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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

MATTHEW J. BARNES

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2007-0291

Jefferson City, Missouri
July 2007

****Denotes Highly Confidential Information****

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Exhibit No. 265-NP
Case No(s) ER-2007-0291
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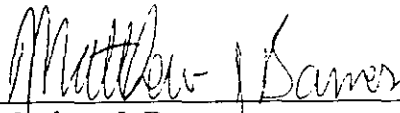
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas)
City Power and Light Company for) Case No. ER-2007-0291
Approval to Make Certain Changes in its)
Charges for Electric Service To Implement)
Its Regulatory Plan.)

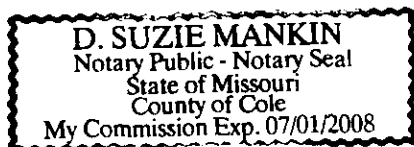
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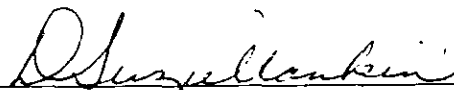
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Matthew J. Barnes, being of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 21 pages to be presented in the above case; that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Matthew J. Barnes

Subscribed and sworn to before me this 23rd day of July, 2007.




Notary Public

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MATTHEW J. BARNES
KANSAS CITY POWER AND LIGHT COMPANY
CASE NO. ER-2007-0291

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DIRECT TESTIMONY

OF

MATTHEW J. BARNES

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2007-0291

Q. Please state your name.

A. My name is Matthew J. Barnes.

Q. Please state your business address.

A. My business address is P.O. Box 360, Jefferson City, Missouri, 65102.

Q. What is your present occupation?

A. I am employed as a Utility Regulatory Auditor III for the Missouri Public Service Commission (Commission). I accepted the position of Utility Regulatory Auditor I in June 2003.

Q. Were you employed before you joined the Commission's Staff (Staff)?

A. Yes, I was employed by the Missouri Department of Natural Resources (MDNR). Prior to MDNR I was employed by the Missouri Department of Conservation as an Auditor Aide.

Q. What is your educational background?

A. I earned a Bachelor of Science degree in Business Administration with an emphasis in Accounting from Columbia College in December 2002. I earned a Masters in Business Administration with an emphasis in Accounting from William Woods University in May 2005.

Q. Have you filed testimony in other cases before this Commission?

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1 A. Yes. Please see Schedule MJB 1.

2 Q. Have you participated in other rate cases in the past?

3 A. Yes. I participated in AmerenUE Case No. GR-2003-0517, Aquila, Inc. Case
4 No. ER-2004-0034, Empire ER-2004-0570, and Missouri American Water, Case
5 No. WR-2003-0500. I was involved in preparing schedules and review of testimony for the
6 department manager and Auditor IV concerning rate of return.

7 Q. Have you made recommendations in any other cases before this Commission?

8 A. Yes, I have made recommendations on finance, merger and acquisition cases
9 before this Commission.

10 Q. Have you attended any schools, conferences or seminars specific to utility
11 finance and utility regulation?

12 A. Yes. I attended The Rate Case Process in Missouri presented by Staff of the
13 Missouri Public Service Commission in March 2005. I have also attended the Financial
14 Research Institute seminars in 2003 and 2004 that covered topics such as rate of return,
15 restructuring of electric utility companies and the future operations of utility companies.

16 Q. What is the purpose of your testimony in this case?

17 A. I present the Staff's recommendation to the Commission of a fair and
18 reasonable rate of return for the Missouri jurisdictional electric utility rate base of
19 Kansas City Power and Light Company (KCP&L).

20 Q. Have you prepared a written analysis of the cost of capital for KCP&L?

21 A. Yes. I am sponsoring a study entitled "An Analysis of the Cost of Capital for
22 Kansas City Power and Light Company, Case No. ER-2007-0291" consisting of 21 schedules
23 which are attached to this direct testimony (see Schedule 2 for a list of these schedules).

