MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EF-2010-0178, Kansas City Power and Light Company

FROM: David Murray, Financial Analysis Department

/s/ David Murray 02/24/10	/s/ Eric Dearmont 2/24/2010
Project Coordinator / Date	Staff Counsel's Office / Date

SUBJECT: Staff Recommendation for conditional approval of the Application of Kansas City Power & Light Company ("Company," "Applicant," or "KCP&L"), for authority to issue and sell of up to $650,000,000 principal amount of debt securities through December 31, 2011. Applicant also requests authority to enter into interest rate hedging instruments in conjunction with the debt securities to be issued under the requested authorization.

DATE: February 24, 2010

1. (a) **Type of Issue:** Senior or subordinated debt and either unsecured or secured debt. If secured debt, this debt will be issued under the Applicant's existing general mortgage indentures. See Paragraph 13 in the Application for additional details.

   (b) **Amount:** Up to $450,000,000.

   (c) **Rate:** Interest rates on the debt securities, represented by either (i) the coupon on fixed rate debt securities or (ii) the initial rate on any variable or remarketed debt securities, will not exceed nine percent (9%).

   (d) **Other Provisions:** The terms of maturity for the various series of indebtedness will range from one (1) year to forty (40) years.

2. **Proposed Date of Transaction:** Anytime after the date of Commission authorization and until December 31, 2011.

3. (a) **Statement of Purpose of the Issue:** The Application states the funds will be used to "meet the new financing and refinancing requirements outlined in Exhibit 6, (including the flexibility to fund additional potential capital requirements consisting of potential wind generation, additional environmental upgrades, and a strategic transmission line as outlined in Exhibit 5)..."

   (b) **From a financial perspective, does Staff deem this Statement of Purpose of the Issue reasonable?**

   Yes _X_ No ____

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4. **Copies of executed instruments defining terms of the proposed securities:**

___ (a) If such instruments have been previously filed with the Commission, a reference to the Case Number in which the instruments were furnished.

_X_ (b) If such instruments have not been executed at the time of filing, a statement of the general terms and conditions to be contained in the instruments, which are proposed to be executed.

___ (c) If no such instruments are either executed or to be executed, a statement of how the securities are to be sold.

5. **Certified copy of resolution of the directors of applicant, or other legal documents authorizing the issuance of the securities reviewed:**

Yes _X_ No ____

6. **Pro-forma Balance Sheet and Income Statement reviewed:**

Yes _X_ No ____

7. **Capital expenditure schedule reviewed:**

Yes _X_ No ____

8. **Journal entries required to be filed by the Company to allow for the Fee Schedule to be applied:**

Yes _X_ No ____

9. **Recommendation of the Staff:**

_____ Grant by session order (see Comments)

_X_ Conditional approval granted pending receipt of definite terms of issuance (see Comments)

____ Require additional and/or revised data before approval can be granted (see Comments)

____ Formal hearing required (see Comments)

____ Recommend dismissal (see Comments)

COMMENTS:

KCP&L, headquartered in Kansas City, Missouri, is an integrated, regulated electric utility that engages in the generation, transmission, distribution and sale of electricity. KCP&L serves approximately 509,000 customers located in western Missouri and eastern Kansas. Customers include approximately 449,000 residences, 58,000 commercial firms, and 2,000 industrials, municipalities and other electric utilities.[1]

On December 8, 2009, KCP&L filed an Application with the Missouri Public Service Commission (Commission) requesting approval for authority to issue debt securities in an aggregate principal amount of $650,000,000 as either unsecured or secured indebtedness under indentures previously filed with the Commission. KCP&L states in Paragraph 12 of its Application:

> The debt securities will have maturities of one year to 40 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. Interest rates on the debt securities, represented by either (i) the coupon on fixed rate debt securities or (ii) the initial rate on any variable debt securities, will not exceed (9%).

Regarding the use of requested funds raised through the requested debt authority, KCP&L further states the following in Paragraph 11 of its Application:

> To meet the new financing and refinancing requirements outlined in Exhibit 6, (including the flexibility to fund additional potential capital requirements consisting of potential wind generation, additional environmental upgrades, and a strategic transmission line as outlined in Exhibit 5), Applicant seeks authority to issue up to $650 million principal amount of debt securities through December 31, 2011, and to enter into interest rate hedging instruments in connection with such securities.

