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S&P Global
Ratings

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Missouri Public
Service Commission

Research

Summary:

Kansas City Power & Light Co.

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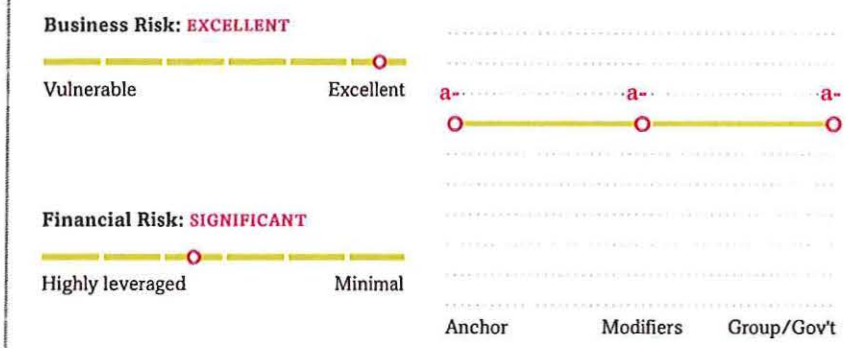
Summary:

Kansas City Power & Light Co.



CORPORATE CREDIT RATING

BBB+/Negative/A-2

Rationale

Business Risk: Excellent	Financial Risk: Significant
• Regulated electric utility Kansas City Power & Light Co. (KCP&L) provides electricity in the greater Kansas City, Mo. metropolitan area. • Relatively stable cash flows come from regulated electric operations. • The regulatory framework in Kansas and Missouri is generally supportive.	• Capital spending is declining. • We expect financial measures to strengthen within the significant financial risk profile assessment. • The company is committed to credit quality and maintaining a balanced capital structure.

Outlook: Negative

The outlook on KCP&L reflects the outlook on parent Great Plains Energy Inc. (GPE). The negative outlook on GPE and its subsidiaries reflects the potential for lower ratings if GPE's financial risk profile, which will deteriorate due to the financing used in the proposed acquisition of Westar Energy Inc., does not improve after the transaction closes such that funds from operations (FFO) to total debt is well over 13% after 2018.

Downside scenario

We could lower ratings on GPE and its subsidiaries if GPE's financial risk profile remains weak after the merger such that FFO to total debt is consistently below 13%. This could occur if the company funds the transaction disproportionately with debt or if capital spending increases materially while investment recovery lags.

Upside scenario

We could affirm the ratings on GPE after the merger closes if the combined company demonstrates that it can achieve FFO to total debt of more than 13% after 2018.

Standard & Poor's Base-Case Scenario

Assumptions

- Economic conditions in the company's service territory continue to improve incrementally, resulting in improving cash flow measures.
- Mid-single digit EBITDA growth rate over the forecast period.
- Adequate regulatory outcomes in Kansas and Missouri.
- Current rate surcharges are retained.

Key Metrics

	2015A	2016E	2017E
FFO/total debt (%)	17.4	17.0-18.8	17.5-19.0
Debt/EBITDA (x)	4.7	4.0-4.5	4.0-4.5
OCF/debt (%)	16.1	18.0-19.5	17.0-18.5

Note: Data represent S&P Global Ratings' adjusted figures. A--Actual. E--Estimate. FFO--Funds from operations. OCF--Operating cash flow.

Business Risk: Excellent

We base our assessment of KCP&L's business risk profile on what we view as the company's strong competitive position, very low industry risk stemming from the regulated utility industry, and the very low country risk stemming from the utility's U.S.-based operations. KCP&L's competitive position reflects the company's fully regulated integrated electric utility operations and our expectation for continued solid operational performance and generally credit-supportive regulation. The utility serves about 527,000 retail customers mainly in the greater Kansas City metropolitan area. The competitive position is also supported by an economically healthy service territory centered on a single metropolitan area with little industrial concentration, solid nuclear power operations, very low fuel costs, and lower electric rates. These attributes are partially offset by nuclear risks associated with the 47%-owned Wolf Creek station. The utility now operates with generally supportive regulation, cash flow stability from its customer base, and no competition.

Financial Risk: Significant

Based on our medial volatility financial ratio benchmarks, our assessment of KCP&L's financial risk profile is significant, reflecting the vertically integrated utility model and the recurring cash flow from selling electricity. As a utility, capital spending is ongoing for maintenance and for new projects. Recovery of these costs through rates has generally been supportive. We expect discretionary cash flow to turn positive over the next two years due to declining capital spending. Under our base case forecast, we expect FFO to total debt of about 18% to 19% and operating cash flow to debt to average about 18%, within the significant category.

Liquidity: Adequate

KCP&L has adequate liquidity. We believe the company's liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and to meet cash outflows, even with a 10% decline in EBITDA.

There are modest debt maturities over the next three years, with the next material maturity of $281 million in 2017. We expect the company to refinance these given its satisfactory standing in the credit markets.

Principal Liquidity Sources	Principal Liquidity Uses
• We estimate FFO of about $570 million. • Revolving credit facility availability at an estimated $600 million.	• Capital spending of roughly $500 million. • Dividends of about $80 million. • Short-term borrowings of about $195 million. • $170 million of outstanding letters of credit that back up variable-rate bonds due in 2018.

Other Credit Considerations

Our assessments of modifiers result in no further changes to the anchor score.

Group Influence

Under our group rating methodology, we assess KCP&L to be a core subsidiary of GPE, reflecting our view that KCP&L is highly unlikely to be sold and has a strong long-term commitment from senior management. There are no meaningful insulation measures in place that protect KCP&L from its parent and, therefore, KCP&L's issuer credit rating is in line with GPE's group credit profile of 'bbb+'.

Ratings Score Snapshot

Corporate Credit Rating

BBB+/Negative/A-2

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Very low
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : a-

- **Group credit profile:** bbb+
- **Entity status within group:** Core (-1 notch from SACP)

Recovery Analysis/Issue Ratings

- KCP&L's first mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.
- We rate KCP&L's senior unsecured debt the same as the issuer credit rating.
- The short-term rating on KCP&L is 'A-2' based on the company's issuer credit rating and our assessment of its liquidity as at least adequate.

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Notching Of U.S. Investment-Grade Investor-Owned Utility Unsecured Debt Now Better Reflects Anticipated Absolute Recovery, Nov. 10, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	**a-**	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-