

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY

September 9, 1992

CASE NO. EF-93-13

Jeanie Sell Latz, Corporate Secretary and Senior Attorney, Kansas City
Power & Light Company, 1201 Walnut, P.O. Box 418679, Kansas City, MO 64106

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

Sincerely,

Brent Stewart

Brent Stewart
Executive Secretary

Uncertified Copy:

Office of the Public Counsel, P.O. Box 7800, Jefferson City, MO 65102
B. J. Beaudoin, Senior Vice President-Finance & Chief Financial Officer and
Samuel P. Cowley, Senior Vice President and Chief Legal Officer, Kansas
City Power & Light Company, 1201 Walnut, P.O. Box 418679, Kansas City, MO 64106

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 9th
day of September, 1992.

In the matter of the application of)
Kansas City Power & Light Company, a)
Missouri corporation, for authority) Case No. EF-93-13
to issue pollution control refunding)
bonds.)

ORDER APPROVING FINANCING

On July 13, 1992, Kansas City Power & Light Company (KCPL) filed an application pursuant to Sections 393.180 and 393.200, RSMo 1989, requesting authority to issue \$31,000,000 in Environmental Improvement and Energy Resources Authority, Pollution Control Revenue Refunding Bonds (Refunding Bonds). KCPL states that these tax exempt, variable rate, refunding bonds will be limited obligations of the Missouri State Environmental Improvement and Energy Resource Authority secured by KCPL's obligation to pay interest and principal under a loan agreement and will also be secured by KCPL's General Mortgage Bonds.

In support of its application, KCPL states that in 1978, the State Environmental Improvement Authority, State of Missouri, committed to the issuance of \$31,000,000 aggregate principal amount of pollution control bonds to finance certain of KCPL's pollution control facilities at its Iatan and Hawthorn stations. KCPL further states that with the approval of the Commission, the State of Missouri, in cooperation with KCPL, issued \$9,200,000 Environmental Improvement Revenue Bonds and \$21,800,00 Environmental Improvement Revenue Bonds, each series maturing in 2008, Case No. EF-78-280 (1978 bonds).

KCPL states that it now proposes to refund these 1978 bonds with the issuance of \$31,000,000 Missouri Environmental Improvement and Energy Resource

Authority, Pollution Control Revenue Refunding Bonds (Refunding Bonds) and that the Refunding Bonds will be structured, marketed and sold as multi-mode bonds providing either daily, weekly or commercial paper reset periods and having fixed rate conversion features. KCPL states that the maturity of the Refunding Bonds will extend to the year 2017. KCPL states that the benefits of the Refunding Bonds are: (1) the 1978 bonds have a sinking fund which requires payments averaging \$1,000,000 annually from 1999 to 2007, and that these payments would be made using capital with a significantly higher cost than tax-exempt debt. The Refunding Bonds will not have a sinking fund and, thus, will allow KCPL to preserve access to lower cost tax-exempt debt through the final maturity date of the Refunding Bonds; (2) the Refunding Bonds will have a final maturity of 2017 which is nine years longer than the maturity date of the 1978 bonds, thereby prolonging access to lower cost tax-exempt debt for the longest possible period; (3) historical data shows that short term tax-exempt variable rates have averaged substantially less than 6 7/8% over the past five-year (5.40%) and ten-year (5.45%) periods. The current tax-exempt rate index is around 3.00%. The net present value savings associated with the 1978 bonds with a non-sinking fund, variable rate issue maturing 2017 assuming an average interest rate of 5.45% (the ten-year average rate) is about \$4.2 million. Assuming the current index rate of 3.0%, the net present value savings associated with the refunding would be about \$10.8 million.

KCPL further states that the General Mortgage Bonds securing the Refunding Bonds will be issued under the Company's General Mortgage Indenture and Deed of Trust dated as of December 1, 1986, between KCPL and United Missouri Bank, N.A., Trustee, and will bear the same interest rate and other terms and conditions as the Refunding Bonds. KCPL states that the refunding of the 1978

bonds by issuance of the Refunding Bonds and General Mortgage Bonds is in the public interest.

On August 27, 1992, the Staff of the Missouri Public Service Commission (Staff) filed its recommendation in this case. On September 4, 1992, Staff filed an Addendum and Amendment to its original recommendation. Staff recommends that the Commission approve the financing application as submitted and that the Commission order KCPL to submit copies of the executed instruments defining terms of the securities after they have been issued. In support of its recommendation, Staff states that KCPL has performed a break-even analysis regarding the cost of issuing the Refunding Bonds as opposed to the cost of retaining the 1978 Bonds. Staff states that this analysis shows that in order for there to be a net present value savings associated with issuing the Refunding Bonds, the coupon on these bonds should not exceed 7.028% and that the estimated net present value savings should be between \$4.2 million and \$10.8 million. Staff further states that a positive net present value indicates that issuing the Refunding Bonds will be beneficial to KCPL and present a savings in interest costs that will ultimately be passed on to the ratepayers. Staff states that it has reviewed KCPL's analysis and believes that the calculations are reasonable and that the Refunding Bonds should not be detrimental to KCPL or its ratepayers.

The Commission has jurisdiction over this matter pursuant to Sections 393.180, 393.190 and 393.200, RSMo 1986. The Commission is of the opinion that KCPL should be granted authority to issue \$31 million in Missouri Environmental Improvement and Energy Resources Authority, Pollution Control Revenue Refunding Bonds to refinance the 1978 bonds previously approved by the Commission in Case No. EF-78-280 as it will be beneficial to both KCPL and its ratepayers. The Commission also finds that such purposes are not, in whole or in part, chargeable

to operating expense or to income. The Commission is of the opinion that KCPL should submit copies of the executed instruments defining terms of the securities after they have been issued for review by the Commission's Financial Analysis Department.

The Commission further determines that its Internal Accounting Department should determine the amount of the fees to be collected pursuant to Section 386.300, RSMo 1986. The Commission finds that to facilitate this determination, KCPL should file journal entries reflecting the uses to which the proceeds are applied. To the extent the proceeds are applied to refinancing of outstanding indebtedness, they are exempt from the fees imposed by Section 386.300.

IT IS THEREFORE ORDERED:

1. That Kansas City Power & Light Company be, and is, hereby authorized to issue \$31,000,000 Missouri Environmental Improvement and Energy Resources Authority, Pollution Control Revenue Refunding Bonds Series 1992.

2. That Kansas City Power & Light Company be, and is, hereby authorized to execute and enter into a Purchase Agreement, Loan Agreement, and any other documents necessary for the issuance of \$31,000,000 principal amount of the Pollution Control Revenue Refunding Bonds by the Missouri Environmental Improvement and Energy Resources Authority.

3. That Kansas City Power & Light Company be, and is, hereby authorized to issue \$31,000,000 principal amount of General Mortgage Bonds to secure the Pollution Control Revenue Refunding Bonds bearing the same interest or other terms and conditions as the Pollution Control Revenue Refunding Bonds.

4. That Kansas City Power & Light Company be, and is, hereby authorized to execute all documents necessary for the issuance and take all other

actions necessary for the issuance and maintenance of the Pollution Control Revenue Refunding Bonds and General Mortgage Bonds.

5. That within thirty (30) days from the closing date of the transactions herein authorized, Kansas City Power & Light Company shall submit to the Financial Analysis Department of the Commission reports verified by the appropriate company official reflecting both the final terms of closing, documentation showing same, and journal entries relating to the Pollution Control Revenue Refunding Bonds and the utilization of the proceeds from the issuance.

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 the Applicant. Furthermore, 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.

7. That this order shall become effective on the date hereof.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

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