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Service Commission

Exhibit No.:
Issue: Finance
Witness: Michael W. Cline
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: HR-2009-0092
Date Testimony Prepared: March 13, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: HR-2009-0092

REBUTTAL TESTIMONY

OF

MICHAEL W. CLINE

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS

Kansas City, Missouri
March 2009

*** [REDACTED] *** Designates Highly Confidential Information
Has Been Removed. Certain Schedules Attached to This Testimony
Also Contain Highly Confidential Information
And Have Been Removed
Pursuant to 4 CSR 240-2.135.

GAO Exhibit No. 1 NP
Case No(s) HR 2009-0092
Date 5-21-09 Rptr KF

REBUTTAL TESTIMONY

OF

MICHAEL W. CLINE

Case No. HR-2009-0092

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

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

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

5 A: I am employed by Great Plains Energy Incorporated ("Great Plains Energy"), the parent
6 company of KCP&L Greater Missouri Operations Company ("GMO"), as Vice President,
7 Investor Relations and Treasurer.

8 **Q: What are your responsibilities?**

9 A: My responsibilities include financing and investing activities, cash management, bank
10 relations, rating agency relations, financial risk management, and investor relations.

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

12 A: I graduated from Bradley University in 1983 with a B.S. in Finance, summa cum laude. I
13 earned an MBA from Illinois State University in 1988. From 1984-1991, I was employed
14 by Caterpillar Inc. in Peoria, Illinois and held a number of finance and treasury positions.
15 From 1992-1993, I was Manager, International Treasury at Sara Lee Corporation in
16 Chicago, Illinois. From 1994-2000, I was employed by Sprint Corporation in Overland
17 Park, Kansas, initially as Manager, Financial Risk Management and then as Director,
18 Capital Markets. During most of 2001, I was Assistant Treasurer, Corporate Finance, at
19 Corning Incorporated in Corning, New York. I joined Great Plains Energy in October

1 2001 as Director, Corporate Finance. I was promoted to Assistant Treasurer in
2 November 2002. During 2004, I was assigned to lead the company's Sarbanes-Oxley
3 Act compliance effort on a full-time basis, though I retained the Assistant Treasurer title
4 during that time. I was promoted to Treasurer in April 2005 and added the title of Chief
5 Risk Officer in July 2005. In February 2008, I was named to my current position as Vice
6 President, Investor Relations and Treasurer.

7 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
8 **Commission or before any other utility regulatory agency?**

9 **A:** Yes. I have previously testified before the Missouri Public Service Commission ("the
10 Commission") in the Kansas City Power & Light Company ("KCP&L") Regulatory Plan
11 case EO-2005-0329, in KCP&L rate cases ER-2006-0314, ER-2007-0291, and ER-2009-
12 0089, in GMO-MPS and GMO-L&P Electric's rate case ER-2009-0090, and in the case
13 involving Great Plains Energy's acquisition of Aquila, Inc. ("Aquila"), case EM-2007-
14 0374. I have also submitted testimony to the State Corporation Commission of the State
15 of Kansas for KCP&L's cases filed in that jurisdiction with respect to these matters.

16 **Q: What is the purpose of your Rebuttal Testimony?**

17 **A:** My testimony is in two sections. In Section I, I address comments in the Staff's
18 February 13, 2009 Cost of Service Report ("Staff's Report") regarding the impact of the
19 adverse economic and financial market conditions on the cost of debt for utility
20 companies. I also address Staff's recommended capital structure in this case, as well as
21 refute Staff's approach to determining the cost of debt for GMO-L&P Steam ("SJLP
22 Steam"). In Section 2, I recommend that the Commission reject Staff's imputation of an

1 accounts receivable ("A/R") sales program for SJLP Steam, as described on pages 80-81
2 of Staff's Report.

3 **Section 1**

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

5 A: In this section, I address statements in Staff's Report concerning the impact of the
6 adverse economic and financial market conditions on the cost of debt for utility
7 companies.

