Approved: 1-27-03
Date

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 9:30 a.m. on January 16, 2003 in Room 234-N of the Capitol.

All members were present except: Senator Bob Lyon, excused

Committee staff present: Raney Gilliland, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:
Cynthia Smith, Great Plains Energy
Chris Giles, Great Plains Energy

Others attending: See attached list

Presentation by Great Plains Energy

Cynthia Smith of Kansas City Power and Light introduced Chris Giles, Senior Director, Regulatory and Resource Management, KCPL.

Mr. Giles handed out a information booklet which listed the subsidiaries of the holding company - Great Plains Energy - namely KLT Gas Inc.; Strategic Energy; Kansas City Power & Light. Why a holding company - this separates regulated and non-regulated businesses and places the debt with the appropriate subsidiary who are regulated by either PUHCA or SEC. He described the function and purpose of each of the subsidiaries.

He reviewed the map of the KCPL service area and transmission system in Kansas and Missouri and their community contribution. He noted Kansas customer growth is currently greater than Missouri. He discussed MWH retail sales mix for 2002, retail price comparison, rate history, price indeces, reliability, wholesale non-firm energy sales, generation resources, generating facilities, new capacity in 2003, and significant events of 2002. He detailed significant issues/concerns - namely, Retail Choice, FERC RTO, risk and capital markets. (Attachment 1)

The committee was provided a staff list of Kansas Corporation Commission by KCC.

The next meeting of the Senate Utilities Committee will be on January 21, 2003.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachment - 1

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: **JANUARY 16, 2003**

Name	Representing
J.C. Long	AQUILA, INC.
TOM DAY	KCC
MARK SCHREIBER	Westar Energy
CHRIS GILES	KCPL.
Cynthia Smith	GPE
Brenda Bulte	Great Plains Energy
Dave Holthaus	KEC

Senate Utilities
January 16, 2003
Attachment 1-1

Presentation to the

Kansas Senate Utilities Committee

Presented By: Chris B. Giles
Senior Director-Regulatory and Resource Management
January 16, 2002

Kansas City Power & Light®

1-2

GREAT PLAINS
ENERGY

Kansas City Power & Light

1-3

Holding Company – Great Plains Energy

- Great Plains Energy – Subsidiaries
  - KLT Gas Inc.
  - Strategic Energy
  - Kansas City Power & Light
- Significant Events Impacting KCP&L 2002
- Issues/ Concerns
  - Retail Deregulation
  - FERC RTO
  - Risk
  - Differentiation
- Conclusion
- KCP&L's View

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7-1

Organizational Structure – Registered Holding Company

GREAT PLAINS℠ ENERGY

Kansas City Power & Light®

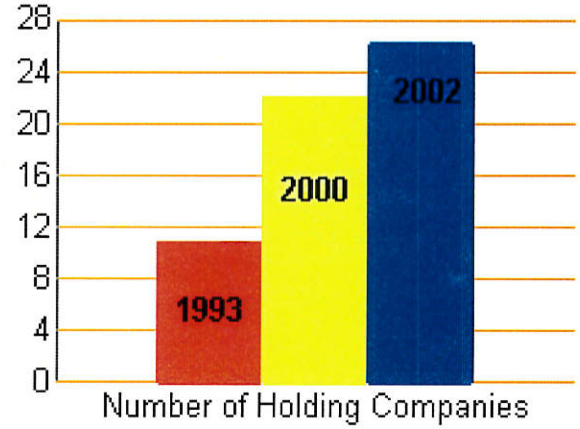
Strategic Energy

KLT® GAS INC.

1-5

Registered Holding Company – Great Plains Energy

- Separates regulated and non-regulated businesses
- Falls under Public Utility Holding Company Act
- SEC regulation
  - Affiliate transactions
  - Debt/ equity ratio of Holding Company
  - Investments
  - Rules for multiple utilities



- Additional insulation of KCP&L from Great Plains Energy contained in regulatory agreements reached with KCC & MPSC

KLT
GAS INC.

KLT Gas is a Houston-based subsidiary specializing in the acquisition and development of unconventional natural gas properties, specializing in coal bed methane. The company's current development portfolio consists of approximately 250,000 prospective acres in five different basins: Powder River, Hanna, Sand Wash, Arkoma and Forest City located in Wyoming, Colorado, Oklahoma and Kansas.

KLT Gas performs rigorous geologic and engineering analyses before committing capital to any of its projects to mitigate exploration risk as much as possible.

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1-7

Strategic Energy

Strategic Energy is a Pittsburgh, Pa.-based energy management company that serves more than 26,000 commercial and industrial customers in states that have enacted retail choice including Pennsylvania, Ohio, New York, Massachusetts, Texas, California and Oregon. More states are expected to come online in the next few years.

For a management fee, Strategic Energy buys wholesale power under long-term contracts for direct delivery to retail customers who are also under long-term contracts. Through its state-of-the-art Energy Management Center, the company procures and manages power 24 hours a day, 365 days per year from hundreds of wholesale suppliers, providing customers with long-term budget certainty and substantial savings.

Strategic Energy has more than 600 California McDonald's, 700 Jack in the Box's, 100 Wendy's and 660 Long John Silver's, Pizza Hut and Taco Bell restaurants under retail electricity contracts.

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Kansas City Power & Light

8-1

KCP&L serves more than a million residents in 24 northwestern Missouri and Kansas counties - a territory of about 4,600 square miles. Delivering that power requires 1,700 miles of transmission lines, more than 10,000 miles of overhead distribution lines, and approximately 3,400 miles of underground distribution lines.

The Company operates six plant sites with 21 generating units providing power to our customers and selling into the wholesale market. We have over 4,100 megawatts of efficient generation assets in operation or under construction. Approximately 67 percent of our power comes from low cost coal-fired plants. At year-end 2001, KCP&L owned and operated utility assets of $3.1 billion with total annual revenues of approximately $1.4 billion.

