

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the matter of the Application of Kansas City)	
Power & Light Company, a Missouri corporation,)	
for authority to guarantee Environmental Improvement)	
and Energy Resources Authority)	Case No.
Revenue Refunding Bonds, previously authorized by the)	
Commission in Case No. EF-93-13, with a municipal)	
bond insurance policy and to add an auction rate interest)	
rate mode.)	

APPLICATION

Comes now Kansas City Power & Light Company (KCPL or Company) and pursuant to Sections 393.180 and 393.200, RSMo. and 4 CSR 240-3.120 and 4 CSR 240-2.080(16), and applies for authority to guarantee outstanding and previously issued Environmental Improvement Revenue Refunding Bonds (Kansas City Power & Light Company Project) Series 1992, in the aggregate principal amount of \$31 million (Refunding Bonds) with a municipal bond insurance policy and to add an Auction Rate interest rate mode. In support of its application, KCPL alleges and states:

1. KCPL is a corporation duly organized and existing under and by virtue of the laws of the State of Missouri, with its principal office at 1201 Walnut, Kansas City, Missouri 64106-2124. KCPL's Certificate of Good Standing was provided in Case No. EF-2004-0265 and is incorporated herein by reference.

2. KCPL holds Certificates of Convenience and Necessity from the Commission to transact business as an electric public utility in certain areas of the State of Missouri and is principally engaged in the generation, transmission, distribution and sale of electric power and energy.

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

Tim Rush
Director – Regulatory Affairs
Kansas City Power & Light Company
1201 Walnut
Kansas City, Missouri 64106-2124
Telephone: (816) 556-2344
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4. KCPL has heretofore filed with this Commission a certified copy of the Articles of Consolidation under which it was organized and of all amendments thereto.

5. 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 the application, except as identified on Exhibit 1 hereto. No annual report or assessment fees are overdue.

6. The Refunding Bonds are outstanding and were issued by the Missouri State Environmental Improvement and Energy Resources Authority (Authority). Pursuant to authority granted to KCPL by the Commission *In the matter of the application of Kansas City Power & Light Company, a Missouri corporation, for authority to issue pollution control refunding bonds*, Case No. EF-93-13, KCPL issued \$31 million principal amount of its general mortgage bonds to secure the Refunding Bonds, entered into a certain Loan Agreement with the Authority, and has

maintained a \$31 million credit facility with a bank as further support for the Refunding Bonds. KCPL seeks authority from the Commission to guarantee the Refunding Bonds with a municipal bond insurance policy, if it proves economical to do so, and to add an Auction Rate interest rate mode. KCPL also seeks authority from the Commission to execute the appropriate documentation in connection therewith.

7. The Refunding Bonds were initially issued without municipal bond insurance guaranteeing the Refunding Bonds. The interest rate of the Refunding Bonds is currently in the weekly interest rate mode whereby the interest rate on the bond is reset through a weekly remarketing process. KCPL has determined that it is economical to purchase municipal bond insurance to bolster the credit quality of the Refunding Bonds and, thus, achieve a lower interest rate and borrowing cost. These bonds are currently rated A2/BBB and it is expected that the addition of municipal bond insurance will increase the credit rating on the bonds to Aaa/AAA. The improvement in the credit rating is expected to lower the average interest rate on the Refunding Bonds by approximately 85 basis points, resulting in annual interest savings of \$263,500 as illustrated on Exhibit 2. The up-front cost of the insurance is expected to be about \$827,000 while up-front legal costs are expected to be approximately \$403,000, resulting in total up-front costs of \$1,230,000. Therefore, the payback period for the total cost of the insurance issuance is approximately 4.6 years. The net present value savings of adding insurance is expected to be \$3,219,000 over the remaining life of the Refunding Bonds. As a result of the expected savings, KCPL seeks authority to obtain and maintain municipal bond insurance on the Refunding Bonds to help achieve this lower interest rate, including the authority to enter into any documents necessary for the issuance of the municipal bond insurance. Such documents will

include an obligation on the part of KCPL to reimburse the municipal bond insurance policy issuer for any amounts paid by the policy issuer under the insurance policy.

8. The original documentation associated with the Refunding Bonds allows for several interest rate modes including daily, weekly and commercial paper interest rate determination methods. The Refunding Bonds were initially issued in a weekly mode where the interest rate is periodically set through a weekly remarketing process and the Refunding Bonds have remained in this mode since their original issuance. In the current weekly interest rate mode, KCPL is required to provide liquidity support for the Refunding Bonds, in the form of an underlying credit facility. This credit support provides liquidity in the event of a failed remarketing where investors are allowed to "put" their bonds back to the issuer. Since the bonds were initially issued in 1992, an alternate Auction Rate interest rate mode has been developed. KCPL currently has two bonds in this interest rate mode pursuant to authority granted to KCPL by the Commission *In the matter of the application of Kansas City Power & Light Company, a Missouri corporation, for authority to issue pollution control refunding bonds*, Case No. EF-94-95. The main benefit of this interest rate mode is that the Auction Rate mode does not have a "put" feature, thereby eliminating the need for and the associated cost of credit support. The Auction Rate mode allows for the interest rate on the Refunding Bonds to be set periodically via a Dutch Auction process. The Dutch Auction structure does not require liquidity support, as investors do not have the ability to "put" their bonds back to the issuer. As indicated in Exhibit 2, KCPL would expect the elimination of the underlying liquidity credit facility associated with the conversion to an Auction Rate interest rate mode to result in incremental annual savings of approximately \$108,500. Therefore, KCPL seeks authority to add an Auction Rate interest rate mode as an additional interest rate determination mode to the Refunding Bonds.

