



GREAT PLAINS ENERGY CARBON REDUCTION TARGET

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SUMMARY

The U.S. power sector is rapidly decarbonizing, in response to a variety of factors including climate change, regulations on carbon in response to climate change, and consumer adoption of distributed renewable power. Indeed, carbon intensity has become a key performance indicator at power companies, with carbon reduction driving value, and carbon assets increasing risk. Many companies are responding to these changing market conditions proactively by managing carbon, reducing carbon intense activities, and selling carbon assets. Other companies however, are doing little, seeking to prolong the life of increasingly risky coal assets, and or resisting market forces through political spending. Great Plains Energy is in the second camp, with a high level of coal generation, and carbon emissions disproportionate to its size. Great Plains would benefit from a carbon reduction target to help the company catch up with more proactive peers.

RESOLVE CLAUSE

RESOLVED: Shareholders request that Great Plains Energy adopt quantitative, time bound, carbon dioxide reduction goals to reduce the company's corporate carbon emissions, and issue a report by September 1, 2015, at reasonable cost and omitting proprietary information, on its plans to achieve the carbon reduction goals it sets.

Please see Appendix B for the full resolution.

RATIONALE FOR A YES VOTE

A. CARBON REDUCTION AND MANAGEMENT RESULTS IN IMPROVED FINANCIAL PERFORMANCE

Great Plains is likely to financially benefit from undertaking enterprise wide carbon management. Research from the Carbon Disclosure Project and Ceres demonstrates that carbon management results in improved financial performance. When corporations track, manage, and reduce carbon impacts, various financial indicators improve, including improved return on equity, stronger dividends, lower earnings volatility, reduced emissions and regulatory risk.¹ This report identifies business benefits of carbon reduction including power price certainty, customer demand for low carbon solutions, reduced

¹ CDP. "S&P500 Leaders Report" (2014). Note that because utility return on equity is capped by regulation, the ROE trend does not follow in the power sector



overhead, and performing on climate commitments. Another analysis confirms that “firms with stronger ESG policies also enjoy increased efficiency and higher valuations than their peers.”²

Similarly, proponents compared data from the largest 28 U.S. investor owned utilities with current stock prices (see Appendix B).³ The results suggest that utilities with the highest levels of renewable energy sales and energy efficiency savings also had the best stock prices.⁴ Further study is needed, however carbon reduction targets seem likely to encourage business practices that could improve shareholder value at Great Plains.

B. GREAT PLAINS ENERGY: SMALL UTILITY, BIG EMISSIONS

Though Great Plains is the 28th largest power producer in the U.S., it has the 20th highest level of emissions, eclipsing larger utilities such as Exelon and Edison International, and also exceeding emissions from energy companies including Exxon Mobil, BP and General Electric.⁵ These disproportionately high carbon emissions result from Great Plains’ power mix -which at 85% is coal- is the 15th highest level of coal use in the United States.⁶ This company trails many peers on replacing coal assets with cleaner generation, and at least some of the coal refirings and renewable power investments the Company has announced seem to be the result of a litigation settlement with an environmental group.⁷ A greenhouse gas reduction target would encourage the company to transition out of coal more quickly, thus reducing the company’s emissions rate and carbon asset risk.

C. GREAT PLAINS NOT TRANSPARENTLY MANAGING SUSTAINABILITY & CARBON

Investors know little about Great Plains’ carbon management, or about the company’s carbon emissions over time, as the company does not disclose this data on its website, nor participate in third party reporting such as the “Carbon Disclosure Project”. Indeed, the company lacks a sustainability report in total, supplying only a cursory one page infographic.⁸ Parent company Great Plains Energy has no sustainability information on its website, and its utility subsidiary Kansas City Power & Light offers only brief, superficial information on its “Environmental Focus” page.⁹ Great Plains’ web information does

² University of Pittsburg. Gillan, Hartzell, Koch, Starks, *Firm’s Environmental, Social and Governance (ESG) Choices, Performance and Managerial Motivation*. (2010) <http://business.pitt.edu/katz/sites/default/files/koch3.pdf>

³ Ceres, *Benchmarking Utility Clean Energy Deployment*. (July, 2014) <http://www.ceres.org/resources/reports/benchmarking-utility-clean-energy-deployment-2014>. Data includes the 28 investor owned utilities identified in the report.

