

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 14th day of
July, 2005.

In the Matter of the Application of Kansas City)	
Power & Light Company for Authority to Enter into)	<u>Case No. EF-2005-0388</u>
Interest Rate Management Products)	

ORDER GRANTING APPLICATION

Issue Date: July 14, 2005

Effective Date: July 24, 2005

On April 28, 2005, Kansas City Power & Light Company filed an application asking the Commission for an extension of its authority to enter into interest rate management instruments. The application explained that since 1988 KCPL has been authorized to enter into financial instruments to manage the interest rate risk on its authorized debt. Over the years, the Commission has extended that authority for additional periods of time. KCPL seeks an additional three-year extension of its authority to have up to \$250,000,000 of interest rate management products outstanding at any one time. The authorization requested by KCPL would cover only Environmental Revenue Refunding Bonds previously issued and outstanding. If KCPL wants to use interest rate management products in conjunction with other debt previously issued, or future debt issuances, it will seek separate authority from the Commission.

On June 28, the Commission's Staff filed a Recommendation and Memorandum regarding KCPL's application. Staff recommends that the Commission approve the

application subject to three routine conditions. Specifically, Staff recommends that the Commission impose the following conditions:

- 1) That the Company shall file with the Commission any information concerning communication with credit rating agencies concerning credit rating changes as a result of this transaction.
- 2) That nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes and that the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions, and their results in cost of capital, in any later proceeding.
- 3) That the Company shall file annually with the Commission a report of the net interest cost savings achieved as a result of this transaction, with the first report being filed by December 31, 2005.

Neither KCPL, nor any other party, has responded to Staff's recommendation.

The Commission has reviewed and considered KCPL's application and the Recommendation and Memorandum of Staff and concludes that the application should be granted. The Commission will require KCPL to comply with the conditions requested by Staff. The annual report required as part of those conditions shall be provided to Staff and to Public Counsel, but need not be filed in this case.

As required by Section 393.200, RSMo 2000, the Commission finds that the purchase of the financial instruments proposed in KCPL's application is or will be reasonably required for the purposes specified in the application and that such purposes are not in whole, or in part reasonably chargeable to operating expenses or to income.

IT IS THEREFORE ORDERED:

1. That for an additional three years, Kansas City Power & Light Company is granted authority to have outstanding at any one time \$250,000,000 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. That Kansas City Power & Light Company is authorized to enter into all documents necessary for the above-described transactions.

3. That Kansas City Power & Light Company shall submit to the Commission's Staff and the Office of the Public Counsel any information concerning communication with credit rating agencies concerning credit rating changes as a result of the transactions approved in this order.

4. That nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes and that the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions, and their results in cost of capital, in any later proceeding.

5. That Kansas City Power & Light Company shall submit an annual report to the Commission's Staff and to the Office of the Public Counsel regarding the net interest cost savings achieved as a result of this transaction, with the first report being submitted by December 31, 2005.

6. That this order shall become effective on July 24, 2005.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur
Woodruff, Senior Regulatory Law Judge