9. Since the Refunding Bonds have been issued, and KCPL has entered into related transactions and documents pursuant to authority previously granted by the Commission in Case No. EF-93-13, KCPL is not providing the statements and documents detailed in 4 CSR 240-3.120(B), (C), (D), (E), (F) and (G).

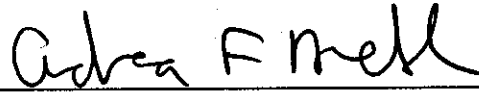
10. Attached hereto as Exhibit 2 is KCPL's Net Present Value Interest Savings Analysis, indicating the expected amount of interest expense and liquidity facility fees saved over the cost of the municipal bond insurance over the remaining maturity of the Refunding Bonds. KCPL expects the Net Present Value Interest Savings impact through the maturity of the Refunding Bonds to be \$4,545,000. The Net Present Value Interest Savings Analysis demonstrates that the insurance for the Refunding Bonds is in the interest of KCPL and its customers.

WHEREFORE, Applicant requests the Commission to enter an appropriate Order authorizing Applicant to add an Auction Rate interest rate mode and to guarantee the Environmental Improvement Revenue Refunding Bonds (Kansas City Power & Light Company Project) Series 1992 with a municipal bond insurance policy, and to execute all documents and take all other actions necessary for the issuance and maintenance of such municipal bond insurance policy and for the addition of an Auction Rate interest rate mode as authorized in this proceeding.

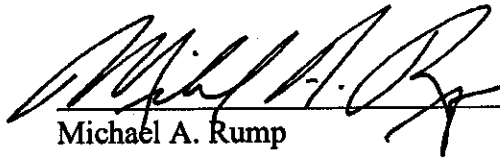
DATED at Kansas City, Missouri, this 7th day of April 2004.

KANSAS CITY POWER & LIGHT COMPANY

By



Andrea F. Bielsker
Senior Vice President – Finance, Chief
Financial Officer and Treasurer
Kansas City Power & Light Company
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ATTORNEY FOR APPLICANT

STATE OF MISSOURI)
)
COUNTY OF JACKSON)


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Andrea F. Bielsker, being first duly sworn, on her oath and in her capacity as Senior Vice President – Finance, Chief Financial Officer and Treasurer for Kansas City Power & Light Company, states that she is authorized to execute this Application on behalf of Kansas City Power & Light Company, and has knowledge of the matters stated in this Application, and that said matters are true and correct to the best of her knowledge, information and belief.

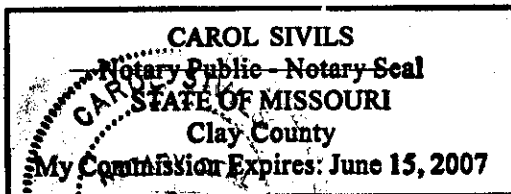


Andrea F. Bielsker

Subscribed and sworn to before me this 7th day of April 2004.


Notary Public

My Commission Expires:

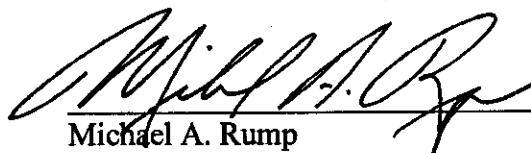


CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing Application has been hand-delivered or mailed, First Class mail, postage prepaid, this 7th day of April 2004, to:

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Dana K. Joyce
General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102



Michael A. Rump

EXHIBIT 1

Statement in conjunction with 4 CSR 240-2-060(1)(K):

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:

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; Court of Appeals reversed and remanded decision.

Tan World, Inc. v. KCPL; Docket No. 04-KCPE-385-COM. Formal Complaint filed by Tan World relating to billing issue.

NET PRESENT VALUE INTEREST SAVINGS ANALYSIS

STATE ENVIRONMENTAL IMPROVEMENT
AND ENERGY RESOURCES AUTHORITY
OF THE STATE OF MISSOURI
\$31,000,000
Environmental Improvement
Revenue Refunding Bonds
(Kansas City Power & Light Company)
Series 1992

	Amount	Maturity	Auction Date ⁽¹⁾	Indicative Auction Rate w/ Insurance ⁽²⁾	Auction Rate w/out Insurance	Interest Rate Savings	Discount Rate
Series 1992 EIRR Bonds	\$31,000,000	7/1/17	4/7/04	1.12%	1.97%	0.85%	1.12%

Upfront Costs			Annual Savings		
	Dollars	Percent ⁽³⁾		Dollars	Percent
Insurance Issuance Costs ⁽⁴⁾	\$1,229,614	0.41%	Interest Savings	\$263,500	0.85%
			Liquidity Facility Elimination ⁽⁵⁾	\$108,500	0.35%
Total Upfront Costs	\$1,229,614	0.41%	Total Annual Savings	\$372,000	1.20%

NPV OF ANNUAL SAVINGS \$4,544,958

Notes:

⁽¹⁾ Assumed first auction date after insurance is issued.

⁽²⁾ Indicative rate provided by Bank One.

⁽³⁾ Annualized over the remaining term of the issue.

⁽⁴⁾ Assumes insurance premium of \$826,641 and other legal costs of \$402,974.

⁽⁵⁾ Upon conversion to auction rate mode, the current supporting line of credit backstop would be eliminated. The annual cost for this credit line is 35 basis points.