

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of)	
Kansas City Power & Light Company)	<u>File No. EF-2017-0242</u>
For Authority to Issue Debt Securities.)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, through Staff Counsel's Office, in response to the Commission's April 14, 2017, Order Setting Date To File Recommendation respecting the March 22, 2017, filing of a financing Application by Kansas City Power & Light Company ("KCPL") for authority to issue debt securities, in principal amount up to \$1,100,000,000 (\$1.1 billion) through June 30, 2019, and to enter into interest rate hedging instruments in connection with such debt securities to meet new financing and refinancing requirements. In its April 14, 2017, Order Setting Date To File Recommendation, the Commission directed the Staff to file its recommendation no later than April 28, 2017. In response thereto, the Staff submits its separate Memorandum Recommendation and states as follows regarding its Memorandum Recommendation:

1. KCPL relates that the type of issuance will be senior or subordinated debt and either unsecured or secured debt. If secured debt, this debt will be issued under KCPL's existing general mortgage indentures. The debt may also take the form of "fall-away" mortgage debt in which it is initially secured, but then converts to unsecured. 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 nine percent (9%).

2. KCPL states in its Application that it will issue debt, up to the authorized amount, through one or a number of offerings to be determined from time to time by it, and the proceeds of the securities will be used to refinance outstanding long-term debt and short-term debt used to fund capital expenditures.

3. KCPL requested in its Application an approval date respecting its Application no later than Monday, May 8, 2017, so that it may secure financing on a timely basis. Staff previously contacted KCPL, and KCPL advised Staff that it may inform the Commission that a Commission Order issued on May 3, 2017 with an effective date of Monday, May 15, 2017, should not present a problem for KCPL.

4. Due to the financing decisions that Great Plains Energy ("GPE") may need to make because of the April 19, 2017 Order of the Kansas Corporation Commission ("KCC") in the GPE-KCPL-Westar Energy, Inc. acquisition merger case, KCC Docket No. 16-KCPE-593-ACQ, which may impact KCPL's financing considerations, it is the Staff's opinion that the Commission's grant of Authority to KCPL at this time should be limited to the \$350.0 million KCPL requires to meet its impending financing needs for 2017 instead of Authority up to \$1,100,000,000 (\$1.1 billion) principal amount of debt securities through June 30, 2019 that KCPL is seeking.

5. The KCC's April 19, 2017 Order in KCC Docket No. 16-KCPE-593-ACQ stated that the parties had 15 days from the date of electronic service (April 19, 2017) to petition for reconsideration. Since the 15 days have not run (May 4, 2017), it is Staff's opinion that it would be most prudent for the Commission to limit the Authority it grants to KCPL to \$350.0 million for its identified financing needs for 2017, until (1) the question of whether any petitions for reconsideration are filed in

KCC Docket No. 16-KCPE-593-ACQ, (2) the KCC addresses any such petitions for reconsideration, and (3) GPE-KCPL have an opportunity to otherwise act respecting the April 19, 2017 Order of the KCC.

6. Staff has advised KCPL of its proposed recommendation to the Commission. Based on KCPL's Application and what KCPL has recently related to Staff about its financing needs and plans, KCPL will likely file another Application for a grant of Authority to issue additional debt securities in the latter half of 2017.

7. In the Staff's Memorandum Recommendation are conditions which the Staff requests that the Commission incorporate in its Order including limiting its grant of authority to KCPL to issue debt securities and to enter into interest rate hedging instruments in conjunction with the debt securities to \$350.0 million:

i. 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;

ii. 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 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. In addition, the Company shall also provide the analysis, to include but not be limited to indicative pricing information provided by the lead investment banks, it performed to determine that the terms for the debt it decided to issue were the most reasonable at the time;

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

iv. That the Company shall file with the Commission in EFIS in this case any information concerning communication with credit rating agencies concerning this issuance;

v. That the Company shall file with the Commission as a non-case related submission in EFIS under “Resources” - “Non-Case Related Query” - “Ordered Submission” any credit rating agency reports published on KCPL’s or GPE’s corporate credit quality or the credit quality of its securities;

vi. That the amount of secured debt KCPL can issue be limited to an amount not to exceed net additions to plant in service; construction work in progress to the extent this is intended to be added to plant in service; and refinancing of existing long-term debt.

vii. That to the extent that any non-regulated investments made by KCPL or GPE and affiliated companies may potentially impact KCPL’s credit quality and resulting credit ratings, KCPL 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 but unissued funds;

viii. That for the Authority to issue up to the remaining \$750.0 million in principal amount of debt securities and Authority to enter into interest rate hedging instruments in conjunction with the debt securities to be issued under the authorization originally requested by KCPL in this proceeding, KCPL will need to file one or more additional financing applications after (1) the question of whether any petitions for reconsideration are filed in KCC Docket No. 16-KCPE-593-ACQ, (2) the KCC addresses any such petitions for reconsideration, and (3) GPE-KCPL have had an opportunity to otherwise act respecting the April 19, 2017 Order of the KCC.

WHEREFORE the Staff hereby submits its Staff Memorandum Recommendation regarding KCPL’s March 22, 2017, financing Application and states that it recommends that the Commission should approve KCPL’s Application subject to conditions including limiting the authorization to \$350.0 million at this time.

Respectfully submitted,
/s/ Steven Dottheim
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via e-mail on counsel for the parties of record to this case, on this 28th day of April, 2017.

/s/ Steven Dottheim