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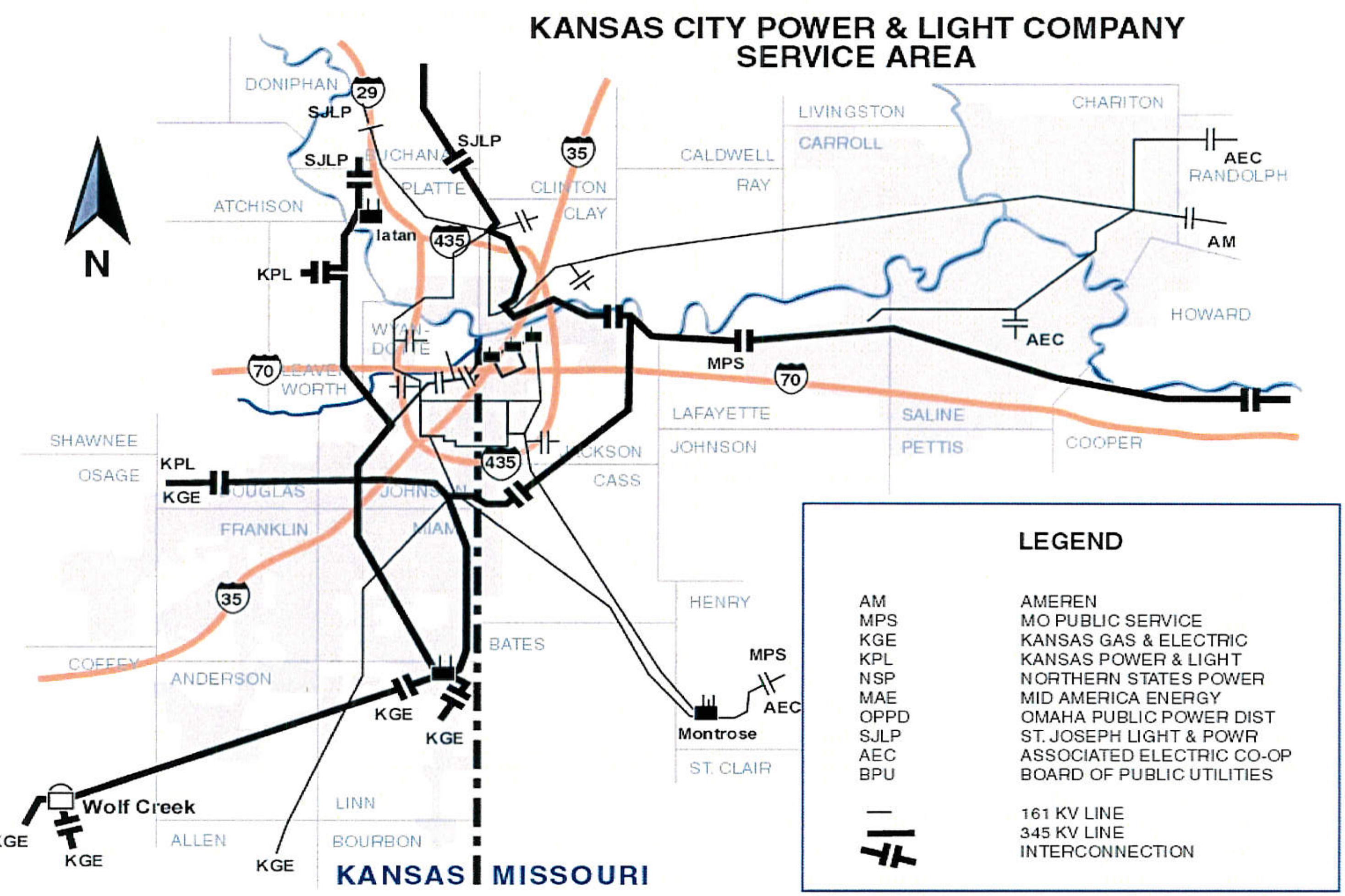
1-9

Service Area & Transmission System



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1-10

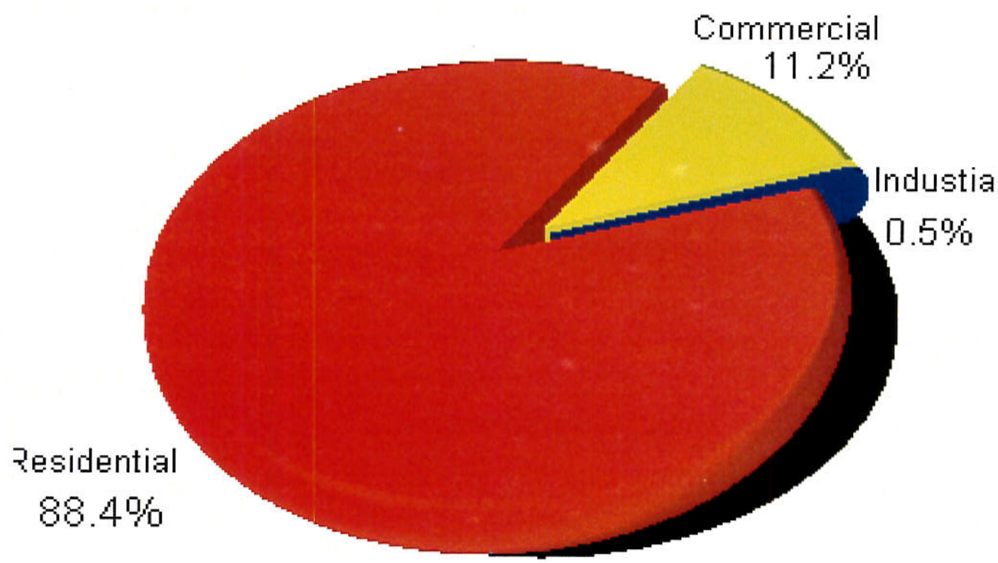
KCP&L Community Contribution

- KCP&L employs 2,300, with an annual payroll of $100 million, in addition to hundreds of contractors & suppliers
- KCP&L pays over $52 million in franchise tax to cities and $44 million in property tax annually
- KCP&L is active participant in civic, economic development and charitable activities that contribute to the health of the area
- KCP&L has invested over $1 billion dollars into capital projects in the Kansas City area in the last 5 years.
- Part of the community for 120 years

KCP&L Customers

1-11

- 480,598 in Western Missouri & Eastern Kansas
  - In all or part of 23 counties
- Kansas customer growth—approx 2%
- Missouri customer growth—approx .7%



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KCP&L MWH Retail Sales Mix (2002)

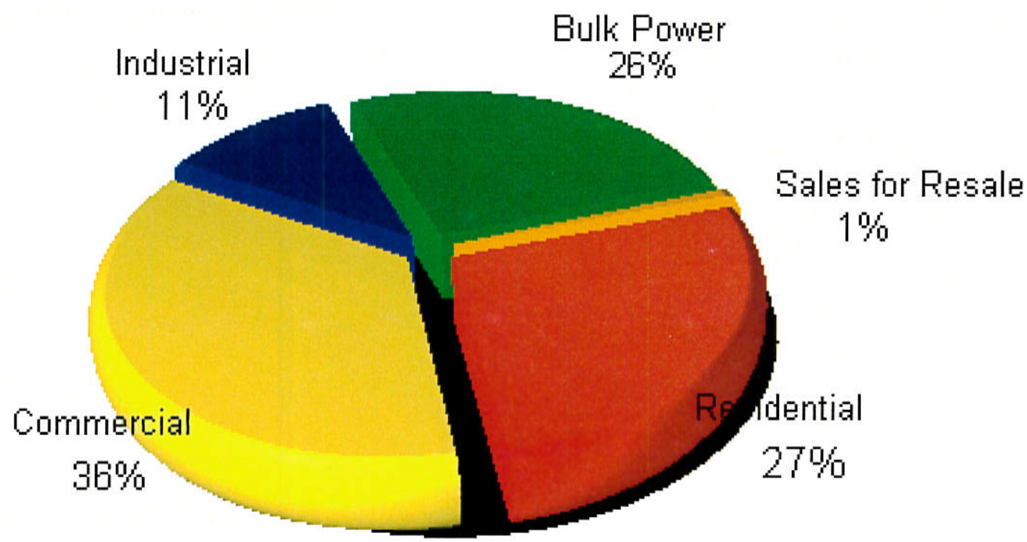
1-12

- Residential
  - 5,017,425 mWh
- Commercial
  - 6,874,768 mWh
- Industrial
  - 1,981,642 mWh