1 Great Plains Energy 2008 SEC Form 10-K Filing.

Exhibit 5 attached to the Application shows KCP&L's projected capital expenditures for 2010 through 2011 are approximately ** ____
____
____ **
Exhibit 6 attached to the Application also shows that KCP&L anticipates refinancing ** ____ **. If this ** ________ ** is netted out of the $650 million of debt financing requested in the Application, then KCP&L's requested net new proceeds is approximately ** ________ ** for projected and potential capital expenditures.

A. Projected External Capital Needs Analysis

In determining the amount of external capital needed, the Company must also assess the amount of internal capital it may have available for these anticipated capital needs. Staff estimated the amount of internal capital KCP&L projects to have available for its anticipated and potential capital expenditures through 2011. Although Staff believes it is important to evaluate the reasonableness of the amount of financing authority requested in any utility company's financing application, in this case Staff is comforted by the fact that Great Plains Energy (GPE) is no longer a holding company with significant non-regulated operations (Strategic Energy). In addition, GPE's other subsidiary, KCP&L Greater Missouri Operations (GMO), holds the former Aquila, Inc. Missouri regulated electric utility operations, consequently easing Staff's concerns about the possible use of funds raised at KCP&L to support GPE's non-regulated operations either directly or indirectly. However, because it is possible that GPE may invest in non-regulated operations during the period of KCP&L's financing authority, to the extent that such non-regulated investments may potentially impact KCP&L's credit quality and resulting credit ratings, Staff is recommending that KCP&L be ordered by the Commission to notify Staff of such intent and provide a status report to the Commission regarding the amount of financing used under this authority and the intended use of any remaining authorized funds.

Although KCP&L is legally required to request Commission authority to issue any security other than short-term debt, this is not the case for GPE and GMO. Although it is typical for the Commission to not have authority over a holding company's financing activities, this is not typical in the case of subsidiaries that own regulated operations in Missouri (i.e. GMO). Because GMO is a Delaware corporation, it is only required to request Commission financing authority to the extent that GMO wishes to use its Missouri utility assets as collateral for debt financing, i.e. secured debt. As an aside, considering that at least S&P evaluates KCP&L's and GMO's corporate credit quality based on the consolidated credit quality of their parent company, GPE, Staff believes it would be irresponsible to give the Commission any sense of security that the Staff can recommend conditions in the context of this finance case that would safeguard KCP&L's credit rating. Although reconciling the fact that GPE's two regulated subsidiaries have different levels of regulatory oversight is beyond the scope of this recommendation, Staff considered this inconsistency in

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evaluating the reasonableness of the proposed financing. Although Staff evaluated KCP&L's estimated capital expenditure needs for purposes of determining whether the requested amount of financing authority was appropriate, Staff chose to give more weight to the anticipated impact of the proposed financing on GPE's consolidated financial ratios rather than that of KCP&L's stand-alone financial ratios.

In measuring the reasonableness of the Company's requested amount of debt financing authority, Staff relied on projected financial information provided by KCP&L to estimate the amount of internal capital KCP&L should have available for anticipated capital expenditures. According to KCP&L's projected financial statements provided in response to Staff Data Request No. 3, KCP&L should generate approximately ** _________ ** of internally generated capital during 2010 and 2011 before the payment of dividends to the parent company (to pay dividends to GPE shareholders and fund interest expense for GPE debt) and any funds needed to reduce the amount of short-term debt outstanding (assuming the short-term debt outstanding was not used to initially fund the projected capital expenditures shown in Exhibit 5). According to information provided by KCP&L, the amount of funds needed to pay dividends to the holding company is approximately ** _________ ** for the period 2010 through 2011. This results in ** _________ ** of internally generated capital available for investment. Adding this amount to the net ** _________ ** of the requested debt proceeds would result in a total amount of capital of ** _________ **, equal to the projected and anticipated capital expenditure amount of approximately ** _________ **. Although not factored into Staff's estimate of total capital needed, it is Staff's understanding that KCP&L may generate additional capital through the sale of ** ________________________________ **, which would reduce its total capital needs by the same amount. However, KCP&L also represented to Staff that it had approximately ** ____ ** that would reduce the amount of internal capital available for capital investment. Subtracting the proceeds from the sale of equipment from the short-term debt outstanding results in a reduction of internally generated funds available by approximately ** _________ **, which would imply KCP&L will face a shortfall of capital if it executes on all of its "projected" and "potential" capital projects.

