide solid justification for recovery of costs.

**Customer Impact**

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**If rates only went up a small percentage in 2007, why has my bill gone up for many years?**

The price you paid for each kWh of electricity actually went down a few times from 1988 – 2006. In 2007, KCP&L had its first rate increase in 20 years. The majority of the increase in your bill over the years has been the amount of electricity you use. On average, KCP&L residential customers use 42 percent more electricity today than in 1986. To illustrate that, the average number of TVs per household has increased more than 33 percent, and a 50-inch plasma unit uses four times the energy of a standard 27-inch CRT set. Add to that the fact that average square footage for homes in our area has gone up by 18 percent over the same period and it's easy to see why bills have risen.

**Can I expect improvements in my electric service if my rates increase?**

KCP&L currently ranks among the best electric utilities in the country when it comes to customer service and reliability. We are seeking this rate increase to make sure we are able to maintain this level of confidence, customer service and reliability. As part of our Comprehensive Energy Plan, KCP&L is initiating specific programs to offer customers more control over their energy use and more ways to save energy, along with improvements to our delivery system to ensure service reliability.

**My business uses electric heating equipment. Will my lower winter season heat rate be taken away? Will space heating rates go up more than KCP&L's other electric rates?**

No. We are not asking for the elimination of heat-related end-use pricing.

**What can individuals do to help keep their bills lower?**

As part of our Comprehensive Energy Plan, KCP&L has developed a portfolio of energy efficiency, demand response and affordability programs to help all of our customers manage energy use and save money. They include:

- a. Low-income weatherization assistance for existing homes
- b. Demand response programs that allow customers to partner with KCP&L to reduce summer peak demands by shifting them to off-peak periods. Our *Energy Optimizer* program for residential and small business customers offers a FREE programmable thermostat that allows them to save energy while

agreeing to allow KCP&L to either cycle off their compressor or increase the temperature a few degrees on the hottest summer days. Our **MPower** program for large commercial and industrial customers will enlist their support in shaving peak demand.

- c. Our online *Energy Analyzer* program allows residential, commercial and industrial customers to analyze their energy bills and usage while recommending ways to reduce energy use and cost.
- d. We partnered with the Missouri Department of Natural Resources to get Missouri residents to Change-a-Light, Change-the-World with \$2 rebates on ENERGY STAR® qualified compact fluorescent (CFL) bulbs. The program combined with the City of Kansas City's "A Million Lights" campaign will save citizens money while reducing greenhouse gas emissions. Employees also made a difference when participating in KCP&L's internal "I'm One in a Million" campaign that gave a CFL to every employee who traded in an inefficient incandescent bulb.
- e. Our commercial and industrial (C&I) rebates for new construction, audits and retrofits encourage our C&I customers to make their workplace more energy efficient.

We're pointing toward a day when these programs become our first supply option and customers help us to reduce carbon footprint. We'll continue to take a leadership position nationally to drive technology and implementation of these critically important programs.

#### **Information Concerning Forward-Looking Statements**

Statements made in this release that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. Forward-looking statements include, but are not limited to, statements regarding projected delivered volumes and margins, the outcome of regulatory proceedings, cost estimates of the comprehensive energy plan and other matters affecting future operations. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Great Plains Energy is providing a number of important factors that could cause actual results to differ materially from the provided forward-looking information. These important factors include: future economic conditions in the regional, national and international markets, including but not limited to regional and national wholesale electricity markets; market perception of the energy industry and Great Plains Energy; changes in business strategy, operations or development plans; effects of current or proposed state and federal legislative and regulatory actions or developments, including, but not limited to, deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding rates its subsidiaries can charge for electricity; adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters including, but not limited to, air and water quality; financial market conditions and performance including, but not limited to, changes in interest rates and in availability and cost of capital and the effects on pension plan assets and costs; credit ratings; inflation rates; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts; increased competition including, but not limited to, retail choice in the electric utility industry and the entry of new competitors; ability to carry out marketing and sales plans; weather conditions including weather-related damage; cost, availability, quality and deliverability of fuel; ability to achieve generation planning goals and the occurrence and duration of unplanned generation outages; delays in the anticipated in-service dates and cost increases of additional generating capacity; nuclear operations; ability to enter new markets successfully and capitalize on growth opportunities in non-regulated businesses and the effects of competition; application of critical accounting policies, including, but not limited to, those related to derivatives and pension liabilities; workforce risks including compensation and benefits costs; performance of projects undertaken by non-regulated businesses and the success of efforts to invest in and develop new

opportunities; the ability to successfully complete merger, acquisitions or divestiture plans (including the acquisition of Aquila, Inc., and the sale of assets to Black Hills Corporation); and other risks and uncertainties. Other risk factors are detailed from time to time in Great Plains Energy's most recent quarterly report on Form 10-Q or annual report on Form 10-K filed with the Securities and Exchange Commission. This list of factors is not all-inclusive because it is not possible to predict all factors.