

Exhibit No.:
Issue: Capital Structure
Witness: Michael W. Cline
Type of Exhibit: True-up Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2010-0355
Date Testimony Prepared: February 22, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0355

TRUE-UP DIRECT TESTIMONY

OF

MICHAEL W. CLINE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
February 2011**

KCPL Exhibit No. KCPL109
Date 3/4/11 Reporter JMB
File No. ER-2010-0355

TRUE-UP DIRECT TESTIMONY

OF

MICHAEL W. CLINE

Case No. ER-2010-0355

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 direct and rebuttal testimony in**
5 **this matter?**

6 A: Yes, I am.

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

8 A: In my testimony, I will provide updates to the capital structure and cost of capital that
9 Kansas City Power & Light Company ("KCP&L" or the "Company") is requesting in
10 this proceeding.

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

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

14 **Requested Capital Structure**

15	<u>Capital Component</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
16	Debt	48.58%	6.82%	3.31%
17	Equity-linked convertible debt	4.52%	13.59%	0.61%
18	Preferred stock	0.61%	4.29%	0.03%
19	<u>Common equity</u>	<u>46.29%</u>	<u>10.75%</u>	<u>4.98%</u>
20	TOTAL	100.00%		8.93%

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 KCP&L 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 below, was based on Great Plains Energy's
11 *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%	6.82%	3.32%
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%		9.04%

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 the lower requested return on common
23 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: Does that conclude your testimony?**

6 A: Yes, it does.

