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FILED

JUL 2 1999

Missouri Public  
Service Commission

July 1, 1999

Dale Hardy Roberts  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

*EF- 2000-8*

RE: In the Matter of the Application of Kansas City Power & Light Company for the  
Extension of Authority to Enter into Interest Rate Management Techniques

Dear Mr. Roberts:

Enclosed for filing with the Commission in the above-referenced matter are the  
original and 14 copies of Kansas City Power & Light Company's Application. Please  
bring this filing to the attention of the Commission.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to be "W. G. Riggins", is written over the word "Sincerely,".

cc: Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

1201 WALNUT • P.O. BOX 418679 • KANSAS CITY, MO 64141-9679 • 816-556-2200 • WWW.KCPL.COM

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BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Missouri Public  
Service Commission

In the Matter of the Application of  
Kansas City Power & Light Company  
for the Extension of Authority to Enter  
into Interest Rate Management Techniques.

Case No. EF- 2000 - 8

APPLICATION

1. On April 1, 1988, the Public Service Commission of the State of Missouri (the "Commission") entered its Order in Case No. EF-88-213 granting authority to Kansas City Power & Light Company (the "Applicant" or "KCPL") to fix the interest rate on up to \$150 million of its variable rate debt by entering into interest rate "swap" and/or interest rate "cap" and/or interest rate "collar" agreements ("interest rate management products").

On June 20, 1989, in Case No. EF-89-229, on June 19, 1991, in Case No. EF-91-383, and on June 10, 1993, in Case No. EF-93-328, the Commission extended KCPL's authority to enter into such interest rate management products. On June 30, 1995, in Case No. EF-95-397, the Commission authorized the Applicant to fix the interest rate on up to \$250 million of its variable rate debt through the use of interest rate management products and extended its authority to enter into such products.

2. The Applicant has the following interest rate swap agreements currently in effect, and has notified the Commission of the respective terms and conditions as each transaction has transpired:

<u>Transaction</u>	<u>Amount</u>	<u>Effective Dates</u>
Interest Rate Swap	\$10,000,000	06/08/98 to 06/08/01
Interest Rate Swap	\$20,000,000	06/07/88 to 06/08/01

(Note: Swaps are extendible to 6/8/03 at the option of the counterparty)

The Applicant has also provided quarterly reports to the Commission's Office of Financial Analysis regarding the performance of the interest rate management products compared to the rates of the underlying variable rate debt. The report submitted for the quarter ending March 31, 1999 shows that the Applicant has been able to hedge the interest rate risk on \$365 million of variable rate debt at a cost of 68.9 basis points since the program was started in 1988.

3. The Applicant's objective is to maintain a low cost of debt while managing the interest rate risk on portions of its variable rate debt. The Applicant's goal is to have approximately 15% to 30% of its debt in a variable interest rate mode, depending on market conditions. Interest rate management techniques allow the Applicant to economically manage its percentage of variable rate debt within this range. With \$30 million of interest rate management products currently in place, the percent of long-term variable rate debt to total long-term debt is about 31%.

4. Short-term interest rates have been on the increase recently, with an expectation that the Federal Reserve Bank will increase the Fed Funds rate by at least 25 basis points by the end of the second quarter. Many economists believe the Federal Reserve Bank will continue to tighten monetary policy in the face of above-trend rates of growth and increase the Fed Funds rate by an additional 50 basis points by the end of the year.

5. In order to maintain its relatively low cost of debt position, the Applicant seeks an extension of its authority to manage its interest rate risk by utilizing a combination of \$250 million of interest rate management products.

6. While utilizing \$150 million of interest rate management techniques would currently reduce KCPL's long-term variable rate debt to 15% of total long-term debt, the bottom of the target range, the Applicant is requesting to continue to have authority to have up to \$250 million of interest rate management products outstanding at any one time. The percent of variable rate debt calculation does not include short-term debt which is variable rate and currently at around \$90 million. It also does not include the \$90 million Environmental Improvement Revenue Refunding Bonds Series 1998C and 1998D. The interest rate on these bonds was fixed for a three and five-year period expiring in 2001 and 2003 respectively. At the end of the fixed rate periods, the bonds could be converted back to a variable rate interest mode. Therefore, the \$250 million interest rate hedging authority is requested to allow the Applicant to reduce the level of variable rate debt in the capital structure to 15% if desired.

7. Since market opportunities for these interest rate management alternatives are transitory, the Applicant must be able to execute a transaction when the opportunity arises to obtain the most competitive pricing.

8. The Applicant proposes to account for all payments or receipts, including administrative costs, involving this transaction for book purposes as a decrease or increase in interest expense. For ratemaking purposes, the Applicant contemplates reflecting the net interest effect of the transaction in the embedded debt cost.

9. The Applicant submits that it is in the public interest to manage the interest rate on its debt through the use of interest rate management techniques.

10. The Applicant believes that this verified Application will provide the Commission with sufficient facts and information to make a proper disposition of this Application without a hearing.

11. The Applicant will continue to notify the Commission's Office of Financial Analysis of terms and conditions of interest rate management products entered into and will submit quarterly reports regarding the performance of such interest rate management products.

12. The Applicant has not filed as exhibits financial statements since these transactions will have little effect on such statements.

WHEREFORE, the Applicant requests that the Commission issue its Order on or before July 30, 1999, certifying that:

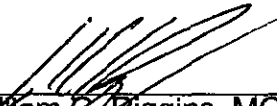
1. For a period of three additional years, the Applicant is granted authority to have outstanding at any one time \$250 million of interest rate management products with an effective interest rate of 10% or less on fixed rate transactions and an initial interest rate of not more than 10% on variable rate transactions.

2. The Applicant may enter into any and all agreements necessary for the above-described transactions.

Dated at Kansas City, Missouri, this 1st day of July, 1999.

Respectfully submitted,

Kansas City Power & Light Company



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Attorneys for Kansas City Power & Light Company

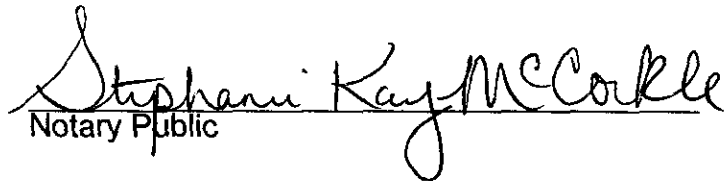
VERIFICATION

State of Missouri     )  
                              ) ss.  
County of Jackson    )

Jeanie S. Latz, being of lawful age and duly sworn upon her oath, deposes and states that she is Corporate Secretary of Kansas City Power & Light Company, that she had read and is familiar with the foregoing application and that the statements therein are true and correct to the best of her knowledge, information and belief.

  
\_\_\_\_\_  
Jeanie S. Latz

Subscribed and sworn to before me this 1<sup>st</sup> day of July, 1999.

  
\_\_\_\_\_  
Notary Public

My commission expires:

7/28/01

