PUBLIC VERSION
Certain Schedules Attached to this Testimony
Contain Confidential Information and Have Been Removed.

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

MICHAEL W. CLINE

ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY

IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MODIFY ITS TARIFFS TO CONTINUE THE
IMPLEMENTATION OF ITS REGULATORY PLAN

DOCKET NO. 09-KCPE-____-RTS

Q: Please state your name and business address.

A: My name is Michael W. Cline. My business address is 1201 Walnut, Kansas City, Missouri 64106.

Q: By whom and in what capacity are you employed?

A: I am employed by Great Plains Energy Services Incorporated, as Vice President-Investor Relations and Treasurer of Great Plains Energy Incorporated ("Great Plains Energy"), the parent company of Kansas City Power & Light Company ("KCP&L").

Q: What are your responsibilities?

A: My responsibilities include financing and investing activities, cash management, bank relations, rating agency relations, financial risk management, investor relations, and corporate planning, budgeting, and forecasting.

Q: Please describe your education, experience and employment history.

A: I graduated from Bradley University in 1983 with a B.S. in Finance, summa cum laude. I earned an MBA from Illinois State University in 1988. From 1984-1991, I was employed by Caterpillar Inc. in Peoria, Illinois and held a number of finance and treasury positions. From 1992-1993, I was Manager, International Treasury at Sara Lee Corporation in Chicago, Illinois. From 1994-2000, I was employed by Sprint Corporation in Overland Park, Kansas, initially as Manager, Financial Risk Management and then as Director, Capital Markets. During most of 2001, I was Assistant Treasurer, Corporate Finance, at Corning Incorporated in Corning, New York. I joined Great Plains Energy in October 2001 as Director, Corporate Finance. I was promoted to Assistant Treasurer in November 2002. During 2004, I was assigned to lead the Company's Sarbanes-Oxley Act compliance effort on a full-time basis, though I retained the Assistant Treasurer title during that time. I was promoted to Treasurer in April 2005 and added the title of Chief Risk Officer in July 2005. In February 2008, I was named to my current position as Vice President-Investor Relations and Treasurer.

Q: Have you previously testified in a proceeding at the Kansas Corporation Commission ("KCC" or "Commission") or before any other utility regulatory agency?

A: Yes, I have previously provided testimony to the KCC in the KCP&L Regulatory Plan, Docket No. 04-KCPE-1025-GIE (the "Regulatory Plan"); in KCP&L rate cases, Docket

Nos. 06-KCPE-828-RTS and 07-KCPE-905-RTS; and in the Aquila acquisition case, Docket No. 07-KCPE-1064-ACQ. I have also testified before the Missouri Public Service Commission in KCP&L's cases filed in that jurisdiction with respect to these same matters.

Q: What is the purpose of your testimony?

A: My testimony is in two sections. In Section 1, I do the following: (1) Describe changes made by the credit rating agency Standard & Poor's ("S&P") since the filing of KCP&L's last rate case (Docket No. 07-KCPE-905-RTS) with respect to the methodology for determining indicative ranges for a utility company's credit metrics; (2) Describe the impact of S&P's change on KCP&L and, in particular, the target level of credit metrics used for the calculation of Contribution in Aid of Construction ("CIAC") pursuant to the Regulatory Plan Stipulation and Agreement in Docket No. 04-KCPE-1025-GIE (the "1025 Stipulation"); (3) Recommend, in view of the S&P change, the appropriate levels to be used for the calculation of CIAC for KCP&L; (4) Describe the circumstances in which KCP&L may not request the full amount of CIAC called for under the methodology in the 1025 Stipulation; and (5) Outline the amount of CIAC that KCP&L is requesting in this case, the impact on credit metrics and KCP&L's expectation of the rating agencies' response. In Section 2, I will support an adjustment related to accounts receivable sales fees as reflected in the Summary of Adjustments sponsored by KCP&L witness John P. Weisensee.

<u>SECTION 1</u>

Q: The 1025 Stipulation discussed the use of CIAC to maintain financial ratios. What are those ratios, and what was the basis for initially determining the levels to be maintained for those ratios?

A: The 1025 Stipulation identified three credit ratios deemed most important to S&P in determining a utility's credit quality. These three ratios are: (i) Total Debt to Total Capitalization; (ii) Funds from Operations ("FFO") Interest Coverage; and (iii) FFO as a Percentage of Average Total Debt ("FFO / Debt"). The CIAC mechanism was structured so as to enable KCP&L to achieve an amount of FFO sufficient to sustain levels of ratios (ii) and (iii) above that were consistent with the low end of the top third of the range for BBB rated utility companies with an equivalent Business Risk Profile ("BRP") to KCP&L, per S&P's published guidelines at the time. The specific levels for FFO Interest Coverage and FFO / Debt were established for KCP&L at 3.8x and 25%, respectively, as shown in Appendix E to the 1025 Stipulation.

Q: Were these the target ratio levels that were, in fact, used by KCP&L to determine the requested amount of CIAC in the rate cases filed in Docket Nos. 06-KCPE-828-RTS and 07-KCPE-905-RTS?

A: Yes. KCP&L requested CIAC in the amount of approximately $12.8 million in its 2007 rate case, and the KCC in that case authorized a pre-tax payment on plant of $11 million. In its 2006 case, KCP&L requested no CIAC; however, the KCC authorized a pre-tax payment on plant of $4 million as part of the final rate settlement. In both cases, the target ratios outlined in the 1025 Stipulation were used, as neither S&P's guidelines nor KCP&L's BRP within the context of those guidelines changed during this time.

Q: Has S&P changed its guidelines since KCP&L filed its last rate case, Docket No. 07-KCPE-905-RTS?

A: Yes. On November 30, 2007, S&P published a report entitled, "U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix." A copy of this report is attached as Schedule MWC-1. In its modified approach described in the report, S&P presents a "ratings matrix" which reflects where a given utility's credit rating would be expected to fall based upon S&P's assessment of the BRP and its Financial Risk Profile ("FRP") for that particular company.

Q: What are the categories used by S&P to characterize a company's BRP?

A: As S&P indicates in the report, under the new approach they continue to evaluate the same five factors as under the previous guidelines in evaluating a utility's business risk: (1) Regulation; (2) Markets; (3) Operations; (4) Competitiveness; and (5) Management. Under the new methodology, however, rather than reflecting its collective assessment of these factors in a single BRP numerical score (on a scale of 1-10, with 10 being the highest risk), S&P assigns a qualitative BRP rating of "Vulnerable," "Weak," "Satisfactory," "Strong," or "Excellent."

Q: What are the categories used by S&P to characterize a company's FRP?

A: S&P analyzes, both "qualitatively and quantitatively",[1] a utility's financial risk and captures its view in an FRP assessment of "Minimal," "Modest," "Intermediate," "Aggressive," or "Highly Leveraged."

[1] S&P report, "U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix" November 30, 2007, page 2.

Q: **You have indicated that the intersection of a utility's BRP and FRP on the ratings matrix provides a view of where a utility's credit rating would reasonably be expected to fall. How does this translate into credit ratio guidelines?**

A: As opposed to S&P's 2004 utility guidelines used in developing the ratio targets for KCP&L in the 1025 Stipulation, where ratio ranges for a given credit rating were based on the BRP, the new methodology establishes broader indicative guidelines for metrics based upon the FRP. Not surprisingly, companies with lower financial risk are expected to deliver better metrics on a consistent basis than those with higher risk. Taking the FFO / Debt metric as an example: A utility with an "Aggressive" FRP would have an indicative range of 10% - 30%, while a company with an "Intermediate" FRP would be expected to perform in the 25% - 45% range.

