

AFP[®] Annual Conference



— November 7-10, 2010 | San Antonio —

ORIGINAL
ESSENTIAL
UNBIASED
INFORMATION



B2B Payment Processing: The Efficient Frontier

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Question to the audience

Does your company actively track metrics such as DSO?

YES

NO

I don't know

Question to the audience

Does your company plan to promote electronic payment options in the near future?

YES

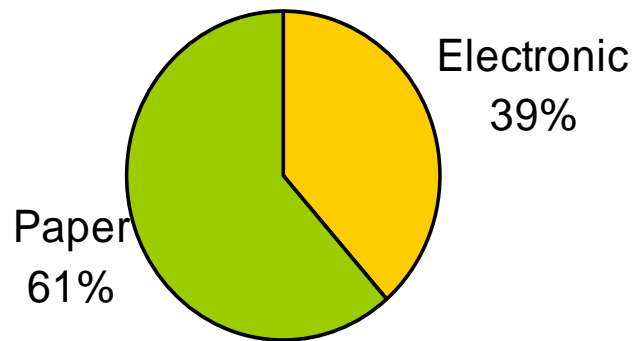
NO

I don't know

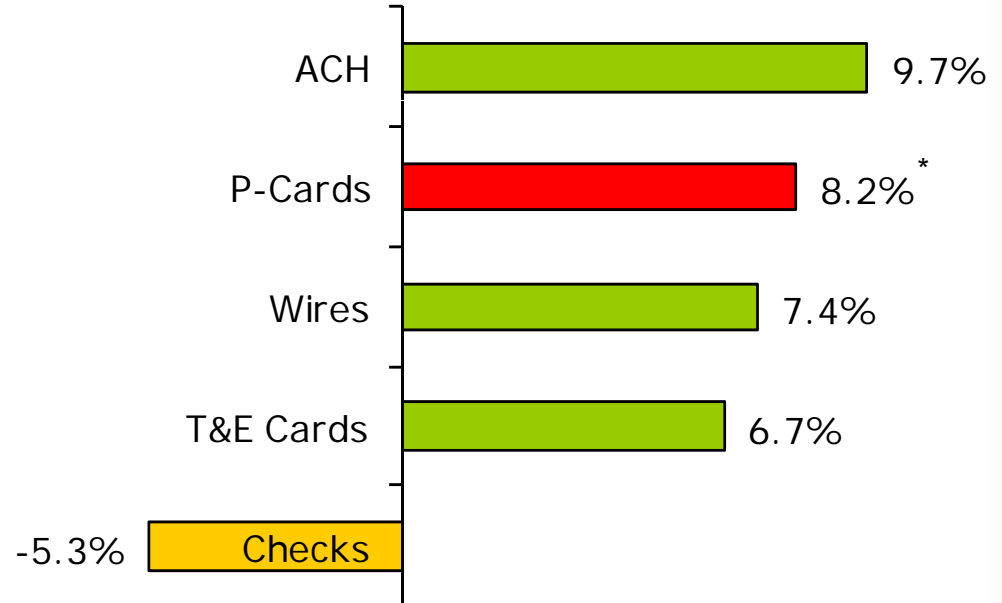
Payment Landscape

Current Payment Landscape

How Payments are Made



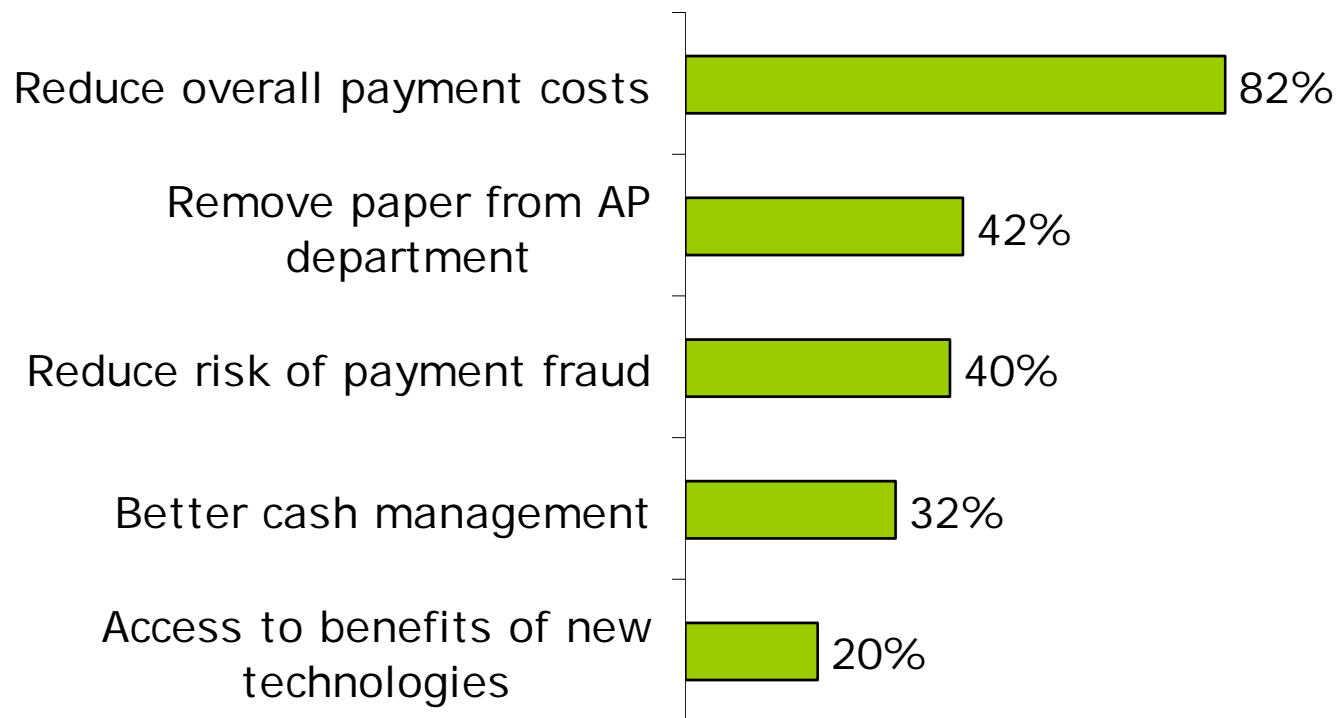
Trends Over Past 18 Months



Source: Aberdeen Group, June 2008

* Card payments within AP is the fastest growing payment option and are expected to surpass ACH B2B volume by 2012

Top business reasons driving the focus on “electronifying” payments?