TOTAL RETAIL
  - <u>**13,957,146**</u> mWh

- Bulk Power
  - 4,838,665 mWh
- Sales for Resale
  - 130,584 mWh

TOTAL SALES
  - <u>**18,926,395**</u> mWh



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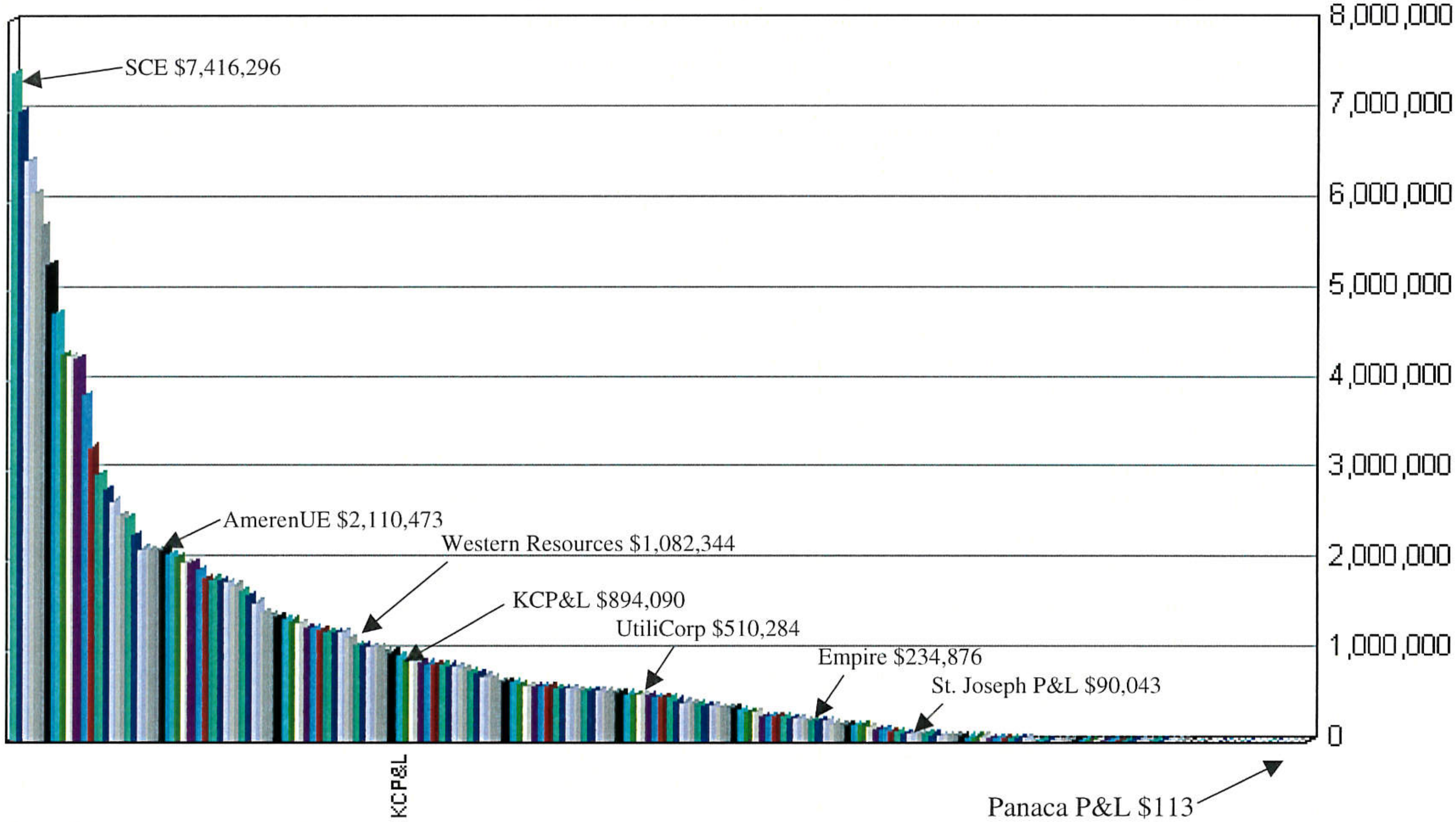
KCP&L Ranks 56 out of 182 IOU's in terms of Revenue

1-13

Revenues from Sales to Ultimate Customers of Investor Owned Electric Utilities (Thousands of Dollars)



Source: EEI Catalogue of Investor Owned Electric Utilities 41st Edition 2000

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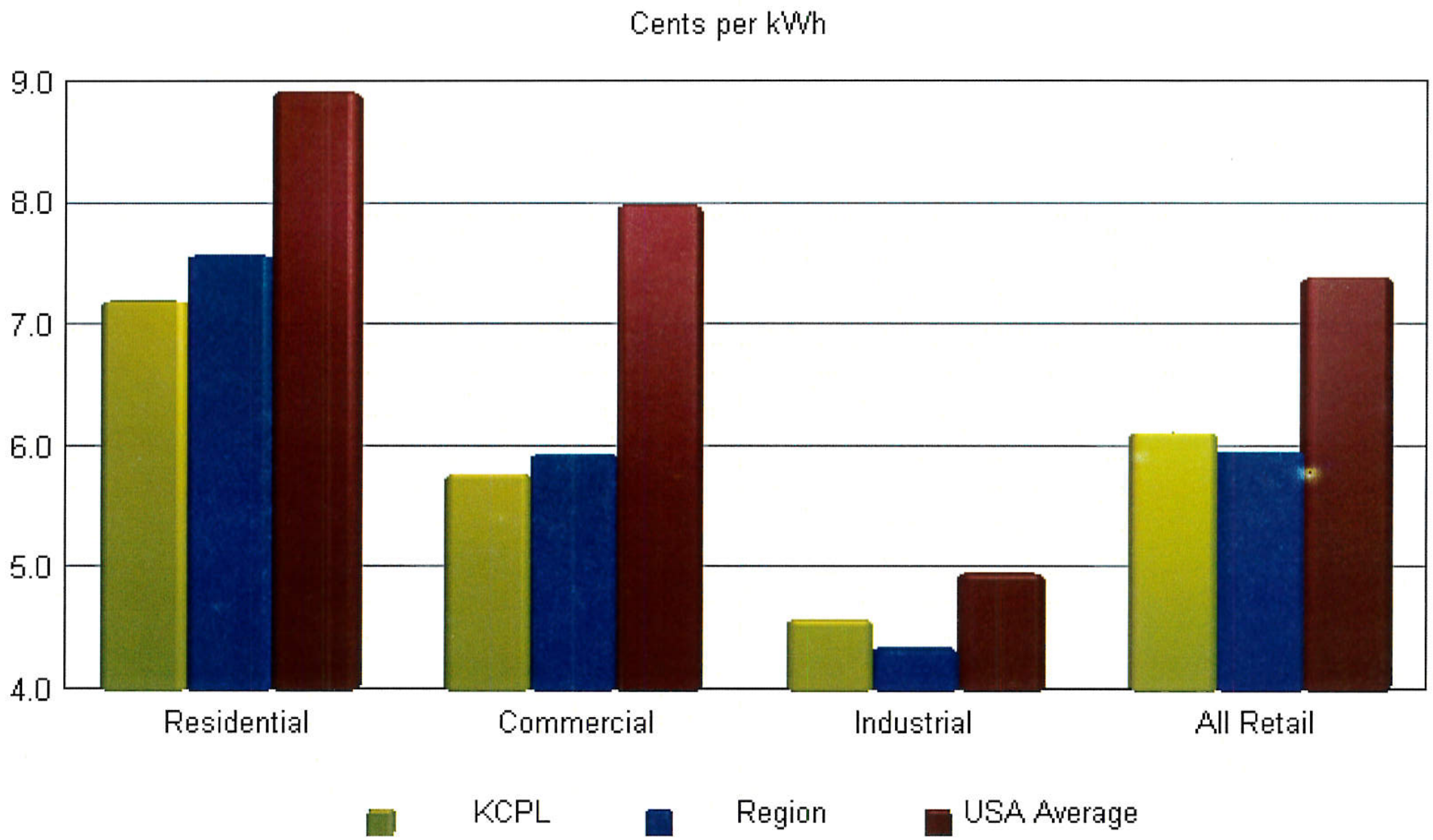
Average Retail Price Comparison