Q: **Why is there some degree of overlap in the guideline ranges for the metrics from one FRP category to another, and why are the ranges so wide?**

A: Both the overlap in, and the width of, the ranges serve to provide S&P with a considerable degree of flexibility in how it incorporates credit metrics into the overall rating of a utility. As they indicate in the report, "…even after we assign a company a business risk and a financial risk, the committee does not arrive by rote at a rating based on the matrix. The matrix is a guide – it is not intended to convey precision in the ratings process or reduce the decision to plotting intersections on a graph."[2] This statement is consistent with the message of caution S&P frequently conveys to companies it rates that assignment of a given credit rating should not be viewed as a "given" based on attainment of quantitative metrics alone.

Q: **What are the BRP and FRP ratings that S&P has assigned to KCP&L?**

A: In its most recent report entitled "Issuer Ranking: U.S. Electric Utility Companies, Strongest to Weakest" issued on August 5, 2008 (copy attached as Schedule MWC-2), S&P assigned a BRP of "Strong" and an FRP of "Intermediate" to KCP&L.

Q: What do the risk profiles that S&P assigned to KCP&L imply in terms of indicative credit metrics for KCP&L?

A: As outlined in the table on page 3 of Schedule MWC-1, for an "Aggressive" FRP the range for the FFO / Debt ratio is 10% - 30% and the range for the FFO Interest Coverage ratio is 2.0x – 3.5x.

Q: Does the 1025 Stipulation describe the course of action to be taken in a situation in which S&P changes its methodology with respect to ratio guidelines?

A: Yes. Section A.5 of the 1025 Stipulation states, "Should these ratios change or be modified during the five-year rate plan, parties agree to consider the revised ratios and ranges in reviewing and making recommendations regarding the adequacy of cash flows."[3]

Q: What is KCP&L's view of whether the existing ratio thresholds should be changed in light of S&P's revised methodology?

A: KCP&L considers the current threshold for FFO / Debt to be appropriate under S&P's revised approach. A target level of 25% FFO / Debt still represents the low end of the top third of the new range of 10% - 30%. With respect to FFO interest coverage, the current threshold of 3.8x is above even the top end of the new range of 2.0x – 3.5x. Using a "lower end of top third" approach, 3.1x would appear to be a more appropriate target for this metric for CIAC purposes. KCP&L acknowledges, however, that it cannot

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[2] Id., at 3.
[3] 1025 Stipulation, page 7.

unilaterally modify how CIAC is calculated in this case. KCP&L looks forward to discussing this issue with any interested signatory party to the 1025 Stipulation. KCP&L believes, however, that the significance of S&P's change is somewhat mitigated because (1) for reasons described later in this testimony, KCP&L anticipates that it will not request the full amount of CIAC that would be generated by either the metrics used under S&P's previous approach or those recommended by KCP&L under S&P's new approach; and (2) this is the last rate case under the 1025 Stipulation in which KCP&L would expect to receive CIAC.

Q: Does the 1025 Stipulation require KCP&L to request the maximum amount of CIAC based upon the ratio thresholds, either those established initially or revised as proposed in your testimony, and the methodology described in Appendix E of the 1025 Stipulation ("Appendix E")?

A: No. The 1025 Stipulation does not expressly require KCP&L to request an amount of CIAC under any circumstance.

Q: Could KCP&L request a lower level of CIAC than called for pursuant to strict adherence to Appendix E?

A: Yes. There is nothing in the 1025 Stipulation that prohibits KCP&L from requesting a lower CIAC amount than Appendix E would indicate.

Q: Why would KCP&L ever request less than the maximum amount of CIAC available to it under the proposed credit ratio thresholds and the Appendix E methodology?

A: KCP&L's responsibility under Section A.5 of the 1025 Stipulation is "to take prudent and reasonable actions in an effort to achieve the goal of maintaining its debt at investment grade levels during the period of the construction expenditures contained in this

Agreement."[4] As KCP&L manages its credit ratings consistent with this responsibility, it does so based upon projected <u>future</u> results, the resulting forecasted credit metrics, and feedback gleaned from discussions with the rating agencies with regard to those forward-looking prospects. The methodology for calculating CIAC described in Appendix E takes an <u>historical</u> approach. Depending on forecasted future results, it is possible that, in any given rate case, KCP&L may not require the level of CIAC that test year data would otherwise indicate is necessary in order to achieve a given level of projected credit metrics or KCP&L's desired credit rating outcome.

Q: What is the maximum amount of CIAC for which KCP&L could file in this rate case, using the levels of FFO / Debt and FFO Interest Coverage that KCP&L recommended earlier in your testimony on page 7?

A: Based on the various components of KCP&L's case, as described in the testimony of numerous witnesses from the Company and experts testifying on the Company's behalf, and the recommended credit metric thresholds I proposed earlier, KCP&L could request CIAC in the amount of $26.9 million above the amounts granted in the rate cases filed in Docket Nos. 06-KCPE-828-RTS and 07-KCPE-905-RTS. Schedule MWC-3 contains the supporting calculations for this amount of CIAC.

Q: Is this the amount of CIAC for which KCP&L is filing in this rate case?

A: No. For the reasons I described earlier, KCP&L is filing for a CIAC amount that is less than that determined pursuant to Appendix E.

Q: What is the amount of CIAC for which KCP&L is filing in this rate case?

A: Based on the various elements of KCP&L's case as described in the testimony of numerous other witnesses, KCP&L expects that CIAC in the amount of $11.2 million

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[4] <u>Id.</u>, at 5.

above the amounts granted in Docket Nos. 06-KCPE-828-RTS and 07-KCPE-905-RTS will achieve appropriate forward-looking FFO / Debt and FFO Interest Coverage ratios for the period in which the outcomes of this rate case will be in effect. This represents only 42% of the amount the Company could request pursuant to the recommended revised credit metrics and Appendix E. Such a CIAC amount would reduce the overall requested rate increase by $15.7 million, or 18%.

Q: **What levels of forward-looking 2009 FFO / Debt and FFO Interest Coverage are generated from KCP&L's requested amount of CIAC?**

A: KCP&L's projected income statement, balance sheet, cash flow statement, and key credit metrics incorporating the rate request in this proceeding, including CIAC, are contained in the attached Schedule MWC-4 (Confidential).

Q: **Has KCP&L discussed the projected financial statements and credit metrics reflected in Schedule MWC-4 (Confidential) with the credit rating agencies?**

A: While KCP&L has not discussed the specific projections in MWC-4 (Confidential) with S&P and Moody's Investor Service ("Moody's"), the levels for the various key credit metrics contained therein are broadly consistent with 2009 projections reviewed with both agencies in May 2008.

Q: **Since your May 2008 review of KCP&L's projected 2009 credit metrics with the rating agencies, has S&P taken any action with respect to KCP&L's credit ratings?**

A: Yes. On July 14, 2008, S&P removed the long-term ratings of KCP&L from CreditWatch with negative implications, affirmed the long-term ratings of KCP&L, and raised the short-term corporate credit rating on KCP&L from 'A-2' to 'A-3.' A copy of S&P's report is attached as Schedule MWC-5.

Q: Has Moody's taken any action with respect to KCP&L's credit ratings since the May review?

A: Yes. On July 15, 2008, Moody's affirmed all KCP&L ratings and maintained a negative outlook. A copy of the Moody's report is attached as Schedule MWC-6.

Q: In your opinion, what do these recent actions by S&P and Moody's imply with respect to their view of the projected level of key 2009 credit metrics you discussed with them in May 2008 (and with which the metrics reflected in Schedule MWC-4 (Confidential) are broadly consistent)?

A: Although credit metrics are only one factor in the rating agencies' views of a company's credit profile at a given time, one can reasonably deduce from the recent actions that the agencies are at least directionally comfortable with the forward-looking metrics that KCP&L reviewed with them in May 2008. Because the metrics that result from this rate case and requested level of CIAC, as shown in Schedule MWC-4 (Confidential), are broadly consistent with the May metrics, we would anticipate no change to the agencies' views of KCP&L's credit profile.

Q: Under what circumstances would KCP&L increase its request for CIAC in this proceeding?

A: As described above, the CIAC amount requested is predicated upon the various components of KCP&L's case as articulated in other witness' testimony. Should the KCC substantially reduce the rate request that is the product of these various elements, increased CIAC may be required to achieve the same forward-looking financial metrics.

SECTION 2

Q: What is the purpose of this section of your testimony?

A: In this section of testimony, I will support two adjustments related to accounts receivable sales fees as referenced in the Summary of Adjustments attached on Schedule JPW-2 in the Direct Testimony of KCP&L witness John P. Weisensee.

Q: Briefly explain how the sale of KCP&L's accounts receivable is structured.

A: The sale of KCP&L's receivables is structured as follows: (i) KCP&L sells all of its electric receivables at a discount to Kansas City Power & Light Receivables Company ("KCREC"), a wholly-owned subsidiary of KCP&L; (ii) KCREC sells the receivables to a bank ("Bank"), up to a maximum commitment of $70 million (increases to $100 million during the months of June through October each year due to the seasonality of KCP&L's business); (iii) the Bank issues commercial paper to generate cash to pay KCREC for the receivables it buys; (iv) KCREC uses the cash it receives from the Bank to pay KCP&L for a portion of the receivables it purchased; (v) KCREC issues a note to KCP&L for the difference between the cash it pays to KCP&L and the total receivables purchased; and (vi) KCREC pays the Bank sales fees on the amount of commercial paper it issued and also pays KCP&L interest on the note.

Q: Why does KCP&L sell its accounts receivable in this manner?

A: Selling its accounts receivable in the fashion just described (an "A/R Securitization") provides KCP&L an attractive source of borrowing capacity and a means by which to diversify its funding sources. KCP&L's financing cost for its A/R Securitization has traditionally been very competitive compared to other sources of funding. Also, because the structure is executed with a single bank, it augments and preserves liquidity available to KCP&L under its revolving credit facility.

Q: How are the Accounts Receivable sales fees calculated?

A: KCREC's Accounts Receivable sales fees are comprised of three components. The first is interest, determined using the weighted average interest rate on the commercial paper issued by the Bank. The second component is a Program Fee of 30 basis points (increased to 35 basis points effective July 2008 when the Accounts Receivable structure matured and was extended for one year). Both interest and the Program Fee are calculated by multiplying the respective rates by the average amount of commercial paper outstanding or projected during each calendar month, divided by 360, multiplied by the number of days in the month. The third component of KCREC's Accounts Receivable sales fees is a Commitment Fee based on a rate of 15 basis points and the monthly difference, if any, between the maximum commitment by the Bank and the actual amount of receivables purchased by the Bank. The product of this difference and the 15 basis-point rate is divided by 360 and multiplied by the number of days in the month.

Q: Why are the accounts receivable sales fees adjustments necessary?

A: These adjustments are necessary for two reasons. First, accounts receivable sales fees are recorded on the books of KCREC, not KCP&L. Therefore, an adjustment is necessary so that test year fees can be included in KCP&L's cost of service. Second, an adjustment is necessary to adjust the actual 2007 test year bank fees to projected expenses for the 12-month period ending March 2009 to reflect revised assumptions.

Q: How were these adjustments determined?

A: The first adjustment was determined using actual 2007 fees incurred by KCREC. The second adjustment was determined by (a) calculating monthly interest, based upon the actual 2008 commercial paper rates for April and May 2008, a projected rate of 3.0% for June 2008 – March 2009, and an actual / projected monthly advance amount of $70 million throughout the period; (b) calculating the monthly Program Fee based on a projected monthly advance amount of $70 million and a Program Fee Rate of 30 basis points for April 2008 – June 2008 and 35 basis points thereafter through March 2009; and (c) calculating the monthly Commitment Fee based upon a fee rate of 15 basis points and the difference, if any, between the monthly Purchase Limit available to KCREC and the actual or projected amount of monthly advances over the 12-month period. The sum of (a), (b), and (c) represented the total projected bank fees for the 12 months ended March 2009. The second adjustment then represented the difference between that figure and the first adjustment.

Q: What is the amount of the first adjustment?

A: The adjustment for the total 2007 bank fees is $4,052,099 and is shown as Adj-9 on the Summary of Adjustments attached to the direct testimony of KCP&L witness John P. Weisensee as Schedule JPW-2.

Q: What is the amount of the second adjustment?

A: The adjustment for the incremental change from actual 2007 bank fees to the 12-month period ending March 2009 is ($1,675,405) and is shown as Adj-54 on the Summary of Adjustments attached to the Direct Testimony of KCP&L witness John P. Weisensee as Schedule JPW-2.

Q: Does this conclude your testimony?

A: Yes, it does.

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas City Power & Light Company to Modify Its Tariffs to Continue the Implementation of Its Regulatory Plan	)))	Docket No. 09-KCPE-____-RTS

AFFIDAVIT OF MICHAEL W. CLINE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Michael W. Cline, being first duly sworn on his oath, states:

1. My name is Michael W. Cline. I work in Kansas City, Missouri, and I am employed by Great Plains Energy, the parent company of Kansas City Power & Light Company as Vice President-Investor Relations and Treasurer.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of fifteen (15) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Michael W. Cline
Michael W. Cline

Subscribed and sworn before me this 4th day of September 2008.

Nicole A. Wehry
Notary Public

My commission expires: Feb 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

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November 30, 2007

U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix

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Schedule MWC-1

U.S. Utilities Ratings Analysis Now Portrayed In The S&P Corporate Ratings Matrix

The electric, gas, and water utility ratings ranking lists published today by Standard & Poor's U.S. Utilities & Infrastructure Ratings practice are categorized under the business risk/financial risk matrix used by the Corporate Ratings group. This is designed to present our rating conclusions in a clear and standardized manner across all corporate sectors. Incorporating utility ratings into a shared framework to communicate the fundamental credit analysis of a company furthers the goals of transparency and comparability in the ratings process. Table 1 shows the matrix.

Table 1

Business Risk/Financial Risk

	Financial Risk Profile				
Business Risk Profile	**Minimal**	**Modest**	**Intermediate**	**Aggressive**	**Highly leveraged**
Excellent	AAA	AA	A	BBB	BB
Strong	AA	A	A-	BBB-	BB-
Satisfactory	A	BBB+	BBB	BB+	B+
Weak	BBB	BBB-	BB+	BB-	B
Vulnerable	BB	B+	B+	B	B-

The utilities rating methodology remains unchanged, and the use of the corporate risk matrix has not resulted in any changes to ratings or outlooks. The same five factors that we analyzed to produce a business risk score in the familiar 10-point scale are used in determining whether a utility possesses an "Excellent," "Strong," "Satisfactory," "Weak," or "Vulnerable" business risk profile:

- Regulation,
- Markets,
- Operations,
- Competitiveness, and
- Management.

Regulated utilities and holding companies that are utility-focused virtually always fall in the upper range ("Excellent" or "Strong") of business risk profiles. The defining characteristics of most utilities--a legally defined service territory generally free of significant competition, the provision of an essential or near-essential service, and the presence of regulators that have an abiding interest in supporting a healthy utility financial profile--underpin the business risk profiles of the electric, gas, and water utilities.

As the matrix concisely illustrates, the business risk profile loosely determines the level of financial risk appropriate for any given rating. Financial risk is analyzed both qualitatively and quantitatively, mainly with financial ratios and other metrics that are calculated after various analytical adjustments are performed on financial statements prepared under GAAP. Financial risk is assessed for utilities using, in part, the indicative ratio ranges in table 2.