1 **EXECUTIVE SUMMARY**

2 Q. Please provide an executive summary of your testimony.

3 A. I present the Staff's recommendation that the Commission authorize an
4 overall rate of return (ROR) of 7.97 percent to 8.73 percent for KCP&L. This rate-of-return
5 recommendation is based on a recommended return on common equity of 9.14 percent to
6 10.30 percent applied to Great Plains Energy's (GPE) March 31, 2007, common equity ratio
7 of 66.01 percent. The recommendation is driven by my comparable company analysis using
8 the discounted cash flow (DCF) model. I believe the DCF model is the most reliable model
9 available.

10 I used an embedded-cost-of-long-term-debt of 5.77 percent based on GPE's
11 embedded-cost-of-long-term-debt provided in response to Data Request 0087.

12 I used GPE's actual consolidated capital structure, which includes all of
13 GPE's operations, as of March 31, 2007 as the basis for the Staff's capital structure
14 recommendation. I included the amount of GPE's non-regulated debt in developing the
15 Staff's consolidated capital structure recommendation.

16 Q. How did you determine the Staff's recommended cost of common equity?

17 A. I determined the Staff's recommended cost of common equity by applying the
18 DCF model to a comparable group of electric utility companies. I then evaluated a number
19 of factors to test the reasonableness of this recommendation. A complete and detailed
20 explanation of the Staff's recommended cost of common equity starts on page 13, line 13 of
21 this testimony.

LEGAL PRINCIPLES

Q. What legal principles do you understand constitute the basis for the assessment of the justness and reasonableness of rate-of-return recommendations?

A. I understand that the *Bluefield Water Works and Improvement Company* (1923) (*Bluefield*) and the *Hope Natural Gas Company* (1944) (*Hope*) cases have been cited as the two most influential cases for the legal framework to determine a fair and reasonable rate of return.

Q. What do you understand to be the teachings of the *Bluefield* case?

A. In the *Bluefield* case the Supreme Court ruled that a fair return would be:

1. A return "generally being made at the same time" in that "general part of the country;"
2. A return achieved by other companies with "corresponding risks and uncertainties;" and
3. A return "sufficient to assure confidence in the financial soundness of the utility."

The Court specifically stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may

1 be reasonable at one time and become too high or too low by
2 changes affecting opportunities for investment, the money
3 market and business conditions generally.

4 Q. What do you understand to be the teachings of the *Hope* case?

5 A. In the *Hope* case, the Court stated that:

6 The rate-making process . . . , *i.e.*, the fixing of "just and
7 reasonable" rates, involves a balancing of the investor and the
8 consumer interests. Thus we stated . . . that "regulation does
9 not insure that the business shall produce net revenues" . . . it is
10 important that there be enough revenue not only for operating
11 expenses but also for the capital costs of the business. These
12 include service on the debt and dividends on the stock
13 By that standard the return to the equity owner should be
14 commensurate with returns on investments in other enterprises
15 having corresponding risks. That return, moreover, should be
16 sufficient to assure confidence in the financial integrity of the
17 enterprise, so as to maintain its credit and to attract capital.

18 The *Hope* case restates the concept of comparable returns to include those achieved
19 by other enterprises that have "corresponding risks." The Supreme Court also noted in this
20 case that regulation does not guarantee profits to a utility company.

21 Q. Do you have any further comments on the use of cost of capital models to
22 determine a fair rate of return?

23 A. Yes. See Schedule A.

24 **CURRENT ECONOMIC CONDITIONS**

25 Q. What are the main points of the current capital and economic environment that
26 the Commission should consider in determining a reasonable authorized return on common
27 equity (ROE) for KCP&L?

28 A. The Federal Reserve (Fed) has been steadily raising the Fed Funds rate by
29 25 basis points at every Federal Open Market Committee (FOMC) meeting since

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1 June 30, 2004. This began after the Fed had kept the Fed Funds Rate at a 46-year low of
2 1.00 percent for a full year. The Fed has now raised the Fed Funds Rate seventeen
3 consecutive times to its current level of 5.25 percent. The Fed Funds Rate has remained at
4 5.25 percent since June 29, 2006.

5 Q. How have utility bond yields responded to the tightening of U.S. monetary
6 policy?

7 A. A review of Schedules 5-1 through 5-3 shows that average utility bond yields
8 fell to an average annual yield of 5.39 percent during June 2005, which was the lowest yield
9 in the past 26 years. Utility bond yields have since increased to an average annual yield of
10 6.03 percent in May 2007.

11 Q. Would you explain the changes in utility bond yields and Thirty-Year
12 U.S. Treasury yields in a little more detail?

13 A. Cost of capital changes for utilities are closely reflected in the yields on public
14 utility bonds and yields on Thirty-Year U.S. Treasury Bonds (see attached Schedules 5-1
15 and 5-2). Schedule 5-3, attached to this direct testimony, shows how closely the Mergent's
16 "Public Utility Bond Yields" have followed the yields of Thirty-Year U.S. Treasury Bonds
17 during the period from 1980 to the present. The average spread for this period between these
18 two composite indices has been 150 basis points, with the spread ranging from a low of
19 80 basis points to a high of 304 basis points (see attached Schedule 5-4). Although there may
20 be times when utility bond yield changes may lag the yield changes in the Thirty-Year
21 U.S. Treasury Bond, these spread parameters show just how closely correlated utilities' cost
22 of capital is with the level of interest rates on long-term treasuries. For a detail explanation
23 of historical economic conditions please see Schedule B.

1 Q. What is the significance of the current economic conditions to KCP&L and
2 what conclusions should the Commission draw from it?

3 A. The significance of the current economic conditions to KCP&L is that yields
4 on public utility bonds and yields on Thirty-year Treasury bonds are low by historical
5 standards. An example of historical standards is the double digit yields for long-term
6 U.S. Government bonds and corporate bonds from the late 1970's to the mid 1980's.
7 A lower interest rate environment means a lower cost of capital and a higher interest rate
8 environment means a higher cost of capital for a utility. The current yields on
9 U.S. Government bonds and corporate bonds are now more normal by historical standards.
10 The Commission should take the lower and more normal yields on U.S. Government and
11 corporate bonds into consideration when authorizing a rate of return for GPE.

12 **ECONOMIC PROJECTIONS**

13 Q. Do you have any information on economic projections?

14 A. Yes. See Schedule C for projections on inflation, interest rates and gross
15 domestic product (GDP).

16 **BUSINESS OPERATIONS OF GPE AND KCP&L**

17 Q. Please describe GPE's and KCP&L's business operations.

18 A. GPE's Form 10K Securities and Exchange Commission (SEC) filing for the
19 2006 calendar year provides a good description of GPE's and KCP&L's business operations:

20 Great Plains Energy, a Missouri corporation incorporated in 2001 and
21 headquartered in Kansas City, Missouri, is a public utility holding
22 company and does not own or operate any significant assets other than
23 the stock of its subsidiaries. Great Plains Energy has four direct
24 subsidiaries with operations or active subsidiaries:
25

1 KCP&L is described below.

2
3 KLT Inc. is an intermediate holding company that primarily holds
4 indirect interests in Strategic Energy, L.L.C. (Strategic Energy), which
5 provides competitive retail electricity supply services in several
6 electricity markets offering retail choice, and holds investments in
7 affordable housing limited partnerships. KLT Inc. also wholly owns
8 KLT Gas Inc. (KLT Gas), which has no active operations.
9

10 Innovative Energy Consultants Inc. (IEC) is an intermediate holding
11 company that holds an indirect interest in Strategic Energy. IEC does
12 not own or operate any assets other than its indirect interest in
13 Strategic Energy. When combined with KLT Inc.'s indirect interest in
14 Strategic Energy, the Company indirectly owns 100% of Strategic
15 Energy.
16

17 Great Plains Energy Services Incorporated (Services) provides
18 services at cost to Great Plains Energy and its subsidiaries, including
19 consolidated KCP&L.
20

