

**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 February, 2008.

Application of Kansas City Power & Light Company)
for Authority to Issue Debt Securities.) **Case No. EF-2008-0214**

ORDER APPROVING FINANCING

Issue Date: February 14, 2008

Effective Date: February 24, 2008

On December 27, 2007, Kansas City Power & Light Company ("KCPL") filed an application asking the Missouri Public Service Commission for authority to increase from \$635 million to \$1.4 billion the authorization to issue debt securities granted by the Commission in Case No. EF-2005-0498. KCPL made its request pursuant to Sections 393.180 and 393.200, RSMo 2000, and Commission Rules 4 CSR 240-2.060 and 4 CSR 240-3.120. KCPL further requested that the Commission issue an order granting its request by March 1, 2008.

KCPL seeks Commission authority to:

- (a) issue up to \$1.4 billion principal amount of debt securities through December 31, 2009, which may take the form of secured or unsecured senior or subordinated debt, "fall away" mortgage debt, or subordinated debt issued to special purpose financing entities, and with fixed or variable interest rates not to exceed 9% on fixed-rate notes or the initial rate on any variable rate or remarketed notes;
- (b) to enter into interest rate hedging instruments with one or more counter parties in conjunction with the debt securities issued under this authorization; and

- (c) to execute all documents necessary for the issuance and take all other action necessary for the issuance and maintenance of the debt securities authorized in this proceeding.

KCPL notes that it is a signatory party to the Stipulation and Agreement in Case No. EO-2005-0329 (EO-2005-0329 Stipulation), and that Appendix B to that agreement outlines the Company's proposed financing plan for the 2005-2009 period. Thus, KCPL's application is directly related to KCPL's Experimental Regulatory Plan which the Commission approved on August 5, 2005, in Case No. EO-2005-0329. The Commission later approved amendments to that Plan on August 24, 2005. KCPL further states that proceeds of the securities will be used to refinance outstanding short-term debt and to continue implementing the Comprehensive Energy Plan described in the EO-2005-0329 Stipulation.

The Commission previously authorized KCPL to issue up to \$635 million principal amount of debt securities through December 31, 2009, in Case No. EF-2005-0498.¹ KCPL states that the financing authority granted in Case No. EF-2005-0498 anticipated financing and refinancing requirements for the 2005-2009 period, as outlined in Appendix B of the EO-2005-0329 Stipulation. KCPL further states that the request for increasing the authorized indebtedness is based upon projected changes in the cost of capital investments contemplated in the EO-2005-0329 Stipulation and KCPL's desire for conditional flexibility to issue long-term debt in 2009 to finance 2010 requirements.

On January 23, 2008, Praxair, Inc., filed an application to intervene in this case. No party opposed Praxair's intervention request, and the Commission granted Praxair intervention on February 4, 2008. No other intervention requests were filed.

¹ Commission Case No. EF-2005-0498, Report and Order, issued November 3, 2005.

The Commission's Staff filed its Recommendation and Memorandum on January 31, 2008. Staff recommends that the Commission authorize KCPL to issue new debt securities through December 31, 2009 in principal amount not to exceeding \$1.4 billion, pending receipt of the definite terms of issuance, and subject to the nine conditions stated in Staff's Memorandum.

Because Staff proposed additional conditions, the Commission ordered KCPL to respond to Staff's Recommendation. KCPL responded on February 5, 2008, and stated that it accepted Staff's conditions. Praxair filed a response to Staff's Recommendation on February 13, 2008. In its response Praxair expressly stated that it was not requesting a hearing and that the conditions proposed in Staff's Recommendation appeared reasonable. Praxair merely asked the Commission to closely examine the amount KCPL is asking for authority to borrow and the manner in which KCPL's existing rate base assets and generating plants should be encumbered thereby. No party filed an objection to Staff's Recommendation and Memorandum.

Praxair attached to its response an anonymous letter and indicated that the Commission might wish to consider the contents of that letter in making its decision in this case. Given that this case constitutes a contested case under § 536.010(4) RSMo 2000, the Commission declines to consider the letter in question. An anonymous letter not supported by a sworn witness who is subjected to cross-examination constitutes mere hearsay and should not be considered by the Commission in reaching a decision in a contested case.

Based upon consideration of the verified application, the verified recommendation of its Staff, and Praxair's response, the Commission determines that the

Company's request is reasonable and not detrimental to the public interest. Accordingly, the Commission will approve the application subject to the conditions recommended by Staff.

IT IS ORDERED THAT:

1. Kansas City Power & Light Company is authorized to consummate the transactions contemplated in the application, subject to the following nine conditions recommended by the Commission's Staff and agreed to by the company:

- a. That the Company shall submit to the Financial Analysis Office of the Commission any information concerning deviations from the stated use of the funds or any information that would materially change the pro-forma capitalization and financial ratios associated with its Application;
- b. That the interest rate for any debt issuance covered by the Application is not to exceed nine (9) percent;
- c. That the Company shall submit to the Financial Analysis Office of the Commission any information concerning communication with credit rating agencies concerning these issuances;
- d. That the Application is approved for the purposes stated in the Application and not for operating expenses;
- e. That at no time will the Company's total borrowings, including all instruments, exceed its regulated rate base;
- f. That KCPL shall file with the Commission within ten (10) days of the issuance of any debt securities authorized pursuant to a Commission order in this proceeding, a report including the amount of debt securities issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, portion subject to the fee schedule and loan or indenture agreement concerning each issuance;
- g. That KCPL shall provide the Commission Staff an update of the Company's financial condition on or before

September 1, 2009 related to the Company's short-term debt balance discussed in paragraph 11 of the Application;

- h. That nothing in the Commission's order is to 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 these financing transactions and their results in cost of capital, in any later proceeding; and
- i. That at no time during the term of this authorization shall KCPL use the debt authority granted by the Commission to manage its debt-to-capitalization ratio in a fashion inconsistent with the Stipulation and Agreement of KCPL's Experimental Regulatory Plan in Case No. EO-2005-0329, i.e., in a manner that would jeopardize its credit rating.

2. Nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes, and 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. This order shall become effective on February 24, 2008.

4. This case shall be closed on February 25, 2008.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton,
Appling, and Jarrett, CC., concur.

Voss, Regulatory Law Judge