Table 2

Financial Risk Indicative Ratios - U.S. Utilities

(Fully adjusted, historically demonstrated, and expected to consistently continue)

	Cash flow		Debt leverage
	(FFO/debt) (%)	**(FFO/interest) (x)**	**(Total debt/capital) (%)**
Modest	40 - 60	4.0 - 6.0	25 - 40
Intermediate	25 - 45	3.0 - 4.5	35 - 50
Aggressive	10 - 30	2.0 - 3.5	45 - 60
Highly leveraged	Below 15	2.5 or less	Over 50

The indicative ranges for utilities differ somewhat from the guidelines used for their unregulated counterparts because of several factors that distinguish the financial policy and profile of regulated entities. Utilities tend to finance with long-maturity capital and fixed rates. Financial performance is typically more uniform over time, avoiding the volatility of unregulated industrial entities. Also, utilities fare comparatively well in many of the less-quantitative aspects of financial risk. Financial flexibility is generally quite robust, given good access to capital, ample short-term liquidity, and the like. Utilities that exhibit such favorable credit characteristics will often see ratings based on the more accommodative end of the indicative ratio ranges, especially when the company's business risk profile is solidly within its category. Conversely, a utility that follows an atypical financial policy or manages its balance sheet less conservatively, or falls along the lower end of its business risk designation, would have to demonstrate an ability to achieve financial metrics along the more stringent end of the ratio ranges to reach a given rating.

Note that even after we assign a company a business risk and financial risk, the committee does not arrive by rote at a rating based on the matrix. The matrix is a guide--it is not intended to convey precision in the ratings process or reduce the decision to plotting intersections on a graph. Many small positives and negatives that affect credit quality can lead a committee to a different conclusion than what is indicated in the matrix. Most outcomes will fall within one notch on either side of the indicated rating. Larger exceptions for utilities would typically involve the influence of related unregulated entities or extraordinary disruptions in the regulatory environment.

We will use the matrix, the ranking list, and individual company reports to communicate the relative position of a company within its business risk peer group and the other factors that produce the ratings.

The McGraw-Hill Companies

STANDARD & POOR'S RatingsDirect®

RESEARCH

Issuer Ranking:

U.S. Regulated Electric Utility Companies, Strongest To Weakest

Publication date: 05-Aug-2008
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The following list contains Standard & Poor's Ratings Services' ratings, outlooks, and business and financial profiles for companies with a primary regulated electric focus. This list reflects the current ratings and outlooks as of Aug. 5, 2008. The rankings in each rating/outlook grouping (e.g., BBB+/Stable/--) are based on relative business risk.

A Standard & Poor's rating outlook assesses the potential direction of an issuer's long-term debt rating over the intermediate to longer term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action. "Positive" indicates that a rating may be raised; "negative" means a rating may be lowered; "stable" indicates that ratings are not likely to change; and "developing" means ratings may be raised or lowered.

Utility business profiles can be categorized as "Excellent," "Strong," "Satisfactory," "Weak," or "Vulnerable" under the credit ratings methodology applied to all rated corporate entities at Standard & Poor's. To determine a utility's business profile, Standard & Poor's analyzes the following qualitative business or operating characteristics: markets and service area economy; competitive position; fuel and power supply; operations; asset concentration; regulation; and management. Issuer credit ratings, shown as long-term rating/outlook or CreditWatch/short-term rating, are local and foreign currency unless otherwise noted. A dash (--) indicates not rated.

For the related industry report card, please see "Industry Report Card: Credit Quality For U.S. Electric Utilities Remains Strong Despite Rising Fuel and Construction Costs," published June 10, 2008.

U.S. Regulated Electric Utilities

As of Aug. 5, 2008

Company	**Corporate credit rating**	**Business profile**	**Financial profile**
Madison Gas & Electric Co.	AA-/Stable/A-1+	Excellent	Modest
-			
American Transmission Co.	A+/Stable/A-1	Excellent	Intermediate
Midwest Independent Transmission System Operator Inc.	A+/Stable/--	Excellent	Intermediate
NSTAR Electric Co.	A+/Stable/A-1	Excellent	Intermediate
NSTAR Gas Co.	A+/Stable/--	Excellent	Intermediate
NSTAR	A+/Stable/A-1	Excellent	Intermediate
-			
Florida Power & Light Co.	A/Stable/A-1	Excellent	Intermediate
KeySpan Energy Delivery Long Island	A/Stable/A-1	Excellent	Intermediate
KeySpan Energy Delivery New York	A/Stable/A-1	Excellent	Intermediate
Northern Natural Gas Co.	A/Stable/--	Excellent	Intermediate
Alabama Power Co.	A/Stable/A-1	Excellent	Intermediate
Georgia Power Co.	A/Stable/A-1	Excellent	Intermediate
Mississippi Power Co.	A/Stable/A-1	Excellent	Intermediate

Schedule MWC-2

Gulf Power Co.	A/Stable/--	Excellent	Intermediate
San Diego Gas & Electric Co.	A/Stable/--	Excellent	Intermediate
Wisconsin Public Service Corp.	A/Stable/A-2	Excellent	Intermediate
FPL Group Inc.	A/Stable/--	Excellent	Intermediate
Southern Co.	A/Stable/A-1	Excellent	Intermediate
Central Hudson Gas & Electric Corp.	A/Stable/--	Excellent	Intermediate
-			
Wisconsin Gas LLC	A-/Positive/A-2	Excellent	Intermediate
Wisconsin Electric Power Co.	A-/Positive/A-2	Excellent	Intermediate
-			
California Independent System Operator Corp.	A-/Stable/--	Excellent	Intermediate
Massachusetts Electric Co.	A-/Stable/A-2	Excellent	Intermediate
Narragansett Electric Co.	A-/Stable/A-2	Excellent	Intermediate
New England Power Co.	A-/Stable/A-2	Excellent	Intermediate
Consolidated Edison Co. of New York Inc.	A-/Stable/A-2	Excellent	Intermediate
Orange and Rockland Utilities Inc.	A-/Stable/A-2	Excellent	Intermediate
Rockland Electric Co.	A-/Stable/--	Excellent	Intermediate
Consolidated Edison Inc.	A-/Stable/A-2	Excellent	Intermediate
Peoples Gas Light & Coke Co. (The)	A-/Stable/A-2	Excellent	Intermediate
North Shore Gas Co.	A-/Stable/--	Excellent	Intermediate
Peoples Energy Corp.	A-/Stable/A-2	Excellent	Intermediate
Virginia Electric & Power Co.	A-/Stable/A-2	Excellent	Aggressive
Duke Energy Indiana Inc.	A-/Stable/A-2	Excellent	Intermediate
Duke Energy Carolinas LLC	A-/Stable/A-2	Excellent	Intermediate
Duke Energy Ohio Inc.	A-/Stable/A-2	Excellent	Intermediate
Duke Energy Kentucky Inc.	A-/Stable/--	Excellent	Intermediate
Northern States Power Wisconsin	A-/Stable/--	Excellent	Intermediate
Wisconsin Power & Light Co.	A-/Stable/A-2	Excellent	Intermediate
Southern Indiana Gas & Electric Co.	A-/Stable/--	Excellent	Intermediate
MidAmerican Energy Holdings Co.	A-/Stable/--	Excellent	Aggressive
PPL Electric Utilities Corp.	A-/Stable/A-2	Excellent	Aggressive
Niagara Mohawk Power Corp.	A-/Stable/A-2	Excellent	Aggressive
PacifiCorp	A-/Stable/A-1	Excellent	Aggressive
Cinergy Corp.	A-/Stable/A-2	Excellent	Intermediate
Duke Energy Corp.	A-/Stable/A-2	Excellent	Intermediate
MidAmerican Energy Co.	A-/Stable/A-1	Excellent	Aggressive
National Grid USA	A-/Stable/A-2	Excellent	Intermediate
Dominion Resources Inc.	A-/Stable/A-2	Excellent	Aggressive
Integrys Energy Group Inc.	A-/Stable/A-2	Strong	Intermediate
-			
Public Service Co. of North Carolina Inc.	A-/Negative/A-2	Excellent	Aggressive
South Carolina Electric & Gas Co.	A-/Negative/A-2	Excellent	Aggressive
SCANA Corp.	A-/Negative/--	Excellent	Aggressive
-			
Wisconsin Energy Corp.	BBB+/Positive/A-2	Excellent	Aggressive
-			
Southern California Edison Co.	BBB+/Stable/A-2	Excellent	Intermediate
Pacific Gas & Electric Co.	BBB+/Stable/A-2	Excellent	Intermediate
Florida Power Corp. d/b/a Progress Energy Florida Inc.	BBB+/Stable/A-2	Excellent	Aggressive
Carolina Power & Light Co. d/b/a Progress Energy Carolinas Inc.	BBB+/Stable/A-2	Excellent	Aggressive

Public Service Co. of Colorado	BBB+/Stable/A-2	Excellent	Aggressive
Northern States Power Co.	BBB+/Stable/A-2	Excellent	Aggressive
PECO Energy Co.	BBB+/Stable/A-2	Excellent	Aggressive
Southwestern Public Service Co.	BBB+/Stable/A-2	Excellent	Aggressive
Interstate Power & Light Co.	BBB+/Stable/A-2	Excellent	Aggressive
Xcel Energy Inc.	BBB+/Stable/A-2	Excellent	Aggressive
Kentucky Utilities Co.	BBB+/Stable/A-2	Excellent	Intermediate
Louisville Gas & Electric Co.	BBB+/Stable/--	Excellent	Intermediate
Progress Energy Inc.	BBB+/Stable/A-2	Excellent	Aggressive
Alliant Energy Corp.	BBB+/Stable/A-2	Excellent	Aggressive
E.ON U.S. LLC	BBB+/Stable/--	Excellent	Intermediate
Oklahoma Gas & Electric Co.	BBB+/Stable/A-2	Excellent	Intermediate
Portland General Electric Co.	BBB+/Stable/A-2	Strong	Intermediate
OGE Energy Corp.	BBB+/Stable/A-2	Strong	Intermediate
ALLETE Inc.	BBB+/Stable/A-2	Strong	Intermediate
Montana-Dakota Utilities Co.	BBB+/Stable/--	Strong	Intermediate
-			
Connecticut Natural Gas Corp.	BBB+/Negative/--	Excellent	Intermediate
Southern Connecticut Gas Co.	BBB+/Negative/--	Excellent	Intermediate
New York State Electric & Gas Corp.	BBB+/Negative/A-2	Excellent	Aggressive
Central Maine Power Co.	BBB+/Negative/--	Excellent	Aggressive
Rochester Gas & Electric Corp.	BBB+/Negative/--	Excellent	Aggressive
Energy East Corp.	BBB+/Negative/A-2	Excellent	Aggressive
Baltimore Gas & Electric Co.	BBB+/Negative/A-2	Strong	Intermediate
Otter Tail Corp.	BBB+/Negative/--	Strong	Intermediate
-			
Enogex Inc.	BBB+/Watch Neg/--	Satisfactory	Intermediate
-			
Dayton Power & Light Co.	BBB/Positive/--	Excellent	Aggressive
DPL Inc.	BBB/Positive/--	Excellent	Aggressive
-			
International Transmission Co.	BBB/Stable/--	Excellent	Aggressive
ITC Holdings Corp.	BBB/Stable/--	Excellent	Aggressive
ITC Midwest LLC	BBB/Stable/--	Excellent	Aggressive
Michigan Electric Transmission Co.	BBB/Stable/--	Excellent	Aggressive
Yankee Gas Services Co.	BBB/Stable/--	Excellent	Aggressive
Michigan Consolidated Gas Co.	BBB/Stable/A-2	Excellent	Aggressive
Public Service Electric & Gas Co.	BBB/Stable/A-2	Excellent	Aggressive
AEP Texas Central Co	BBB/Stable/--	Excellent	Aggressive
AEP Texas North Co	BBB/Stable/--	Excellent	Aggressive
Jersey Central Power & Light Co.	BBB/Stable/--	Excellent	Aggressive
Columbus Southern Power Co.	BBB/Stable/--	Excellent	Aggressive
Ohio Power Co.	BBB/Stable/--	Excellent	Aggressive
Appalachian Power Co.	BBB/Stable/--	Excellent	Aggressive
CenterPoint Energy Houston Electric LLC	BBB/Stable/--	Excellent	Aggressive
CenterPoint Energy Inc.	BBB/Stable/A-2	Excellent	Aggressive
CenterPoint Energy Resources Corp.	BBB/Stable/--	Excellent	Aggressive
Western Massachusetts Electric Co.	BBB/Stable/--	Excellent	Aggressive
Atlantic City Electric Co.	BBB/Stable/A-2	Excellent	Aggressive
Potomac Electric Power Co.	BBB/Stable/A-2	Excellent	Aggressive

Kansas City Power & Light Co.	BBB/Stable/A-3	Excellent	Aggressive
Aquila Inc.	BBB/Stable/--	Excellent	Aggressive
Delmarva Power & Light Co.	BBB/Stable/A-2	Excellent	Aggressive
Green Mountain Power Corp.	BBB/Stable/--	Excellent	Aggressive
Kentucky Power Co.	BBB/Stable/--	Excellent	Aggressive
Public Service Co. of Oklahoma	BBB/Stable/--	Excellent	Aggressive
Southwestern Electric Power Co.	BBB/Stable/--	Excellent	Aggressive
Connecticut Light & Power Co.	BBB/Stable/--	Excellent	Aggressive
Public Service Co. of New Hampshire	BBB/Stable/--	Excellent	Aggressive
Metropolitan Edison Co.	BBB/Stable/--	Excellent	Aggressive
Pennsylvania Electric Co.	BBB/Stable/--	Excellent	Aggressive
Cleveland Electric Illuminating Co.	BBB/Stable/--	Excellent	Aggressive
Ohio Edison Co.	BBB/Stable/A-2	Excellent	Aggressive
Pennsylvania Power Co.	BBB/Stable/--	Excellent	Aggressive
Toledo Edison Co.	BBB/Stable/--	Excellent	Aggressive
Detroit Edison Co.	BBB/Stable/A-2	Excellent	Aggressive
American Electric Power Co. Inc.	BBB/Stable/A-2	Excellent	Aggressive
Northeast Utilities	BBB/Stable/--	Excellent	Aggressive
Great Plains Energy Inc.	BBB/Stable/--	Excellent	Aggressive
FirstEnergy Corp.	BBB/Stable/--	Excellent	Aggressive
DTE Energy Co.	BBB/Stable/A-2	Excellent	Aggressive
NorthWestern Corp.	BBB/Stable/--	Excellent	Aggressive
Indiana Michigan Power Co.	BBB/Stable/--	Strong	Aggressive
Cleco Power LLC	BBB/Stable/--	Strong	Aggressive
Cleco Corp.	BBB/Stable/--	Strong	Aggressive
Hawaiian Electric Co. Inc.	BBB/Stable/A-2	Strong	Aggressive
Idaho Power Co.	BBB/Stable/A-2	Strong	Aggressive
IDACORP Inc.	BBB/Stable/A-2	Strong	Aggressive
El Paso Electric Co.	BBB/Stable/--	Strong	Aggressive
PEPCO Holdings Inc.	BBB/Stable/A-2	Strong	Aggressive
Hawaiian Electric Industries Inc.	BBB/Stable/A-2	Strong	Aggressive
-			
Entergy Arkansas Inc.	BBB/Negative/--	Strong	Aggressive
Entergy Louisiana LLC	BBB/Negative/--	Strong	Aggressive
Entergy Mississippi Inc.	BBB/Negative/--	Strong	Aggressive
Entergy Gulf States Louisiana LLC	BBB/Negative/--	Strong	Aggressive
Entergy Texas Inc.	BBB/Negative/--	Strong	Aggressive
Entergy Corp.	BBB/Negative/--	Strong	Aggressive
System Energy Resources Inc.	BBB/Negative/--	Strong	Aggressive
-			
Northern Indiana Public Service Co.	BBB/Watch Neg/--	Excellent	Aggressive
-			
Tampa Electric Co.	BBB-/Positive/A-3	Excellent	Aggressive
TECO Energy Inc.	BBB-/Positive/--	Excellent	Aggressive
-			
Potomac Edison Co.	BBB-/Stable/--	Excellent	Aggressive
West Penn Power Co.	BBB-/Stable/--	Excellent	Aggressive
Monongahela Power Co.	BBB-/Stable/--	Excellent	Aggressive
Westar Energy Inc.	BBB-/Stable/--	Excellent	Aggressive
Kansas Gas & Electric Co.	BBB-/Stable/--	Excellent	Aggressive

