

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 3rd day of
March, 2010.

In the Matter of the Application of)
Kansas City Power & Light Company)
for Authority to Issue Debt Securities) **File No. EF-2010-0178**

ORDER AUTHORIZING THE ISSUANCE OF DEBT

Issue Date: March 3, 2010

Effective Date: March 13, 2010

Background

On December 8, 2009, Kansas City Power & Light Company filed an application with the Missouri Public Service Commission requesting authority to issue up to \$650 million principal amount of debt securities through December 31, 2011. The company requested that the Commission issue an order granting such authority no later than March 8, 2010.

On February 24, 2010, the Staff of the Commission recommended that the Commission conditionally approve the application and limit the amount of the issuance to \$450 million. The company has no objection to Staff's recommendation. Consistent with Staff's recommendation, this order approves the company's requests for financing.

The Application

KCP&L filed this application to meet new financing and refinancing requirements;¹ including the flexibility to fund additional potential capital requirements consisting of

¹ Fully discussed in Exhibit 6, which is highly confidential.

potential wind generation, additional environmental upgrades, and a strategic transmission line.²

The company requests that the Commission issue an order granting it the authority to:

(1) issue during the period ending December 31, 2011, up to \$650 million principal amount of debt securities, which may take the form of secured or unsecured senior or subordinate debt, “fall away” mortgage debt, or subordinate debt issued to special purpose financing entities, and with fixed or variable interest rates not to exceed 9% on (i) fixed-rate notes or (ii) the initial rate on any variable rate notes;

(2) enter into interest rate hedging instruments with one or more counterparties in conjunction with the debt securities issued under this authorization; and

(3) to execute all documents and take all other actions necessary for the issuance and maintenance of the authorized debt securities.

KCP&L also states that within 10 days of issuing any debt securities authorized in this case, it will file a report setting out the amount of debt securities issued, date of the issuance, interest rate (initial if variable), maturity date, and redemption schedules or special terms, if any. Further, the company will file a statement of the portion of the issuance of the debt securities, if any, which is subject to the fee schedule in Section 386.300, RSMo 2000, and pursuant to 4 CSR 240-3.120(1)(F).

Staff Recommendation

Because the reduction of the amount of debt authority would improve KCP&L’s credit quality, Staff recommends that the Commission approve the application but limit the amount of debt to be issued to \$450 million. Staff also recommends that approval of the application be subject to the following conditions:

² More fully discussed in Exhibit 5, which is highly confidential.

- 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;
- That the company shall file with the Commission within 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;
- That the interest rate for any debt issuance covered by the Application is not to exceed the greater of (i) 9% or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers;
- That the company shall file with the Commission any information concerning communication with credit rating agencies concerning this issuance;
- 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's³ corporate credit quality or the credit quality of its securities;
- 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;
- That the amount authorized under the Commission's order is \$450 million rather than the \$650 million requested; and
- That to the extent any non-regulated investments made by KCP&L or GPE and affiliated companies may potentially impact KCP&L's credit quality and resulting credit rating, 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.

On February 26, 2010 KCP&L filed a response to Staff's recommendation and concurs with Staff's suggestion that the amount of the issuance be reduced and with the conditions offered by Staff.

³ Great Plains Energy, parent company of KCP&L and KCP&L Greater Missouri Operations.

Discussion

The Commission has reviewed the company's application and Staff's recommendation and, finds that the money, property or labor to be procured or paid for by the issuance of this debt is reasonably required for the purposes set out in exhibits 5 and 6 attached to the application. Such purposes include capital requirements for wind generation, additional environmental upgrades, and a strategic transmission line. The Commission also finds that the purposes for KCP&L's request to issue debt are not reasonably chargeable to operating expenses or to income. Finally, the Commission finds that the transactions will not be detrimental to the public interest. Consequently, the Commission will approve the application subject to the conditions recommended by Staff and set out above.

THE COMMISSION ORDERS THAT:

1. Kansas City Power & Light Company is authorized to issue during the period ending December 31, 2011, up to \$450 million principal amount of debt securities, which may take the form of secured or unsecured senior or subordinate debt, "fall away" mortgage debt, or subordinate debt issued to special purpose financing entities, and with fixed or variable interest rates not to exceed 9% on (i) fixed-rate notes or (ii) the initial rate on any variable rate notes.
2. Kansas City Power & Light Company is authorized to enter into interest rate hedging instruments with one or more counterparties in conjunction with the debt securities issued under this authorization.

3. Kansas City Power & Light Company is authorized to execute all documents necessary for this issuance and take all other actions necessary for the issuance and maintenance of the debt securities authorized in this order.

4. The authority granted to Kansas City Power & Light Company is subject to the conditions recommended by the Staff of the Commission and set out in the body of this order.

5. This order shall become effective on March 13, 2010.

6. This file shall be closed on March 14, 2010.

BY THE COMMISSION



Steven C. Reed
Secretary

(S E A L)

Clayton, Chm., Davis, Jarrett,
Gunn, and Kenney, CC., concur.

Jones, Senior Regulatory Law Judge