Aberdeen's Maturity Framework: Electronic Payments

Definition of Maturity Class	Mean Class Performance	Cost*
Best-in-Class: Top 20% of aggregate performers	80% of overall payments processed by electronic methods	\$1.05
Industry Average: Middle 50% of aggregate performers	30% of overall payments processed by electronic methods	\$6.76
Laggard: Bottom 30% of aggregate performers	7% of overall payments processed by electronic methods	\$23.70

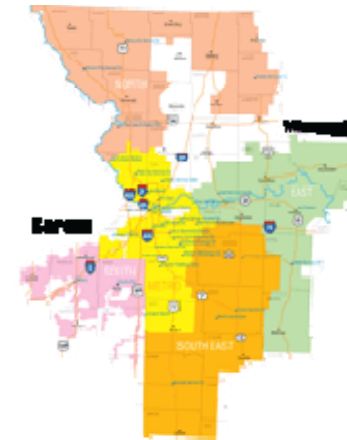
*Overall processing cost per payment

Source: Aberdeen Group, June 2008

KCP&L Focus on e-Payments and Process Automation

KCP&L Background

- Founded in 1882
- Electric only investor owned utility (NYSE: GXP)
- 820,000 customers in Missouri and Kansas
- 18,000 square mile service territory
- 15 generating stations – 6.1 MW
 - Nuclear
 - Coal
 - Gas
 - Wind