⁴ Appendix B

⁵ Ceres. *Benchmarking Air Emissions of the 100 Largest Electric Power Producers in the United States*. (May, 2014) <http://www.nrdc.org/air/pollution/benchmarking/files/benchmarking-2014.pdf> p. 34

⁶ Id., and 85% coal figure: KCPL “Electricity Generation”, <http://www.kcpl.com/about-kcpl/company-overview/industry-topics/electricity-generation>

⁷ Sierra Club. “KCP&L, Sierra Club Agreement Helps Spur Major Investment In Wind Energy in Kansas, Missouri” (Jan, 2014) <http://content.sierraclub.org/press-releases/2014/01/kcpl-sierra-club-agreement-helps-spur-major-investment-wind-energy-kansas>

⁸ KCPL. “A Decade of KCPL’s Sustainability Efforts” http://www.kcpl.com/~media/Files/About%20KCPL/sustainability_history.pdf

⁹ KCPL. “Environmental Focus” <http://www.kcpl.com/about-kcpl/environmental-focus>



point to a variety of pilot projects, but does not supply an explanation of an overarching and/or enterprise wide sustainability or carbon management strategy, and no forward looking carbon or sustainability planning. As a result, Great Plains is exposing investors to substantial regulatory risk exposure as the EPA issues a swath of new environmental laws affecting coal plants. Great Plains' adoption of a carbon reduction target would create transparency for investors, build shareholder value, and reduce regulatory risk. Carbon reduction targets would be an ideal initial step for Great Plains' moving forward on both carbon management and sustainability.

RESPONSE TO GREAT PLAINS OPPOSITION STATEMENT

The Company's opposition statement in its proxy argues that the resolution limits the company.¹⁰ This is untrue; the resolution is not prescriptive as to how the company accomplishes carbon reductions, only requesting that the company set goals.

The Company also argues that its' state-mandated resource planning processes are sufficient to account for carbon risk. However, the Company's national rankings on coal use and emissions suggest that these state level planning processes have been ineffective in encouraging Great Plains to reduce its emissions. Further, unlike other utilities, Great Plains is not transparent to investors as it does not include a copy of its "Integrated Resource Plan" on its website- referencing a document few shareholders know exists or know how to access.

Great Plains also notes it is switching some of its coal units to natural gas as a result of forthcoming regulation. This true of most U.S. utilities. Great Plains' explanation also illustrates the problem: that Great Plains' primary carbon management strategy seems to be a 'wait and see' approach, only acting when regulation appears to force the company's hand. This leads to escalating stranded asset and regulatory risk for shareholders, who could absorb losses for compliance technology on coal plants that are shuttered in the near term. Rather than gambling with regulators, Great Plains could reduce this risk by actively shifting to cleaner power.

Finally the Company claims to be a leader in environmental sustainability. There is no third party metric ranking them so, and with the highest proportion of coal in their region and at a national level, and a level of emissions that exceeds the company's size, it is unclear what the company is referring to making the statement. A carbon reduction goal for Great Plains would help it catch up to the actual sustainability leaders in its sectors.

¹⁰ Great Plains Energy, 2015 Proxy Statement <http://phx.corporate-ir.net/phoenix.zhtml?c=96211&p=IROL-secToc&TOC=aHR0cDovL2FwaS50ZW5rd2l6YXJkLmNvbS9vdXRsaW5lLnhtbD9yZXByPXRlbmsmaXBhZ2U9MTAxNzExODc3Vic2lkPTU3&ListAll=1>



CONCLUSION

Great Plains needs to adapt its business to remain competitive as the power sector shifts towards renewable energy, energy efficiency, and away from coal. Due to its sparse and nontransparent reporting, it is unclear whether the Company is doing so. Great Plains has a high level of coal use and carbon emissions, which create unresolved business risk to shareholders in the near and long term. Great Plains would benefit from a carbon reduction goal, which could encourage the company to adopt business practices that will help them minimize risk and maximize value going forward.