Of the total estimated capital needs, approximately ** _________ ** would be from retained earnings, i.e. internal equity, which when added to the requested external debt for capital expenditures, approximates a 27 percent equity investment for purposes of additional capital investment. If KCP&L receives ** ____ _______ _ **, then this would decrease the amount of debt capital needed. Assuming KCP&L substituted the proceeds from the above-referenced sale for the amount of debt capital requested; this would result in an approximate 45 percent equity investment in the projected capital expenditures.

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B. Financial Ratio Analysis

Considering that KCP&L is proposing to use more debt than equity for its total capital needs, it is important to evaluate the impact of the requested financing authority on both KCP&L's and GPE's financial ratios to provide an assessment of the possible impact this additional financial risk may have on KCP&L's credit quality. However, as Staff indicated previously, Staff's analysis gives more weight to the proposed financing's impact on GPE rather than KCP&L, which is consistent with Standard & Poor's ("S&P") approach for assigning corporate credit ratings.

KCP&L provided Staff with actual and pro-forma financial statements for both KCP&L and GPE that show the impact the proposed financing may have on several key financial ratios commonly used by rating agencies to assess credit risk. It should be emphasized that the pro-forma adjustments assume that KCP&L issues all of the requested financing immediately, which is an unlikely scenario. In fact, because Staff realized that this scenario does not reflect the reality of how KCP&L would likely issue this debt, Staff also requested that KCP&L provide projected financial statements for 2010 and 2011 showing the expected scenario of the timing and the amount of debt to be issued through 2011. The scenario that assumes that KCP&L issues the entire $650 million of debt at one time was applied to KCP&L's and GPE's actual September 30, 2009 financial statements. This scenario is provided to show the possible impact on KCP&L and GPE if KCP&L issued all of the debt as soon as it received Commission authority.

Staff reviewed the pro-forma impact on the following ratios: funds from operations (FFO) interest coverage ratio, FFO to total debt ratio, debt-to-capital ratio and the debt-to-earnings before interest, taxes and amortization (Debt/EBITDA) ratio. Although S&P had historically published benchmarks specific to the utility industry for the first three of these, they no longer publish benchmark ratios specific to the utility industry. Although S&P no longer publishes these benchmarks, the ratios still appear to be a prominent aspect of their credit quality analysis due the fact that these ratios are specifically addressed in company-specific research reports. Although S&P no longer publishes benchmarks specific to the utility industry, they do provide benchmarks for evaluating general corporate credit quality. These benchmarks were published in a May 27, 2009 S&P report (see Schedule 1). Staff used these benchmarks along with peer group ratios provided by S&P in a March 19, 2009 credit rating report on GPE (Schedule 2) to evaluate the possible impact of KCP&L's proposed financing on its credit quality.

Before evaluating the pro-forma impact of the proposed financing, it is important to assess the current actual financial ratios as of the date of the financial statements KCP&L provided with its Application (see the first column of Schedules 3 and 4). According to S&P's benchmarks for FFO to total debt, debt-to-capital and Debt/EBITDA, KCP&L is considered to have "Aggressive" financial risk. Based on these same benchmarks, two out of the three of GPE's ratios are in the range for a company categorized as "Highly Leveraged" (more financial risk than "Aggressive").

Both KCP&L's and GPE's FFO interest coverage ratios also indicate higher financial risk than their peers.

Considering that both KCP&L's and GPE's financial risk is already fairly high when comparing their ratios to published benchmarks and that of peer companies, the introduction of additional debt without a corresponding increase in expected cash flow is only going to cause these financial ratios to become more strained. Assuming KCP&L issued the entire $650 million of long term-debt as of September 30, 2009, the financing would cause KCP&L's financial ratios to be more consistent with that of a "Highly Leveraged" company (see the second column of Schedule 3). GPE's two financial ratios that were already "Highly Leveraged" would just be more so, but GPE's total-debt-to-total capital ratio would still be considered "Aggressive" (see the second Column of Schedule 3). While the pro-forma adjustments show a larger relative impact on KCP&L's stand-alone financial ratios, because KCP&L is part of a portfolio of GPE's assets, Staff believes these ratios are more relevant for assessing the impact of the proposed financing. However, Staff caveats its analysis with one very important consideration - because as discussed previously the Commission has no authority over GMO's or GPE's financings, unless secured with Missouri utility assets, an analysis limited to KCP&L's proposed debt financing does not control for the other variables that may impact GPE's consolidated ratios.