Consumers Energy Co.	BBB-/Stable/--	Excellent	Aggressive
CMS Energy Corp.	BBB-/Stable/A-3	Excellent	Aggressive
Ohio Valley Electric Corp.	BBB-/Stable/--	Excellent	Aggressive
Empire District Electric Co.	BBB-/Stable/A-3	Strong	Aggressive
Edison International	BBB-/Stable/--	Strong	Aggressive
Black Hills Power Inc.	BBB-/Stable/--	Strong	Intermediate
Arizona Public Service Co.	BBB-/Stable/A-3	Strong	Aggressive
Pinnacle West Capital Corp.	BBB-/Stable/A-3	Strong	Aggressive
Avista Corp.	BBB-/Stable/A-3	Strong	Aggressive
Allegheny Energy Inc.	BBB-/Stable/A-3	Strong	Aggressive
Union Electric Co. d/b/a AmerenUE	BBB-/Stable/A-3	Strong	Aggressive
Ameren Corp.	BBB-/Stable/A-3	Satisfactory	Aggressive
Black Hills Corp.	BBB-/Stable/--	Satisfactory	Intermediate
-			
Oncor Electric Delivery Co. LLC	BBB-/Watch Dev/--	Excellent	Intermediate
-			
Duquesne Light Co.	BBB-/Negative/--	Excellent	Highly leveraged
Duquesne Light Holdings Inc.	BBB-/Negative/--	Excellent	Highly leveraged
Entergy New Orleans Inc.	BBB-/Negative/--	Satisfactory	Aggressive
-			
Puget Sound Energy Inc.	BBB-/Watch Neg/A-3	Excellent	Aggressive
Puget Energy Inc.	BBB-/Watch Neg/--	Excellent	Aggressive
-			
Central Vermont Public Service Corp.	BB+/Stable/--	Excellent	Highly leveraged
Indianapolis Power & Light Co.	BB+/Stable/--	Excellent	Highly leveraged
IPALCO Enterprises Inc.	BB+/Stable/--	Excellent	Highly leveraged
-			
Commonwealth Edison Co.	BB/Positive/B	Satisfactory	Aggressive
Central Illinois Public Service Co.	BB/Positive/--	Satisfactory	Aggressive
Illinois Power Co.	BB/Positive/--	Satisfactory	Aggressive
Central Illinois Light Co.	BB/Positive/--	Satisfactory	Aggressive
CILCORP Inc.	BB/Positive/--	Satisfactory	Aggressive
Tucson Electric Power Co.	BB/Positive/B-2	Strong	Highly leveraged
-			
Nevada Power Co.	BB/Stable/--	Excellent	Highly leveraged
Sierra Pacific Power Co.	BB/Stable/--	Excellent	Highly leveraged
Sierra Pacific Resources	BB/Stable/B-2	Excellent	Highly leveraged
-			
Texas-New Mexico Power Co.	BB-/Stable/--	Satisfactory	Highly leveraged
Public Service Co. of New Mexico	BB-/Stable/B-2	Satisfactory	Highly leveraged
PNM Resources Inc.	BB-/Stable/B-2	Satisfactory	Highly leveraged

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Kansas Jurisdictional Additional Amortization for 2008 Filing

Includes Credit Ratio Amortizations from prior rate cases

Line			Total Company		Jurisdictional Allocation	Jurisdictional Adjustments	Jurisdictional Proforma
1	Additional net Assets on KCPL's balance sheet				220,357,310		
2	Rate Base	Rev Req Model Sch 1-055 (COL 606)	NA		1,254,148,611		
3	Net Assets supported by LTD & Equity				1,474,505,921		
4	Jusrisdictional Allocator for Capital	Jurisdictional Rate Base (COL 606) / Total Company Rate Base (COL 603)			43.87%		
5							
6	Total Capital	Misc% %-031*1000	3,396,887,752		1,474,505,921	-	1,474,505,921
7	Equity	Misc% %-030*1000	1,881,393,986	55.39%	816,667,130	-	816,667,130
8	Preferred	Misc% %-029*1000	39,000,000	1.15%	16,928,946		16,928,946
9	Long-term Debt	Misc% %-028*1000	1,476,493,766	43.47%	640,909,844		640,909,844
10	Cost of Debt	Misc% %-034	6.32%	100.00%	6.32%		6.32%
11	Interest Expense	Line 9 * Line 10	93,253,022		40,478,857	-	40,478,857
12							
13	Retail Sales Revenue	Rev Req Model Sch 1-015 plus Revenue Requirement	0		614,563,188	26,947,071	641,510,259
14	Other Revenue	Rev Req Model Sch 1-015 plus Revenue Requirement	0				0
15	Operating Revenue	Rev Req Model Sch 1-015 plus Revenue Requirement	0		614,563,188	26,947,071	641,510,259
16							
17	Operating & Maintenance Expenses	Rev Req Model Sch 1-018 through 1-020 plus Rev Req Bad Debt			329,594,259		329,594,259
18	Depreciation	Rev Req Model Sch 1-021			76,728,909		76,728,909
19	Amortization	Rev Req Model Sch 1-022			20,626,074	26,947,071	47,573,145
20	Interest on Customer Deposits	Rev Req Model Sch 1-023 (MO) or 1-024 (KS)			90,512		90,512
21	Taxes other than income taxes	Rev Req Model Sch 1-025 plus Rev Req KCMO Earnings Taxes			33,900,398		33,900,398
22	Federal, State, & City income taxes	Rev Req Model Sch 1-026 plus Rev Req Income Taxes			43,836,541		43,836,541
23							
24	Total Electric Operating Expenses	Sum of Lines 17 to 23	0		504,776,694	26,947,071	531,723,764
25							
26	Operating Income	Rev Req Model Sch 1-029	0		109,786,494	0	109,786,494
27	less Long-term Interest Expense	- Line 11	-		(40,478,857)	-	(40,478,857)
27b	less Short-term Interest Expense net of tax	- Line 38 * (1 - line 69)					0
28	Depreciation	Rev Req Model Sch 1-021			76,728,909	-	76,728,909
29	Amortization	Rev Req Model Sch 1-022			20,626,074	26,947,071	47,573,145
30	Deferred Taxes	Rev Req Model Sch 7-122 (COL 606)			(8,137,495)	(10,666,324)	(18,803,820)
31	Funds from Operations (FFO)	Sum of Lines 26 to 30	-		158,525,126	16,280,747	174,805,872
32							
33	Net Income	Line 26 + Line 27	-		69,307,638	-	69,307,638
34	Return on Equity	Line 33 / Line 7	0.0%		8.487%	0.0%	8.5%
35	Unadjusted Equity Ratio	Line 7 / Line 6	55.4%		55.4%	0.0%	55.4%

Additional financial information needed for the calculation of ratios

Line			Total Company	Jurisdictional Allocation	Jurisdictional Adjustments	Jurisdictional Proforma
36	Capitalized Lease Obligations	KCPL Trial Balance accts 227100 & 243100	2,215,607	971,894		971,894
37	Short-term Debt Balance	KCPL Projected Trial Balance accts 231xxx	-	-		-
38	Short-term Debt Interest	KCPL average short-term debt rate (5.5%) * Line 37	-	-		-