8 **Q: What assertions does Staff make about the cost of debt for utility companies in the
9 midst of the current credit crisis?**

10 A: Staff's Report states the following:

11 ... it appears that the cost of capital for utility companies is returning to levels
12 prior to the credit crisis. Another issue mentioned in the [January 13, 2009 Wall
13 Street Journal article entitled "Bonds a Bright Spot for Utilities in '08"] article is
14 that, although the spreads over U.S. Treasury's [sic] for recent utility bond
15 issuances have been high, much of these high spreads can be attributed at least in
16 part to the extremely low rates on U.S. Treasury bonds. Consequently, while
17 utility bond risk premiums over U.S. Treasury bonds have increased, because
18 yields on U.S. Treasury bonds have decreased dramatically, this doesn't
19 necessarily mean that the overall cost of capital to utilities has increased that
20 much [Staff Report, page 17].

21
22 **Q: Do you agree with Staff's position?**

23 A: Definitely not. I will leave the discussion of the impacts of the economic and financial
24 market meltdown on utilities' overall cost of capital largely to Dr. Samuel C. Hadaway,
25 SJLP Steam's cost of capital witness. However, with respect to the debt capital markets,
26 the current findings of SJLP Steam's sister company, KCP&L, as it considers issuance of
27 new long-term debt is a timely and directly relevant indicator of what utility companies
28 generally are experiencing. I can unequivocally say that the cost of new debt for KCP&L

1 is considerably higher than it has been in recent history. This is true notwithstanding the
2 significant decline in U.S. Treasury rates since the second quarter of 2007.

3 **Q: What is your basis for saying that KCP&L's cost of debt has increased?**

4 A: In Great Plains Energy's February 11, 2009 investor conference call and webcast, the
5 Company indicated that KCP&L expected to issue \$400 million of long-term debt in
6 2009. In light of those plans, the Company is closely monitoring market conditions and
7 will continue to do so until the debt offering is completed, including discussions with
8 debt capital markets participants on indicative costs for newly-issued KCP&L debt.
9 These discussions clearly reflect that KCP&L's debt costs have risen significantly since a
10 year ago and since before the crisis.

11 **Q: Where is this illustrated?**

12 A: Schedule MWC-1 (HC) reflects the collective thoughts on KCP&L's current cost of
13 issuing debt on both a secured and unsecured basis for five, 10, and 30 years from three
14 top debt capital markets underwriters: Bank of America, BNP Paribas, and J.P. Morgan.
15 Because KCP&L completed 10-year unsecured debt issues in March 2008 and June 2007,
16 the figures in the 10-year column under the heading "Assuming Senior Unsecured" are
17 the most relevant in assessing how KCP&L's cost of debt has increased.

18 **Q: What is the market's view of the cost of a 10-year senior unsecured debt issue for
19 KCP&L today, and how does that compare with KCP&L's 10-year senior
20 unsecured debt offerings in March 2008 and June 2007?**

21 A: As shown in Schedule MWC-1 (HC), the underwriters estimate that the coupon rate on a
22 new KCP&L 10-year senior unsecured debt offering would be ****[REDACTED]****. That rate is
23 ****[REDACTED]**** basis points, or nearly ****[REDACTED]****, above the rate of 6.375% on KCP&L's \$350

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1 million 10-year offering completed in March 2008. The rate is also **■■■■** basis points,
2 or **■■■■**, higher than the rate of 5.85% on KCP&L's \$250 million 10-year offering
3 completed in June 2007.

4 **Q: Are the pricing indications for KCP&L in Schedule MWC-1 (HC) based on a**
5 **different credit rating for KCP&L than it had when it completed the 2007 and 2008**
6 **offerings?**

7 **A:** No. At the time Schedule MWC-1 (HC) was prepared on March 4, 2009, KCP&L's
8 senior unsecured debt rating was unchanged from the time of the 2007 and 2008
9 offerings: A3 at Moody's Investor Service ("Moody's") and BBB at Standard & Poor's
10 ("S&P").