KCP&L Payment Options



**Automatic
Payment**



Budget Billing



**Online Account
Access**



Paperless Billing



Pay by Mail



Pay by Phone



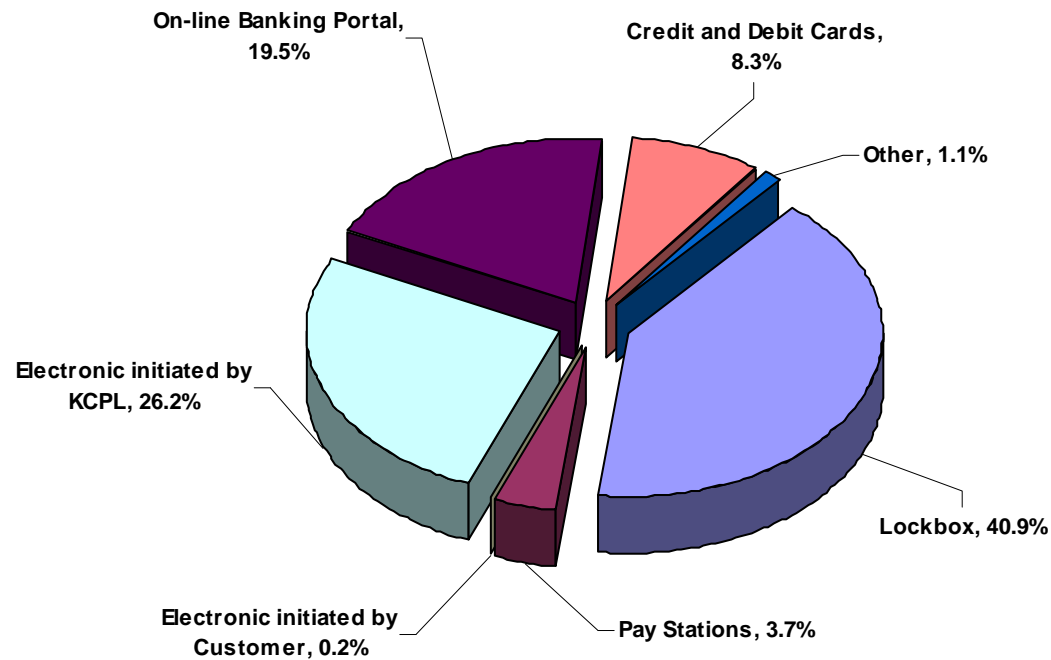
Pay in Person



Pay Online

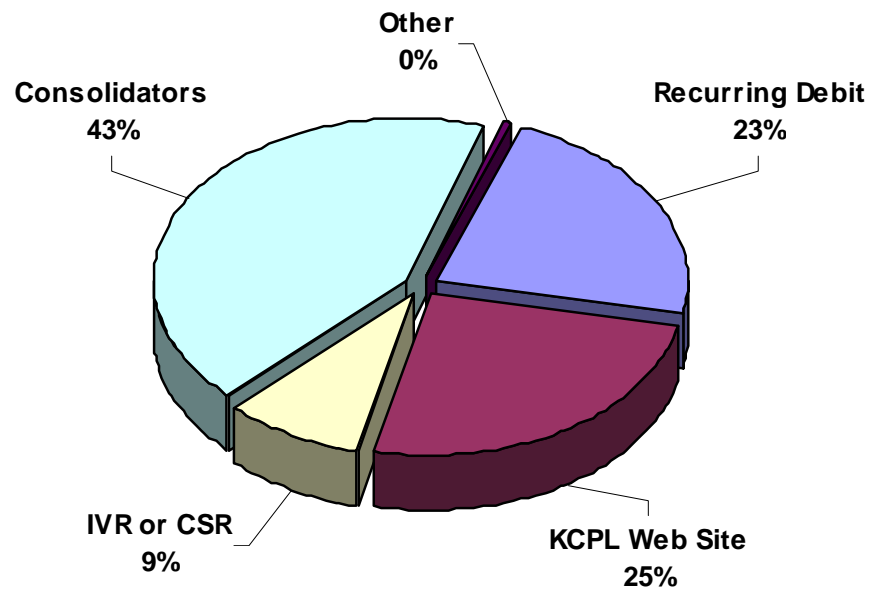
Residential Payments (YTD Oct. 10)

