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

# **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		<b>Requested Capital Structure</b>						
15		Capital Component	Ratio	Cost	Weighted Cost			
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		Common equity	46.29%	10.75%	4.98%			
20		TOTAL	100.00%		8.93%			

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

A: The requested capital structure and cost rates for debt, equity-linked convertible and
preferred stock are calculated from Great Plains Energy's actual capital structure as of
December 31, 2010. The requested return on equity is the recommendation contained in
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	Capital Components	Ratio	Cost	Weighted Cost
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	Common equity	46.16%	11.00%	5.08%
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?

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

- 5 Q: Does that conclude your testimony?
- 6 A: Yes, it does.

#### BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City ) Power & Light Company to Modify Its Tariffs to ) Continue the Implementation of Its Regulatory Plan )

Docket No. ER-2010-0355

#### **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 True-Up Direct Testimony on behalf of Kansas City Power & Light Company consisting of <u>three</u>

 $(\underline{3})$  pages, having been prepared in written form for introduction into evidence in the abovecaptioned 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

Subscribed and sworn before me this 22 met day of February, 2011.

Notary Public

My commission expires: May 23, 2014

