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Issues: Rate of Return, Capital Structure
Witness: David Murray
Sponsoring Party: MoPSC Staff
Type of Exhibit: True Up Rebuttal Testimony
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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*

Staff Exhibit No. 249
Date 3-16-17 Reporter XF
File No. ER-2016-0285

1 TRUE-UP REBUTTAL TESTIMONY

2 OF

3 DAVID MURRAY

4 KANSAS CITY POWER & LIGHT COMPANY

5
6 CASE NO. ER-2016-0285

7 Q. Please state your name.

8 A. My name is David Murray.

9 Q. Are you the same David Murray who earlier filed rebuttal and surrebuttal in this
10 proceeding on behalf of the Staff of the Missouri Public Service Commission ("Staff")?

11 A. Yes, I am.

12 Q. Did you file true-up direct testimony in this case?

13 A. No. I did not file true-up direct testimony because in my surrebuttal testimony I
14 indicated that Great Plains Energy's capital structure and cost of debt as of the updated period,
15 June 30, 2016, was the most appropriate capital structure and cost of debt to use to set Kansas
16 City Power & Light Company's ("KCPL") allowed rate of return ("ROR").

17 Q. Is this the capital structure and cost of debt reflected in Staff's revenue
18 requirement as of the true-up date?

19 A. Yes.

20 Q. What is the purpose of your true-up rebuttal testimony?

21 A. The purpose of my true-up rebuttal testimony is to address the capital structure and
22 embedded cost of debt information provided in Ron Klote's True-up Direct Testimony. I am not
23 introducing any new issues in the true-up. I am simply confirming Staff's position that if the
24 Commission adopts Staff's recommended use of Great Plains Energy's ("GPE") consolidated

True Up Rebuttal Testimony of
David Murray

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.

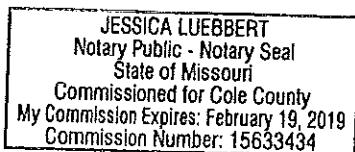
Further the Affiant sayeth not.

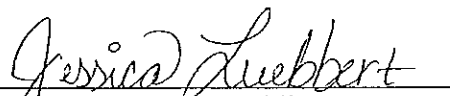


DAVID MURRAY

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.





Notary Public