



Kansas City Power & Light®

May 28, 2002

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

RE: In the Matter of the Application of Kansas City Power & Light Company,
a Missouri Corporation, for authority to enter into interest rate
management products

Dear Mr. Roberts:

I have enclosed for filing an original and eight copies of Kansas City Power & Light Company's Application for authority to enter into interest rate management products. In this Application, KCPL is requesting a three-year extension of the authority granted by the Commission in Case No. EF-2000-8.

Copies of this Application have been served upon the Commission's General Counsel and the Office of Public Counsel.

Thank you for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Mark G. English'.

Mark G. English
Managing Attorney and
Assistant Corporate Secretary

cc: Dana K. Joyce, Esq.
John Coffman, Esq.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Application of KANSAS)	
CITY POWER & LIGHT COMPANY, a)	
Missouri Corporation, for authority to)	Case No. EF-
enter into interest rate management)	
products.)	

APPLICATION

COMES NOW Kansas City Power & Light Company ("KCPL"), and respectfully requests the Order of the Missouri Public Service Commission (the "Commission"), for the extension of authority to enter into interest rate management techniques. In support thereof, KCPL states as follows.

1. KCPL is a corporation duly organized and existing under the laws of the State of Missouri. Its principal office and place of business is located at 1201 Walnut, Kansas City, Missouri 64106; [e-mail: www.kcpl.com](http://www.kcpl.com); telephone: (816) 556 2200; fax: (816) 556-2787. It is engaged in the generation, transmission, distribution and sale of electric energy. Electric energy is distributed and sold to the public in KCPL's certified areas in the States of Missouri and Kansas. KCPL is a "public utility" subject to the jurisdiction, supervision and control of the Commission under Chapters 386 and 393, RSMo. KCPL's Certificate of Good Standing was provided in Case No. EF-2002-315, and is incorporated herein by reference.

2. KCPL has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates which has occurred within three (3) years of the date of this Application, except as identified in Exhibit 1 attached hereto and incorporated herein. No annual report or assessment fees are overdue.

3. Communications in regard to this matter should be addressed to:

Andrea F. Bielsker
Senior Vice President - Finance, Chief Financial Officer and
Treasurer
Kansas City Power & Light Company
1201 Walnut
Kansas City, MO 64106

Telephone: (816) 556-2595
Fax: (816) 556-2992
E-mail: andrea.bielsker@kcpl.com

Mark G. English
Managing Attorney and Assistant Corporate Secretary
Kansas City Power & Light Company
1201 Walnut
Kansas City, MO 64106

Telephone: (816) 556-2608
Fax: (816) 556-2787
E-mail: mark.english@kcpl.com

4. On April 1, 1988, the Commission entered an Order in Case No. EF-88-213 granting authority to Kansas City Power & Light Company ("Applicant") to fix the interest rate on up to \$150 million of its variable rate debt by entering into interest rate "swap" and/or interest rate "cap" and/or interest rate "collar" agreements ("interest rate management products"). On June 20, 1989, in Case No. EF-89-229, on June 19, 1991, in Case No. EF-91-383, and on June 10, 1993, in Case No. EF-93-328, the Commission extended its authority to enter into such interest rate management products. On June 30, 1995, in Case No. EF-95-397, and on August 1, 1999, in Case No. EF-2000-8, the Commission authorized the Applicant to fix the interest rate on up to \$250 million of its variable rate debt through the use of interest rate management products and extended its authority to enter into such products.

5. Applicant has the following interest rate swap agreements currently in

effect, and has notified the Commission of the respective terms and conditions as each transaction has transpired:

<u>Transaction</u>	<u>Amount</u>	<u>Effective Dates</u>
Interest Rate Swap	\$10,000,000	06/08/01 to 06/08/03
Interest Rate Swap	20,000,000	06/08/01 to 06/09/03

Applicant has also provided quarterly reports to the Commission's Office of Financial Analysis regarding the performance of the interest rate management products compared to the rates of the underlying variable rate debt. The report submitted for the quarter ending March 31, 2002, showed that Applicant has been able to hedge the interest rate risk on \$565 million of variable debt at a cost of 64.2 basis points since the program was started in 1988.

6. The Applicant's objective is to maintain a low cost of debt while managing the interest rate risk on portions of its variable rate debt. Applicant's goal is to have approximately 20% to 40% of its debt in a variable interest rate mode, depending on market conditions. Interest rate management techniques allow the Applicant to economically manage its percentage of variable rate debt within this range. With \$30 million of interest rate management products in place, the percent of variable rate debt to total debt is about 24.8%.