Based on Staff's consideration of the pro-forma impacts of a "front-loaded" assumption that KCP&L issued ** _________ ** of debt immediately upon receiving Commission authority, this would place a tremendous amount of strain on GPE's and KCP&L's "BBB" S&P credit rating. However, it is Staff's understanding that KCP&L does not intend to issue any debt until 2011 and its current plans are to issue a total of ** _________ ** of debt with ** _________ ** to refinance existing debt, for net additional debt of ** _________ **. The last two columns of Schedules 3 and 4 show the projected ratios for both KCP&L and GPE, respectively under the most likely scenario. Although these ratios are still indicative of a company with an "Aggressive" financial risk profile, they are anticipated to be much less strained than the "front-loaded" scenario.

C. Recommendation

Based on the assumption that KCP&L issued all of the requested debt authority immediately after receiving Commission authority, Staff would not recommend approval of the requested financing. However, it is Staff's understanding that this is not KCP&L's intent. Based on projected financial statements provided by KCP&L in response to Staff Data Request No. 3, KCP&L does not plan to issue any long-term debt until 2011. After Staff communicated to KCP&L that Staff planned on recommending conditional approval of KCP&L's requested financing authority to address Staff's concerns about recommending an additional $200 million of debt authority for "potential" projects, KCP&L communicated to Staff its preference to reduce the financing authority by $200 million and to file another finance case should it determine additional financing authority to be necessary in the future. Consequently, for the reasons contained above, Staff is recommending that the amount of

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debt financing authority issued to KCP&L by the Commission in this case be limited to $450 million rather than the $650 million originally requested.

The proposed reduced amount of debt authority would cause all of the previously mentioned credit ratios to be more favorable in terms of improved credit quality. Please see Schedules 5 and 6 for an assessment of the pro-forma impact of issuing $450 million of debt rather than $650 million. Regardless, as Staff mentioned before, the Commission does not have the authority to restrict the amount of unsecured debt that GPE and GMO can issue. Staff expects GPE to manage its financial risk in a prudent manner as to not cause it to lose its investment grade credit rating. If GPE does not manage the financial risk of its consolidated operations in a prudent manner, then any additional costs caused by these actions can be excluded in the future through rate making. However, this would not eliminate problems associated with being less creditworthy.

Staff does believe that to the extent KCP&L determines it is favorable to pledge the assets of the KCP&L system to secure debt, their should be some consideration given for KCP&L's decision to do so. Staff proposes that the Commission limit the use of secured debt to amounts that can be tied directly to KCP&L capital improvement projects or refinancing of existing long-term debt. Therefore, Staff recommends that the Commission limit the amount of secured debt KCP&L can issue to an amount not to exceed net additions to plant in service and construction work in progress to the extent this will be added to plant in service or the refinancing of existing long-term debt.

RECOMMENDED CONDITIONS:

Staff recommends that the Commission approve the Application submitted by KCP&L in this case subject to the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded the financing transaction and its impact on cost of capital, in any future proceeding;

2. That the Company shall file with the Commission within ten (10) days of the issuance of any financing authorized pursuant to a Commission order in this proceeding, a report including the amount of secured indebtedness issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each issuance;

3. That the interest rate for any debt issuance covered by the Application is not to exceed the greater of (i) 9 percent or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers;

4. That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning this issuance;

5. That the Company shall file with the Commission as a non-case related submission any credit rating agency reports published on KCP&L's or GPE's corporate credit quality or the credit quality of its securities;

6. That any secured debt issued under this authority shall not exceed net additions to plant in service or construction work in progress not yet reflected in plant in service over the period of the authority or for the refinancing of existing long-term debt.

7. That the amount authorized under the Commission's Order is $450 million rather than the $650 million requested.

8. That to the extent that any non-regulated investments made by KCP&L or GPE and affiliated companies may potentially impact KCP&L's credit quality and resulting credit ratings, KCP&L shall notify Staff of such possibility and provide a status report to the Commission regarding the amount of financing used under this authority and the intended use of any remaining authorized funds.

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RATINGSDIRECT®

May 27, 2009

Criteria | Corporates | General:

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

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Schedule 1-1

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

(Editor's Note: In the previous version of this article published on May 26, certain of the rating outcomes in the table 1 matrix were missated. A corrected version follows.)