Adjustments made by Rating Agencies for Off-Balance Sheet Obligations

Line			Total Company	Jurisdictional Allocation	Jurisdictional Adjustments	Jurisdictional Proforma
39	Debt Adjustments for Off-Balance Sheet Obligations					
40	Operating Lease Debt Equivalent	Present Value of Operating Lease Obligations discounted @ 6.32%	64,520,681	28,302,520		28,302,520
41	Purchase Power Debt Equivalent	Present Value of Purchase Power Obligations discounted @ 6.32%	14,816,715	6,499,472		6,499,472
42	Accounts Receivable Sale	KCPL Trial Balance account 142011	70,000,000	30,706,067		30,706,067
43	Total OBS Debt Adjustment	Sum of Lines 40 to 42	149,337,397	65,508,059	-	65,508,059
44	Depreciation Adjustment for Operating Leases		4,654,142	2,041,577		2,041,577
45	Interest Adjustments for Off-Balance Sheet Obligations					
46	Present Value of Operating Leases	Line 40 * 6.32%	4,077,707	1,787,543	-	1,787,543
47	Purchase Power Debt Equivalent	Line 41 * 6.32%	936,416	410,496	-	410,496
48	Accounts Receivable Sale	Line 42 * 5.7%	3,990,000	1,535,303	-	1,535,303
49	Total OBS Interest Adjustment	Sum of Lines 46 to 48	9,004,123	3,733,342	-	3,733,342

Ratio Calculations

Line			Total Company	Jurisdictional Allocation	Jurisdictional Adjustments	Jurisdictional Proforma
50	Adjusted Interest Expense	Line 11 + Line 38 + Line 49		44,212,199	-	44,212,199
51	Adjusted Total Debt	Line9 + Line 36 + Line 37 + Line 43		707,389,797	-	707,389,797
52	Adjusted Total Capital	Line 6 + Line 36 + Line 37 + Line 43		1,540,985,874	-	1,540,985,874
53						
54	FFO Interest Coverage	(Line 31 + Line 44 + Line 50) / Line 50		4.63	0.37	5.00
55	FFO as a % of Average Total Debt	Line 31 + line 44 / Line 51		22.7%	2.3%	25.0%
56	Total Debt to Total Capital	Line 51 / Line 52		45.9%	0.0%	45.9%

Changes required to meet ratio targets

Line			Total Company	Jurisdictional Allocation	Jurisdictional Adjustments	Jurisdictional Proforma
57	FFO Interest Coverage Target			3.10	0.00	3.10
58	FFO adjustment to meet target	(Line 57 - Line 54) * Line 50		(67,721,085)	(16,280,747)	(84,001,831)
59	Interest adjustment to meet target	Line 31 * (1 / (Line 57 - 1) - 1 / (Line 54 - 1))		-	39,539,091	39,539,091
60						
61	FFO as a % of Average Total Debt Target			25%	0%	25%
62	FFO adjustment to meet target	(Line 61 - Line 55) * Line 51		16,280,747	(16,280,747)	(0)
63	Debt adjustment to meet target	Line 31 * (1 / Line 61 - 1 / Line 55)		(64,294,959)	64,294,959	0
64						
65	Total Debt to Total Capital Target			51%	0%	51%
66	Debt adjustment to meet target	(Line 65 - Line 56) * Line 52		78,512,998	-	78,512,998
67	Total Capital adjustment to meet target	Line 51 / Line 65 - Line 52		(153,947,055)	-	(153,947,055)

Amortization and Revenue needed to meet targeted ratios

Line			Total Company	Jurisdictional Allocation	Jurisdictional Adjustments	Jurisdictional Proforma
68	FFO adjustment needed to meet target ratios	Maximum of Line 58 , Line 62 , or Zero		16,280,747	(16,280,747)	-
69	Effective income tax rate	Accounting Schedule 11		39.58%	39.58%	39.58%
70	Deferred income taxes *	- Line 68 * Line 69 / (1 - Line 69)		(10,666,324)	10,666,324	-
71	Total amortization required for the FFO adjustment	Line 68 - Line 70		26,947,071	(26,947,071)	-
72						
73	Retail Sales Revenue Adjustment	Adjustment = Line 13		614,563,188	26,947,071	641,510,259
74	Percent increase in retail sales revenue	Line 73 Jurisdictional Adjustments / Line 73 Jurisdictional			4.4%	

* Adjusted for known and measurable changes including changes related to new plant in-service

SCHEDULE MWC-4

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July 14, 2008

Research Update:

Great Plains Energy 'BBB' Credit Rating Affirmed, Aquila Upgraded On Completion Of Merger

Primary Credit Analyst:
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Research Update:

Great Plains Energy 'BBB' Credit Rating Affirmed, Aquila Upgraded On Completion Of Merger

Rationale

On July 14, 2008, Standard & Poor's Ratings Services affirmed the 'BBB' corporate credit rating on Great Plains Energy Inc. and removed it from CreditWatch with negative implications.

At the same time, we affirmed 'BBB-' corporate credit rating on Black Hills Corp. In addition, Standard & Poor's raised the corporate credit rating on Aquila Inc. to 'BBB' from 'BB-' and removed it from CreditWatch with positive implications. We also raised the short-term corporate credit rating on Kansas City Power and Light Inc. (KCP&L) to 'A-2' from 'A-3'. The long-term ratings on KCP&L, including the 'BBB' corporate credit rating, were affirmed and removed from CreditWatch with negative implications. The outlook on Great Plains, KCP&L, Balck Hills, and Aquila is stable. Kansas City-based Great Plains Energy has about $2.8 billion of debt outstanding.

The rating actions follow the completion of Great Plains' merger with Aquila for approximately $1.5 billion in cash and stock and Black Hills' purchase of Aquila's non-Missouri assets for approximately $940 million. The ratings reflect the consolidated company's excellent business profile and the aggressive financial profile. (The business profile is ranked as excellent, strong, satisfactory, weak, or vulnerable, and the financial profile is ranked as modest, intermediate, aggressive, or highly leveraged.) The excellent business profile reflects management's strategy to expand by increasing its regulated electric assets. This includes the acquisition of regulated assets (Aquila), the building of regulated assets (comprehensive energy plan), and the sale of non-core, unregulated assets (Strategic Energy). In June 2008, Great Plains completed the sale of Strategic Energy, which had exposed Great Plains to counterparty credit, market, customer demand, and weather-related risks. Removing these risks greatly enhanced the merged company's business profile.

A second factor that strengthens the business profile of the merged company is the overall improved regulatory environments of both Kansas and Missouri. Some of the recent significant regulatory authorizations include a monthly fuel adjustment clause for KCP&L in Kansas, a monthly fuel adjustment clause for Aquila in Missouri, and accelerated depreciation for KCP&L in both Kansas and Missouri.

The financial profile of the consolidated entity is aggressive and is characterized by weak financial measures for the current rating that dampens the financial profile of the merged company. Adjusted funds from operations (FFO) to total debt is expected to decrease to below 15% from 19.8% at the end of 2007 and adjusted FFO interest coverage is also projected to decrease to below 4.0x from 4.2x. Adjusted debt to total capital is expected to remain in the 50%-54% range. The weak financial measures are mostly due to Aquila's current rate recovery reflecting interest rates of 7%, lost cash flows from the sale of Strategic Energy, the accelerated return of synergies to ratepayers, and the non-recovery of transaction costs.

Free and discretionary cash flows are expected to remain negative. The company has an extensive capital program which is largely for Iatan 2, various environmental projects, and capital maintenance.

Liquidity

The short-term rating on KCP&L is 'A-2' and reflects the consolidated company's adequate cash flow and sufficient alternative sources to cover current liquidity needs, including ongoing capital requirements, dividend payments, and upcoming debt maturities.

