

Exhibit No.:
Issues: *Rate of Return, Capital Structure*
Witness: *David Murray*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *True Up Rebuttal Testimony*
Case Nos.: *ER-2016-0285*
Date Testimony Prepared: *March 10, 2017*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

FINANCIAL ANALYSIS

TRUE UP REBUTTAL TESTIMONY

OF

DAVID MURRAY

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Jefferson City, Missouri
March 2017

1 capitals structure and consolidated cost of debt, it should use information through the update
2 period and not the true-up period. I explained this position in my surrebuttal testimony.

3 Q. Why is it inappropriate to use GPE's capital structure through December 31, 2016,
4 the end of the true-up period?

5 A. Because this capital structure does not reflect how GPE intends to be capitalized
6 for the foreseeable future. As of December 31, 2016, GPE had only completed the first phase of
7 raising capital for its proposed acquisition of Westar Energy. Since December 31, 2016, GPE
8 completed the second phase of raising capital for its proposed acquisition of Westar, which
9 consists of \$4.3 billion of debt. It is this financial risk profile that will be considered by the rating
10 agencies, debt investors and equity investors over the next several years, not the capital structure
11 as of December 31, 2016, which only existed for a few months. Investors and rating agencies
12 appropriately consider the risk of GPE's final capital structure when determining required returns
13 and credit ratings.

14 Q. Do you have any concerns with the accuracy of the capital structure and cost of
15 debt information Mr. Klote included in his true-up testimony?

16 A. The only concern I have is with how he calculated the cost of debt, but I expressed
17 these concerns in previous testimony in this case. If the Commission were to adopt KCPL's
18 capital structure, then it should use KCPL's capital structure data as of the true-up date as
19 proposed by Mr. Klote. However, if the Commission adopts KCPL's capital structure and capital
20 costs, then the cost of debt should be 5.50% instead of 5.53%.

21 Q. Does this conclude your true-up rebuttal testimony?

22 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light)
Company's Request for Authority to) Case No. ER-2016-0285
Implement A General Rate Increase for)
Electric Service)

AFFIDAVIT OF DAVID MURRAY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DAVID MURRAY, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing True-Up Rebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.




DAVID MURRAY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10th day of March, 2017.

JESSICA LUEBBERT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: February 19, 2019
Commission Number: 15633434



Notary Public