

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
July 29, 1999**

CASE NO: EF-2000-8

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William G. Riggins/Gerald A. Reynolds
Kansas City Power & Light Company
1201 Walnut Street
Kansas City, MO 64106

Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Uncertified Copy:

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 29th
day of July, 1999.

In the Matter of the Application of Kansas City)
Power & Light Company for an Extension of) Case No. EF-2000-8
Authority to Enter into Interest Rate Management)
Techniques.)

ORDER APPROVING FINANCING

On July 2, 1999, Kansas City Power & Light Company (KCPL) filed an application requesting the Commission to extend, for an additional three years, KCPL's authority to purchase or enter agreements for interest rate management products. The request included authority to have outstanding at any one time \$250 million of interest rate management products with an effective interest rate of 10 percent or less on fixed rate transactions and an initial interest rate of not more than 10 percent on variable rate transactions. The application also requests authority to enter into all agreements necessary for the described transactions.

On July 27, 1999, the Commission's Staff filed a memorandum in this case recommending approval of the requests presented in the application and also recommends that consideration of any ratemaking treatment to be afforded these transactions be reserved.

History

By Order dated April 1, 1988, in Case No. EF-88-213, the Commission authorized KCPL to fix the interest rate on up to \$150 million

of its variable rate debt by entering into interest rate agreements. On June 20, 1989, the Commission extended this authority for an additional twenty-four months in Case No. EF-89-229. On June 19, 1991, in Case No. EF-91-383, the authority was extended twenty-four months. On June 10, 1993, in Case No. EF-93-328, this authority was extended for thirty-six months. Finally, on June 30, 1995, this authority was extended to July 31, 1999, in Case No. EF-95-397. In addition, the amount of authorized interest rate management products was increased to \$250 million.

Findings and Conclusions

The Commission, based upon consideration of the verified application, and the recommendation of its Staff, finds and concludes as follows.

KCPL's objective is to maintain a low cost of debt while managing the interest rate risk on portions of its variable rate debt. Interest rate management products include interest rate "swap", "cap", and "collar" agreements. Because market opportunities for these interest rate management alternatives are transitory, KCPL must be able to execute a transaction when the opportunity arises to obtain the most competitive pricing. Regulatory approval of each individual transaction would likely foreclose the opportunity for these transactions due to the inherent time constraints of the approval process.

KCPL has successfully used variable rate debt and interest rate management products over the last ten years to lower its interest costs

and to economically hedge its interest rate risk. KCPL and Staff agreed that "it is in the public interest to manage the interest on its [KCPL] debt through the use of interest rate management techniques."

KCPL proposes to continue to account for all payments or receipts and administrative costs incurred due to these transactions as an increase or decrease in interest expense. Also, KCPL proposes to continue reporting to the Commission's Department of Financial Analysis including terms and conditions of interest rate management products entered into and submission of quarterly reports regarding the performance of such products. Staff found these conditions acceptable.

IT IS THEREFORE ORDERED:

1. That the authority granted to Kansas City Power & Light Company in Case No. EF-95-397 is extended for a period of three (3) additional years, from August 1, 1999, to July 31, 2002.

2. That Kansas City Power & Light Company is authorized to have outstanding at any one time \$250 million of interest rate management products, with an effective interest rate of ten (10) percent or less on fixed rate transactions, and an initial rate of not more than ten (10) percent on variable rate transactions.

3. That Kansas City Power & Light Company is authorized to execute, deliver, and perform the necessary agreements or documents relative to the use of interest rate management products authorized herein.

4. That Kansas City Power & Light Company is authorized to do all things not contrary to law or to the rules and regulations of the

Commission, necessary to the performance of the acts specifically authorized in this order, including the execution of such other agreements and documents as are reasonably necessary to the furtherance of the use of interest rate management products authorized herein.

5. That Kansas City Power & Light Company is directed to submit to the Financial Analysis Department of the Commission a statement of the final terms and conditions of interest rate management products entered into on a timely basis as this information becomes available.

6. That Kansas City Power & Light Company is directed to submit to the Financial Analysis Department of the Commission quarterly reports regarding the performance of the interest rate management products entered into.

7. That the time period referenced in Ordered Paragraph No. 1 above refers to the period of time during which Kansas City Power & Light Company may enter into interest rate management agreements, but does not limit the length of time those agreements may run.

8. That nothing in this order shall be considered a finding of the Commission of the value for ratemaking purposes of any properties herein involved, or as an acquiescence in the value placed upon said properties by Kansas City Power & Light Company. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded the use of the interest rate management products, and their effect on cost of capital, in any later proceeding.

9. That this order shall become effective on August 1, 1999.

BY THE COMMISSION

A handwritten signature in cursive script that reads "Dale Hardy Roberts".

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer, Murray,
and Schemenauer, CC., concur.
Crompton, C., absent.

Thornburg, Regulatory Law Judge

ALJ/Sec'y: Thornburg/Pope

7-28 EF-2000-8
Date Circulated CASE NO.

SL
Lump, Chair
W. S. S. S.
Crumpton, Commissioner
DM
Murray, Commissioner
RS
Schemenauer, Commissioner
W. S. S. S.
Drainer, Vice-Chair

7-29
Agenda Date

Action taken: 4-0 AS
Must Vote Not Later Than _____

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

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson
City,

Missouri, this 29TH day of JULY, 1999.



Dale Hardy Roberts

**Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge**