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Ratings

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Research Update:

American Electric Power Co. Inc. Ratings Raised And Placed On Watch Positive On Sale Of Merchant Generation Assets

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Research Update:

American Electric Power Co. Inc. Ratings Raised And Placed On Watch Positive On Sale Of Merchant Generation Assets

Overview

- American Electric Power Co. Inc. (AEP) has agreed to sell 5,200 MW of merchant generation capacity for $2.217 billion with the transaction expected to close in first-quarter 2017.
- We are raising the issuer credit rating on AEP and its subsidiaries--Appalachian Power Co., Indiana Michigan Power Co., Kentucky Power Co., Ohio Power Co., Public Service Co. of Oklahoma, Southwestern Electric Power Co., AEP Texas Central Co., and AEP Texas North Co.--to 'BBB+' from 'BBB' and placing the ratings on CreditWatch with positive implications.
- We are revising the comparable rating analysis assessment on AEP to positive from neutral, reflecting our view that the company's business risk profile is at the higher end of the strong business risk profile category. This incorporates our view that the proposed transaction demonstrates AEP's efforts to focus on regulated utility operations, strengthening the company's business risk profile.
- The CreditWatch with positive implications reflects the possibility for higher ratings upon the close of the sale of the 5,200 MW of merchant generation capacity.

Rating Action

On Sept. 16, 2016, S&P Global Ratings raised its issuer credit ratings on American Electric Power Co. Inc. (AEP) and its subsidiaries--Appalachian Power Co., Indiana Michigan Power Co., Kentucky Power Co., Ohio Power Co., Public Service Co. of Oklahoma, Southwestern Electric Power Co., AEP Texas Central Co., and AEP Texas North Co.--to 'BBB+' from 'BBB' and placed the ratings on CreditWatch with positive implications. In addition, we are raising the senior unsecured debt ratings at AEP and its subsidiaries by one notch, and placing the ratings on CreditWatch with positive implications.

Rationale

The rating action reflects the reduced contribution of AEP's merchant generation operation overall along management's strategy to grow the company primarily through lower-risk regulated utility operations. Additionally, the potential for higher ratings is dependent upon the successful close of the sale of about 5,200 MW of the company's merchant generation capacity, which could lead to an improved business risk profile.

The ratings on AEP reflect our assessments of the company's currently strong business and significant financial risk profiles. Moreover, the ratings on AEP reflect our view that the company's business risk profile is improving, given the declining contribution of the merchant assets, management's explicit strategy to primarily grow through lower-risk regulated utility operations, and plans to eliminate the remaining merchant generation exposure.

We expect AEP's financial risk profile to remain robust and well within the significant financial risk profile category. Under our base-case scenario, which assumes that the asset sale closes in first-quarter 2017, generating about $1.6 billion of cash after tax, but before any debt repayments, we expect that AEP will achieve funds from operations (FFO) to debt of about 18% and debt to EBITDA of consistently below 4.5x, with both measures readily supporting the company's significant financial risk profile assessment.

Liquidity

We assess AEP's liquidity as adequate to cover its needs over the next 12 months. We expect that the company's liquidity sources will exceed its uses by 1.1x or more, the minimum threshold for an adequate designation under our criteria, and that the company will also meet our other criteria for such a designation. AEP benefits from the preponderance of regulated utility operations that provide for stable cash flow generation. Moreover, we expect that liquidity should benefit from the company's likely ability to absorb high-impact, low-probability events without the need for refinancing, well-established and solid relationships with banks, and its satisfactory standing in the credit markets.

AEP has $3.5 billion in revolving credit facilities with $3 billion maturing in 2021 and $500 million maturing in 2018.

Principal liquidity sources:

- FFO of about $4.6 billion annually;
- Credit facility availability of $3.5 billion; and
- After tax proceeds from pending asset sale of about $1.6 billion in next 12 months.

Principal Liquidity uses:

- Projected maintenance capital spending of about $3.4 billion;
- Debt maturities and outstanding commercial of about $4.1 billion as of June 30, 2016; and
- Dividends of about $1.1 billion annually.

CreditWatch

The CreditWatch listing with positive implications on AEP and its subsidiaries reflects the potential for higher ratings in the next three to six months upon the close of the sale of 5,200 MW of merchant generation capacity that would lead to an improvement of the company's business risk profile, while the company maintains FFO to debt of about 18%.

We could affirm the ratings if AEP's business risk remains unchanged while its financial risk profile remains toward the middle of the significant category, with FFO to debt of 15%-20%. Alternatively, we could affirm the ratings if the business risk profile improves but FFO to debt consistently weakens to below 15%.

Upon the close of the transaction, expected in the next three to six months, we could raise the issuer credit rating on AEP and its subsidiaries by one notch, reflecting improvement in business risk stemming from the sale of a portion of its merchant generation assets while the company maintains FFO to debt of about 18% or consistent with the middle of the range for the significant financial risk profile category.

Related Criteria And Research

Related Criteria

- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Corporates - General: Methodology: Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Upgraded; CreditWatch/Outlook Action

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                                       To              From

AEP Texas Central Co.
Wheeling Power Company
Southwestern Electric Power Co.
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RGS (I&M) Funding Corp. RGS (AEGCO) Funding Corp. Public Service Co. of Oklahoma Ohio Power Co. Kentucky Power Co. Indiana Michigan Power Co. AEP Texas North Co.		
Corporate Credit Rating	BBB+/Watch Pos/--	BBB/Positive/--
American Electric Power Co. Inc.		
Senior Unsecured	BBB/Watch Pos	BBB-
AEP Texas Central Co.		
Senior Unsecured	BBB+/Watch Pos	BBB
Appalachian Power Co.		
Senior Unsecured	BBB+/Watch Pos	BBB
Indiana Michigan Power Co.		
Senior Unsecured	BBB+/Watch Pos	BBB
Kentucky Power Co.		
Senior Unsecured	BBB+/Watch Pos	BBB
Ohio Power Co.		
Senior Unsecured	BBB+/Watch Pos	BBB
Public Service Co. of Oklahoma		
Senior Unsecured	BBB+/Watch Pos	BBB
RGS (AEGCO) Funding Corp.		
Senior Unsecured	BBB/Watch Pos	BBB-
RGS (I&M) Funding Corp.		
Senior Unsecured	BBB/Watch Pos	BBB-
Southwestern Electric Power Co.		
Senior Unsecured	BBB+/Watch Pos	BBB

Upgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
American Electric Power Co. Inc. Appalachian Power Co.		
Corporate Credit Rating	BBB+/Watch Pos/A-2	BBB/Positive/A-2

Ratings Affirmed

American Electric Power Co. Inc.	
Commercial Paper	A-2

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Research

Research Update:

Great Plains Energy Inc. Ratings Affirmed, Outlook Revised To Negative On Proposed Acquisition Of Westar Energy

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Research Update:

Great Plains Energy Inc. Ratings Affirmed, Outlook Revised To Negative On Proposed Acquisition Of Westar Energy

Overview

- Great Plains Energy Inc. (GPE) announced it will acquire Westar Energy Inc. for about $8.6 billion, plus the assumption of Westar's debt. The parties expect the transaction to close by mid-2017.
- We are affirming our 'BBB+' issuer credit ratings on GPE and subsidiaries Kansas City Power & Light Co. and KCP&L Greater Missouri Operations Co. and for all three entities revising the outlook to negative from stable.
- The negative outlook reflects the potential for lower ratings if GPE's financial risk profile, which will deteriorate due to financing used in the acquisition, does not improve after the transaction closes such that funds from operations to total debt is well over 13% after 2018.

Rating Action

On May 31, 2016, S&P Global Ratings affirmed its ratings on Great Plains Energy Inc. (GPE) and subsidiaries Kansas City Power & Light Co. (KCP&L) and KCP&L Greater Missouri Operations Co. (GMO), including the 'BBB+' issuer credit ratings, and revised the outlook to negative from stable for all entities.

Rationale

The ratings affirmation on GPE and its subsidiaries reflects our view that the Westar acquisition will enhance GPE's business risk profile given that Westar's operations also consist of regulated electric utilities that benefit from operations under a generally constructive regulatory framework and service territories with average customer growth.

The outlook revision to negative reflects our view that GPE's financial risk profile will weaken due to the proposed financing, pressuring GPE's overall credit profile for the next few years. We expect that after the acquisition closes, the combined entity's financial profile will strengthen mainly due to ongoing regulatory recovery of costs such that funds from operations (FFO) to total debt is consistently above 13%. In addition to assuming Westar's debt, GPE plans to fund the acquisition price of about $8.6 billion with common equity, mandatory convertible preferred stock, Great Plains common stock, and debt.

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We view GPE's business risk as excellent, which incorporates the very low risk of a regulated utility focused on U.S. operations and markets. In addition, the business risk profile reflects a competitive position based on utility subsidiaries KCP&L, which serves about 527,000 electricity customers in and around Kansas City and its suburbs, and GMO, which serves about 300,000 electricity customers in western Missouri. The company operates with generally supportive regulation, a mainly residential customer base that supports cash flow stability good operating efficiency, and an absence of competition. Riders and mechanisms exist for the recovery of fuel costs, transmission charges, and energy-efficiency costs. GPE continues to focus on a regulated business strategy in pursuing similarly regulated Westar.

Prospectively, the combined entity would have more diverse electric utility cash flow sources, strengthening the excellent business risk profile. GPE's customer mix would shift from being about three-quarters in Missouri before the Westar transaction to about 40% after the closing, with Kansas customers making up the difference. The customer base would be further bolstered with an almost doubling of customers, which would mitigate exposure to any one industry, and would boost the base level of usage from the combined 1.55 million largely residential and commercial customers. GPE's stand-alone rate base mix would shift from about 65% in Missouri and 30% in Kansas, with the remainder under Federal Energy Regulatory Commission (FERC) jurisdiction, to 55% Kansas, 32% Missouri, and the remainder under FERC regulation.

Based on the medial volatility financial ratio benchmarks, our assessment of GPE's financial risk profile is within the middle of benchmark ratios for an assessment of significant. We expect these financial measures to weaken considerably when the merger closes. Under our pro forma scenario, following the completion of the Westar acquisition, we would expect FFO to debt of between 12% and 13% and that would subsequently strengthen, resulting in FFO to total debt of more than 14% after 2018.

Liquidity

GPE has an adequate liquidity assessment because we believe the company's liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and to meet cash outflows, even with a 10% decline in EBITDA. The adequate assessment also reflects the company's generally prudent risk management, sound relationships with banks, and a generally satisfactory standing in credit markets.

There are modest debt maturities over the next three years, with $380 million due in 2017. We expect the company to refinance those given its satisfactory credit-market standing.

Principal Liquidity Sources

- Cash of about $10 million in 2016.
- We estimate FFO of about $800 million in 2016.
- Revolving credit facility availability of an estimated $1.25 billion in

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2016.

Principal Liquidity Uses

- Capital spending of roughly $750 million expected in 2016.
- Dividends of about $175 million in 2016.
- Debt maturities, including outstanding commercial paper, of about $400 million in 2016.
- $174 million of outstanding letters of credit that back up variable-rate bonds due in 2018.

Other Credit Considerations

The ratings on GPE include a one-notch negative adjustment for comparable rating analysis. This adjustment accounts for an excellent business risk profile assessment that includes partial ownership of a single nuclear facility that has had operational issues and exposure to somewhat less-credit-supportive regulation in Missouri. Moreover, when the acquisition is complete, and in the first year, the core financial ratio of FFO to total debt is nearer the higher end of the aggressive benchmark range. We expect financial measures to strengthen modestly within the significant range, but remain well below the midpoint of this range.

Group Influence

We base our ratings on GPE on the consolidated group credit profile and application of our group ratings methodology. We consider GPE as the parent of the group with members KCP&L and GMO. We assess both operating utilities as core subsidiaries of GPE, reflecting our view that KCP&L and GMO are highly unlikely to be sold and have a strong long-term commitment from senior management. There are no meaningful insulation measures in place that protect KCP&L and GMO from their parent and therefore, KCP&L's and GMO's issuer credit ratings are in line with GPE's group credit profile of 'bbb+'.

We would consider operating utility Westar and its subsidiary Kansas Gas & Electric Co. (KG&E). as core entities of the GPE group. We believe the integrated electric utilities would be integral to GPE's long-term strategy and, therefore, the issuer credit ratings of Westar and KG&E would be in line with GPE's 'bbb+' group credit profile.

