

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of the Application of Kansas Gas)
and Electric Company for an Order Authorizing)
the Issuance and Pledge of Securities to Secure) Docket No. 16-KG&E-098-SEC
Its Obligations Related to Certain Pollution)
Control Refunding Revenue Bonds.)

**ORDER AND CERTIFICATE AUTHORIZING ISSUANCE
OF FIRST MORTGAGE BONDS**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and record, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On August 21, 2015, Kansas Gas and Electric Company (KG&E) filed an Application pursuant to K.S.A. 66-125 requesting a Commission order and certificate authorizing the company to issue \$50 million in First Mortgage Bonds, also referred to as "New Pledge Bonds", for the purpose of facilitating the refunding of existing pollution control bonds associated with financing the cost of KG&E's undivided interests in pollution control, sewage treatment and/or solid waste disposal facilities located at the Wolf Creek Generating Station, Coffey County, Kansas.

2. Regarding a Kansas electric public utility's issuance of securities, K.S.A. 66-125(a) provides in part that:

Any investor-owned electric public utility incorporated in the state of Kansas may issue ... bonds, notes or other evidences of indebtedness, payable at periods of more than 12 months after the date thereof, when necessary for the ...purpose of carrying out its corporate powers, the construction, completion, extension or improvements or maintenance of its service, for the discharge or lawful refunding of its obligations, or for such other purposes as may be

authorized by law. Prior to any such issuance, there shall be secured from the commission a certificate stating the amount, character, purposes and terms on which such ...bonds, notes or other evidences of indebtedness are proposed to be issued, as set out in the application for such certificate.

3. On August 31, 2015, the Commission Staff (Staff) filed its Report and Recommendation dated August 27, 2015, recommending the Commission grant KG&E's Application and issue an order and certificate authorizing the company to issue the First Mortgage Bonds, as requested in the Application. According to Staff, certain pollution control and sewage treatment equipment (Facilities) located at the Wolf Creek Generating Facility is leased to the City of Burlington (City) and subleased back to KG&E. These lease and sub-lease agreements enable KG&E to finance the Facilities at a lower cost than through use of taxable corporate bonds. Staff further states that the tax-exempt bonds issued by the City were originally issued between 1983 and 1985 and subsequently refinanced or refunded several times in accord with appropriately issued Commission orders.¹

4. Staff indicates that KG&E's issuance of \$50 million of First Mortgage Bonds will serve as collateral for the payment of principal and interest on the pollution control bonds issued by the City.² KG&E states that the pollution control bonds will bear interest at a fixed rate of 2.50% for ten years from the date of issuance. The buyer of the pollution control bonds will have the right to require the City and KG&E to repurchase the pollution control bonds on the ten-year anniversary. If the buyer does not exercise that right, the interest rate will reset to a fixed rate equal to 65% of the sum of the 7-year U.S. Treasury Rate at the time, plus 1.75%. The pollution control bonds will be continuously callable by the City and KG&E at par value after June 1, 2017. The pollution control bonds will mature June 1, 2031. Staff determines that the

¹ Docket Nos. 176,828, Order issued 06/11/91; 04-KG&E-506-SEC, Order issued 05/25/04; 06-KG&E-1188-SEC, Order issued 05/15/06.

² Report and Recommendation, page 1.

information provided by KG&E in its Application fulfills the requirements established under K.S.A. 66-125. Concluding, Staff recommends the Commission grant KG&E's Application and issue an Order and Certificate authorizing KG&E to issue \$50 million of First Mortgage Bonds as requested in the company's Application.³

5. The Commission adopts Staff's analysis and recommendation of August 27, 2015, as stated in its Report and Recommendation, which is attached hereto and made a part hereof by reference, and finds and concludes that KG&E's Application requesting an order and certificate authorizing the company to issue \$50 million of First Mortgage Bonds and to proceed with its proposed financing transaction should be granted, effective as of the date of this Order and Certificate.

