

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 15th day of
November, 2018.

In the Matter of the Application of Kansas City)	
Power & Light Company For Authority to Issue)	<u>File No. EF-2018-0314</u>
Debt Securities)	

**ORDER GRANTING REQUEST FOR
AUTHORITY TO ISSUE DEBT SECURITIES**

Issue Date: November 15, 2018

Effective Date: November 30, 2018

On September 11, 2018, Kansas City Power & Light Company ("KCP&L" or "Company") requested authority to issue General Mortgage Bonds ("debt securities") up to \$1,900,000,000 principal amount during the period ending December 31, 2019. The Company asked that the order granting its application go into effect on November 30, 2018.

On September 12, 2018, the Commission directed the Staff of the Commission ("Staff") to file a recommendation on the Company's application. On November 2, 2018, Staff filed its recommendation. On November 5, 2018, the Commission ordered the Company to file a reply to the Staff's Recommendation no later than November 9, 2018. On November 9, 2018, the Company filed its Response to and Acceptance of Staff's Recommendation.

A

The Company has requested authority to issue debt securities under its General Mortgage Indenture and Deed of Trust. It states that the application is pursuant to Sections

393.180, 393.190, and 393.22, 4 CSR 240-3.120, 4 CSR 240-2.060, and CSR 240-4.017(1)(7)(D). The Company's stated purpose is to maintain positive bond holder relations and assure continued access to capital in the future.

The Company intends to collateralize currently outstanding unsecured senior notes totaling \$1.9 billion with the debt securities by December 31, 2019 and states that this collateralization will not increase the current amount of the Company's existing indebtedness nor change the cost of the currently outstanding debt. The Company seeks to collateralize the outstanding notes through six (6) separate issuances, each matching the six (6) series of currently outstanding senior notes previously issued by the Company.¹ The Company states that the terms and conditions of the bonds which will be issued will generally conform to the existing terms and conditions in the outstanding senior notes. The debt securities will be senior and will be secured debt as provided under the Company's General Mortgage Indenture.

B

The Company's application stated that it agreed in advance to six of seven conditions that it had previously agreed to in File No. EF-2018-0114. In its recommendation, Staff raised the issues of whether the debt securities would need rating by security rating agencies and of the recovery in rates of those agencies' charges. The Staff recommended that the Commission approve the Company's application on the condition, however, that the financing authority granted to the company is not a ratemaking determination respecting recovery of the costs charged by security rating agencies. The

¹ The six (6) issuances comprise the following Commission financing cases: File No. EF-2005-0498; File No. EF-2008-0214; File No. EF-2010-0178; File No. EF-2012-0187; File No. EF-2014-0346; and File No. EF-2017-0242.

Staff recommended that the Commission grant the Company's application subject to the following conditions (the "Six Conditions"):

1. 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 proceeding²;
2. That the Company shall file with the Commission within ten (10) days of the issuance of the General Mortgage Bonds on the already outstanding debt, a report describing any costs required to execute the transactions;
3. That the interest rate for any individual General Mortgage Bond covered by the application will not exceed that of the corresponding underlying Senior Note it is collateralizing;
4. That the Company shall file with the Commission through its electronic filing and information system (EFIS) in this case any information concerning communication with credit rating agencies concerning this issuance.
5. That Applicant 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 KCP&L's or Evergy, Inc.'s³ corporate credit quality or the credit quality of its securities;

² Staff's recommendation explained that this condition addresses the possible future need to have the debt securities rated by rating agencies and how to handle the costs. Staff's recommendation explained: "[I]f updated ratings by rating agencies occur and KCP&L seeks recovery of the costs in a future rate case, Staff will address this subject matter in that rate case, as appropriate."

³ The Staff recommended that Evergy, Inc. be added to the reporting requirements of this condition. The Company is a wholly owned subsidiary of Evergy, Inc.

6. That to the extent that any non-regulated investments made by the Company or Evergy, Inc. and affiliated companies may potentially impact Applicant's credit quality and resulting credit ratings, the Company shall notify Staff of such possibility and provide a status report to the Commission.