Standard & Poor's Ratings Services is refining its methodology for corporate ratings related to its business risk/financial risk matrix, which we published as part of 2008 Corporate Ratings Criteria on April 15, 2008, on RatingsDirect at www.ratingsdirect.com and Standard & Poor's Web site at www.standardandpoors.com.

This article amends and supersedes the criteria as published in Corporate Ratings Criteria, page 21, and the articles listed in the "Related Articles" section at the end of this report.

This article is part of a broad series of measures announced last year to enhance our governance, analytics, dissemination of information, and investor education initiatives. These initiatives are aimed at augmenting our independence, strengthening the rating process, and increasing our transparency to better serve the global markets.

We introduced the business risk/financial risk matrix four years ago. The relationships depicted in the matrix represent an essential element of our corporate analytical methodology.

We are now expanding the matrix, by adding one category to both business and financial risks (see table 1). As a result, the matrix allows for greater differentiation regarding companies rated lower than investment grade (i.e., 'BB' and below).

Table 1

Business And Financial Risk Profile Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	CCC+

These rating outcomes are shown for guidance purposes only. Actual rating should be within one notch of indicated rating outcomes.

The rating outcomes refer to issuer credit ratings. The ratings indicated in each cell of the matrix are the midpoints of a range of likely rating possibilities. This range would ordinarily span one notch above and below the indicated rating.

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Schedule 1-2

Business Risk/Financial Risk Framework

Our corporate analytical methodology organizes the analytical process according to a common framework, and it divides the task into several categories so that all salient issues are considered. The first categories involve fundamental business analysis; the financial analysis categories follow.

Our ratings analysis starts with the assessment of the business and competitive profile of the company. Two companies with identical financial metrics can be rated very differently, to the extent that their business challenges and prospects differ. The categories underlying our business and financial risk assessments are:

Business risk

- Country risk
- Industry risk
- Competitive position
- Profitability/Peer group comparisons

Financial risk

- Accounting
- Financial governance and policies/risk tolerance
- Cash flow adequacy
- Capital structure/asset protection
- Liquidity/short-term factors

We do not have any predetermined weights for these categories. The significance of specific factors varies from situation to situation.

Updated Matrix

We developed the matrix to make explicit the rating outcomes that are typical for various business risk/financial risk combinations. It illustrates the relationship of business and financial risk profiles to the issuer credit rating.

We tend to weight business risk slightly more than financial risk when differentiating among investment-grade ratings. Conversely, we place slightly more weight on financial risk for speculative-grade issuers (see table 1, again). There also is a subtle compounding effect when both business risk and financial risk are aligned at extremes (i.e., excellent/minimal and vulnerable/highly leveraged.)

The new, more granular version of the matrix represents a refinement--not any change in rating criteria or standards--and, consequently, holds no implications for any changes to existing ratings. However, the expanded matrix should enhance the transparency of the analytical process.

Financial Benchmarks

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Table 2

Financial Risk Indicative Ratios (Corporates)

	FFO/Debt (%)	Debt/EBITDA (x)	Debt/Capital (%)
Minimal	greater than 60	less than 1.5	less than 25
Modest	45-60	1.5-2	25-35
Intermediate	30-45	2-3	35-45
Significant	20-30	3-4	45-50
Aggressive	12-20	4-5	50-60
Highly Leveraged	less than 12	greater than 5	greater than 60

How To Use The Matrix--And Its Limitations

The rating matrix indicative outcomes are what we typically observe--but are not meant to be precise indications or guarantees of future rating opinions. Positive and negative nuances in our analysis may lead to a notch higher or lower than the outcomes indicated in the various cells of the matrix.

In certain situations there may be specific, overarching risks that are outside the standard framework, e.g., a liquidity crisis, major litigation, or large acquisition. This often is the case regarding credits at the lowest end of the credit spectrum--i.e., the 'CCC' category and lower. These ratings, by definition, reflect some impending crisis or acute vulnerability, and the balanced approach that underlies the matrix framework just does not lend itself to such situations.

Similarly, some matrix cells are blank because the underlying combinations are highly unusual--and presumably would involve complicated factors and analysis.

The following hypothetical example illustrates how the tables can be used to better understand our rating process (see tables 1 and 2).

We believe that Company ABC has a satisfactory business risk profile, typical of a low investment-grade industrial issuer. If we believed its financial risk were intermediate, the expected rating outcome should be within one notch of 'BBB'. ABC's ratios of cash flow to debt (35%) and debt leverage (total debt to EBITDA of 2.5x) are indeed characteristic of intermediate financial risk.