7. The macroeconomic environment in the U.S. supports the need for companies to have ample flexibility to manage interest rate risk. Many economists are predicting that U.S. interest rates have seen their cyclical lows and are poised to increase as the economy recovers later in 2002. The positive slope of the yield curve is an indication of expected higher interest rates in the future. The future

view of rates implied by the shape of the current curve indicates a nominal increase in Fed Funds by year-end 2002. Most economists also predict additional rate increases in 2003.

8. In order to maintain its relatively low cost of debt position, Applicant seeks an extension of its authority to manage its interest rate risk by utilizing a combination of \$250 million of interest rate management products.

9. The Applicant is requesting to continue to have authority for up to \$250 million of interest rate management products outstanding at any one time. This amount is appropriate given the Applicant's \$355.3 million of outstanding Environmental Revenue Refunding Bonds (with final maturities in 2012 - 2018), the terms of which afford the Applicant substantial flexibility in setting a fixed or floating-rate interest rate basis for the securities as part of the remarketing process. The entire amount of outstanding EIRR debt will be subject to remarketing during the requested three-year term of this authorization. As such, this authorization would enable the Applicant to optimize its remarketing efforts by offering securities which have the interest rate basis (fixed or variable) most attractive to the market at the time while, at the same time, managing the overall level of variable rate debt in the 20-40% range referenced earlier.

10. Since market opportunities for these interest rate management alternatives are transitory, the Applicant must be able to execute a transaction when the opportunity arises to obtain the most competitive pricing.

11. The Applicant proposes to account for all payments or receipts, including administrative costs, involving this transaction for book purposes as a decrease or increase in interest expense. For ratemaking purposes, the Applicant

contemplates reflecting the net interest effect of the transaction in the embedded debt cost.

12. Applicant submits that it is in the public interest to manage the interest on its debt through the use of interest rate management techniques.

13. Applicant believes that this verified Application will provide the Commission with sufficient facts and information to make a proper disposition of this Application without a hearing.

14. The Applicant will continue to notify the Commission's Office of Financial Analysis of terms and conditions of interest rate management products entered into and will submit quarterly reports regarding the performance of such interest rate management products.

15. Applicant has not filed as exhibits financial statements since these transaction will have little effect on such statements.

WHEREFORE, Applicant requests that the Commission issue its Order on or before July 30, 2002, certifying that:

1. For a period of three additional years, the Applicant is granted authority to have outstanding at any one time \$250 million of interest rate management products with an effective interest rate of 10% or less on fixed rate transactions and an initial interest rate of not more than 10% on variable rate transactions.

2. Applicant may enter into all documents necessary for the above-described transactions.

Dated at Kansas City, Missouri, this 28 day of May, 2002.

KANSAS CITY POWER & LIGHT COMPANY

By: Andrea F. Bielsker
Andrea F. Bielsker
Senior Vice President – Finance, Chief
Financial Officer and Treasurer

Mark G. English
Mark G. English MBN 31068
Managing Attorney and Assistant Corporate Secretary
Kansas City Power & Light Company
1201 Walnut
P. O. Box 418679
Kansas City, Missouri 64141-9679

State of Missouri)
County of Jackson) ss

Andrea F. Bielsker, being duly, sworn, upon his oath deposes and says that she is Senior Vice President-Finance, Treasurer and Chief Financial Officer of Kansas City Power & Light Company, Applicant herein; that she has read and is familiar with the foregoing Application; and that the statements therein are true to the best of her knowledge, information and belief.

Andrea F Bielsker
Andrea F. Bielsker

Subscribed and sworn to before me this 28th day of May, 2002.

My Commission Expires:

12/7/05

Jerry L. Verneti
Notary Public
JERRI L VERNETTI
Notary Public - Notary Seal
STATE OF MISSOURI
CLINTON COUNTY
MY COMMISSION EXP. DEC. 7, 2005

EXHIBIT 1

The following is a listing of Applicant's pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of this application:

1. GST Appeal of Missouri Public Service Commission Decision; Case No. EC-99-553 in the Circuit Court of Cole County, Missouri; Docket No. 00CV324891; further appealed to the Court of Appeals of the Western District of Missouri by GST.
2. Hawthorn Station Incident Investigation before the Missouri Public Service Commission; Case No. ES-99-581