BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of	)	
Kansas City Power & Light Company	)	**File No. EF-2018-0114**
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 December 4, 2017, Order Directing Filing respecting the December 1, 2017, filing of a financing *Application And Request For Waiver* by Kansas City Power & Light Company ("KCPL") for authority to issue debt securities, in principal amount up to $750,000,000 ($750 million) through September 30, 2019, and to enter into interest rate hedging instruments in connection with such debt securities. In its December 4, 2017, Order Directing Filing, the Commission directed the Staff to file its recommendation no later than January 3, 2018. In response thereto, the Staff submits its Memorandum Recommendation, Attachment 1, recommending approval of KCPL's *Application And Request For Waiver* and states as follows in support:

1. On October 31, 2017, KCPL filed a 60-day Notice of Intended Case Filing, pursuant to 4 CSR 240-4.017(1). KCPL noted in its filing that it might seek a waiver pursuant to 4 CSR 240-4.017(1)(D) so that it could file an application earlier than 60-days from the date of the instant Notice. On December 1, 2017, KCPL filed an *Application And Request For Waiver* ("*Application*") from the 60-day notice pursuant to 4 CSR 240-4.017(1)(D). In paragraph 22 on page 8 of KCPL's Application, KCPL requests a waiver for good cause from the 60-day notice and states that attached is a verified statement that KCPL has had no communication regarding substantive

issues with the office of the Commission within the prior 150 days and the harm that will occur by delaying the Application to December 30, 2017. The Staff has no objection to the Commission granting KCPL a waiver for good cause shown.

2. KCPL relates that Exhibit 6 to its *Application* is its proposed Financing Plan regarding the authority requested for the period beginning on or about February 26, 2018 through September 30, 2019, including the projected issuance of debt securities for new financing and refinancing requirements.

3. KCPL states in its *Application* that the debt securities will have maturities of one year to 40 years and will be issued by it or through agents or underwriters 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 nine percent (9%).

4. KCPL states in its *Application* that the debt securities may be either senior or subordinated debt and may be either unsecured or secured under KCPL's existing general mortgage indentures, depending on cost differentials and market conditions at the time of issuance. The debt may also take the form of "fall-away" mortgage debt in which it is initially secured, but then converts to unsecured based on certain conditions.

5. 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. KCPL further states that by providing flexibility and ability to take advantage of rapidly changing market conditions, KCPL is allowed to obtain the most advantageous terms

and conditions at the time of issuance, thereby enabling KCPL to maintain a low-cost debt structure.

6. The Staff in its Memorandum Recommendation raises a question concerning least cost financing and KCPL's financing practice regarding the use of unsecured versus secured debt, but the Staff's recommendation is that the Commission should approve KCPL's issuance of $750 million of debt securities and related interest rate hedging instruments and KCPL's execution of agreements necessary for such transactions, with conditions, as being not detrimental to the public interest. The Staff Memorandum Recommendation notes that Staff will raise this matter of least cost financing in future KCPL rate cases.

7. In the Staff's Memorandum Recommendation are conditions which the Staff requests that the Commission incorporate in its Order authorizing KCPL to issue debt securities, in principal amount up to $750 million through September 30, 2019, to enter into interest rate hedging instruments in connection with such debt securities, and to execute agreements necessary for such transactions. The Staff notes in its Memorandum Recommendation KCPL presumptively acquiesced to these recommended conditions in its *Application* in paragraph 11 on pages 3 and 4. The conditions proposed below by the Staff are the same as those agreed to by KCPL in its *Application* except for the second sentence in condition "b." below which does not appear in condition 11.b. in KCPL's *Application*:

> a. 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;

b. 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;

c. 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;

d. That the Company shall file with the Commission in EFIS in this case, EO-2018-0114, any information concerning communication with credit rating agencies concerning this issuance;

e. 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;

f. 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.

g. 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;

8. KCPL requests that the Commission enter an Order granting it the requested relief with an effective date of February 25, 2018 or earlier.

WHEREFORE the Staff hereby submits its Staff Memorandum Recommendation regarding KCPL's December 1, 2017, Application And Request For Waiver and states that it recommends that the Commission should approve KCPL's Application And Request For Waiver as not detrimental to the public interest subject to conditions set out above and in the Staff's Memorandum Recommendation.

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 3rd day of January, 2018.

/s/ Steven Dottheim