It might be possible for Company ABC to be upgraded to the 'A' category by, for example, reducing its debt burden to the point that financial risk is viewed as minimal. Funds from operations (FFO) to debt of more than 60% and debt to EBITDA of only 1.5x would, in most cases, indicate minimal.

Conversely, ABC may choose to become more financially aggressive--perhaps it decides to reward shareholders by borrowing to repurchase its stock. It is possible that the company may fall into the 'BB' category if we view its financial risk as significant. FFO to debt of 20% and debt to EBITDA 4x would, in our view, typify the significant financial risk category.

Still, it is essential to realize that the financial benchmarks are guidelines, neither gospel nor guarantees. They can vary in nonstandard cases: For example, if a company's financial measures exhibit very little volatility, benchmarks may be somewhat more relaxed.

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Moreover, our assessment of financial risk is not as simplistic as looking at a few ratios. It encompasses:

- a view of accounting and disclosure practices;
- a view of corporate governance, financial policies, and risk tolerance;
- the degree of capital intensity, flexibility regarding capital expenditures and other cash needs, including acquisitions and shareholder distributions; and
- various aspects of liquidity--including the risk of refinancing near-term maturities.

The matrix addresses a company's standalone credit profile, and does not take account of external influences, which would pertain in the case of government-related entities or subsidiaries that in our view may benefit or suffer from affiliation with a stronger or weaker group. The matrix refers only to local-currency ratings, rather than foreign-currency ratings, which incorporate additional transfer and convertibility risks. Finally, the matrix does not apply to project finance or corporate securitizations.

Related Articles

Industrials' Business Risk/Financial Risk Matrix--A Fundamental Perspective On Corporate Ratings, published April 7, 2005, on RatingsDirect.

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March 19, 2009

Great Plains Energy Inc.

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Great Plains Energy Inc.

Corporate Credit Rating

BBB/Negative/--

Major Rating Factors

Strengths:

- Fully regulated integrated utility;
- Credit supportive regulatory mechanisms; and
- Improving regulatory environments.

Weaknesses:

- Weak cash flow measures;
- Large capital expenditures concurrent with the economic recession; and
- Subpar operational performance at the generation facilities.

Rationale

The ratings on Great Plains Energy Inc. reflect its consolidated credit profile. Great Plains' regulated subsidiaries include Kansas City Power and Light Co. (KCP&L) and KCP&L Greater Missouri Operations Co. (GMO). The ratings also reflect the company's excellent business profile and aggressive financial profile. As of Dec. 31, 2008, the Kansas City-based Great Plains Energy had about $3.2 billion of total debt outstanding.

Great Plains, through its regulated subsidiaries distributes electricity to approximately 820,000 customers in Kansas and Missouri. The company also generates approximately 6,100 MW of electricity, of which about 53% is coal and 9% is nuclear.

The excellent business profile reflects management's pure regulatory strategy of growing its regulated rate base and earning its allowed return. The company is currently executing on its comprehensive energy plan, which includes generation, environmental, and wind projects. Although Great Plains significantly reduced its 2009 and 2010 capital expenditures, nevertheless, the capital budget remains elevated compared to historical levels, and is projected at $2.3 billion for years 2009 – 2011. We expect that the company will continue to properly administer its capital projects, completing them on time and on budget.

In September 2008, Great Plains filed rate cases in both Kansas and Missouri for about $258 million, predicated on a 10.75% return on equity, with new rates effective around August 2009. Recently, the company filed a procedural stipulation with the Kansas Corporation Commission (KCC) that would move the expected effective date of its order in KCP&L's pending rate case in Kansas to Aug. 14, 2009 from July 5, 2009. Also, the Missouri Public Service Commission recently ordered that the effective date of its orders for KCP&L and GMO rate cases be moved to Sept. 5, 2009 from Aug. 5, 2009. To maintain its excellent business profile, we expect that Great Plains will continue to manage its regulatory risk. We view the company's existing regulatory mechanisms as supportive of credit quality. These include a fuel adjustment clause for GMO in Missouri and KCP&L in Kansas and accelerated depreciation for KCP&L in both Kansas and Missouri.