21 **CONSOLIDATED KCP&L**

22 KCP&L, a Missouri corporation incorporated in 1922, is an integrated,
23 regulated electric utility, which provides electricity to customers
24 primarily in the states of Missouri and Kansas. KCP&L has two
25 wholly owned subsidiaries, Kansas City Power & Light Receivables
26 Company (Receivables Company) and Home Service Solutions Inc.
27 (HSS). HSS has no active operations.
28

29 **Business Segments of Great Plains Energy and KCP&L**

30 Consolidated KCP&L's sole reportable business segment is KCP&L.
31 Great Plains Energy, through its direct and indirect subsidiaries, has
32 two reportable business segments: KCP&L and Strategic Energy.
33

34 For information regarding the revenues, income and assets attributable
35 to the Company's reportable business segments, see Note 17 to the
36 consolidated financial statements. Comparative financial information
37 and discussion regarding the Company's and KCP&L's reportable
38 business segments can be found in Item 7. MD&A.
39

40 **KCP&L**

41 KCP&L, headquartered in Kansas City, Missouri, is an integrated,
42 regulated electric utility that engages in the generation, transmission,
43 distribution and sale of electricity. KCP&L serves over 505,000
44 customers located in all or portions of 24 counties in western Missouri
45 and eastern Kansas. Customers include approximately 446,000

1 residences, over 57,000 commercial firms, and approximately 2,200
2 industrials, municipalities and other electric utilities. KCP&L's retail
3 revenues averaged approximately 81% of its total operating revenues
4 over the last three years. Wholesale firm power, bulk power sales and
5 miscellaneous electric revenues accounted for the remainder of utility
6 revenues. KCP&L is significantly impacted by seasonality with
7 approximately one-third of its retail revenues recorded in the third
8 quarter. KCP&L's total electric revenues averaged approximately 43%
9 of Great Plains Energy's revenues over the last three years. KCP&L's
10 net income accounted for approximately 119%, 88% and 87% of Great
11 Plains Energy's income from continuing operations in 2006, 2005 and
12 2004, respectively.

13 14 **Regulation**

15 KCP&L is regulated by the Public Service Commission of the State of
16 Missouri (MPSC) and The State Corporation Commission of the State
17 of Kansas (KCC) with respect to retail rates, certain accounting
18 matters, standards of service and, in certain cases, the issuance of
19 securities, certification of facilities and service territories. KCP&L is
20 classified as a public utility under the Federal Power Act and
21 accordingly, is subject to regulation by the Federal Energy Regulatory
22 Commission (FERC). By virtue of its 47% ownership interest in Wolf
23 Creek Generating Station (Wolf Creek), KCP&L is subject to
24 regulation by the Nuclear Regulatory Commission (NRC), with
25 respect to licensing, operations and safety-related requirements.

26
27 Missouri and Kansas jurisdictional retail revenues averaged 57% and
28 43%, respectively, of KCP&L's total retail revenue over the last three
29 years. See Item 7. MD&A, Critical Accounting Policies section and
30 Note 6 to the consolidated financial statements for additional
31 information concerning regulatory matters.

32 GPE's total operating revenues were \$2,675,349,000 for the 12 months ended
33 December 31, 2006, versus \$2,604,882,000 for the 12 months ended December 31, 2005.
34 These 2006 revenues resulted in an overall net income applicable to common stock of
35 \$125,984,000 and earnings per share (EPS) of \$1.61 as compared to the 2005 net income
36 applicable to common stock of \$160,652,000 and an EPS of \$2.15. These revenues and net
37 incomes were generated from total assets of \$4,335,660,000 at December 31, 2006, and

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1 \$3,841,789,000 at December 31, 2005. These figures were taken from GPE's Form 10K
2 SEC filing for the 2006 calendar from KCP&L's company website at www.kcpl.com.