11 **Q: Please summarize your response to Staff's assertion that "the cost of capital is**
12 **returning to levels prior to the credit crisis."**

13 **A:** Again, I will defer to Dr. Hadaway for an in-depth discussion of the cost of equity, but
14 since Staff chose to couch its comments concerning cost of capital partly by looking at
15 the cost of debt for utility companies, I can say with certainty that their assessment is
16 incorrect. KCP&L's market discovery currently underway is a particularly timely and
17 relevant data point for SJLP Steam cost of capital issues. As KCP&L considers issuing
18 new long-term debt, it is receiving frequent input from the debt capital markets that is
19 starkly at odds with Staff's assertion. The cost of new debt for KCP&L has risen
20 considerably compared to a year ago, when difficult market conditions had already
21 existed for a number of months, and much more significantly compared to June 2007,
22 which would be the last month that most market participants would consider "prior to"
23 the credit crisis. For Staff to suggest any semblance of a return to normalcy is to suggest a

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1 profound lack of understanding of how difficult and volatile the markets remain and what
2 the implications of such conditions are. Since judgment weighs heavily in the
3 determination of cost of capital and rate of return, the Commission should keep Staff's
4 incorrect assessment of the debt capital markets in mind as it evaluates other areas of
5 subjective judgment incorporated by Staff into its overall cost of capital and rate of return
6 recommendation for SJLP Steam.

7 **Q: What capital structure is Staff recommending for SJLP Steam in this case?**

8 A: As indicated on page 23 of Staff's Report, Staff is recommending use of the actual GPE
9 capital structure, excluding preferred stock, as of the end of the updated test year in this
10 case, *i.e.*, September 30, 2008. The resulting ratemaking capital structure, according to
11 Staff, consists of 51.03% common stock equity and 48.97% long-term debt.

12 **Q: Does SJLP Steam agree with Staff's recommendation?**

13 A: SJLP Steam accepts the exclusion of preferred stock. However, as shown below in Table
14 1, once this exclusion is reflected in SJLP Steam's actual capital structure as of
15 September 30, 2008, SJLP Steam calculates an adjusted common stock equity ratio that is
16 higher than Staff's (51.24% compared to 51.03%, respectively) and a debt ratio that is
17 lower (48.76% compared to 48.97%, respectively). The difference results from a
18 different common equity amount used by Staff. Neither Staff's Report nor Staff's
19 Schedule 12 (incorrectly referenced in Staff's Report as Schedule 8) describes what
20 accounts for this difference.

1

Table 1

GREAT PLAINS ENERGY INCORPORATED
Capitalization
September 30, 2008 (Est.)

(\$ in 000's)

CAPITAL COMPONENT	AMOUNT	PERCENT
Long-Term Debt (Note 1)	2,510,430	48.76%
Common Equity	2,618,024	
Equity Adj. For All OCI	(22,133)	
Adj. Common Equity	2,638,157	51.24%
	<u>\$5,148,587</u>	<u>100.00%</u>

Note 1: Includes amounts classified as current liabilities.

Note 2: Excludes preferred stock

2

3

4 **Q: What cost of debt did SJLP Steam request in this proceeding?**

5 A: As shown in the table on page 6 of Dr. Hadaway's Direct Testimony, SJLP Steam
6 requested a capital structure that included a cost of debt of 7.62%. The schedule that
7 supports the weighted average cost of debt is provided in Schedule SCH-4, page 16 in Dr.
8 Hadaway's Direct Testimony.

9 **Q: What was the cost of debt provided to Staff as part of the workpapers from the**
10 **September Update?**

11 A: The SJLP Steam cost of debt in the September Update was 7.76%. The weighted average
12 cost is provided in schedule MWC-2.

13 **Q: Did Staff agree with SJLP Steam's requested cost of debt?**

14 A: No. As reflected on page 27 of the Staff's Report, Staff recommends an SJLP Steam cost
15 of debt of 6.75%.

1 Q: What rationale does Staff provide for recommending a different cost of debt than
2 requested by SJLP Steam?

3 A: This is addressed on pages 26 and 27 of the Staff Report, as follows:

4 Aquila's failed non-regulated investments have caused the need for both the
5 company and other parties to make judgments on what the cost of debt might have
6 been if MPS and L&P had been owned by a company with at least an a BBB
7 credit rating. As time has passed and ownership structures have changed, the
8 embedded cost of debt for MPS and L&P has become even less based on reality.
9

10 As a result of the above, Staff recommends the use of a hypothetical embedded
11 cost of long-term debt for GMO. Staff proposes the use of The Empire District
12 Electric Company's (Empire) embedded cost of long-term debt from its last rate
13 case, Case No. ER-2008-0093 as of true-up date, February 29, 2008. This
14 embedded cost of long-term debt was 6.75 percent. Staff believes the use of
15 Empire's embedded cost of debt is appropriate because the risk profile of Empire
16 and GMO are fairly similar, Empire's operations are predominately regulated
17 operations, most of which are confined to Missouri, and Empire's most recent
18 ratemaking capital structure is similar to that of GMO's parent company, GPE.
19