Appendices

Appendix A

Whereas,

- The United Nations' 2014 Synthesis Report states that "Continued emission of greenhouse gases will cause ... long-lasting changes in all components of the climate system, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems." The report found that to avoid or mitigate the worst impacts of climate change, "the share of low-carbon electricity supply ... increases from the current share of approximately 30% to more than 80% by 2050, and fossil fuel power generation ... is phased out almost entirely by 2100."
- The Midwest is vulnerable to extreme weather intensified by climate change: "in 2011, 11 of the 14 weather events with damages of more than \$1 billion affected the Midwest. Several types of extreme weather events have already increased in frequency and/or intensity due to climate change, and further increases are projected." (3rd National Climate Assessment, Midwest Chapter, 2014)
- The Midwest will likely "experience an additional 7 to 26 days above 95°F each year by mid-century" (Risky Business 2014), and "increased demand for cooling by the middle of the century is predicted to exceed 10 gigawatts ... requiring more than \$6 billion in infrastructure investments." (3rd National Climate Assessment, Midwest Chapter, 2014)
- Coal fired power plants are a significant, disproportionate source of U.S. carbon emissions. Electric power accounts for 32% of U.S. carbon pollution, and "though coal accounts for about 75% of CO₂ emissions from the [electric power] sector, it represents about 39% of the electricity generated in the United States." (EPA 2014)
- Great Plains Energy's subsidiary Kansas City Power & Light (KCP&L) generates 85% of the power it sells from coal (KCP&L website). This is the 15th highest rate of coal generation of U.S. electric power producers, resulting in the 20th highest level of carbon emissions of U.S. electric power producers. (Ceres, Benchmarking Air Emissions, 2014)
- A study of companies in the S&P 500 found that "Setting a clear and ambitious carbon reduction target can trigger a cascade of positive results. A target provides an important internal signal of a company's commitment to doing its part. Companies that set ambitious carbon reduction targets deliver larger emission reductions with higher financial returns than companies without such targets." (Carbon Disclosure Project (CDP), The 3% Solution, 2013)



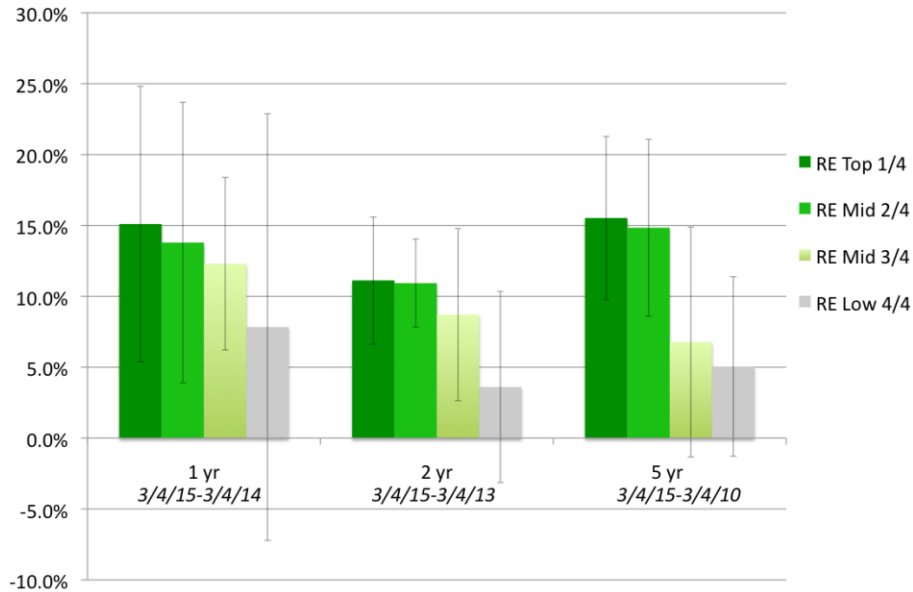
- A second study found that companies with the most robust climate reporting saw higher returns on equity, larger dividends, and lower volatility than peers with partial or no carbon disclosure or reporting. (CDP, “Climate Action and Profitability”, 2014)