Source: *EEI Typical Bills for 12 months ending 6/31/02*

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1-14

1-15

KCP&L Rate History – 16 years of Decreasing Rates

Kansas

- 1987…….2% Rate Decrease
- 1988…..4.85% Rate Decrease
- 1989…..ECA Eliminated (Energy Cost Adjustment)
- 1998…..4.7% Rate Decrease
- 2003…..3% Rate Decrease

No litigated cases since 1986 (Wolf Creek)

Missouri

- 1988……….2.2% Rate Increase
- 1994……….2.67% Rate Decrease
- 1996……….2.0% Rate Decrease
- 1997……….2.4% Rate Decrease
- 1999……….3.2% Rate Decrease

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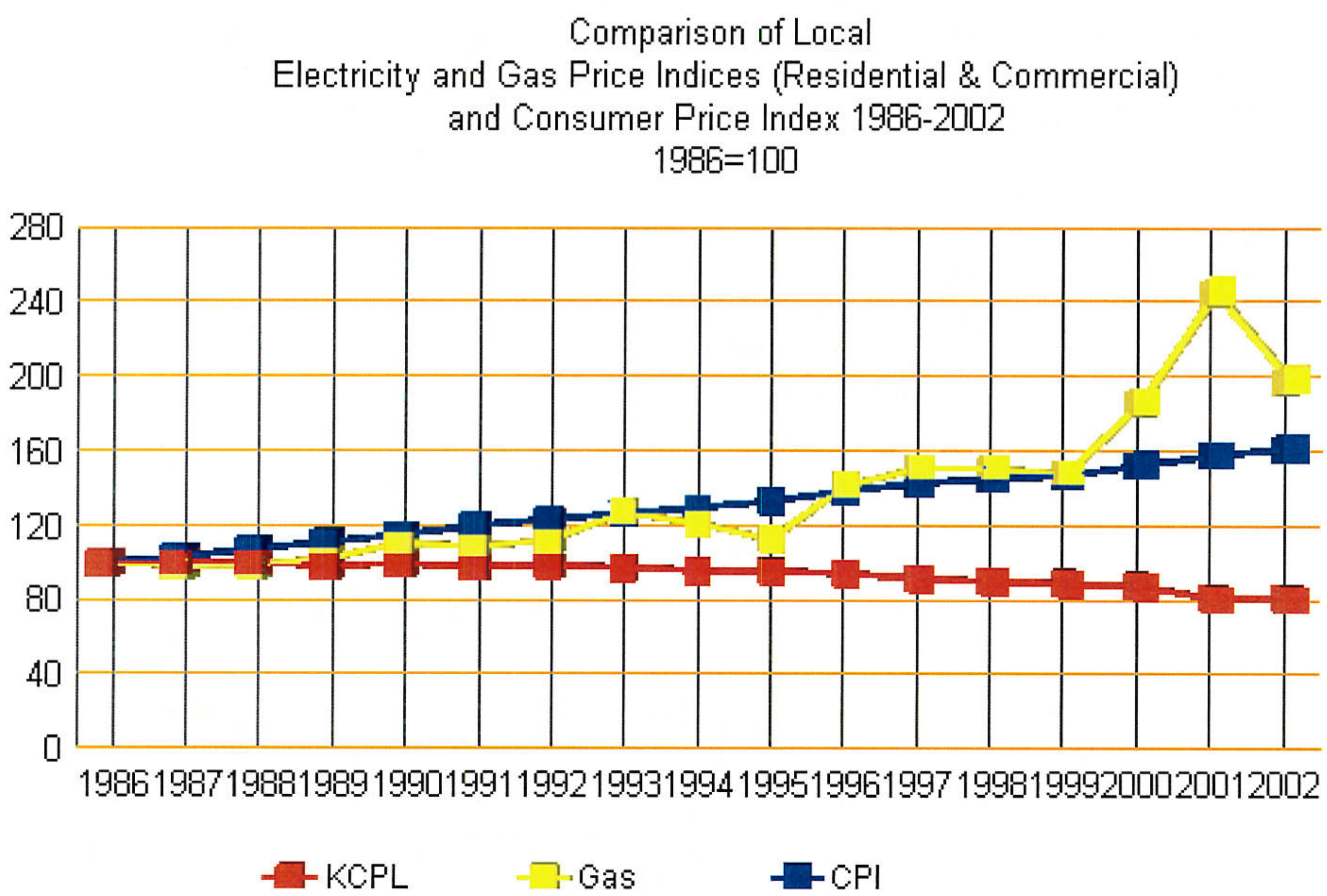
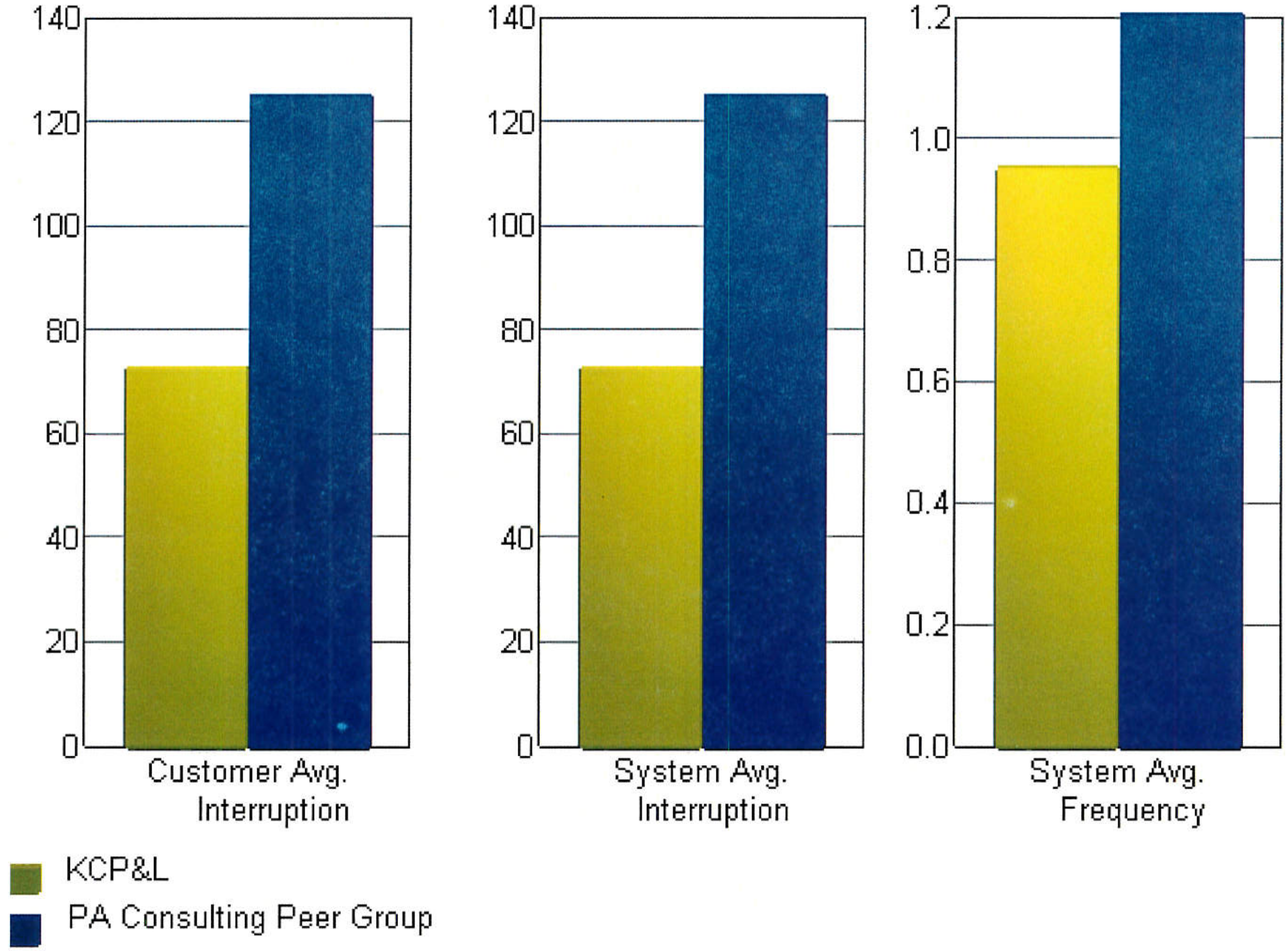
1-16