2010 KCP&L Residential



Residential Electronic by Channel

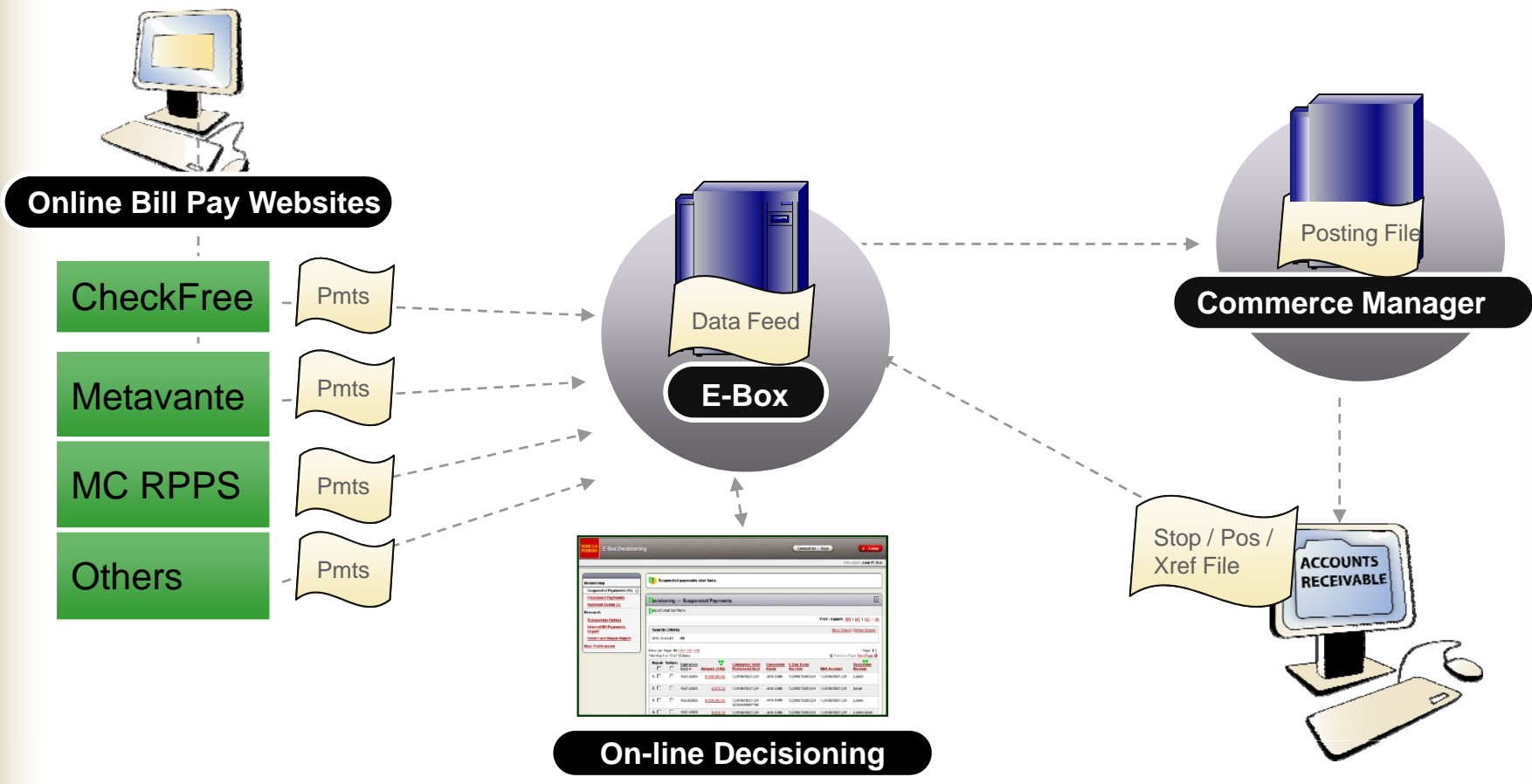
Residential Electronic Payments by Channel