Although Great Plains' financial profile was enhanced by its recent decision to reduce its dividend by 50%, which we view as credit supportive, the financial profile of the consolidated entity remains 'aggressive' and is pressured by the weak financial measures that do not correspond to the current rating. For the 12 months ending Dec. 31, 2008, adjusted funds from operations (FFO) to total debt decreased to 5.3% from 19.8% at the end of 2007 and adjusted FFO interest coverage also decreased to 2.0x from 3.7x at the end of 2007. Adjusted debt to total capital increased to 60.3% compared to 53.6% at the end of 2007. Free and discretionary cash flows are expected to remain negative through the completion of the comprehensive energy plan. Although the financial measures are expected to improve, the company may find it difficult to restore its financial profile due to the economic recession and the volatility of the credit markets. Overall, the company's financial measures have underperformed since its merger with Aquila, Inc. now called GMO. Also stressing the financial profile is the impact from the underperformance of the company's generating plants, which have been affected by unplanned outages, extended outages, and the most recent delay at Iatan 1.

Liquidity

The short-term rating on KCP&L is 'A-3' and reflects the consolidated company's adequate cash flow and sufficient alternative sources to cover current liquidity needs, including ongoing capital requirements, dividend payments, and upcoming debt maturities.

As of Dec. 31, 2008, Great Plains had cash and cash equivalents of $61.1 million. Great Plains and its subsidiaries also had more than $830 million available under its various credit facilities after reducing for outstanding borrowings, commercial paper, and letters of credit. Of the existing credit facilities, $65 million expires in 2009 and the remaining $1.4 billion expires in 2011.

The $1.4 billion credit facilities are subject to maintaining a consolidated capitalization ratio of not greater than 65%. As of Dec. 31, 2008, the company was in compliance with this covenant. GMO is also subject to certain financial covenants for the $65 million credit facility (EBITDA to interest expense greater than 1.6x and debt to capital not greater than 70%). As of Dec. 31, 2008, GMO was in compliance with these covenants.

Great Plains' long-term debt maturities are manageable for 2009-2010 with approximately $71 million due in 2009 and $1 million due in 2010. Long-term debt due for 2011 and 2012 is significant with about $635 million maturing in 2011 and $526 million maturing in 2012.

Outlook

The negative outlook reflects Great Plains' weak financial measures that do not correspond to its current rating. A downgrade could occur if the financial measures to not improve in the near term and are not indicative its current 'BBB' rating. The outlook will be revised to stable if the company is able to improve its operational performance at its generating facilities and consistently demonstrate that its financial measures are aligned with the current rating.

Table 1.

Great Plains Energy Inc. -- Peer Comparison*

Industry Sector: Electric

	Great Plains Energy Inc.	Alliant Energy Corp.	Westar Energy Inc.	Wisconsin Energy Corp.
Rating as of March 17, 2009	BBB/Negative/--	BBB+/Stable/A-2	BBB-/Stable/NR	BBB+/Positive/A-2
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	2,537.5	3,492.9	1,723.9	4,221.7
Net income from cont. oper.	135.4	347.7	170.6	335.9

Table 1.

Great Plains Energy Inc. -- Peer Comparison* (cont.)				
Funds from operations (FFO)	307.2	681.1	414.2	819.0
Capital expenditures	700.4	695.0	681.3	1,078.4
Cash and short-term investments	63.1	453.8	15.6	32.3
Debt	2,473.3	3,225.2	2,794.0	4,924.2
Preferred stock	19.5	121.9	10.7	186.9
Equity	1,839.6	2,844.2	1,864.5	3,295.3
Debt and equity	4,312.9	6,069.4	4,658.4	8,219.5
Adjusted ratios				
EBIT interest coverage (x)	2.5	2.9	2.6	2.3
FFO int. cov. (X)	3.1	4.2	3.8	4.4
FFO/debt (%)	12.4	21.1	14.8	16.6
Discretionary cash flow/debt (%)	(20.4)	(8.1)	(17.6)	(9.3)
Net cash flow / capex (%)	22.6	78.6	47.2	64.3
Total debt/debt plus equity (%)	57.3	53.1	60.0	59.9
Return on common equity (%)	6.6	11.7	8.7	8.8
Common dividend payout ratio (un-adj.) (%)	110.7	43.8	56.1	34.8

*Fully adjusted (including postretirement obligations).

Table 2.