Electricity & Gas Price Indices



KCP&L's Reliability is Significantly Better Than Average

1-17



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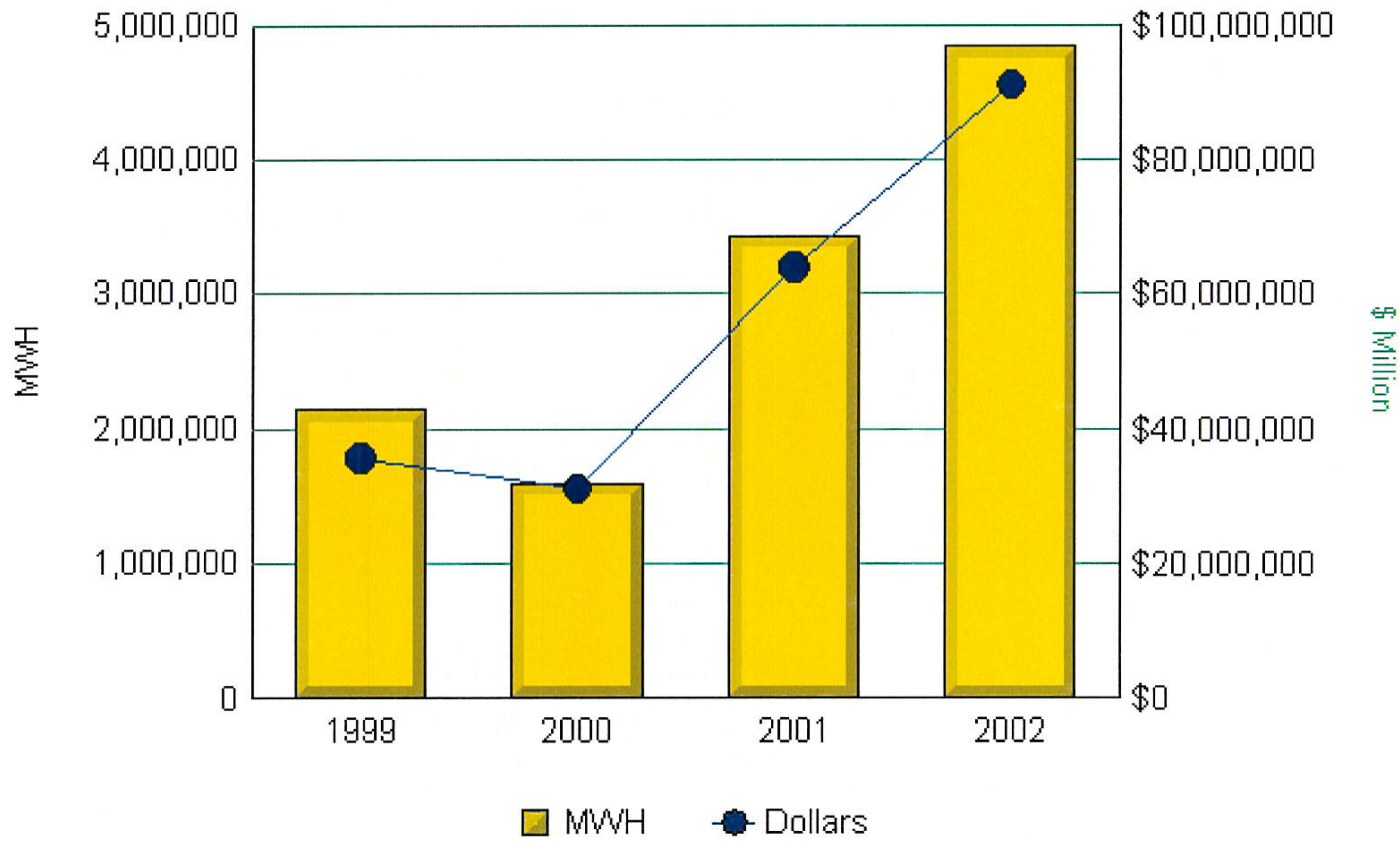
1-18

