

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 12th
day of November, 1992.

In the matter of the application of Kansas City)
Power & Light Company, a Missouri corporation,) CASE NO. EF-93-127
for authority to issue medium-term Notes.)

ORDER APPROVING FINANCING

On October 30, 1992, Kansas City Power & Light Company (KCPL) filed an application requesting Commission authority to issue up to \$250 million principal amount of medium-term notes (Notes). KCPL intends to use the proceeds from the issuance of the Notes to refund maturing long-term debt, refinance long-term debt and repay short-term debt incurred to refund long-term debt.

KCPL stated in its application that advantages to this type of financing include lower issuance costs than traditional underwritten offerings; flexibility to take advantage of sudden refinancing opportunities; the Notes fill specific needs as to form, amount and maturity for an investor; and for this flexibility, investors are willing to accept somewhat lower offered yields. KCPL stated that the issuance and execution of the Notes is in the public interest.

On November 4, 1992, the Staff of the Commission (Staff) filed a memorandum recommending that the Commission approve KCPL's application, subject to the following conditions: (1) that the proceeds of the issuance of the Notes will only be used for the purposes of refinancing existing long-term debt, repaying short-term debt, or to refund maturing long-term debt; (2) that any refunding of any fixed rate long-term debt obligations may only be transacted if doing so will result in a net savings for KCPL; and (3) that KCPL file the final terms and conditions associated with each individual issuance of the Notes with the Commission's Financial Analysis Department.

A Staff analysis of KCPL's financial statements shows that KCPL's capital structure consists of approximately 47.03 percent long-term debt, 0.00 percent short-term debt, 5.12 percent preferred stock and 47.85 percent common stock equity. Staff's analysis indicates that, as the proceeds of the Notes will be used to either refinance existing debt obligations or refund maturing debt obligations, incremental changes to the capital structure will be minimal. Staff stated that KCPL's current pretax interest coverage is 2.81 times, and that this ratio and the capital structure proportions fall within or above *Standard and Poor's* "Risk Adjusted Ratio Guidelines" detailing financial criteria for an "A" rated electric utility. Staff also stated that KCPL's current bond rating is an "A". Staff further stated that, as the impact of the proposed financing should only result in interest cost savings, the issuance of the Notes will not be detrimental to KCPL's bond rating and should not limit KCPL's ability to attract capital dollars going forward. In addition, Staff noted that the differing maturity dates (from nine months to thirty years) will allow KCPL to stagger the maturity dates of the various issues of the \$250 million, allowing KCPL to reduce the maturity risk associated with the time period when debt obligations come due.

On November 6, 1992, Staff filed a supplemental recommendation requesting that the Commission's order in this case have an effective date of no later than November 13, 1992, which is the date that KCPL intends to issue mortgage bonds which will secure the Notes to be issued pursuant to this case. Staff also stated that in lieu of the second condition contained in its original recommendation, it has obtained written verification from KCPL that any refunding of any fixed rate long-term debt obligations will result in a net interest savings.

Upon review of KCPL's application and Staff's recommendations, the Commission finds that the changes in KCPL's capital structure and the adjustments in KCPL's interest coverage ratios are reasonable inasmuch as such changes will

be minimal. The Commission also finds that KCPL's proposed financing will not be detrimental to KCPL's bond rating or its ability to raise capital in that KCPL's bond rating will remain an "A" and its capital structure and interest coverage ratios will be within the criteria for an "A" rated utility. The Commission further finds that the proceeds to be procured by the proposed financing are reasonably required for the purposes specified in this Order and that the purposes are not, in whole or in part, reasonably chargeable to operating expenses or income. Thus, the Commission determines that KCPL's application should be approved.

IT IS THEREFORE ORDERED:

1. That the application of Kansas City Power & Light Company to issue up to \$250 million principal amount of medium-term notes is hereby approved.

2. That Kansas City Power & Light Company may execute and deliver such instruments and may undertake such other acts as are necessary to consummate the issuance of the notes as contemplated by this Order.

3. That the financing approved in Ordered Paragraph 1 shall be subject to the conditions specified in this Order.

4. That the proceeds procured by the issuance of the notes contemplated by this Order shall be applied only to the purposes specified in this Order.

5. That Kansas City Power & Light Company shall submit journal entries showing the booking of the proceeds and use thereof to the Commission's Financial Analysis Department.

6. That nothing in this Order shall be considered as a finding by the Commission of the reasonableness of the expenditures herein involved, or of the value for ratemaking purposes of the properties herein involved, nor as an

acquiescence in the value placed upon said properties by Kansas City Power & Light Company.

7. That the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions, and their resulting cost of capital, in any later proceeding.

8. That this Order shall become effective on November 13, 1992.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Rauch,
Perkins and Kincheloe, CC., Concur.