Outlook

The negative outlook on GPE and its subsidiaries reflects the potential for lower ratings if GPE's financial risk profile, which will deteriorate due to the financing used in the acquisition, does not improve after the transaction closes such that FFO to total debt is well over 13% after 2018.

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Downside scenario

We could lower ratings on GPE and its subsidiaries if GPE's financial risk profile remains weak after the merger such that FFO to total debt is consistently below 13%. This could occur if the transaction is funded disproportionately with debt or if capital spending increases materially while investment recovery lags.

Upside scenario

We could affirm the ratings on GPE after the merger closes if the combined company demonstrates that it can achieve FFO to total debt of over 13% after 2018.

Ratings Score Snapshot

Corporate Credit Rating: BBB+/Negative/A-2

Business risk: Excellent
- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant
- Cash flow/Leverage: Significant

Anchor: a-

Modifiers
- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bbb+
- Group credit profile: bbb+

Issue Ratings

We rate the senior unsecured debt at GPE one notch lower than the issuer credit rating because priority liabilities, including operating utility debt, exceed 20% of total assets. We rate the preferred stock two notches below the issuer credit rating to reflect the discretionary nature of the dividend and the deeply subordinated claim if a bankruptcy occurs. The short-term rating is 'A-2', based on the company's issuer credit rating in our assessment of its liquidity as at least adequate.

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Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov, 19, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Utilities: Notching Of U.S. Investment-Grade Investor-Owned Utility Unsecured Debt Now Better Reflects Anticipated Absolute Recovery, Nov. 10, 2008
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Ratings Affirmed; Outlook Revised		
	To	From
Great Plains Energy Inc.		
Kansas City Power & Light Co.		
Corporate Credit Rating	BBB+/Negative/A-2	BBB+/Stable/A-2
KCP&L Greater Missouri Operations Co.		
Corporate Credit Rating	BBB+/Negative/--	BBB+/Stable/--
Issue Ratings Affirmed		
Great Plains Energy Inc.		
Senior Unsecured	BBB	
Preferred Stock	BBB-	
KCP&L Greater Missouri Operations Co.		
Senior Unsecured	BBB+	
Commercial Paper	A-2	
Kansas City Power & Light Co.		
Senior Secured	A	

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Recovery Rating	1+
Senior Unsecured	BBB+
Commercial Paper	A-2

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INFRASTRUCTURE AND PROJECT FINANCE

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
23 November 2016

Update

Rate this Research ››

RATINGS

American Electric Power Company, Inc.

Domicile	Columbus, Ohio, United States
Long Term Rating	Baa1
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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American Electric Power Company, Inc.

Electric Utility Holding Company

Summary Rating Rationale

American Electric Power Company's (AEP) Baa1 rating is underpinned by the size and diversity of its regulatory jurisdictions and service territories. AEP's ten retail utility subsidiaries operate under eleven different state regulatory bodies and its transmission subsidiaries are regulated by the Federal Energy Regulatory Commission (FERC). The rating reflects AEP's stable earnings profile which over the past several years has yielded cash flow from operations pre-working capital (CFO pre-WC) to debt metrics in the high-teens to low twenty percent range. Cash flow stability is supported by AEP's renewed corporate strategy of focusing on its core utility assets with more predictable earnings. This strategy coincides with AEP's long-term goal of de-risking its business by reducing its exposure to the volatile merchant power markets, as evidenced by its recent agreement to sell four Midwest merchant generating plants, a credit positive. These positive credit factors are balanced against weak demand growth associated with some of its larger service territories, namely the Appalachian economies, a prolonged period of material capital investments and an increasing amount of debt.

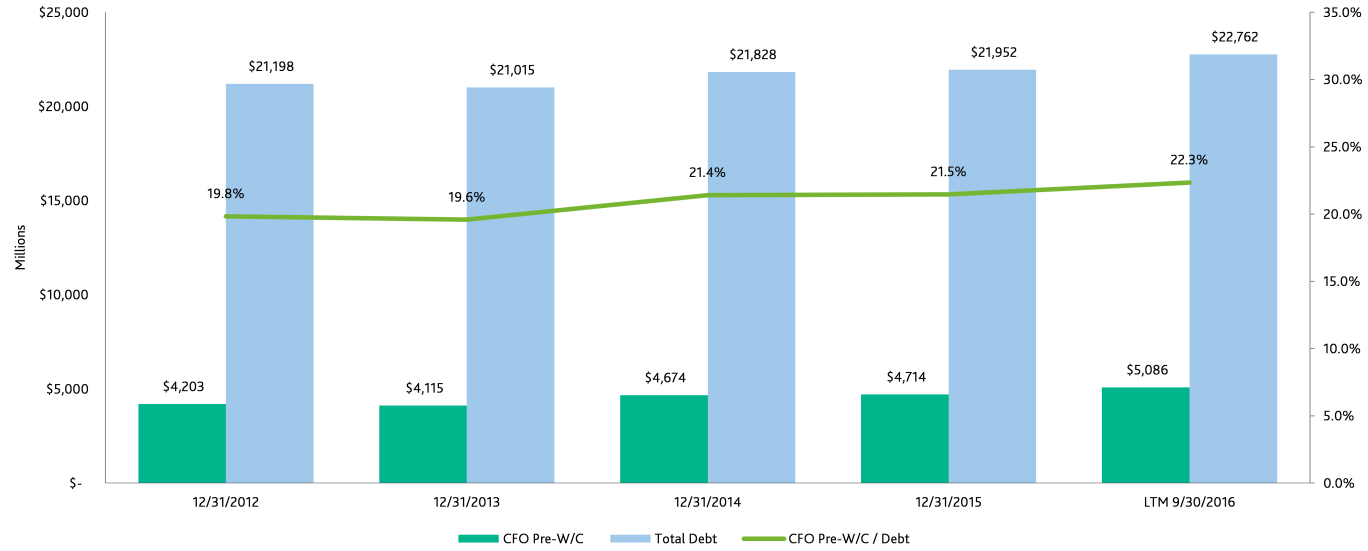
Recent Developments

In September 2016, AEP announced that it agreed to sell about 5,200 MW of its generating assets for approximately $2.2 billion, from which it expects to net about $1.2 billion after accounting for taxes, fees and debt repayments. The sale is expected to close in the first quarter of 2017. After the completion of this transaction, AEP's merchant generating exposure will be limited to about 2,700 MW of primarily coal-fired assets in Ohio and about 350 MW in the Electric Reliability Council of Texas. Also in September 2016, AEP recorded a pre-tax impairment of $2.3 billion on these remaining assets, bringing their net book value to $50 million. Management continues to evaluate alternatives for these assets that could include a transfer to Ohio Power Company as regulated assets, a sale to a third party, or the wind down of operations.