Previous C2B Payment Issues

- Multiple 3rd party vendors offering electronic payment alternatives to our residential customers
 - Some vendors still sending check & lists
 - Separate files sent to us by multiple vendors with different formats
 - No validation of customer account numbers/data
 - No visibility into payments received when asked by our customers
 - Received payments meant for another biller

How KCP&L automated its C2B Payments

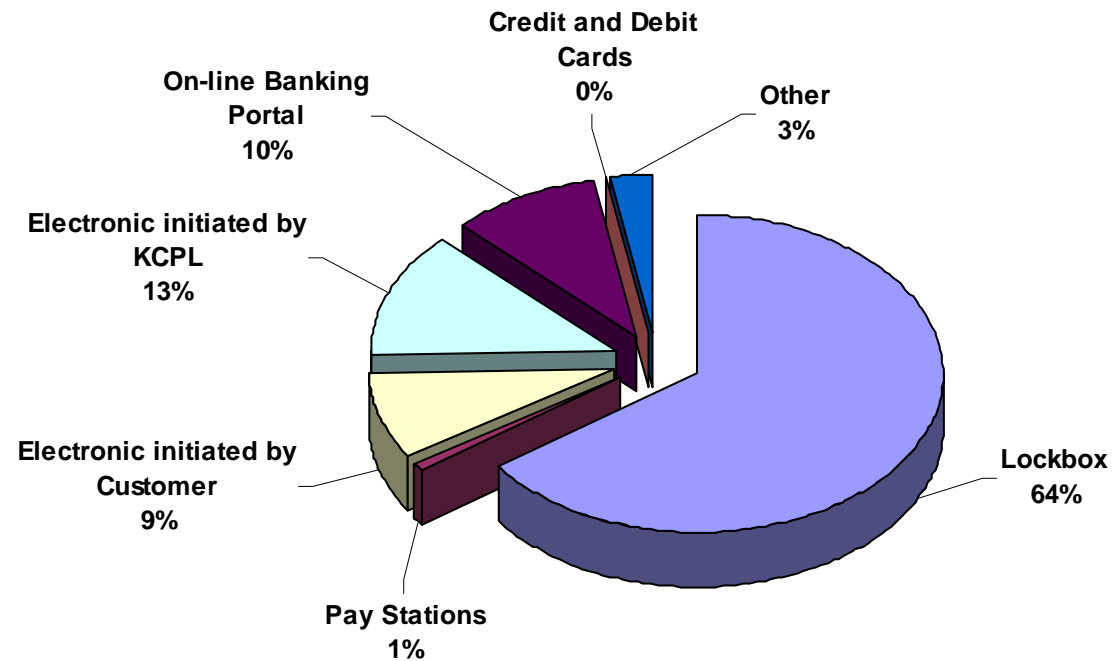


Current State of C2B Payments with automation

- Single source for all on-line bill payments
- Processing features enable faster, accurate processing of payments
 - On-line decisioning for returns/corrections
 - Cross-references to handle recurring errors
 - Posting to multiple billing systems

Commercial Payments (YTD Oct. 10)