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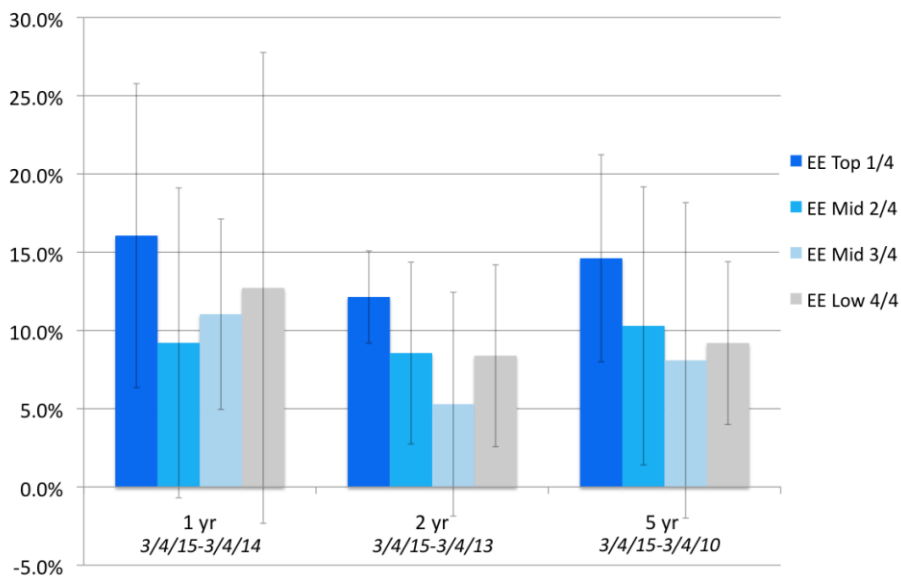


Appendix B

Average Stock Change Per Year Top 28 IOUs – Tiers of Renewable Energy (RE) Sales



Average Stock Change Per Year Top 28 IOUs – Tiers of Energy Efficiency (EE) Savings





Utility	Energy Efficiency Savings (%)	Renewable Energy Sales (%)	Market Cap (\$ Billions)	Stock % Change: (3/4/15-3/4/14)	Stock % Change: (3/4/15-3/4/13)	Stock % Change: (3/4/15-3/4/10)
AES Corporation	2.83	0.53	8.97	-8.90%	2.99%	9.18%
Alliant Energy	8.39	5.41	6.88	16.20%	28.55%	83.71%
Ameren	1.10	4.03	10.14	3.70%	22.70%	63.74%
American Electric Power	2.13	2.65	27.63	0.1458	18.42%	65.48%
CMS Energy	2.79	5.21	9.43	22.29%	27.33%	117.95%
Consolidated Edison	5.10	3.19	18.13	11.97%	4.47%	41.66%
Dominion	0.41	0.52	41.45	3.70%	24.81%	77.54%
DTE Energy	3.60	4.15	14.28	14.53%	20.60%	79.56%
Duke Energy	2.68	3.29	54.45	9.97%	10.20%	57.20%
Edison International	16.87	16.67	20.65	23.86%	26.28%	87.48%
Entergy	0.13	0.64	13.74	22.59%	20.13%	-2.27%
Exelon	2.69	2.97	28.05	9.46%	2.56%	-26.12%
FirstEnergy	2.05	2.26	14.45	11.28%	-15.26%	-13.03%
Iberdola	4.15	3.17	42.69	-0.41%	32.86%	-22.61%
National Grid	10.44	5.70	50.24	-3.95%	20.80%	34.15%
Northeast Utilities	16.46	6.60	16.66	20.06%	23.39%	95.97%
OGE Energy	0.96	6.59	6.33	-10.67%	6.60%	66.03%
Pepco Holdings	0.73	3.40	6.86	36.83%	30.70%	57.82%
PG&E	17.18	16.87	25.55	25.45%	24.58%	25.53%
Pinnacle West	7.98	5.35	6.97	16.69%	10.05%	68.95%
Portland General Electric	10.25	7.52	2.84	15.95%	19.85%	89.22%
PPL Corp	2.77	1.69	22.18	5.99%	8.06%	17.91%
PSEG	0.90	4.93	20.92	16.39%	25.43%	35.20%
SCANA	0.84	0.00	7.89	13.54%	11.16%	49.42%
Sempra Energy	12.54	16.86	26.59	15.28%	36.20%	114.66%
Southern Company	1.01	0.05	40.75	6.64%	-1.43%	38.02%
We Energies	10.14	5.67	11.26	14.38%	20.25%	99.80%
XCEL	10.62	18.11	17.50	15.77%	18.83%	64.43%

- Ceres & CleanEdge. *Benchmarking Utility Clean Energy: Ranking 32 of the largest U.S. Investor-owned Electric Utilities on Renewable Energy & Energy Efficiency* (July, 2014). <http://www.ceres.org/resources/reports/benchmarking-utility-clean-energy-deployment-2014/view>
- Yahoo Finance. (Accessed 3/4/15). <http://finance.yahoo.com/>