Wholesale Non-Firm Energy Sales



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Generation Resources

1-19

Power Station	2000	2001	2002
Wolf Creek	550	550	550
Iatan 1	469	469	469
LaCygne 1	344	344	344
LaCygne 2	337	337	337
Hawthorn 5	0	560	575
Hawthorn 6	141	141	135
Hawthorn 7	77	77	77
Hawthorn 8	77	77	77
Hawthorn 9	141	141	135
Montrose 1	170	170	170
Montrose 2	164	164	164
Montrose 3	176	176	176
Northeast Station	460	460	458
Grand Avenue	73	73	65
Total KCPL Operation Generation	**3179**	**3739**	**3731**
Capacity Purchases	326	342	342
Capacity Sales	90	141	166
Total Accredited Capacity	3505	4081	4073

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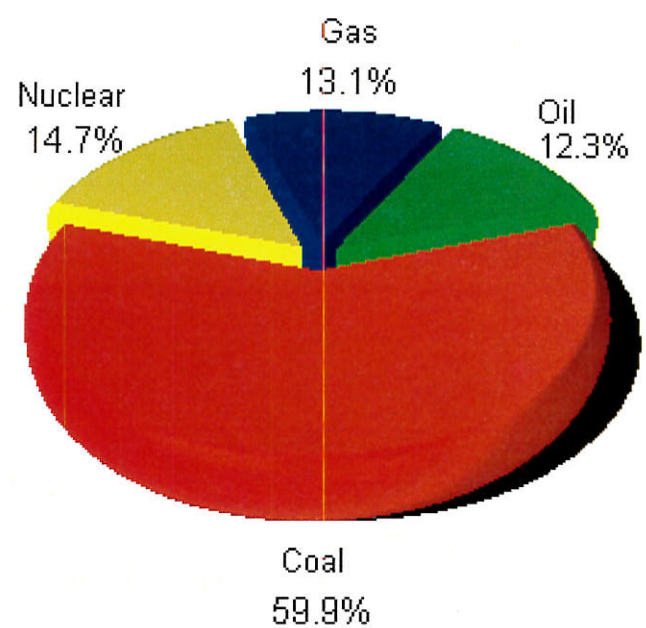
1-20

Generating Facilities 2002

- Coal
  - Base Load – 2235 mW
- Nuclear
  - Base Load – 550 mW
- Gas
  - Base & Peak Load 488 mW
- Oil
  - Peak Load – 460 mW
- Total
  - 3731 mW



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New Capacity in 2003

1-21

- West Gardner
  - Permitted for Four 77 mW CTs. All on-line (2003)
- Miami County
  - Permitted for Eight 77 mW CTs. One on-line (2003)

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Significant Events of 2002

1-22

- Ice Storm
- Economic Conditions & Weather
- Generation Plant Performance
- Reliability
- Equity Offering
- Stock Price

Storm Cost – 2002

1-23

- Ice Storm Total Cost $54,619,000

Kansas - 2002 Expense write-off $16,470

- No additional change in rates prior to January 2007
- Staff agreed with KCPL proposal to expense Kansas portion of the incremental storm cost - $16,470,000, in 2002.
- KCPL agreed to modify Wolf Creek Depreciation rates to reflect 60 year life, consistent with Westar and KEPCO depreciation lives.

EEI Honors KCP&L For Ice Storm Response

On January 10, EEI Chairman Erroll B. Davis Jr. (far left) and EEI President Thomas R. Kuhn (far right) presented Bill Downey, president, KCP&L (second from left) and Great Plains Energy Chairman Bernie Beaudoin (second from right) the EEI Emergency Response Award.

Missouri – 2002 Expense write-off $1,500

- Amortize the incremental cost of the January 2002 ice storm over 53 months beginning in September 2002. $20,124,000 total, approximately $4.6 Million annually.

- Received EEI's annual Emergency Response Award for exemplary efforts to restore electric power interrupted by severe weather conditions or other natural events.

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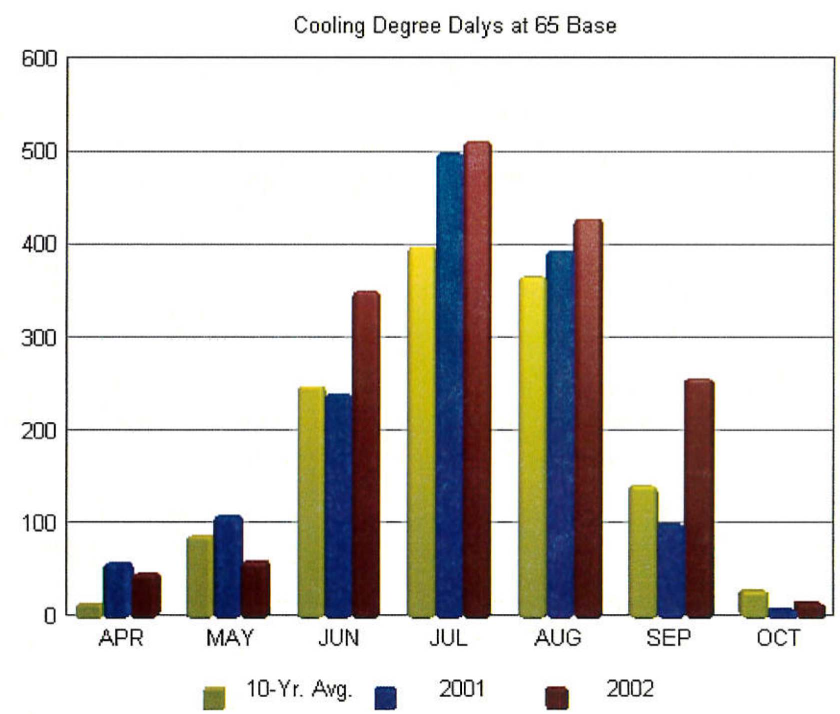
Weather Impact - Warmest summer (June-Sept.) since 1988

1-24

- Even though weather was favorable, Retail Sales revenue for '02 was $21.6 million below budget primarily due to economic slowdown, which began 2001
- Year-over-year actual revenue decline:
  - Manufacturing
  - Commercial Primary
- Drivers
  - National/Global economy
  - Specific local business contractions
  - Vacancy rates