In August 2016, Moody's assigned a first time Issuer Rating of A2 to AEP Transmission Company, LLC (AEP Transco), AEP 's intermediate transmission holding company subsidiary. In November, AEP Transco issued $700 million of senior unsecured notes, proceeds were used to repay debt outstanding and to fund ongoing capital expenditures.

Exhibit 1

Historical CFO Pre-W/C, Total Debt, CFO Pre-W/C to Debt



Source: Moody's Financial Metrics

Credit Strengths

» Diversity of regulatory jurisdictions and service territories provide a strong foundation for current rating

» Continued regulatory support with timely and sufficient cost recovery

Credit Challenges

» Substantial investments in regulated transmission networks and for environmental mandates will increase debt burden

» Financial metrics are expected to move down from recent highs due to substantial capital expenditures - though primarily for lower risk transmission and distribution investments

Rating Outlook

AEP's stable outlook reflects its diversified regulatory jurisdictions and service territories and our expectation that those jurisdictions will remain credit supportive and not prevent or materially delay the recovery of prudently incurred costs. The outlook also considers AEP's prudent financial management and an expectation that credit metrics may weaken somewhat but that CFO pre-WC to debt will remain in the high-teens which is appropriate for the rating.

Factors that Could Lead to an Upgrade

» Interest coverage above 5.5x and CFO pre-WC to debt above twenty percent on a sustainable basis

» An upgrade of AEP's largest utility subsidiaries

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Factors that Could Lead to a Downgrade

- If a more contentious regulatory environment were to develop in any of its key jurisdictions
- If environmental and nuclear investments cannot be recovered on a timely basis
- If AEP's financial metrics were to deteriorate on a sustained basis resulting in CFO pre-WC to debt in the low-teens

Key Indicators

Exhibit 2

KEY INDICATORS [1]

American Electric Power Company, Inc.

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	9/30/2016(L)
CFO pre-WC + Interest / Interest	4.6x	5.1x	6.0x	5.8x	6.1x
CFO pre-WC / Debt	19.8%	19.6%	21.4%	21.5%	22.3%
CFO pre-WC – Dividends / Debt	15.5%	15.0%	16.8%	16.6%	17.5%
Debt / Capitalization	46.5%	44.3%	44.1%	42.6%	43.9%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

Detailed Rating Considerations

Diversity of regulatory jurisdictions and service territories provide a strong foundation for current rating

AEP's diversity in terms of regulatory jurisdictions and service territory economies is a meaningful credit strength as it provides AEP with a degree of insulation from any unexpected negative developments occurring at any one of its operating companies, state regulatory bodies or state economies. This diversity has been essential in helping AEP deal with an elevated capital expenditure program and weak demand growth in some of its service territories.

AEP's primary state regulated utilities and their respective authorities are as follows: Ohio Power Company (OPCo: Baa1 positive), which accounted for 19% of AEP's total 2015 revenues, operates under the Public Utility Commission of Ohio (PUCO); Appalachian Power Company (APCo: Baa1 stable), which accounted for 18% of AEP's total 2015 revenues, operates under the Virginia State Corporation Commission (VSCC), (covering a little over half of APCo's customers) and the more challenging Public Service Commission of West Virginia (PSC WV); Indiana Michigan Power Company (I&M: Baa1 stable), 13% of AEP's total 2015 revenues, is regulated by the Indiana Utility Regulatory Commission (IURC), (about ¾ of I&M's customers) and the Michigan Public Service Commission (MPSC); Southwestern Electric Power Company (SWEPCo: Baa2 stable), 11% of AEP's total 2015 revenues, operates under the Louisiana Public Service Commission (LPSC) (about 43% of SWEPCo customers), the Arkansas Public Service Commission (ARPSC) (22% of SWEPCo customers) and the Public Utility Commission of Texas (PUCT) (35% of SWEPCo customers); Public Service Company of Oklahoma (PSO: A3 stable), 8% of AEP's total 2015 revenues, is regulated by the Oklahoma Corporation Commission (OCC); AEP Texas Central (TCC: Baa1 stable) and AEP Texas North Company (TNC: Baa1 stable), 7% and 2% of AEP's total 2015 revenues, respectively, both under the Public Utility Commission of Texas (PUCT); and Kentucky Power Company (KPCo: Baa2 stable), 4% of AEP's total 2015 revenues, is under the Kentucky Public Service Commission (KPSC).

AEP Transco’s transmission businesses are regulated by the FERC under forward looking formulaic rate plans that result in a high degree of cash flow predictability. Operations are actively conducted through five subsidiaries within AEP's electric utility service territories in six states, Ohio, West Virginia, Kentucky, Oklahoma, Indiana and Michigan. The company is growing rapidly; net plant has more than doubled since 2013 and the company anticipates continued investment across its subsidiaries will result in another doubling by 2019.

For further information on these service territories and subsidiaries please refer to each utility's credit opinion on Moodys.com.

Continued regulatory support with timely and sufficient cost recovery important to credit quality

Given the significant amount of capital expenditures AEP has planned across its regulated business segments, it is essential that AEP maintain a supportive relationship with its regulators to sustain credit quality. The utility subsidiary ratings and outlooks reflect our view that AEP will continue to receive timely and consistent long-term regulatory support across the majority of its jurisdictions. Recent regulatory filings, orders and updates for AEP are as follows:

OPCo - The PUCO continues to demonstrate a credit supportive view for utilities operating in the state. In March 2016, the PUCO unanimously approved a stipulation agreement related to OPCo's application for approval of a power purchase agreement (PPA) with its affiliate AEP Generation Resources (AGR: unrated), which was intended to support the retention of generation in the state of Ohio. However, in April 2016, in response to filed complaints, the Federal Electric Regulatory Commission (FERC) rescinded AEP's affiliate waivers and determined that the PPA between OPCo and AGR was subject to its review. As a result, management does not intend to pursue the affiliate PPA and instead filed for re-hearing of the March order to clarify / modify the remaining provisions of the settlement accordingly. In November, the PUCO approved OPCo's request to modify the settlement agreement as proposed, including authorization of rider recovery for the difference between the costs and revenues associated with its 19.93% contractual entitlement to the output of two coal plants owned by the Ohio Valley Electric Corporation (OVEC) being sold into the PJM Interconnection market.