20 Q: Do you agree with Staff's recommendation?

21 A: No, I do not.

22 Q: Please explain.

23 A: Staff's recommendation is to abandon the cost of debt methodology used by SJLP Steam
24 in preparing its September 2008 filing – which, in turn, was consistent with the approach
25 taken by Aquila (now known as GMO) in its last rate case to generate a cost of debt *that*
26 *was accepted by Staff* -- in favor of a new approach that uses a hypothetical cost of debt
27 based solely on Empire's embedded cost of long-term debt. Staff's recommendation
28 would result in a cost of debt for SJLP Steam that is 101 basis points below that
29 requested by the Company.

30 Q: Please briefly describe the methodology used by SJLP Steam in determining its
31 requested cost of debt in this case.

1 A: Dr. Hadaway outlined the methodology in his Direct Testimony as follows:

2 The cost of debt for SJLP was determined based upon the cost of each entity's
3 directly-issued debt, as well as the cost of assigned portions of debt previously
4 issued at the parent-company, i.e., Aquila Inc. level. The amount of such debt
5 assigned to each entity was determined by multiplying the respective projected
6 March 31, 2009 rate bases by the debt percentages shown in the [respective
7 requested capital structures for each entity], then subtracting any directly-issued
8 debt. [*Hadaway Direct Testimony, page 7, lines 8-14*]
9

10 Q: What is meant by the "assignment" of debt previously issued at the Aquila parent
11 company level to SJLP?

12 A: The starting point for the methodology previously established by Aquila, and utilized by
13 SJLP Steam in this filing, is the GMO-L&P (combined electric and steam) rate base and
14 the debt percentage in its capital structure. That leads to an amount of debt appropriate
15 for the entity. To the extent this amount of debt exceeds debt actually issued by GMO-
16 L&P, debt previously issued by the parent company is allocated, or "assigned," to GMO-
17 L&P, with the oldest such debt allocated first, then the next oldest, and so on.

18 Q: At what interest rate are the parent company issues assigned?

19 A: Generally, the issues are assigned at their effective rate, which incorporates the coupon
20 interest rate as well as issuance costs. A notable exception to this is the \$500 million
21 Aquila senior notes issue completed in July 2002. Aquila completed this issue in the
22 midst of mounting credit rating and financial pressures brought about by difficulties in its
23 non-regulated business and therefore paid a very high rate of interest (initially 11.875%,
24 subsequently increased to 14.875% following a credit rating downgrade, and reduced to
25 the original 11.875% rate following Aquila's acquisition by Great Plains Energy in July
26 2008. In keeping with Aquila's commitment not to pass along the cost of those failed
27 activities to its Missouri customers, as assignments of that debt have been made in past

1 rate cases, the interest rate used has been based on Aquila's estimate of what the effective
2 rate for the assigned amount would be if the debt were issued on an investment-grade
3 equivalent basis. As such, even though the cost of this debt to Aquila has essentially
4 ranged between roughly 12% and 15%, the cost attributed to GMO-L&P has been
5 approximately 6.47%, as shown in Schedule MWC-3.

6 **Q: Is the methodology that Aquila used in past rate cases, and that SJLP Steam used in
7 this proceeding, a reasonable approach to determining cost of debt for SJLP Steam?**

8 **A:** Yes. The methodology appropriately passes along the cost of debt actually issued by
9 GMO-L&P. Additional debt appropriate to the entity's capital structure has been
10 introduced through the assignment of parent company debt at investment grade
11 equivalent rates. While admittedly still requiring a degree of subjectivity, the
12 methodology is reasonable. Staff appeared to agree with this by accepting the cost of
13 debt for SJLP Steam in Case No. ER-2007-0004.

14 **Q: Is the Staff correct that using Empire's cost of debt is an "appropriate" proxy for
15 the cost of debt for GMO?**

16 **A:** No. Staff's recommendation appears to imply that regulated utilities operating in the
17 same state will necessarily have the same cost of debt. The factors that dictate an entity's
18 cost of debt go well beyond the areas mentioned by staff and include, among others, the
19 average maturity, the timing and amount of issuance, the terms and conditions of the
20 issuances, the credit profile of the entity at the time of issuance, availability of alternate
21 sources of funding, the entity's market capitalization, and general financial market
22 conditions at the time of issuance. Staff has not attempted to address the comparability of
23 these factors for GMO-L&P and Empire.

1 Q: Please summarize your thoughts on SJLP Steam's cost of debt.

2 A: The cost of debt requested by SJLP Steam in this case was developed using a reasonable
3 methodology, the results of which were accepted by Staff in Aquila's last rate case. To
4 set aside this methodology in favor of a hypothetical cost of debt based upon Empire as a
5 proxy is unreasonable and should be rejected by the Commission.

6 **Section 2**

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

8 A: In this section, I recommend that the Commission reject Staff's imputation of an accounts
9 receivable ("A/R") sales program for SJLP Steam, as described on pages 80-81 of Staff's
10 Report.

11 Q: Why does Staff impute an A/R sales program for SJLP Steam?

12 A: Staff indicates that the 2002 termination of an A/R sales program that had been in place
13 at Aquila occurred because of Aquila's financial difficulties. Staff asserts that because an
14 A/R sales program reduces revenue lag days in the Cash Working Capital ("CWC")
15 calculation, the fact that that program was terminated and not subsequently reinstated
16 creates a detriment for SJLP Steam's customers. Staff therefore proposes cost of service
17 adjustments in this case, as it also attempted to do in Aquila's last three rate cases, which
18 are based upon the existence of a hypothetical A/R sales program.

19 Q: Do you agree with Staff's approach?

20 A: No. In my opinion, Staff's approach is inappropriate for a number of reasons.

21 Q: Please explain.

22 A: The first question relates to how broadly Staff has taken this approach with other entities
23 under its purview. A/R sales programs operate similarly in terms of the working capital

1 impact for any firm that uses such a program. As such, according to Staff's logic, it
2 would appear that any regulated utility in Missouri that does not utilize an A/R sales
3 program, regardless of the reason, should have such a program imputed for ratemaking
4 purposes. There are, however, a myriad of factors beyond working capital impact alone
5 that an entity must consider before putting such a program in place, and it is certainly
6 possible that different firms will assess the costs and benefits of a program differently.
7 KCP&L employs an A/R sales program, but I am unsure as to whether that is the case
8 with other Missouri utilities and, if not, whether Staff has handled this issue with those
9 companies similarly to its attempts with Aquila and now SJLP Steam.

10 **Q: What other concerns do you have about Staff's approach?**

11 A: Staff incorrectly attempts to make a connection between its imputation of an A/R sales
12 program for GMO and the acquisition of GMO by Great Plains Energy in 2008:

13 Based on the Company's past financial problems and the KCP&L
14 acquisition (emphasis added), Staff determined an adjustment should be
15 made for the bank fees had the program been in place. KCP&L currently
16 sells approximately 57% of its account receivables, which include the
17 account receivables of the GMO entities. When calculating an appropriate
18 amount for GMO and L&P, Staff used the same percentage based on the
19 receivable balance from July 31, 2008 and December 31, 2008 [*Staff*
20 *Report, page 81*].

21
22 **Q: Why is Staff's assertion incorrect?**

23 A: Contrary to Staff's statement, KCP&L's A/R sales program includes KCP&L's
24 receivables only - GMO's receivables are not included.

25 **Q: Would it even be possible to include GMO's A/R in KCP&L's A/R sales program**
26 **today?**

27 A: No. First, GMO's A/R are already pledged as collateral to support a revolving line of
28 credit and therefore cannot be included in an A/R sales program. Second, we expect that

1 a financial institution would be unwilling to offer a combined structure given the
2 differences between KCP&L and GMO in terms of credit rating, service territory, and
3 other attributes.

4 **Q: What is the status of the line of credit collateralized by GMO's A/R?**

5 A: The line matures in April 2009. GMO is currently in the process of arranging a three-
6 month extension to July 2009, which is also when the KCP&L A/R sales program
7 matures. During the extension period, GMO plans to explore the potential of putting an
8 A/R sales program in place similar to KCP&L's. If GMO elects to do so, the
9 coterminous maturities of the GMO and KCP&L facilities will enable the new A/R sales
10 program for GMO and the renewed program for KCP&L to be completed in parallel,
11 which would be optimal from an administrative and market risk perspective.

12 **Q: Please summarize your thoughts with regard to Staff's imputation of an A/R sales
13 program.**

14 A: GMO did not have an A/R sales program in place during the test year and will not have
15 such a program in place by the true-up date in this proceeding. Staff has attempted to
16 support using a hypothetical program for GMO in part by making a connection to
17 KCP&L that does not exist. In addition, Staff has not established the relevance of
18 Aquila's "past financial problems" to GMO's lack of an A/R sales program today, since
19 Staff's logic implies that any entity that does not utilize an A/R sales program, regardless
20 of the reason, should have such a program imputed for purposes of determining cost of
21 service. It is unclear that Staff has taken that approach with other utilities within its
22 purview. Staff's proposal to impute an A/R sales program for SJLP Steam in this case
23 lacks merit and should be rejected by the Commission.

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

2 A: **Yes, it does.**

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Aquila, Inc. dba)
KCP&L Greater Missouri Operations Company to) Case No. HR-2009-0092
Modify Its Steam Tariffs to Effectuate a Rate Increase)

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 Rebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of fourteen (14) pages and Schedule(s) mwc - 1 through mwc 3, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

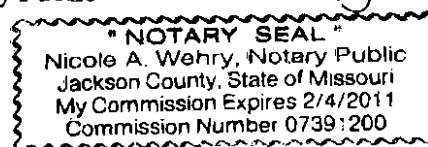
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Michael W Cline
Michael W. Cline

Subscribed and sworn before me this 13th day of March 2009.

Nicole A. Wehry
Notary Public

My commission expires: Feb 4 2011



SCHEDULE MWC-1

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KCP&L - GREATER MISSOURI OPERATIONS

Weighted Average Cost of Debt: SJLP

September 30, 2008 Adjusted for Known & Measurable Changes through March 31, 2009

<u>Assigned Debt</u>	<u>Effective Rate</u>	<u>SJLP Assigned Debt 3/31/09</u>	<u>Computed Interest on 3/31/09 Assigned Debt</u>	<u>SJLP Weighted Avg Cost of Debt</u>
Poll Cntrl Bonds 5.85%, Due 2/1/13 Effective Rate 6.991%	6.991%	5,600,000	391,496	
20 Yr MTN 7.16%, Due 11/29/13 Effective Rate 7.573%	7.573%	6,000,000	454,380	
30 Yr MTN 7.17%, Due 12/1/23 Effective Rate 7.584%	7.584%	7,000,000	530,880	
30 Yr MTN 7.33%, Due 11/30/23 Effective Rate 7.753%	7.753%	3,000,000	232,590	
Sr 7.625%, Due 11/15/09 Effective Rate 7.742%	7.742%	53,355,087	4,130,751	
Sr 7.95% (downgrade 9.95%), Due 2/1/11 Effective Rate 8.01%	8.010%	19,661,000	1,574,846	
Sr 11.875% (downgrade 14.875%), Due 7/1/12 Effective Rate 6.474% (6/26/06)	6.474%	33,544,913	2,171,698	
UCFC Sr 7.75%, Due 6/15/11 Effective Rate 8.487%	8.487%	27,610,000	2,343,261	
Sub Total		155,771,000	11,829,901	
9.44% FMB, Due 2/1/2021 Effective Rate 9.487%	9.487%	14,625,000	1,387,474	
Total		\$ 170,396,000	\$ 13,217,375	7.757%

KCP&L - GREATER MISSOURI OPERATIONS
Weighted Average Assigned Cost of \$500 Million of 11.875% Senior Notes: SJLP
September 30, 2008 Adjusted for Known & Measurable Changes Through March 31, 2009

<u>Assigned Debt</u>	<u>Effective Rate</u>	<u>SJLP Assigned Debt 3/31/09</u>	<u>Computed Interest on 3/31/09 Assigned Debt</u>	<u>SJLP Weighted Avg Cost of Debt</u>
Sr 11.875% (downgrade 14.875%), Due 7/1/12 Effective Rate 6.474% (6/26/06)	6.474%	33,544,913	2,171,698	
Total		\$ 33,544,913	\$ 2,171,698	6.474%