2010 KCP&L Commercial

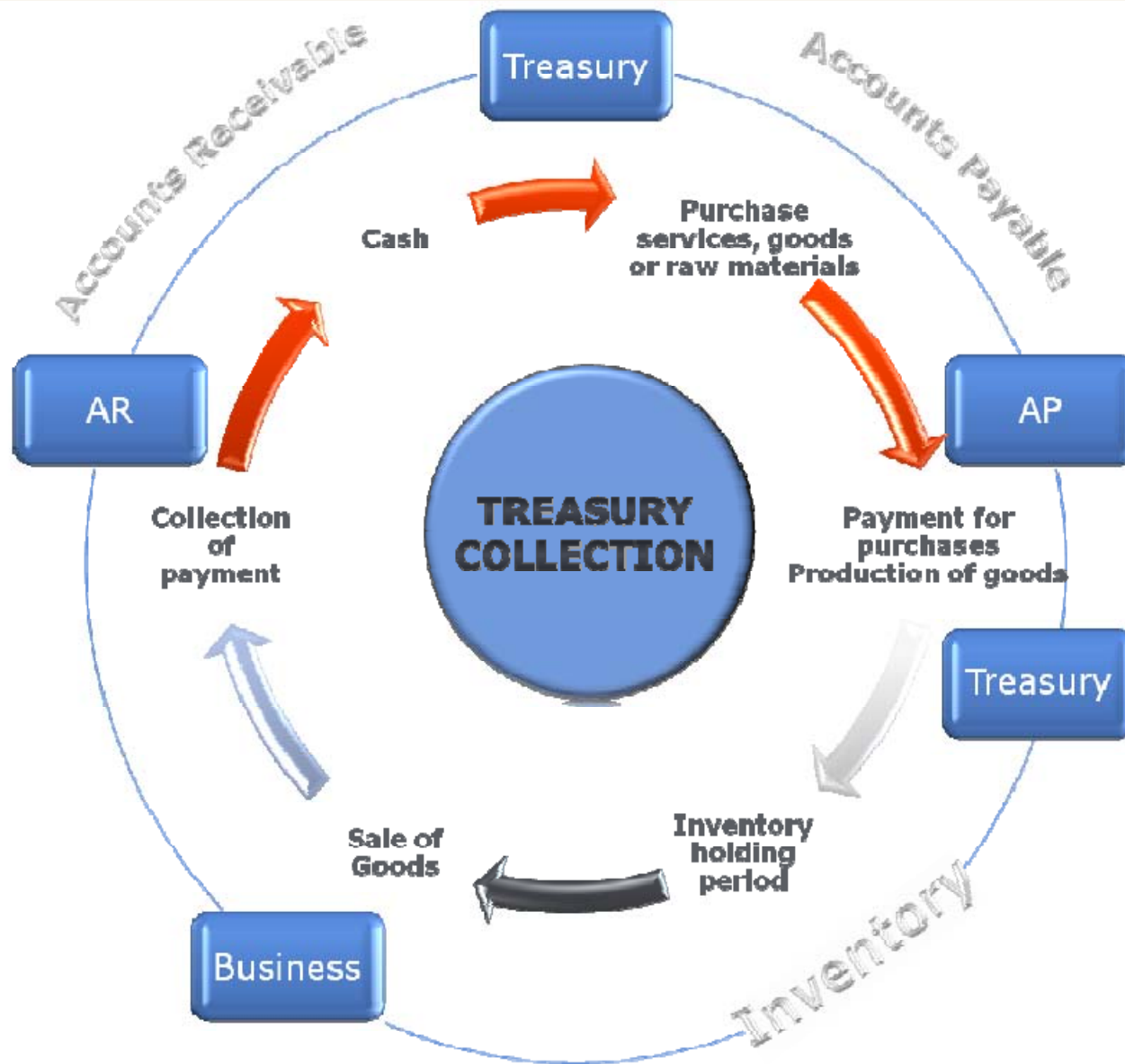


Previous B2B Payment Issues

- Incomplete data prohibited prompt processing
 - No addenda information at all
 - Missing, unreadable or incorrect customer information
- Manual posting to CIS system required
 - Customers don't receive timely credit, creating penalty charges
 - Considerable staff time researching payments
 - CIS feeds to G/L, so delay could create inaccurate statement of financial results at reporting periods

Why the Focus on B2B Now

- Improvement in Cash Working Capital means enhanced liquidity and lower borrowings – a strategic advantage
 - Reduced Float
 - Improved Days Sales Outstanding (DSO)
 - Faster posting of payments due to accuracy



Why the Focus on B2B Now

- **Greater Customer Satisfaction**
 - Improves efficiencies for our largest customers, often resulting in lower costs for them as well
 - Eliminates penalties for late payments
 - Accurate posting of payments
- **Better Relationships**
 - Our customers appreciate improved technology
 - We aren't your typical utility – not difficult to deal with
 - Rate increase requests aren't met with animosity
- **Reputation Risk**
 - News stories are positive rather than negative
 - Our community values us as a corporate citizen

Products & Services drive reputation

Figure 1: What Drives Reputation in the Global Utilities Industry? (2010)

Products/Services: Utility offers high-quality products and services. It offers excellent products and reliable services.