APCo (Virginia) - In October 2016, the VSCC concluded APCo's generic return on equity (ROE) proceeding, initiated in March, by determining that a 9.4% base ROE should be utilized under any rate adjustment clause mechanism until its next rate case. The approved ROE is near the top of the range of 8.5% to 9.5% the VSCC determined was reasonable. APCo initially proposed a 10.43% ROE in its request for a determination of the base ROE to be used for annual adjustments under the G-RAC, the company's energy efficiency rate adjustment clause and any other clauses approved by the company. The G-RAC relates to APCo's investments in the 580 MW Dresden Energy Facility, and for which APCo had filed for a $3.4 million revenue requirement increase in March 2016, premised on a 10.7% ROE (9.7% approved in 2014 plus 100 basis point premium). A settlement was reached in September 2016 allowing for a $3.4 million G-RAC revenue requirement increase based on a 10% ROE, that will now be adjusted to reflect the 9.4% base ROE (plus 100 basis point premium) approved in the generic ROE case. The final decision in the G-RAC proceeding is expected by the end of November.

In February 2015, Virginia enacted legislation temporarily suspending its required biennial review of investor-owned utility earnings, effectively freezing rates for APCo through the 2017 test year. Biennial reviews are to begin again in 2020 addressing results for the 2018 and 2019 test years. This is positive for APCo considering its last biennial review decision (issued November 2014) found that for the 2012 and 2013 test years APCo had on average earned an 11.86% ROE, which was above the upper end of the 10.4%-11.4% allowed range established for those years. APCo was required to make refunds totaling $5.8 million, and the commission set a baseline ROE of 9.7% for the biennial review for 2014 and 2015 which is significantly below the prior 10.9% baseline (although the allowable range was widened so the upper boundary would have been 10.4%). As the biennial reviews have been suspended, no refunds will be required in the event of over earning until the next review in 2020.

In February 2016, some APCo industrial customers filed a petition with the VSCC requesting a declaratory order finding the amendments to Virginia law suspending biennial reviews unconstitutional and directs APCo to make biennial review filings beginning in 2016. Oral arguments at the VSCC were held in March 2016 and the industrial petition was denied. The customers have filed an appeal to the Virginia Supreme Court, where a similar case was filed related to another utility. A reinstatement of the biennial review process in advance of March of 2020 would likely reduce future cash flows and coverage metrics. For example, based on the difference between earned and allowed ROE noted above, we estimate reinstatement of the biennial process could cause APCo's ratio of cash from operations excluding changes in working capital (CFO Pre-WC) to debt to be 0.5 – 1.0 percentage points lower.

APCo (West Virginia) - In May 2015, the WVPSC issued an order in APCo's pending base rate case authorizing a $99 million ($85 million for APCo / $14 million for Wheeling Power Company (WPCo)) rate increase based on a 9.75% ROE. The initial case was filed almost a year prior in June 2014 requesting a $226 million increase in annual revenues based on a 10.62% ROE. The WVPSC's order also included the delayed billing of an additional $25 million ($22 APCo / $3 million WPCo) to residential customers until July 2016. On a positive note, the order included approval of an annual vegetation rider of $45 million ($38 million APCo / $7 million WPCo), revised depreciation rates and recovery of $89 million in previously recorded regulatory assets over five years. The May 2015 order also resolved an ongoing ratemaking issue concerning the WVPSC's approach to consolidated tax adjustments (CTA). The order, which was upheld on reconsideration in July of 2015, resolved that losses used in the CTA would be limited to those generated by APCo's parent company, AEP, rather than including the losses at non-parent affiliated subsidiaries. This resolution should allow more opportunity for APCo to earn its allowed return in West Virginia.

PSO - In November 2016, the OCC issued a final order in PSO's rate case, initially filed in July 2015, approving a base revenue increase of $14.5 million based on a 9.5% ROE. The order also approved deferred accounting for environmental compliance plan investment costs of approximately $27 million, and recovery of consumables through the fuel adjustment clause of approximately $4 million, bringing the total financial impact of the decision to approximately $45 million. As PSO had implemented an interim rate increase of $75 million in January 2016, it will now have to refund approximately $56 million to its customers. PSO initially requested to increase annual revenues by $137 million based on a 10.5% ROE in order to recover costs associated with its environmental compliance plan and other rate base additions. In addition to the ROE differential, the primary driver of the difference between the requested and authorized amounts relates to the timing of recovery of environmental compliance costs for projects that were not in service by the date required by the OCC. The assets are now in service and we expect PSO to file a new rate case in 2017.

For more details regarding any of AEP's subsidiaries regulatory updates please refer to their pages on Moodys.com.

Substantial investments in regulated transmission networks and environmental mandates

AEP has been investing heavily to meet stringent environmental compliance requirements and to assure reliability throughout its service territories. High capital investment levels are expected to continue and the company has announced a program of approximately $17.3 billion for 2017 through 2019. All of the total $17.3 billion will be allocated to regulated businesses and contracted renewables as follows: transmission about 52%, distribution 22%, regulated generation 13%, contracted renewables 6%, corporate 4% and regulated renewables 3%. AEP's average projected capital investments of approximately $5.8 billion per year for 2017 through 2019 is a modest increase when compared to the over $5 billion expected to be spent in 2016 and $4.6 billion spent in 2015, but a substantial increase from the $3.1 billion invested in 2012 and $2.8 billion in 2011. Transmission and distribution (T&D) investments are expected to be recovered largely either through the transmission formula based rates or rider recovery, a credit positive. Generation investment is primarily recovered in base rates and more susceptible to lags in recovery. Given the sheer magnitude of the investment program, we anticipate intermediate term credit metrics could deteriorate somewhat. An offset to this downward pressure is the multi-year extension of bonus depreciation benefits, which will add to cash flow over the near-to-medium term and help to maintain coverage metrics that are appropriate for the rating.

