S&P Global
Ratings

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Missouri Public
Service Commission

Research

Summary:
KCP&L Greater Missouri Operations Co.

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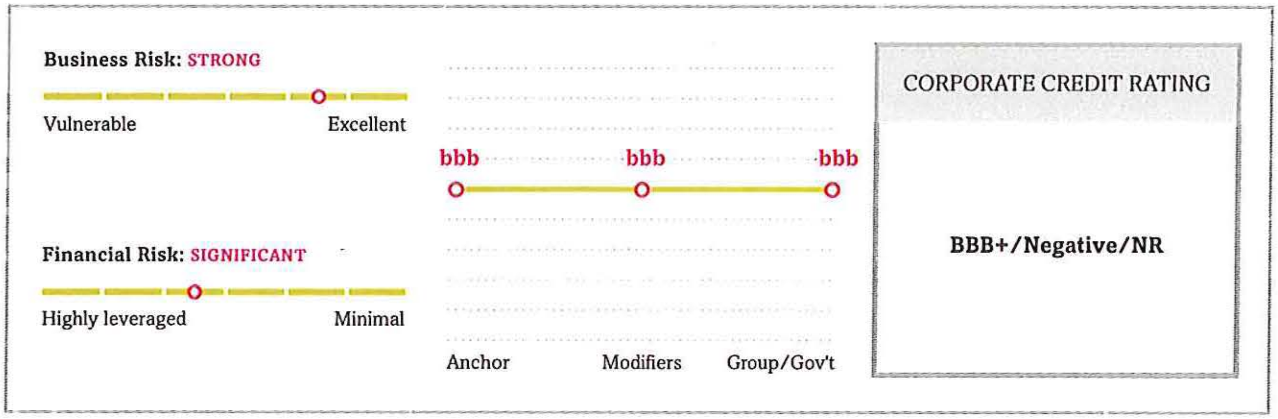
Summary:

KCP&L Greater Missouri Operations Co.



Rationale

Business Risk: Strong	Financial Risk: Significant
• Regulated electric utility KCP&L Greater Missouri Operations Co. (GMO) provides electricity to customers in western Missouri. • Relatively stable cash flows come from regulated electric operations. • Low-cost generation. • Generally supportive regulatory framework,	• Ongoing, but declining, capital spending over the forecast period. • Some variability in cash flow due to regulatory lag, but rate surcharges somewhat mitigate this. • Improved financial measures remain in line with our assessment of the financial risk profile. • Continuing commitment to credit quality and maintenance of a balanced capital structure.

Outlook: Negative

Our outlook on GMO reflects that on parent Great Plains Energy Inc. (GPE). The negative outlook on GPE and its subsidiaries reflects the potential for lower ratings if GPE's financial risk profile, which will deteriorate due to the financing used in the Westar Energy Inc. acquisition, does not improve after the transaction closes such that funds from operations (FFO) to total debt is well over 13% after 2018.

Downside scenario

We could lower ratings on GPE and its subsidiaries if GPE's financial risk profile remains weak after the merger such that FFO to total debt is consistently below 13%. This could occur if the company disproportionately funds the transaction with debt or if capital spending increases materially while investment recovery lags.

Upside scenario

We could affirm the ratings on GPE after the merger closes if the combined company demonstrates that it can achieve FFO to total debt of more than 13% after 2018.

Standard & Poor's Base-Case Scenario

Assumptions

- The economic conditions in the company's service territory continue to improve incrementally, resulting in improving cash flow measures.
- Low-single digit annual EBITDA growth over the forecast period.
- Adequate regulatory outcomes in Missouri and current rate surcharges are retained.

Key Metrics

In our base case, we expect GMO's key adjusted financial measures during the next few years to be stronger than the recent historical performance. For the 12 months ended Dec. 31, 2015, FFO to debt was about 15%, mapping to a significant financial profile under our medial volatility benchmarks. In our base case forecast, we expect FFO to debt of more than than 17%.

Business Risk: Strong

We base our assessment of GMO's business risk profile on the company's satisfactory competitive position, very low industry risk stemming from the regulated utility industry, and the very low country risk of the U.S., where the utility operates. GMO's competitive position reflects the company's fully regulated integrated electric utility operations and our expectation for continued solid operational performance and generally credit-supportive regulation. The utility serves roughly 300,000 customers in western Missouri and owns about 2,100 megawatts of generating capacity. The utility operates with generally supportive regulation, cash flow stability from its customer base, and no competition. GMO recently filed for a rate increase, requesting $59 million to recover capital spending for infrastructure improvements.

Financial Risk: Significant

Based on our medial volatility financial ratio benchmarks, our assessment of GMO's financial risk profile is significant, reflecting our view of the vertically integrated utility model and the recurring cash flow from selling electricity. As a utility, capital spending is ongoing for maintenance purposes and for new projects. Recovery of these costs through rates has generally been supportive. The company will require steady cost recovery through the regulatory process to maintain cash flow measures, including FFO to debt greater than 17%.

Liquidity: Adequate

GMO has adequate liquidity. We believe liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and to meet cash outflows, even with a 10% decline in EBITDA.

Principal Liquidity Sources	Principal Liquidity Uses
• About $650 million consisting of cash on hand, FFO, and assumed credit facility availability over the next 12 months.	• About $250 million consisting of capital spending and dividends over the next 12 months.

Other Credit Considerations

Our assessments of modifiers result in no further changes to the anchor score.

Group Influence

Under our group rating methodology, we assess GMO to be a core subsidiary of GPE, reflecting our view that GMO is highly unlikely to be sold and has a strong long-term commitment from senior management. There are no meaningful insulation measures in place that protect GMO from its parent and, therefore, GMO's issuer credit rating is in line with the GPE group credit profile of 'bbb+'.

Ratings Score Snapshot

Corporate Credit Rating

BBB+/Negative/NR

Business risk: Strong

- **Country risk:** Very low
- **Industry risk:** Very low

- **Competitive position:** Satisfactory

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: bbb

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb

- **Group credit profile:** bbb+
- **Entity status within group:** Core (+1 notch from SACP)

Recovery Analysis/Issue Ratings

We rate GMO's senior unsecured debt the same as the company's issuer credit rating.

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	**bbb**	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-