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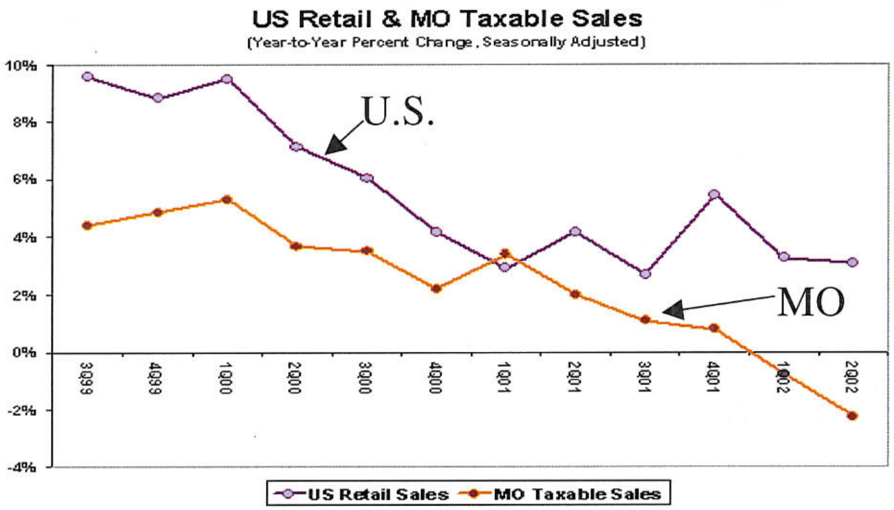
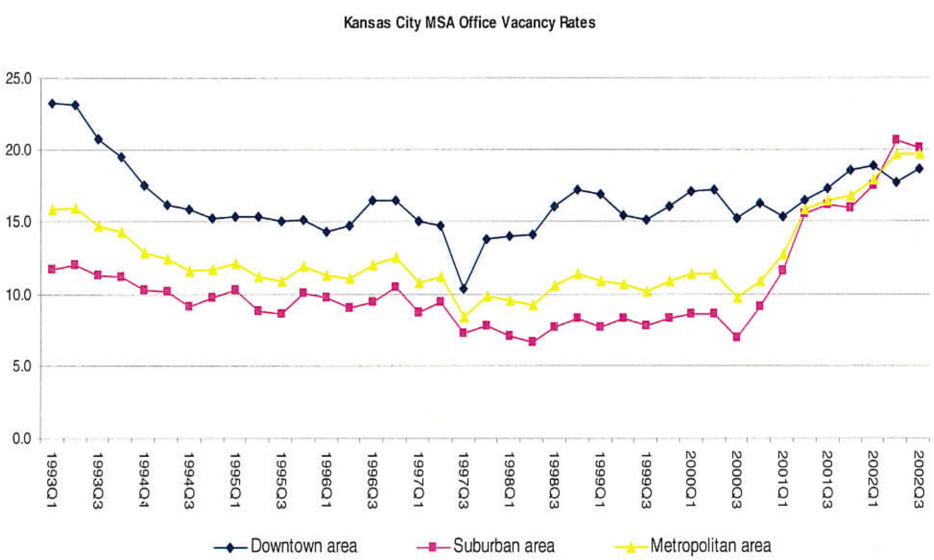
Local Economic Trends - Commercial activity weakened from 2000 through 2002 and local business contractions resulting from impact of National and Local economy

1-25





Selected 2001-2003 Business Contractions in Kansas City MSA	
GST	Closed
Sprint	Layoffs 13,000 (4,500 KC)
Hallmark	Closed KC Plant
AT&T	Layoffs / Closing Downtown KC Office 179 Jobs 9/13/03
SouthWestern Bell	Layoffs 11,000
JC Penney	Layoffs 2000 (300-400 Local 3/11/03)
American Century Investments	Layoffs
Honeywell	Layoffs
Black & Veatch	Layoffs
Marley Cooling	Layoffs
Yellow Freight	Layoffs
Farmland Industries	Layoffs/Bankruptcy/Closed Offices
Payless Cashways	Closed
International Paper Plant	Closed (100 Jobs)
Lucent Technologies	Closing Manufacturing Plant 174 Jobs
Consolidated Freight	Closed
Butler Manufacturing	Layoffs 60-90
Trinity North Hospital	Closed
Aquila	Closed Energy Trading/Layoffs
Houlihan's Restaurant Group	Bankruptcy/Closed Plaza Location
Birch Telecom	Layoffs/Bankruptcy
Hobart Corp	Closed
CommuniTech	Closing May03 - 60 Eemployees
OTR	Layoffs
Vanguard	Closed/Bankruptcy
House of Lloyd's Inc	Closed/Bankruptcy
TWA	Layoffs
KU Medical Center	Layoffs
Lady Baltimore Foods	Closing (400 Jobs)
Sunshine Biscuits	Layoffs 131

2001 - 158 Restaurant Closings
2002 - 168 Restaurant Closings

Shaded area represents KCPL customers in descending revenue order.

Source: *Economy.com*

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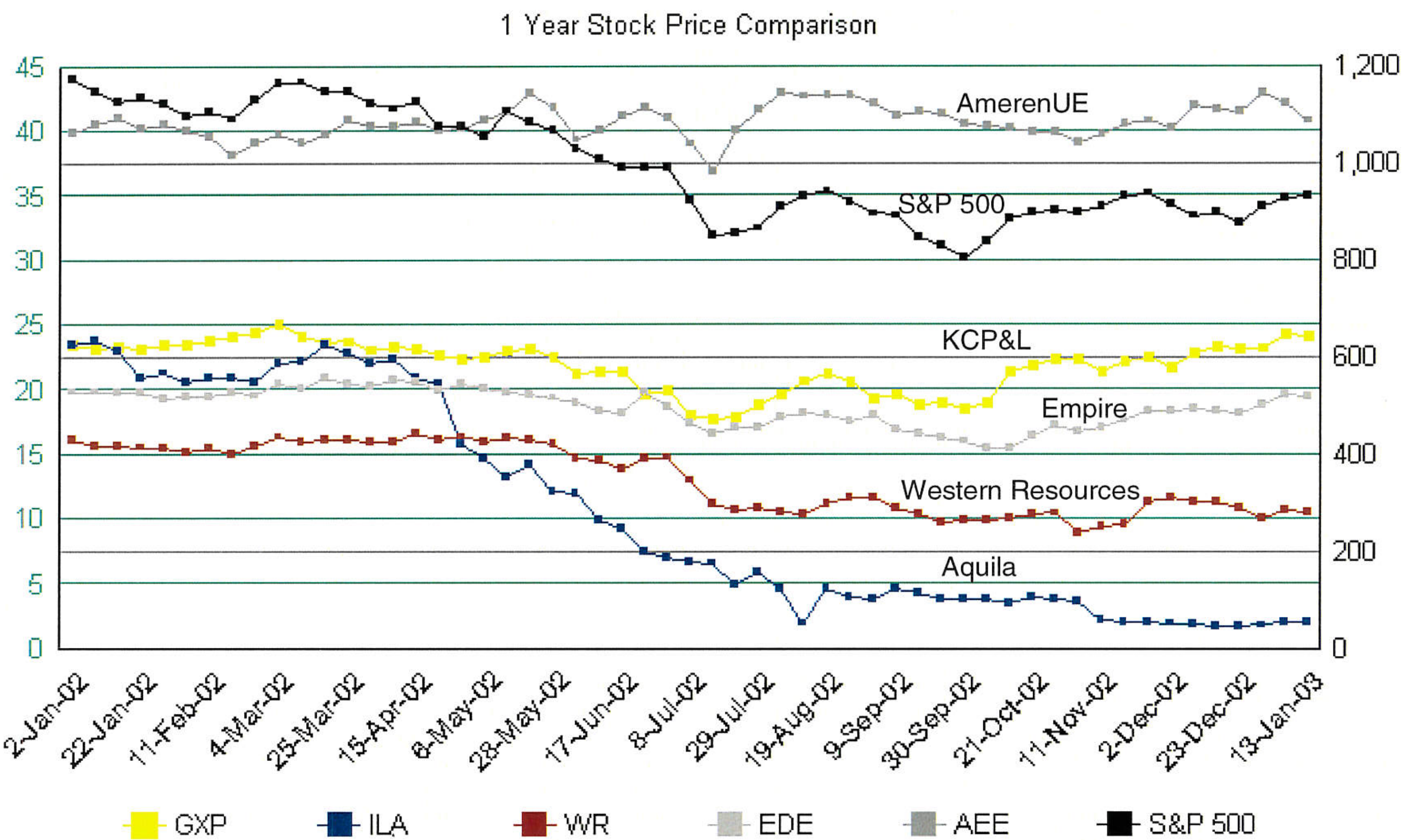
Equity Offering