IT IS, THEREFORE, BY THE COMMISSION ORDERED AND CERTIFIED THAT:

(A). The Application of Kansas Gas and Electric Company requesting an Order and Certificate for authority to issue First Mortgage Bonds and to proceed with the company's proposed financing transaction, pursuant to K.S.A. 66-125, is hereby granted.

(B). This Order and Certificate, made effective as of its date of issue, hereby grants KG&E authority to issue \$50 million of First Mortgage Bonds and to proceed with its proposed financing transaction as set forth in its Application.

(C). KG&E is authorized to execute all documents necessary to carry out the intent and purposes of this Order and Certificate.

(D). In the granting of this Application, KG&E is not guaranteed the authority to recover related plant or costs in rates.

³ Id., page 2.

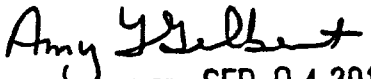
(E). The parties have fifteen (15) days, plus three (3) days if service of this Order is by mail, from the date this Order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 2014 Supp. 77-529(a)(1).

(F). The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED AND CERTIFIED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: SEP 03 2015


ORDER MAILED SEP 04 2015
Amy L. Gilbert
Secretary to the Commission

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**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Adam Gatewood, Managing Financial Analyst
Justin Grady, Chief of Auditing & Financial Analysis
Jeff McClanahan, Director of Utilities Division

DATE: August 27, 2015

SUBJECT: Docket Number: 16-KG&E-098-SEC
In the Matter of the Application of Kansas Gas & Electric Company for an Order Authorizing the Issuance and Pledge of Securities to Secure Its Obligation Related to Certain Pollution Control Refunding Revenue Bonds.

EXECUTIVE SUMMARY:

Pursuant to K.S.A. 66-125, Kansas Gas & Electric Company (KG&E) requests authority from the Commission to issue \$50 million of First Mortgage Bonds. These bonds will be used to facilitate the refunding of existing pollution control bonds.

BACKGROUND:

Certain pollution control and sewage treatment equipment located at Wolf Creek (Facilities) are leased to the City of Burlington (City) and subleased back to KG&E. These lease and sub-lease agreements enable KG&E to finance these Facilities at a lower cost than by using taxable corporate bonds. The tax-exempt bonds issued by the City were originally issued between 1983 and 1985 and subsequently refinanced or refunded several times.¹

ANALYSIS:

In this Docket, KG&E is requesting authority to issue \$50 million of First Mortgage Bonds to pledge as collateral for the pollution control bonds issued by the City. These KG&E First Mortgage Bonds will bear the same interest rate and the same maturity date as the underlying tax exempt debt issued by the City.

At paragraph four of its Application, KG&E states that the pollution control bonds would bear interest at a fixed rate of 2.50% for ten years from the date of issuance. The buyer of the pollution control bonds would have a right to require the City and KG&E to

¹ The Commission has approved refinancings/refundings in Dockets 176,828-U; 04-KG&E-506-SEC; and 06-KG&E-1188-SEC.

repurchase the pollution control bonds on the ten year anniversary. If the buyer does not exercise that right, then the interest rate on the pollution control bonds would reset to a fixed rate equal to 65% of the sum of the 7-year U.S. Treasury Rate at the time, plus 1.75%. The pollution control bonds will be continuously callable by the City and KG&E at par value after June 1, 2017. The pollution control bonds will mature June 1, 2031.

Staff is comfortable that the information provided by KG&E fulfills the requirements set out in K.S.A. 66-125.

RECOMMENDATION: Staff recommends the Commission grant KG&E the authority to issue \$50 million of First Mortgage Bonds as it requested in its Application.

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET
TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
JEFFREY DEBRUIN, DIR. LAW & ASST. CORP. SECRETARY KANSAS GAS & ELECTRIC CO. D/B/A WESTAR ENERGY 818 S KANSAS AVE PO BOX 889 TOPEKA, KS 66601-0889		
OTTO NEWTON, LITIGATION COUNSEL 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604 ***Hand Delivered***		

ORDER MAILED SEP 04 2015

The Docket Room hereby certified that on this _____ day of _____, 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.