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Credit Ratio Ranges & Definitions**Missouri Public
Service Commission**

	AA		A		BBB			BB	
	Min.	Max.	Min.	Max.	Min.	Top 1/3	Max.	Min.	Max.
Total Debt to Total Capitalization ⁽¹⁾	32%	40%	40%	48%	48%	51%	58%	58%	62%
Funds From Operations Interest Coverage ⁽²⁾	5.2x	6.0x	4.2x	5.2x	3.0x	3.8x	4.2x	2.0x	3.0x
Funds From Operations as a % of Average Total Debt ⁽³⁾	35%	45%	28%	35%	18%	25%	28%	12%	18%

Ratio Definitions:

- (1) **"Total Debt to Total Capitalization"** is calculated as Total Debt ÷ Total Capitalization where Total Debt and Total Capitalization are defined as below:

- Total Debt is calculated as:
 - Notes Payable + Current Maturities of Long-Term Debt + Current Capitalized Lease Obligations + Long-Term Debt + Capitalized Lease Obligations + Total Off-Balance Sheet Debt
 - "Total Off-Balance Sheet Debt" includes off-balance sheet financings such as:
 - Operating and synthetic leases, accounts receivable securitizations, contingent liabilities and other potential off-balance sheet obligations
- Total Capitalization includes:
 - Total Debt + Minority Interest + Total Preferred and Preference Stock + Common Stock Equity

- (2) **"Funds From Operations Interest Coverage"** is calculated as (Funds From Operations + Gross Interest Expense) ÷ Gross Interest Expense where Funds From Operations and Gross Interest Expense are defined as below:

- Funds From Operations is calculated as:
 - Cash From Operations – Working Capital
- Gross Interest Expense is calculated as:
 - Interest Expense (net) + Allowance For Borrowed Funds Used During Construction + Interest on Off-Balance Sheet Debt

- (3) **"Funds From Operations as a % of Average Total Debt"** is calculated as Funds From Operations ÷ Average Total Debt where Funds From Operations and Average Total Debt are defined as below:

- Funds From Operations
 - As defined above
- Average Total Debt is calculated as:
 - The average total debt over the period subject to analysis

Co. 44

Exhibit No. 44

Case No(s). 2007 0221

Date 11/9/07 **Rptr** OF

Adjustment of Amortization Amounts Illustration

Illustration of the Method Used to Determine the Adjustment to Amortization Amounts Required for KCPL to Meet Investment Grade Credit Guidelines.

Method:

For the purpose of this example, the base financial information, provided by KCPL in its 2003 surveillance report and other KCPL financial statements, was used. KCPL made adjustments to this base financial information to include certain off balance sheet items. These adjustments were to conform with rating agency methods for balance sheet statement. KCPL identified these accounting adjustments, such as the equivalent debt treatment of operating leases and capacity contracts. The equivalent debt treatment of these off balance sheet items was determined by calculating the net present value of the future stream of lease or contract payments. The base 2003 financial information was then adjusted by the equivalent debt balances and the interest expense associated with the equivalent debt balances. From this adjusted information, KCPL then calculated the three guideline ratios defined in Appendix E allocated to the Missouri jurisdiction. If any of the operational guideline metrics fell below the required criteria, then KCPL would determine the amount of additional funds from operations that would be required for KCPL to meet the operational guideline.

Current guidelines for top third of BBB category for a business profile 6 (equivalent business profile to KCPL) company:

- a. 51% Total debt to total capital
- b. 3.8x Funds from operations interest coverage (an operational guideline)
- c. 25% Funds from operations as a percentage of average total debt(an operational guideline)

Explanation of Attachment 1 to Appendix F: Additional Amortization Required

This illustration is based on KCPL financial information consisting of information from its 2003 surveillance report and other KCPL financial statements. This illustration assumes that the Commission has found all expenditures to be prudent and reasonable. For this illustration, KCPL statements were placed on a jurisdictional basis by applying an allocation factor to the KCPL balances. This illustration assumes that the Commission has accepted the jurisdictional amounts used in these calculations. The base jurisdictional information was used to calculate the three (3) rating agency guidelines. In this illustration, the Missouri jurisdictional funds from operations (FFO) as a percent of average debt was found to be 23.3%, which is below the guideline criteria of 25%. In order for the guideline to be achieved, \$12,006,000 of additional FFO would be needed from Missouri. The additional FFO was then studied to determine if there would be any additional tax impacts on cash flow resulting from the additional FFO. This illustration assumes that the entire additional FFO would have negative tax cash flow impacts, thereby resulting in an additional amortization of \$19,569,000 needed in order to meet

the guideline level. The Signatory Parties have not agreed to a methodology to determine the tax impacts related to additional FFO. In this illustration, the revenue requirement amount equals the amortization amount. The overall impact on Missouri customers would be a 4.2% increase in revenue requirement.