Additional debt financing for capex spend will put downward pressure on financial metrics - mitigated by the primarily lower risk nature of the investments in transmission and distribution

AEP's key financial metrics remain appropriate for its rating category. As of the last twelve months ending (LTM) Q3 2016, AEP's adjusted three year average interest coverage ratio was 5.9 times and CFO pre-WC to debt was 21.6%, both strong for the "Baa" scoring range for this factor indicated in our rating methodology for standard risk regulated electric and gas utilities. Total adjusted consolidated debt has increased to $22.8 billion at September 30, 2016 from around $21 billion in 2013, a trend we expect to continue going forward mainly due to the required funding of capital expenditures. For the following 18-24 months we expect AEP's financial metrics to deteriorate slightly but remain within its rating category, including an interest coverage ratio in the 4.5x-5.5x range and CFO pre-WC to debt in the high teens to low twenty percent range.

As of December 31, 2015, AEP had long-term parent level debt obligations of about $1.4 billion, or 7% of AEP's total debt. These parent level obligations are made up of about $830 million of holding company debt and $590 million in debt guaranteed by the parent for its competitive business AGR. Debt at AGR is expected to be repaid following the sale of merchant generating facilities in Ohio. AEP is also dedicated to growing its transmission footprint through AEP Transco and several joint ventures (JVs). AEP Transco is fully regulated by the FERC and had debt of about $1.8 billion, or about 8% of AEP's total debt as of Q3 2016.

We do not apply any structural subordination notching to AEP's Baa1 rating relative to the average credit quality of its rated subsidiaries due to the diversity and the stability of AEP's operating subsidiaries cash flows. It is our view that the modest level of parent holding company debt, and debt guaranteed by the parent, relative to total consolidated debt does not merit any structural subordination notching.

Liquidity Analysis

AEP's liquidity is adequate. Although we anticipate its significant investment program will result in negative free cash flow for the foreseeable future, the company has demonstrated capital markets access and its credit facilities currently provide adequate protection. For the twelve months ending September 30, 2016, AEP generated approximately $4.3 billion of cash from operations (CFO), invested $4.8 billion in capital expenditures and paid $1.1 billion in dividends resulting in a negative free cash flow (FCF) of approximately $1.6 billion. In 2015, AEP generated approximately $4.8 billion of CFO, invested $4.6 billion in capital expenditures and paid $1.1 billion in dividends resulting in a negative FCF of approximately $900 million. Going forward, given AEP's substantial level of planned capital expenditures, we anticipate the company will continue to generate negative free cash flow, which will be funded via a combination of internal and external sources including debt financing and sales proceeds.

AEP has two syndicated credit facilities totaling $3.5 billion. In June 2016, its $1.75 billion facility expiring in June 2017 was amended to $3.0 billion expiring in June 2021, with a $1.2 billion letter of credit sub-limit. Its other $1.75 billion facility expiring in July 2018 was amended to $500 million expiring in June 2018. As of September 30, 2016, AEP had $728.3 million of commercial paper outstanding and no letters of credit outstanding under the facilities.

AEP is not required to make a representation with respect to either material adverse change or material litigation in order to borrow under the facilities. Default provisions exclude non-significant subsidiaries' (including AGR) cross-default and insolvency/bankruptcy provisions. The facilities contain a covenant requiring that AEP's consolidated debt to capitalization (as defined) not to exceed 67.5%. AEP states the contractually defined ratio was 52.7% at September 30, 2016. Pro-forma for the impairment of its remaining merchant generating assets, the ratio increases to about 55%.

Including securitization bonds, put bonds and other amortizations, AEP has debt maturities of about $2.7 billion in 2017. AEP has a receivables securitization agreement of $750 million that expires in June 2018.

Corporate Profile

American Electric Power Company, Inc. (AEP: Baa1 stable), headquartered in Columbus, Ohio, is a large electric utility holding company with ten vertically integrated or retail transmission and distribution utility subsidiaries operating in eleven states. The company also operates transmission companies within the eastern and southwestern regions of the United States and owns a predominately Ohio based competitive generation and marketing business which has been partially sold and for which it is evaluating strategic alternatives. AEP has a regulated rate base of approximately $32 billion and serves about 5.4 million customers across eleven states. In 2016, the company's total generation capacity of about 35,000 MW (including power purchase agreements, approximately 6,752 MW of competitive generating assets, and reflecting about 750 MW of coal to gas conversions expected to be completed in 2016), is about 52% coal/lignite fired. For 2015, AEP's regulated retail revenue composition by customer class was about 41% residential, 24% commercial, 19% industrial, 13% wholesale and 3% other.

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Rating Methodology and Scorecard Factors

Exhibit 3

Rating Factors				
American Electric Power Company, Inc.				
Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 9/30/2016		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	5.9x	A	5x - 5.5x	A
b) CFO pre-WC / Debt (3 Year Avg)	21.6%	Baa	17% - 20%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	16.8%	Baa	13% - 16%	Baa
d) Debt / Capitalization (3 Year Avg)	43.5%	A	43% - 47%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		Baa1
HoldCo Structural Subordination Notching				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2016(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Ratings

Exhibit 4

Category	Moody's Rating
AMERICAN ELECTRIC POWER COMPANY, INC.	
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate Shelf	(P)Baa2
Commercial Paper	P-2
SOUTHWESTERN ELECTRIC POWER COMPANY	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
APPALACHIAN POWER COMPANY	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
INDIANA MICHIGAN POWER COMPANY	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
COLUMBUS SOUTHERN POWER COMPANY	
Outlook	No Outlook
Senior Unsecured	Baa1

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OHIO POWER COMPANY	
Outlook	Positive
Issuer Rating	Baa1
Senior Unsecured	Baa1
PUBLIC SERVICE COMPANY OF OKLAHOMA	
Outlook	Stable
Issuer Rating	A3
Senior Unsecured	A3
AEP TRANSMISSION COMPANY, LLC	
Outlook	Stable
Issuer Rating	A2
Senior Unsecured	A2
AEP TEXAS CENTRAL COMPANY	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
RGS (AEGCO) FUNDING CORPORATION	
Outlook	Stable
Bkd Senior Secured	Baa1
RGS (I&M) FUNDING CORPORATION	
Outlook	Stable
Bkd Senior Secured	Baa1
KENTUCKY POWER COMPANY	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
AEP TEXAS NORTH COMPANY	
Outlook	Stable
Issuer Rating	Baa1

Source: Moody's Investors Service

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Appendix 10

INFRASTRUCTURE AND PROJECT FINANCE

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CREDIT OPINION
1 June 2016

Update

Rate this Research »

RATINGS

Great Plains Energy Incorporated

Domicile	Kansas City, Missouri, United States
Long Term Rating	Baa2 , Possible Downgrade
Type	Senior Unsecured - Dom Curr
Outlook	Rating(s) Under Review

Please see the ratings section at the end of this report for more information.The ratings and outlook shown reflect information as of the publication date.