Great Plains Energy Inc. -- Financial Summary*

Industry Sector: Electric					
	--Fiscal year ended Dec. 31--				
	2008	**2007**	**2006**	**2005**	**2004**
Rating history	BBB/Stable/--	BBB/Watch Neg/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	1,670.1	3,267.1	2,675.3	2,604.9	2,464.0
Net income from continuing operations	119.5	159.2	127.6	164.2	175.3
Funds from operations (FFO)	205.4	363.5	352.7	418.5	404.6
Capital expenditures	1,107.3	511.5	482.5	330.2	194.6
Cash and short-term investments	61.1	66.4	61.8	103.1	127.1
Debt	3,904.9	1,831.4	1,683.5	1,587.6	1,660.4
Preferred stock	19.5	19.5	19.5	39.0	39.0
Equity	2,570.1	1,587.4	1,361.4	1,141.9	1,058.5
Debt and equity	6,475.0	3,418.8	3,044.9	2,729.5	2,718.9
Adjusted ratios					
EBIT interest coverage (x)	2.1	2.9	2.9	3.3	3.3
FFO int. cov. (x)	2.0	3.7	4.4	5.0	4.6
FFO/debt (%)	5.3	19.8	20.9	26.4	24.4
Discretionary cash flow/debt (%)	(22.6)	(17.8)	(18.4)	(2.4)	4.8
Net Cash Flow / Capex (%)	3.1	43.0	45.8	88.7	145.8
Debt/debt and equity (%)	60.3	53.6	55.3	58.2	61.1
Return on common equity (%)	3.0	9.7	9.0	13.4	16.2

Table 2.

Great Plains Energy Inc. -- Financial Summary* (cont.)					
Common dividend payout ratio (un-adj.) (%)	144.5	90.7	103.9	76.2	68.6

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Great Plains Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

--Fiscal year ended Dec. 31, 2008--

Great Plains Energy Inc. reported amounts	Debt	Shareholders' equity	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	3,211.5	2,589.6	510.0	510.0	275.0	111.3	437.9	437.9	172.0	1,055.4
Standard & Poor's adjustments										
Trade receivables sold or securitized	70.0	--	--	--	--	3.5	--	--	--	--
Operating leases	156.8	--	18.6	7.3	7.3	7.3	11.2	11.2	--	83.6
Intermediate hybrids reported as equity	19.5	(19.5)	--	--	--	0.8	(0.8)	(0.8)	(0.8)	--
Postretirement benefit obligations	292.7	--	41.3	41.3	41.3	3.7	9.9	9.9	--	--
Accrued interest not included in reported debt	72.4	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	31.7	(31.7)	(31.7)	--	(31.7)
Share-based compensation expense	--	--	--	9.0	--	--	--	--	--	--
Power purchase agreements	48.4	--	14.8	14.8	2.9	2.9	11.9	11.9	--	--
Asset retirement obligations	33.6	--	7.3	7.3	7.3	7.3	(3.6)	(3.6)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	19.8	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(190.8)	--	--
US decommissioning fund contributions	--	--	--	--	--	--	(3.7)	(3.7)	--	--
Other	--	--	--	--	--	--	(35.0)	(35.0)	--	--
Total adjustments	693.4	(19.5)	82.0	79.7	78.6	57.2	(41.7)	(232.5)	(0.8)	51.9

Table 3.

Reconciliation Of Great Plains Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	3,904.9	2,570.1	592.0	589.7	353.6	168.5	396.2	205.4	171.2	1,107.3

*Great Plains Energy Inc. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of March 19, 2009)*

Great Plains Energy Inc.	
Corporate Credit Rating	BBB/Negative/--
Preferred Stock (4 Issues)	BB+
Senior Unsecured (1 Issue)	BBB-
Corporate Credit Ratings History	
06-Mar-2009	BBB/Negative/--
14-Jul-2008	BBB/Stable/--
07-Feb-2007	BBB/Watch Neg/--
Financial Risk Profile	Aggressive
Related Entities	
Kansas City Power & Light Co.	
Issuer Credit Rating	BBB/Negative/A-3
Commercial Paper	
Local Currency	A-3
Senior Secured (9 Issues)	BBB+
Senior Unsecured (8 Issues)	BBB
KCP&L Greater Missouri Operations Co.	
Issuer Credit Rating	BBB/Negative/NR
Senior Unsecured (5 Issues)	BBB
St. Joseph Light & Power Co.	
Senior Secured (1 Issue)	A/Negative

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company For Authority To Issue Debt Securities	)))	Case No. EF-2010-0178

AFFIDAVIT OF DAVID MURRAY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David Murray, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.

David Murray

David Murray

Subscribed and sworn to before me this 24th day of February, 2010.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin

Notary Public