Explanation of Additional Financial Information Shown on Lines 43 and 50 through 52 of Attachment 1 to Appendix F.

Line 43 – Capital Lease Obligations – Costs recorded as a capital lease for KCPL's obligations related to the 345 KV Missouri-Iowa-Nebraska Transmission line under a coordination agreement with seven regional utilities.

Line 50 – Operating Lease Debt Equivalent – Present value of future lease payments for various operating leases including railcars, the 345 KV line from Wolf Creek to LaCygne and facilities for 1201 Walnut and 801 Charlotte.

Line 51 – Purchase Power Debt Equivalent – Present value of purchased power capacity obligation.

Line 52 – Accounts Receivable Sale - Maximum amount of borrowing under a receivables securitization agreement.

Transactions included in the amounts above are subject to review by the Commission for prudence. Amounts determined to be not prudent will not be included in the calculation of the financial ratios for purposes of adjusting the amortization amount. The prudence and reasonableness of these transactions will be determined in KCPL's next general rate case.

The illustration does not include the effect of SO2 sales on cash flow because currently these sales have not occurred. To the extent actual SO2 sales occur, these sales will be included as cash flow for purposes of Appendix F and whether the resulting projected cash flow meets the ratio values.

Attachment 1 to Appendix F					
Line		Total Company	Jurisdictional Allocation	Jurisdictional Adjustments	Jurisdictional Proforma
Information from the Company's annual Surveillance Report					
7	Rate Base	Surveillance Report Schedule 1, Column 603 & 604, Line 0260	2,214,826	1,162,007	
8	Jurisdictional Allocator for Capital	Jurisdictional Rate Base / Total Company Rate Base		53.4%	
9					
10	Total Capital	Surveillance Report Capitalization Worksheet	2,237,339	1,194,021	1,194,021
11	Equity	Surveillance Report Capitalization Worksheet	1,109,125	591,917	591,917
12	Preferred	Surveillance Report Capitalization Worksheet	0	0	0
13	Long-term Debt	Surveillance Report Capitalization Worksheet	1,128,214	602,104	602,104
14	Cost of Debt	Surveillance Report Capitalization Worksheet	5.68%		5.68%
15	Interest Expense	Line 13 * Line 14	64,056	34,185	34,185
16					
17	Retail Sales Revenue	Surveillance Report Schedule 2, Line 0040	882,766	470,668	490,237
18	Other Revenue	Line 19 - Line 17	172,134	91,212	91,212
19	Operating Revenue	Surveillance Report Schedule 1, Line 0010	1,054,900	561,880	581,449
20					
21	Operating & Maintenance Expenses	Surveillance Report Schedule 1, Line 0040	537,391	312,380	312,380
22	Depreciation	Surveillance Report Schedule 1, Line 0050	134,792	75,744	75,744
23	Amortization	Surveillance Report Schedule 1, Line 0060	11,533	6,340	25,909
24	Interest on Customer Deposits	Surveillance Report Schedule 1, Line 0065	0	379	379
25	Taxes other than income taxes	Surveillance Report Schedule 1, Line 0070	95,495	31,009	31,009
26	Federal and State income taxes	Surveillance Report Schedule 1, Line 0080	36,605	38,669	38,669
27	Gains on disposition of plant	Surveillance Report Schedule 1, Line 0085	34	0	0
28	Total Electric Operating Expenses	Sum of Lines 21 to 27	865,851	464,520	484,089
29					
30	Operating Income	Surveillance Report Schedule 1, Line 0120	189,049	97,360	97,360
31	Less Interest Expense	- Line 15	(64,056)	(34,185)	(34,185)
32	Depreciation	Surveillance Report Schedule 1, Line 0050	134,792	75,744	75,744
33	Amortization	Surveillance Report Schedule 1, Line 0060	11,533	6,340	25,909