Innovation: Utility is an innovative company. It makes or sells innovative products or innovates in the way it does business.

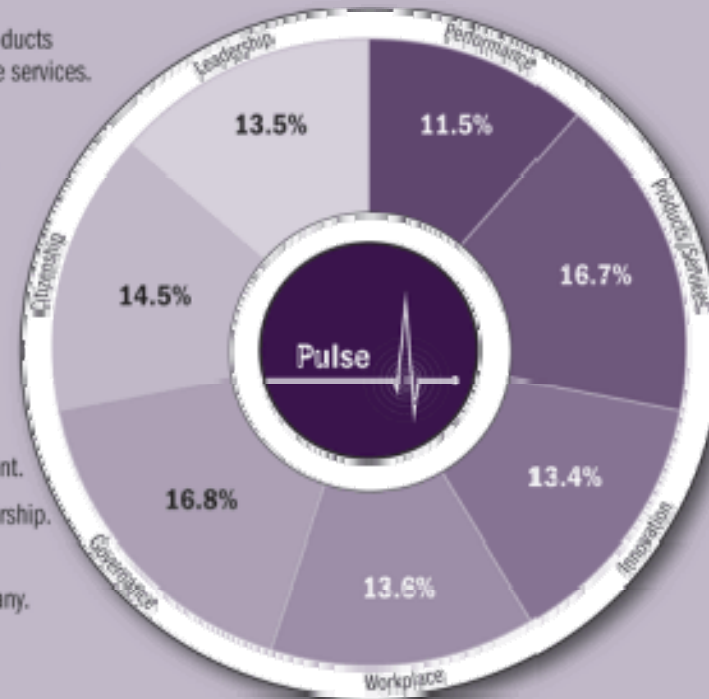
Workplace: Utility is an appealing place to work. It treats its employees well.

Governance: Utility is a responsibly run company. It behaves ethically and is open and transparent in its business dealings.

Citizenship: Utility is a good corporate citizen. It supports good causes and protects the environment.

Leadership: Utility is a company with strong leadership. It has visible leaders and is managed effectively.

Performance: Utility is a high-performance company. It delivers good financial results.



Factor Adjusted Regression
n=6,720
Adjusted R²=0.714

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DSO reduction

- **Accelerate customer payments**

- Lockbox
- Remote Deposit Capture
- Check conversion to ACH
- Web Presentment and payment
- Electronic Funds Transfer (EFT)



- **Receivables data integration – enables business process automation**

DSO reduction

- Account Receivable ↔ Days Sales Outstanding
 - DSO: average number of days to convert a sale (A/R) into cash



The diagram illustrates the formula for Days Sales Outstanding (DSO). It consists of three orange circular nodes connected by mathematical symbols. The first node contains the text 'DSO'. This is followed by an equals sign (=). The second node contains the fraction '[AR] / Annual Sales'. This is followed by a multiplication sign (x). The final node contains the text '365 days'.