As of March 31, 2008, Great Plains had cash and cash equivalents of $85.8 million. Great Plains also had a $400 million revolving credit facility of which $300.8 million was available after reducing for outstanding borrowings and letters of credit. KCP&L had a $600 million revolving credit facility of which $424.2 was available after reducing for commercial paper and letters of credit. As of March 31, 2008 Aquila had $28.2 million of cash and cash equivalents. Aquila also had $490 million of revolving credit facilities of which about $190 million was available after reducing for outstanding borrowings and letters of credit.

Long-term maturities are forecasted as manageable for 2009-2010 with only $70.8 million due in 2009. Long-term debt due for 2011 and 2012 is significant with $486 million maturing in 2011 and $514 million maturing in 2012. The 2011 and 2012 maturities include about $837 million of Aquila debt that was issued at high interest rates and are forecasted to be refinanced at a lower interest rate upon maturity.

Outlook

The stable outlook reflects our expectations that Great Plains will be able to maintain its financial measures through its integration of Aquila and the implementation of its comprehensive energy plan. Ratings could come under pressure if capital expenditures continue to rise significantly higher than current estimates and result in regulatory disallowance or a delay/reduction to the cash flow projections. Additionally, a negative outlook or a ratings downgrade may also be based on a meaningful deterioration of the financial measures; specifically, adjusted debt to capital exceeding 60%, adjusted FFO to debt decreasing to below 10% or adjusted FFO interest coverage decreasing to below 3.0x. An outlook revision to positive would be predicated on a considerable improvement of the financial measures, including the company's ability to generate positive free and discretionary cash flow.

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Great Plains Energy Inc.		
Corporate Credit Rating	BBB/Stable/--	BBB/Watch Neg/--
Senior Unsecured		
Local Currency	BBB-	BBB-/Watch Neg
Preferred Stock		
Local Currency	BB+	BB+/Watch Neg
Kansas City Power & Light Co.		
Senior Secured	BBB	BBB/Watch Neg
Senior Unsecured		
Local Currency	BBB	BBB/Watch Neg

Ratings Affirmed; CreditWatch/Outlook Action; Upgraded

	To	From
Kansas City Power & Light Co.		
Corporate Credit Rating	BBB/Stable/A-2	BBB/Watch Neg/A-3

Upgraded

	To	From
Kansas City Power & Light Co.		
Commercial Paper		
Local Currency	A-2	A-3
Aquila Inc.		
Corporate credit rating	BBB/Stable/NR	BB-/Watch Pos/NR
Senior secured	BBB+	BB+/Watch Pos
Recovery rating	1	
Senior unsecured	BBB	BB-/Watch Pos

Ratings Affirmed

Black Hills Corp.	
Corporate credit rating	BBB-/Stable/--

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Rating Action: Great Plains Energy Incorporated

Moody's Upgrades Aquila; Affirms Great Plains Energy and KCPL

New York, July 15, 2008 -- Moody's Investors Service today upgraded Aquila Inc.'s ("Aquila") senior unsecured rating to Baa2 from Ba3. At the same time, Moody's affirmed all ratings of Great Plains Energy Incorporated ("Great Plains") and its operating subsidiary Kansas City Power & Light Company ("KCPL"). The rating outlook for all three issuers is negative. The rating action on Aquila concludes the review for possible upgrade initiated on February 7, 2007, following an announcement that Great Plains signed a definitive agreement to acquire all the outstanding shares of Aquila's common stock.

Today's rating actions reflect the closing of the acquisition on July 14, 2008, following an earlier approval by the Missouri Public Service Commission. The upgrade of Aquila reflects the potential for an improved financial profile as part of the larger Great Plains corporate family and, more importantly, an understanding that Great Plains will extend guarantees for all rated debt obligations at Aquila that survive the transaction. Going forward we expect Aquila's Missouri electric utility business will operate under the brand name of KCPL.

Although Great Plains has acquired Aquila, it retains only the Missouri based electric utility business and merchant energy operations. The balance of the company, including the non-Missouri electric and gas utility businesses were immediately sold to Black Hills Corporation ("Black Hills") for approximately $909 million. Great Plains utilized approximately $677 million of this amount to fund the cash portion of the Aquila purchase price; the balance will be used by Aquila to repay short term debt and for general corporate purposes. Taking into account the Black Hills carve out, Great Plains acquired assets that generated approximately $190 million of EBITDA for the LTM period ended March 31, 2008. The transaction is a transforming event for both Aquila and Great Plains as a new significant stand-alone regulated operating subsidiary was created to hold the Aquila assets. Great Plains will guarantee approximately $1.1 billion of existing net debt at Aquila (a/o March 31, 2008).

In upgrading Aquila's rating Moody's recognizes the additional financial and operational benefits to Aquila's risk profile as part of a larger utility family. Additionally, Moody's acknowledges that Great Plains has imminent plans to extend absolute unconditional and irrevocable downstream guarantees to the existing debt of Aquila. As a result, Aquila's senior unsecured rating is in effect a function of the rating of Great Plains. Aquila's rating also reflects the longer-term challenges that will need to be addressed before further upgrades would likely be considered including careful management of the sizeable capital program through 2010 and improvement in credit metrics.

The affirmation of Great Plains ratings with a negative outlook reflects Moody's view that while the Aquila transaction is likely to result in a modest amount of incremental leverage (Aquila's pro-forma debt to EBITDA at March 31, 2008 was approximately 5.8X), the dual challenges of efficiently integrating Aquila's operations and the cash flow pressure associated with the large capital spending programs through 2010 at both Aquila and KCPL, will likely lead to credit metrics that are weak for the rating category. One key metric for Great Plains, consolidated CFO (pre-w/c) to adjusted debt, historically greater than 20%, is likely to fall to the mid-teens percentage range over the next 12-18 months. Moody's also expects all of the rated entities will be free cash flow negative over the next several years due to the current capital spending program, primarily centered around the Iatan I and II generating facilities.

Somewhat offsetting these pressures are the potential benefits to be realized by combining the operations which already have commonly owned facilities and contiguous service areas. We expect that Aquila, and KCPL, will file for several rate increases over the next several years and should benefit from any synergies derived from this transaction until they begin to be shared with ratepayers as new rates go into effect over time.

While KCPL's credit metrics are not expected to be initially affected by the Aquila transaction, the outlook also remains negative due to expected softening in certain key credit metrics, the large capital spending program at the utility, and the increased reliance that Great Plains will have on KCPL for up-streamed cash dividends while it absorbs Aquila. We expect rate increases at KCPL to follow a schedule in line with that of Aquila over the next several years. A critical consideration in the rating going forward are the expectations that assets are successfully integrated into rate base, at Aquila and KCPL, and that Great Plains continues to raise equity in support of the build-out over the next several years.

At this time, Moody's has also affirmed KCPL's P-2 short-term commercial paper rating. KCPL's $600 million commercial paper program is fully backstopped by a $600 million credit facility expiring in May 2011. It has been KCPL's strategy to borrow short-term to meet capital spending needs and refinance with periodic common equity infusions from Great Plains and the issuance of long-term debt. We expect that shortly after closing, Great Plains will also seek to refinance the bank facilities of Aquila.

Moody's has also affirmed Aquila's senior secured delayed draw term loan at Baa2 and will withdraw the corporate family and probability of default ratings for Aquila.

Downward pressure on Great Plains' rating could result if consolidated credit metrics deteriorate to a level where the company's CFO (pre w/c) to adjusted debt ratio declines below the mid-to-high teens percentage range. The rating at KCPL could have similar pressure should this metric weaken to below the low 20% range for an extended period. For the trailing twelve month period ended March 31, 2008, Great Plains' CFO (pre w/c) to adjusted debt was approximately 19% while the same metric at KCPL was approximately 22%.

Headquartered in Kansas City, Missouri, Great Plains Energy is an electric utility holding company. Through its primary operating subsidiary, Kansas City Power and Light Company, it is primarily engaged in providing the generation, transmission, distribution and supply of electricity to approximately 507,000 customers in Missouri and Kansas. The Missouri electric operations of Aquila, Inc. provide integrated electric utility services to approximately 300,000 customers.

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