

Exhibit No.:  
Issue: Capital Structure  
Witness: Michael W. Cline  
Type of Exhibit: True-Up Direct Testimony  
Sponsoring Party: KCP&L Greater Missouri Operations Company  
Case No.: ER-2010-0356  
Date Testimony Prepared: February 22, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2010-0356**

**TRUE-UP DIRECT TESTIMONY**

**OF**

**MICHAEL W. CLINE**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
February 2011**

**KCP&L Exhibit No. GM054  
Date 3/4/11 Reporter JNB  
File No. ER-2010-0356**

**TRUE-UP DIRECT TESTIMONY**

**OF**

**MICHAEL W. CLINE**

**Case No. ER-2010-0356**

1 **Q: Please state your name and business address.**

2 A: My name is Michael W. Cline. My business address is 1200 Main Street, Kansas City,  
3 Missouri, 64105.

4 **Q: Are you the same Michael W. Cline who prefiled rebuttal testimony in this matter?**

5 A: Yes, I am.

6 **Q: What is the purpose of your true-up direct testimony?**

7 A: In my testimony, I will provide updates to the capital structure and cost of capital that  
8 KCP&L Greater Missouri Operations Company ("GMO" or the "Company") is  
9 requesting in this proceeding.

10 **Q: Please update the Company's requested capital structure and overall rate of return.**

11 A: The following table identifies the Company's requested capital structure components and  
12 the resulting overall rate of return:

13 **Requested Capital Structure**

14 <u>Capital Components</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
15 Debt	48.58%	6.42%	3.11%
16 Equity-linked convertible debt	4.52%	13.59%	0.61%
17 Preferred stock	0.61%	4.29%	0.03%
18 <u>Common equity</u>	<u>46.29%</u>	<u>10.75%</u>	<u>4.98%</u>
19 TOTAL	100.00%		8.73%

1 **Q: What is the basis for the Company's requested capital structure and overall rate of**  
2 **return?**

3 A: The requested capital structure and cost rates for debt, equity-linked convertible and  
4 preferred stock are calculated from Great Plains Energy's actual capital structure as of  
5 December 31, 2010. The requested return on equity is the recommendation contained in  
6 the rebuttal testimony of GMO witness Dr. Samuel C. Hadaway.

7 **Q: How does this capital structure and overall rate of return vary from the original**  
8 **request filed by the Company in this proceeding?**

9 A: The Company's initial overall rate of return and capital structure request, contained in Dr.  
10 Hadaway's direct testimony as shown in the table below, was based on Great Plains  
11 Energy's *projected* capital structure at December 31, 2010.

12 **Initial Requested Capital Structure**

13 <u>Capital Components</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
14 Debt	48.69%	6.73%	3.28%
15 Equity-linked convertible debt	4.53%	13.59%	0.61%
16 Preferred stock	0.62%	4.29%	0.03%
17 <u>Common equity</u>	<u>46.16%</u>	<u>11.00%</u>	<u>5.08%</u>
18 TOTAL	100.00%		9.00%

19 The Company's actual capital structure as of December 31, 2010 reflects a slightly higher  
20 common equity component and slightly lower debt, equity-linked convertible debt and  
21 preferred stock components. The overall rate of return based on the Company's actual  
22 capital structure as of December 31, 2010 reflects a lower cost of debt and the lower  
23 requested return on common equity contained in the rebuttal testimony of Dr. Hadaway.

1 **Q: What accounts for the difference in the capital structure?**

2 A: The actual GPE consolidated common equity balance as of December 31, 2010 was \$15  
3 million higher than initially projected due to actual 2010 earnings being \$17 million  
4 higher than initially projected.

5 **Q: What accounts for the difference in the cost of debt?**

6 A: The initial projected cost of debt as of December 31, 2010 included a projected \$250  
7 million debt issuance with a cost of 5.54%. The actual cost of the \$250 million debt  
8 issuance completed in August 2010, including the cost of an interest rate forward starting  
9 swap associated with the issuance, was 3.86%. This reduced the weighted average cost of  
10 debt as of December 31, 2010 from the projected level of 6.73% to 6.42%.

11 **Q: Does that conclude your testimony?**

12 A: Yes, it does.