34	Deferred Taxes	Surveillance Report Schedule 7, Column 601, Line 0550	30,923	16,503	8,941
35	Funds from Operations (FFO)	Sum of Lines 30 to 34	302,241	161,762	173,768
36					
37	Net Income	Line 30 + Line 31	124,993	63,175	63,175
38	Return on Equity	Line 37 / Line 11	11.3%	10.7%	10.7%
39	Unadjusted Equity Ratio	Line 11 / Line 10	49.6%	49.6%	49.6%
Additional financial information needed for the calculation of ratios					
43	Capitalized Lease Obligations	KCPJ Trial Balance accts 227100 & 243100	2,402	1,282	1,282
44	Short-term Debt Balance	KCPJ Trial Balance accts 231000	-	-	-
45	Short-term Debt Interest	KCPJ T.B. accts 831014, 831015, 831016	560	299	299
Adjustments made by Rating Agencies for Off-Balance Sheet Obligations					
49	Debt Adjustments for Off-Balance Sheet Obligations				
50	Operating Lease Debt Equivalent	Present Value of Operating Lease Obligations discounted @ 10%	78,800	40,997	40,997
51	Purchase Power Debt Equivalent	Present Value of Purchase Power Obligations discounted @ 10%	25,000	13,342	13,342
52	Accounts Receivable Sale	KCPJ Trial Balance account 142011	70,000	37,358	37,358
53	Total OBS Debt Adjustment	Sum of Lines 50 to 52	173,800	91,698	91,698
54					
55	Interest Adjustments for Off-Balance Sheet Obligations				
56	Present Value of Operating Leases	Line 50 * 10%	7,880	4,099	4,099
57	Purchase Power Debt Equivalent	Line 51 * 10%	2,500	1,334	1,334
58	Accounts Receivable Sale	Line 52 * 5%	3,500	1,868	1,868
59	Total OBS Interest Adjustment	Sum of Lines 56 to 58	13,880	7,301	7,301
Ratio Calculations					
63	Adjusted Interest Expense	Line 15 + Line 45 + Line 59	78,296	41,785	41,785
64	Adjusted Total Debt	Line 13 + Line 43 + Line 44 + Line 53	1,302,416	695,072	695,072
65	Adjusted Total Capital	Line 10 + Line 43 + Line 44 + Line 53	2,411,541	1,286,969	1,286,969
66					
67	FFO Interest Coverage	(Line 35 + Line 63) / Line 63	4.36	4.37	5.16
68	FFO as a % of Average Total Debt	Line 35 / Line 64	23.2%	23.3%	25.0%
69	Total Debt to Total Capital	Line 64 / Line 65	54.0%	54.0%	54.0%
Changes required to meet ratio targets					
73	FFO Interest Coverage Target		3.80	3.80	3.80
74	FFO adjustment to meet target	(Line 73 - Line 67) * Line 63	(83,012)	(44,784)	(56,770)
75	Interest adjustment to meet target	Line 35 * (1 / (Line 73 - 1) - 1 / (Line 67 - 1))	29,647	15,987	20,275
76					
77	FFO as a % of Average Total Debt Target		25%	25%	25%
78	FFO adjustment to meet target	(Line 77 - Line 68) * Line 64	23,363	12,006	(9)
79	Debt adjustment to meet target	Line 35 * (1 / Line 77 - 1 / Line 68)	(63,452)	(48,029)	0
80					
81	Total Debt to Total Capital Target		51%	51%	51%
82	Debt adjustment to meet target	(Line 81 - Line 69) * Line 65	(72,530)	(38,708)	(38,708)
83	Total Capital adjustment to meet target	Line 64 / Line 81 - Line 65	142,216	75,898	75,898
Amortization and Revenue needed to meet targeted ratios					
87	FFO adjustment needed to meet target ratios	Maximum of Line 74, Line 78, or Zero	23,363	12,006	(12,006)
88	Effective income tax rate	Surveillance Report Schedule 7, Line 0370 / Line 0160	38.57%	38.64%	38.64%
89	Deferred income taxes *	- Line 87 * Line 88 / (1 - Line 88)	(14,870)	(7,562)	-
90	Total amortization required for the FFO adjustment	Line 87 - Line 89	38,033	19,569	-
91					
92	Retail Sales Revenue Adjustment	Adjustment = Sum(Line 21 to Line 25) - Line 27 - Line 18 - Line 31 + (Line 11 * Line 38) / (1 - Line 88)		470,668	490,237
93	Percent increase in retail sales revenue	Line 92 Jurisdictional Adjustments / Line 92 Jurisdictional		4.2%	
* Adjusted for known and measurable changes including changes related to new plant in-service					