On November 9, 2018, the Company accepted Staff's recommendation with the foregoing Six Conditions, including the condition that Evergy, Inc., of which the Company is a wholly owned subsidiary, will be subject to all the reporting obligations stated in condition numbered 5 above.

C

Section 393.190, RSMO, and Commission Rule 4 CSR 240-3.120 require the Company to obtain the Commission's authority to issue debt securities. *In Re Laclede Gas Co. v. Public Serv. Comm'n.*, 526 S.W.3d 245 (Mo. App. W.D. 2017), states that Section 393.180 and 393.200 authorize public utilities to issue long-term financing when necessary for the purposes enumerated in the statute.⁴ If the Company's request falls within the enumerated purposes and is not otherwise detrimental to the public interest, then the Commission will grant the request.⁵

⁴ "The power of gas corporations, electrical corporations, water corporation, or sewer corporations to issue stocks, bond, notes and other evidences of indebtedness and to create liens upon their property situated in this state is a special privilege, the right of supervision, regulation, restriction and control of which is and shall continue to be vested in the state, and such power shall be exercised as provided by law and under such rules and regulations as the commission may prescribe." Section 393.180, RSMO.

⁵ The Missouri Supreme Court set out the standard to be followed by the Commission in *State ex rel. City of St. Louis v. Public Service Commission of Missouri*, 335 Mo. 448, 73 S.W.2d 393, 395 (1934). Quoting from *Electric Public Utilities Co. v. Public Service Commission*, 154 Md. 445, 140 A. 840, 844 (Md. App., 1928, the Court stated:

"To prevent injury to the public, in the clashing of private interest with the public good in the operation of public utilities, is one of the most important functions of Public Service Commissions. It is not their province to insist that the public shall be benefited, as a condition to change of ownership, but their duty is to see that no such change shall be made as would work to the public detriment. 'In the public interest,' in such cases, can reasonably mean no more than 'not detrimental to the public.'"

After review of the Company's application and of the Staff's recommendations, the Commission concludes that granting the Company's request accords with the Company's stated purposes, that the issuance of the debt securities proposed in the application is or will be reasonably required for those stated purposes, and that such purposes are not in whole, or in part reasonably chargeable to operating expenses or to income. The Commission, accordingly, finds that the request satisfies Section 393.200, RSMO. The Commission also concludes that with and subject to the Staff's recommendations, the Company's request is not detrimental to the public interest. The Company's application for authority to issue debt securities will be granted, subject to the Staff's recommendations.

THE COMMISSION ORDERS THAT:

1. Kansas City Power & Light Company (the "Company") is authorized to issue during the period ending December 31, 2019, up to One Billion Nine Hundred Million Dollars (\$1,900,000.000) principal amount of General Mortgage Bonds, which will take the form of six secured senior debt issuances with fixed interest rates equal to the current rate of interest on each series of corresponding underlying Senior Notes;
2. The Company is authorized to execute all documents necessary for the issuance and take all other actions necessary for the issuance and maintenance of the General Mortgage Bonds here authorized by the Commission;
3. The Company shall in all respects adhere to its Procedure for Collateralizing, all as set out in Exhibit 2 of its Application⁶;

⁶ EFIS, Item 2, Exhibit 2

4. This Order is subject to and the Company shall in all respects adhere to and perform the “Six Conditions” set out in the body of this Order. The Company shall cause Evergy, Inc., to satisfy the reporting requirements of Condition No. 3 of the “Six Conditions”;
5. This Order shall be effective on November 30, 2018;
6. This File shall be closed on December 1, 2018.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Silvey, Chm., Kenney, Hall, Rupp, and
Coleman, CC., concur.

Graham, Regulatory Law Judge

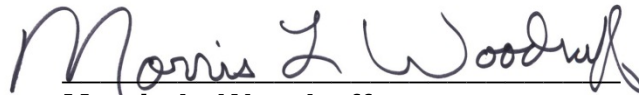
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 15th day of November 2018.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

November 15, 2018

File/Case No. EF-2018-0314

**Missouri Public Service
Commission**

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.