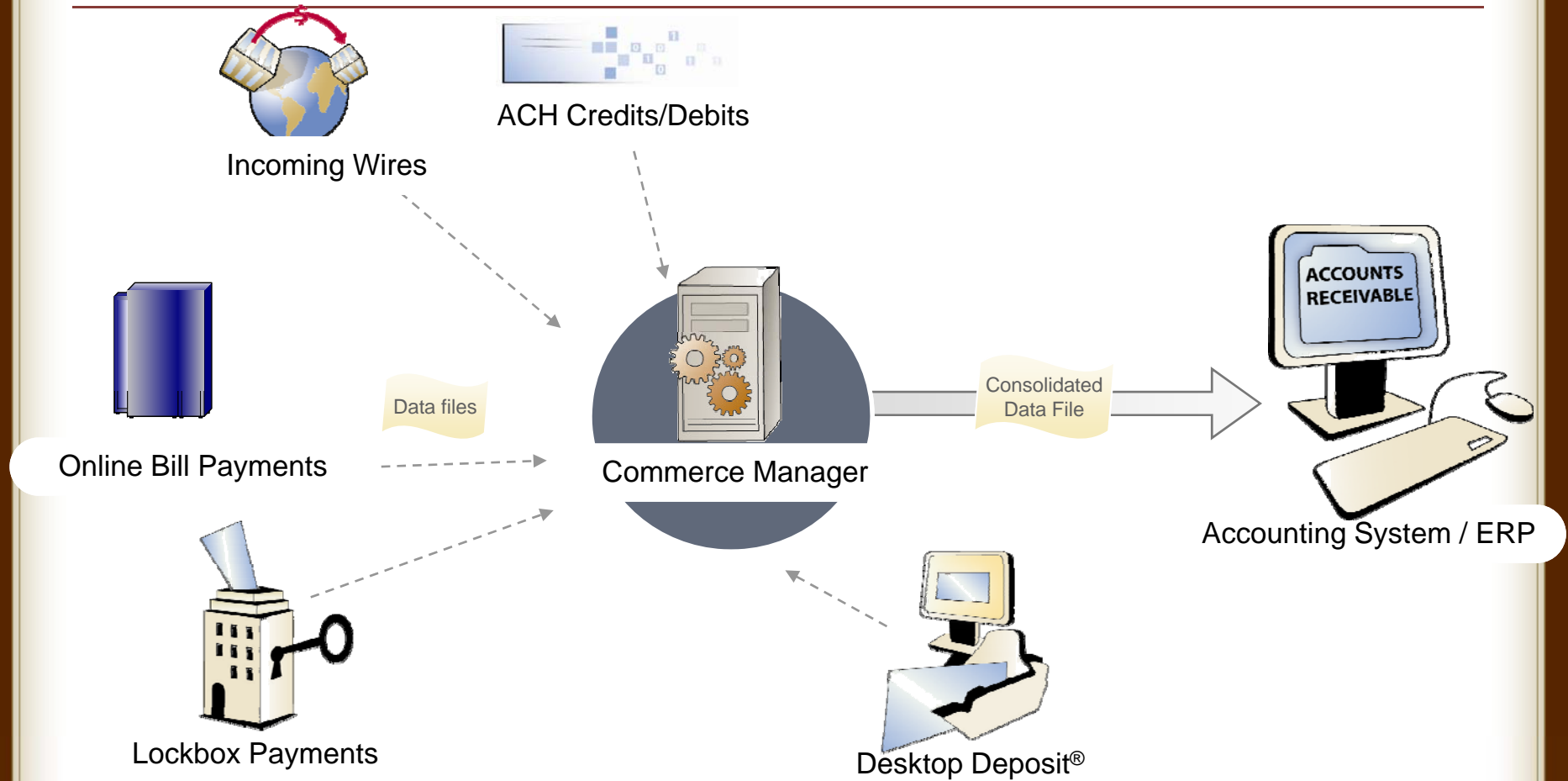
$$\text{DSO} = \frac{[\text{AR}]}{\text{Annual Sales}} \times 365 \text{ days}$$

- Working capital drivers
- Accelerate customer payments
- Automate cash application process & reduce exceptions

Challenges faced with our electronic payment adoption

- Payment type options available
 - CCD
 - CCD+
 - CTX
- Who should we contact?
- What tools should we use in our campaign?
- How do we aggregate payment details and auto-post?

The Efficient Frontier - How KCP&L automated B2B Payments



B2B Payments Implementation Plan

- Implementation Pilot
 - Soft roll-out to a targeted large commercial customer
 - Current user of technology
 - Conversations one year in advance of implementation
 - Worked with banking partners to smooth transition
 - Partnered with Customer Service/Marketing Reps to keep communication lines open
 - Expansion to five other commercial customers
 - Advance conversations to prepare for changes
 - Full Market Rollout

Q & A

The Nominees for Contractor of the Year *are*

The Nominees for Contractor of the Year *are*

5



The Nominees for Contractor of the Year *are*

4



The Nominees for Contractor of the Year *are*

3



The Nominees for Contractor of the Year *are*

2



The Nominees for Contractor of the Year *are*

And the Winner is



Contact Us

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