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Great Plains Energy Incorporated

A Midwest Utility Holding Company

Summary Rating Rationale

The Great Plains Energy Inc. (GPE; Baa2, ratings under review down) credit profile is mainly driven by the regulatory support for its two primary operating subsidiaries, Kansas City Power & Light Company (KCPL, Baa1 stable, P-2) and KCP&L Greater Missouri Operations Company (GMO, Baa2 stable, P-2). These utility subsidiaries are regulated by the Missouri Public Service Commission (MPSC), the Kansas Corporation Commission (KCC) and the Federal Energy Regulatory Commission (FERC), with roughly two-thirds of consolidated cash flow generated in Missouri.

GPE's ratings also reflect its consolidated financial profile, which includes a ratio of cash flow from operations before changes in working capital (CFO pre-WC) to debt in the high-teen's range (i.e., 17% for the latest twelve months ended March 2016). Prior to the announcement about GPE's intent to buy Westar Energy Inc. (Westar; Baa1 stable), we had been expecting a slow and steady improvement to Great Plains' cash flows and debt, to where the ratio was getting into the 20% range over the course of 2016-2018.

Recent Events

On 31 May, GPE's ratings were placed on review for possible downgrade, following its announced intention to acquire Westar Energy for a total transaction value of over $12 billion, including the assumption of around $4 billion of expected Westar debt. GPE expects to finance the equity portion of the purchase price with a significant amount (i.e., $4.4 billion) of holding company debt, a material credit negative. The remainder will likely be financed with a combination of common equity and equity-like hybrid securities.

Together, we see the additional leverage and new capital structure complexity reducing financial flexibility across the entire corporate family. At transaction close, GPE's ratio of parent holding company debt to consolidated debt will rise to 35%, from roughly 2% as of March 31, 2016, assuming the company's equity and hybrid issuances go according to plan.

Exhibit 1

	Pre-M&A			Pro-Forma
	Great Plains Energy Inc.	Westar Energy	Great Plains Energy Inc. plus Westar Energy	
Total Rate Base	$ 6,526	$ 6,300	$ 12,826	$ 12,826
Acquisition Debt				$ 4,417
Reported Debt	$ 4,155	$ 3,581	$ 7,736	$ 12,552
Total Debt / Current Rate Base	64%	64%	60%	98%
HoldCo Debt / Reported Debt	2%	0%	1%	35%
CFO /Adjusted Debt	16%	18%	17%	13%

Source: Company presentations and Moody's Investors Service

Credit Strengths

- Rate regulated utility operations in generally supportive regulatory environments
- Reduced capex and future rate cases will improve utility cash flow
- Regulatory diversity is more balanced with Westar merger

Credit Challenges

- Westar acquisition funding will result in a weak financial profile through 2020
- Management's aggressive financial policies leave no flexibility for unforeseen challenges, at an investment grade level

Rating Outlook

GPE's ratings are under review for downgrade due to the pending acquisition of Westar. It is expected that a one notch downgrade to Baa3 will occur at the consummation of the merger.

Factors that Could Lead to an Upgrade

It is highly unlikely that GPE's ratings will be upgraded, or remain at the current Baa2 level.

Factors that Could Lead to a Downgrade

The review for downgrade is expected to result in a one-notch downgrade, leaving GPE investment grade. We see a strong investment grade floor, but ratings could be downgraded below investment grade if the ratio of holding company debt to consolidated debt rose higher than the 35% level we are expecting post-close. Ratings could also be downgraded if a more contentious regulatory environment developed in its principal jurisdictions.

Given the significantly weakened financial position at close (e.g., 13% CFO pre-WC to debt), the rating could be downgraded to speculative grade if anticipated financial improvements are jeopardized. If the ratio of CFO to debt were between 10% and 13% for a sustainable period, ratings could be downgraded below the investment grade threshold. This could occur from any combination of circumstances, including: waning regulatory supportiveness, financially restrictive merger requirements, a stagnant or declining economic environment, inability to capture synergies from the Westar acquisition, a change in equity treatment for hybrid securities, or operating and/or regulatory challenges at the Wolf Creek nuclear generating station.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key Indicators

Exhibit 2

KEY INDICATORS [1]

Great Plains Energy Incorporated

	3/31/2016(L)	12/31/2015	12/31/2014	12/31/2013	12/31/2012
CFO pre-WC + Interest / Interest	4.6x	4.5x	4.4x	4.2x	3.8x
CFO pre-WC / Debt	17.0%	16.5%	16.1%	17.7%	15.8%
CFO pre-WC – Dividends / Debt	13.7%	13.2%	13.0%	14.5%	12.9%
Debt / Capitalization	49.6%	49.2%	49.5%	48.7%	50.8%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Investors Service

Detailed Rating Considerations

GPE'S BELOW-AVERAGE REGULATORY SUPPORT WOULD BENEFIT FROM MERGER

GPE's Missouri jurisdiction accounts for over half of GPE's total rate base; thus we place greater weighting on Missouri in our regulatory risk and credit assessment. We view Missouri's regulatory environment as less credit supportive compared to the regulatory environment in Kansas. Electric utilities in Missouri rely more on traditional rate cases and there are a more limited number of adjustment mechanisms for cost recovery, often resulting in longer regulatory lag and the propensity to under-earn its allowed level of ROE.

In general, we view the regulatory environment in Kansas to be relatively more constructive compared to Missouri's. Kansas allows for various riders and tracking mechanisms as well as abbreviated rate case filings, shortening regulatory lag. We believe the use of abbreviated rate cases provides greater transparency in the recovery of the company's investment costs. In addition, the ability of the company to update its rate base prior to filing a general rate case is credit positive.

However, we believe the regulatory environment in Kansas might be becoming less credit supportive based on recent regulatory developments and rhetoric in the most recent electric rate cases, including low allowed ROE's compared to industry averages and KCC challenges to the FERC, which have lowerd ROE levels for transmission investment recovery.

