

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
December 5, 2000**

CASE NO: EF-2001-282

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

General Counsel
Missouri Public Service Commission
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Jeanie Sell Latz
Kansas City Power & Light Company
1201 Walnut, P. O. Box 418679
Kansas City, MO 64141-9679

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

Sincerely,

A handwritten signature in black ink that reads "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

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

Uncertified Copies:

At a session of the Public Service Commission held at its office in Jefferson City on the 5th day of December, 2000.

ORDER APPROVING FINANCING

In its amended application, KCPL states that the debt securities will be used for general purposes. KCPL requests authorization to issue debt securities described as follows:

11. The debt securities will have maturities of nine months to 30 years and will be issued by the Applicant or through agents or underwriters for the Applicant in multiple offerings of differing amounts with different interest rates (including variable interest rates) and other negotiated terms and conditions.

12. The debt securities will be issued as unsecured debt for flexibility. This additional flexibility is provided at a very low cost with the current spread between the Applicant's senior debt and unsecured debt at about 25 basis points.

KCPL also requests "authority to enter into interest rate hedging instruments in conjunction with the proposed debt securities." KCPL

indicated that by "having the flexibility to access the debt markets and utilize the derivatives market together, [it] will be able to minimize the cost of debt." KCPL stated that it has authority from the Commission in Case No. EF-2000-8 to enter into interest rate hedging instruments for managing its portfolio of variable rate debt. However, KCPL states that the hedging instruments authority it is currently requesting would be limited strictly to the debt securities requested in this application.

On November 15, 2000, the Staff of the Missouri Public Service Commission (Staff) filed a response to the amended application and motion for expedited treatment. Staff indicated it needed additional information from KCPL before formulating its final recommendation. On November 28, 2000, the Commission issued an order denying the motion for expedited treatment but indicating that it would process KCPL's application expeditiously once it received Staff's final recommendation. The Commission also ordered Staff to file its recommendation no later than November 30, 2000.

After receiving additional information from KCPL in the form of answers to data requests, Staff filed its recommendation on November 30, 2000. Staff stated in its recommendation that this financing would have a significant impact on KCPL's consolidated capital structure if the entire \$400 million of debt securities is issued. Staff indicated the pro forma capital structure would be 40.20 percent common equity, 8.19 percent preferred stock, and 51.61 percent long-term debt. Staff stated that KCPL's Pre-Tax Interest Coverage and Funds Flow Interest Coverage Ratios as of September 30, 2000, are consistent with a "AA" rating by Standard and Poor's Corporation. Staff noted, however, that on a pro forma basis considering the requested authority for issuance of debt, the ratios would be consistent with a "BBB" rating.

Staff concludes that because of KCPL's history in managing its portfolio of variable rate debt as well as maintaining its low cost of debt, this financing would not be detrimental to the public as long as KCPL maintains its financial integrity. Therefore, Staff recommends approval of the application with several conditions.

On December 1, 2000, KCPL filed a response to Staff's recommendation which stated that KCPL agrees to Staff's recommended conditions. KCPL also stated that it "waives the 10-day effective date" assuming the Commission approves its amended application.

The Commission has reviewed the amended application, the Staff recommendation, and responses and determines the proposed transaction to be reasonable and not detrimental to the public interest. The Commission will approve the requested financing with the conditions recommended by the Staff.

IT IS THEREFORE ORDERED:

1. That Kansas City Power & Light Company is hereby authorized to consummate the transactions contemplated in the application as amended, with the conditions proposed by the Staff of the Missouri Public Service Commission as set out more explicitly below.

2. That Kansas City Power & Light Company shall be required to file with the Commission, within ten days of completion of the transaction, all final terms and conditions on this financing including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, portion subject to the fee schedule and loan or indenture agreement concerning each issuance.

3. That Kansas City Power & Light Company shall not issue any unissued amount of the \$400 million in debt securities if the Company's

credit rating falls below a "BBB" credit rating as defined by Standard and Poor's Credit Rating Service.

4. That Kansas City Power & Light Company shall file with the Commission any information concerning deviations from the stated use of the funds or any information that would materially change the pro forma capitalization and financial ratios no later than ten days after the discovery of such information.

5. That Kansas City Power & Light Company is authorized to issue this debt only if the interest rate does not exceed ten percent.

6. That Kansas City Power & Light Company shall file with the Commission any information concerning communication with credit rating agencies regarding this issuance or issuances no later than ten days from the date of the communication.

7. That Kansas City Power & Light Company's application to issue debt securities is approved only for the purposes stated in the amended application and the debt securities shall not be used for operating expenses.

8. That Kansas City Power & Light Company's total borrowings, including all instruments, shall not exceed its regulated rate base.

9. That Kansas City Power & Light Company's shall be required to submit to the Financial Analysis Department of the Commission key financial ratios for Total Company on a quarterly basis as calculated and defined by Standard and Poor's Credit Rating Service. The required ratios are:

- a. Pre-tax Interest Coverage
- b. After-tax Coverage of Interest and Preferred Dividends
- c. Funds Flow Interest Coverage
- d. Funds from Operations to Total Debt
- e. Total Debt to Total Capital (including Preferred)

10. That Kansas City Power & Light Company shall be required to submit to the Staff of the Commission any information concerning deviations

from the projected in-service date for the Hawthorn No. 5 Generating Unit not more than ten days from the date it receives such information.

11. That nothing in this order shall be considered as a finding by the Commission of the reasonableness of the expenditures involved herein, nor of the value for ratemaking purposes of these expenditures; and the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions in future rate proceedings.

12. That this order shall become effective on December 6, 2000.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer, Murray,
Schemenauer, and Simmons, CC., concur.

Dippell, Senior Regulatory Law Judge

AL/Sec'y: Dwyrell Pope
Date Circulated 12-4 CASE NO. EF-200, 282
HL
Lumpke, Chair
and
Draimer, Vice Chair
am
Murray, Commissioner
DL
Schenenauer, Commissioner
KS
Simmons, Commissioner
12-5
Agenda Date
Action taken: 5-OAS
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 5th day of December 2000.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