1-26

- November 14, 2002
- Issued an additional 6 million shares of new common stock.
- Produced approximately $134 million gross proceeds to Great Plains Energy.
- Primarily utilized to reduce debt at KCP&L

Stock Price – 1 Year Comparison

1-27



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Significant Issues/ Concerns

1-28

- Retail Choice
- FERC RTO
- Risk
- Capital Markets

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Retail Choice Status

1-29

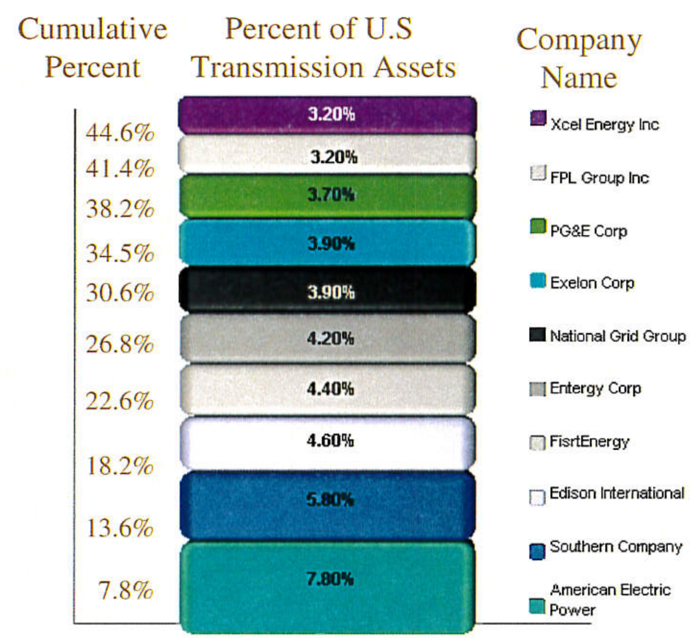
- Retail choice is continuing to develop nationally, but erratically
  - 24 states plus D.C. have passed legislation or have regulatory plans for retail competition
  - 17 states have started
  - 7 states have delayed
  - California started and then stopped

- Wholesale power markets allow retail choice
  - Will continue to grow faster than retail market growth
  - Dominate players will recover from California
  - Absorb void left by Enron

Retail Choice Status

1-30

- Merchant Power Plant Market
  - Expansion of merchant power plants has grown faster than utility generation
- Regional Transmission Organizations are developing
  - Midwest/SPP (MISO)
  - Transmission assets highly concentrated in a few companies
- Significant Corporate Restructuring (i.e. holding companies)



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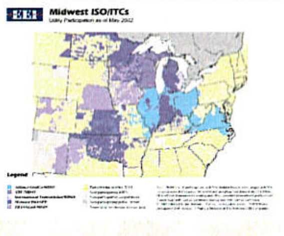
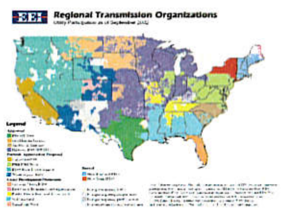
Transmission - MISO

1-31





- KCP&L's service territory is nestled between two commercially significant flow gates which are the major interconnections between the SPP & MISO regions.

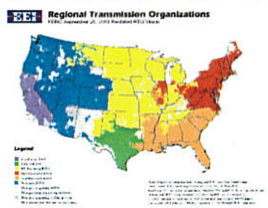
- MISO is an Independent Transmission System Operator that serves the electrical transmission needs of much of the Midwest.

- Committed to reliability and nondiscriminatory operation of the bulk power transmission system.

- MISO works with all stakeholders to create cost-effective and innovative solutions for our changing industry.

1-32

Transmission - FERC



- Current system not designed for robust, competitive wholesale markets envisioned by FERC.

- FERC's standard market design has little to incent investment in new transmission.
  - The SMD NOPR propose to eliminate all through and out Transmission rates.

- FERC has network upgrade cost being allocated to the transmission owner even though upgrades may not be needed for owner.

- Recent FERC Transmission service mediation: KCPL would have had to invest up to $12,000,000 in net work upgrades.

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Transmission - Issues

1-33

- Congestion
  - La Cygne flow gate being over subscribed
  - FERC rulings have exacerbated the La Cygne flow gate problem
  - 2002 congestion cost to KCP&L $470,000

- No incentive for investment

- Rate cases at state and federal level required for cost recovery
  - Expensive and time consuming

Increased Risk

1-34

- Supply Issues
  - Market prices have been volatile, while retail prices are fixed
  - Generation companies are reducing plans for capacity additions, potential increase in market price volatility
  - Fuel price volatility
- Transmission Issues
  - Developments of RTO are creating uncertainty
    - Transmission capital investment
    - Price uncertainty

Differentiation

1-35

- Question - How can a utility differentiate itself?
  - Answer –
    - Enter non-regulated businesses and/or:
    - Allowed opportunity to achieve earnings in the utility that are consistent with higher risks associated with today's utility earnings.
    - By innovative regulation which allows utility management flexibility to manage risk with an opportunity for increased earnings as reward.
  - More appealing to investors, offer higher earnings growth
  - Shareholders look for stable growth. Average IOU EPS growth target is 5-6% while KCP&L's Utility EPS has grown at slower rate.

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Conclusion

1-36

- Markets continue to change rapidly - unprecedented risk for integrated utilities
  - RTO evolution will continue for 1-2 years
  - Meltdown of deregulated wholesale generation segment
  - Trading risk
- Retail customers & KCP&L are insulated from these risks
- Continue to balance customers and shareholders expectations will require utilities to have the opportunity to mange risk with an opportunity for reward

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1-37

KCP&L's View

- A Healthy Utility is critical to the state
- Customer Service must continue to exceed customer expectations
- Clear rules on retail pricing which balances needs of customers/stakeholders
- Supply investment must be encouraged
- Expansion of infrastructure must be encouraged