IMPROVING UTILITY CREDIT PROFILES, INCLUDING THAT OF WESTAR

Underpinning the strength of the post-merger holding company, is an expectation for improved financial performance of each utility subsidiary. This improvement is driven by the conclusion of extensive environmental capital plans, which have been in progress for the past several years, as each utility has prepared to meet Federal emissions standards, such as Mercury Air Toxic Standards (MATS).

For example, KCPL and GMO each have multiple rate case filings scheduled for the next few years. Our expectation is that these collective investments will be fully incorporated into rate base, earning allowed returns, over the near-term. These investments, including capital expenditures for new wind generation at Westar, customer information system advancement at Great Plains, and general infrastructure improvements across all systems, will contribute significant amounts of cash flow through 2020. This, coupled with the reduction of environmental capex could result in positive free cash flow at the consolidated level – a rarity for utility holding companies and a significant credit positive.

That said, in any acquisition scenario, there is a potential for regulatory intervention to result in customer credits, rate freezes and/or a more contentious regulatory relationship post-transaction. Should any of these circumstances arise for KCPL, GMO or Westar, the future cash flow production of GPE would be harmed and the financial improvements that we are currently anticipating could be jeopardized – a significant credit negative.

ACQUISITION DEBT OUTWEIGHS SIZE AND DEVERSIFICATION BENEFIT

The acquisition of Westar will enhance the business profile of Great Plains in many ways, including: increased size, scale and scope; operating cost synergies due to a contiguous service territory; core competency in managing Missouri and Kansas regulatory and political environments; and the addition of $1.2 billion of FERC regulated transmission rate base.

That said, the general business mix of the company remains unchanged. That is, GPE will still be a vertically integrated electric utility based in the states of Kansas and Missouri, with a smaller portion of FERC transmission investments. Therefore, we regard the transaction as positive and scale-enhancing, but not transformative and de-risking in the respect that it can offset a material degradation to financial metrics.

Therefore, the 13% CFO pre-WC to debt that we expect to be generated from the consolidated company positions GPE as a weak Baa3 holding company. Furthermore, we are incorporating continual, year-over-year, cash flow improvement into our current view of the company, due to ongoing rate cases and significantly reduced capex; therefore, any unforeseen headwinds for this trend could result in further deterioration to the credit profile and rating of the company.

Liquidity Analysis

GPE's current liquidity position is strong due to the declining capex profile and improving cash flow from operations. For example, through LTM 1Q16, the company produced $824 million of cash flow from operations, compared to $609 million of capex and $158 million in dividends, resulting in $57 million of free cash flow. We expect similar results over the next twelve months excluding any merger financing.

GPE's revolving credit facility of $200 million expires in October 2019. As of March 31, 2016 there was $15 million outstanding under the facility, leaving $185 million available for borrowing. The terms of this credit facility permit transfers of unused commitments between GPE's facility and the facilities of GPE's major subsidiaries with the total amount not exceeding $400 million at any one time. A default by GPE or its subsidiaries on any other indebtedness higher than $50 million is considered a default under this facility. The terms of this facility also require that GPE maintain maximum total debt to capitalization not exceed 65%. At March 2016, GPE was in compliance with this covenant.

KCPL has a $600 million revolving credit facility, expiring in October 2019. At March 31, 2016, KCPL had $85.8 million of commercial paper outstanding and $2.8 million of letters of credit issued. It did not have any cash borrowings under this facility. The terms of this credit facility permit GPE and KCPL to transfer up to $200 million of unused facilities between GPE and GPE's subsidiaries. Also, a default by KCPL on any other indebtedness higher than $50 million is considered a default under this facility. KCPL was in compliance with the covenant at March 31, 2016.

GMO has a $450 million revolving credit facility, expiring in October 2019. At March 31, 2016, GMO had $202.5 million of commercial paper outstanding and $2.2 million of letters of credit issued. It did not have any cash borrowings under this facility. GMO's credit facility has the same covenants as KCPL's credit facility and GMO was in compliance with the covenant at March 31, 2016.

Profile

Great Plains Energy Inc. (GPE; Baa2, ratings under review down) is a utility holding company with operations in Kansas and Missouri through Kansas City Power & Light Company (KCPL, Baa1 stable, P-2) and KCP&L Greater Missouri Operations Company (GMO, Baa2 stable, P-2).

Together, KCPL and GMO serve 838,400 customers located in western Missouri and eastern Kansas. KCPL is the larger utility and the primary source of earnings and cash flow for GPE. KCPL contributed approximately 70% of consolidated net income and cash flow over the past three years.

Transource Energy LLC (Transource) is a joint-venture transmission company that GPE owns 13.5% of through GPE Transmission Holding Company.

Rating Methodology and Scorecard Factors

Exhibit 3

Rating Factors				
Great Plains Energy Incorporated				
Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current LTM 3/31/2016**		**Moody's 12-18 Month Forward View As of Date Published [3]**	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	A	A
b) Sufficiency of Rates and Returns	Ba	Ba	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Ba	Ba	Ba	Ba
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.5x	Baa	3x - 4x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	16.7%	Baa	13% - 15%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	13.5%	Baa	10% - 12%	Baa
d) Debt / Capitalization (3 Year Avg)	49.7%	Baa	60% - 64%	Ba
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa2		Baa1
HoldCo Structural Subordination Notching	-1	-1	-2	-2
a) Indicated Rating from Grid		Baa3		Baa3
b) Actual Rating Assigned				Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2016(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Investors Service

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American Electric Power

	Moody's		S&P	
	Rating	Date	Rating	Date
2016	Baa1 Stable	1/31/2014	BBB+ Watch Pos	9/16/2016
2015	Baa2 Watch Pos	11/8/2013	BBB Positive	9/29/2014
2014	Baa2	9/16/2013	BBB Positive	9/29/2014
2013	Baa2	9/16/2013	BBB Stable	3/7/2003
2012	Baa2	9/14/2005	BBB Stable	3/7/2003
2011	Baa2	9/14/2005	BBB Stable	3/7/2003

Great Plains Energy

Moody's		S&P	
Rating	Date	Rating	Date
Baa2 Watch Neg	5/31/2016	BBB+ Negative	5/31/2016
Baa2	1/31/2014	BBB+ Stable	5/1/2014
Baa2	1/31/2014	BBB+ Stable	5/1/2014
Baa3	8/28/2013	BBB Positive	4/24/2013
Baa3	3/11/2009	BBB Stable	4/9/2010
Baa3	3/11/2009	BBB Stable	4/9/2010