3 Q. What are GPE's current credit ratings?

4 A. GPE's current Standard & Poor's Corporation's (S&P) corporate credit rating
5 is "BBB" with a Stable outlook, which is two notches above non-investment grade; i.e., junk,
6 status. KCP&L's corporate credit rating is also rated "BBB" with a Stable Outlook.

7 Q. How does S&P assign credit ratings to GPE and KCP&L?

8 A. S&P's June 25, 2004 Great Plains Energy Research Report provides an
9 explanation of their methodology of assigning credit ratings to GPE and KCP&L:

10 Standard & Poor's Ratings Services affirmed its ratings of Great Plains
11 Energy, including the 'BBB' corporate credit rating, as well as the
12 ratings of main subsidiary Kansas City Power & Light (KCP&L)...

13
14 Kansas City, Mo.-based Great Plains Energy Inc.'s ratings are based on
15 the consolidated financial and business risk profiles of its family of
16 companies. Through its subsidiaries, Great Plains is involved in
17 vertically integrated electric operations through its main subsidiary,
18 KCP&L, and in retail energy marketing and power supply
19 coordination through its majority interest in Strategic Energy. Because
20 there are no regulatory mechanisms or other structural barriers in
21 Missouri and Kansas that sufficiently restrict access by the parent to
22 the utility's cash flow, Standard & Poor's views the default risk of
23 KCP&L and Great Plains as the same.

24 Q. Do you have historical financial information on GPE?

25 A. Yes. Schedules 7 and 8 present historical capital structures and selected
26 financial ratios from 2002 through 2006 for GPE. GPE's consolidated common equity ratio
27 has ranged from a high of 52.95 percent to a low of 39.39 percent from 2002 through 2006.
28 GPE's consolidated company earned ROE for the last five years has ranged from a low of
29 9.40 percent in 2006 to a high of 16.40 percent in 2003. GPE's consolidated company

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1 earned 2006 ROE was 9.40 percent. In a June 29, 2007, report in *The Value Line Investment*
2 *Survey: Ratings & Reports*, Value Line estimates that GPE's consolidated company projected
3 ROE will be 9.0 percent for 2007 and 9.50 percent for 2008.

4 GPE's consolidated company historical funds from operations (FFO) interest
5 coverage ratio for the previous five years has ranged from a low of 3.9 times in 2002, to a
6 high of 4.9 times in 2003. GPE's consolidated company year-end 2006 FFO interest
7 coverage ratio was 4.5 times. GPE's consolidated company FFO to average total debt ratio
8 for the previous five years has ranged from a low of 20 percent in 2002, to a high of
9 24 percent in 2003, 2005, and 2006. GPE's consolidated company year-end 2006 FFO to
10 average total debt ratios was 24 percent.

11 **DETERMINATION OF THE COST OF CAPITAL**

12 Q. How do you determine a utility company's cost of capital?

13 A. The total dollars of capital for the utility company are determined as of a
14 specific point in time. This total dollar amount is then apportioned into each specific capital
15 component, i.e. common equity, long-term debt, preferred stock and short-term debt.
16 A weighted cost for each capital component is determined by multiplying each capital
17 component ratio by the appropriate embedded cost or by the estimated cost of common
18 equity component. The individual weighted costs are summed to arrive at a total weighted
19 cost of capital. This total weighted average cost of capital (WACC) is synonymous with the
20 fair rate of return for the utility company.

21 Q. Why is a total WACC synonymous with a fair rate of return?

1 A. From a financial viewpoint, a company employs different forms of capital to
2 support or fund the assets of the company. Each different form of capital has a cost and these
3 costs are weighted proportionately to fund each dollar invested in the assets.

4 Assuming that the various forms of capital are within a reasonable balance and are
5 costed correctly, the resulting total WACC, when applied to rate base, will provide the funds
6 necessary to service the various forms of capital. Thus, the total WACC corresponds to a fair
7 rate of return for the utility company.

8 **CAPITAL STRUCTURE AND EMBEDDED COSTS**

9 Q. What capital structure did you use for KCP&L?

10 A. The capital structure I have used for this case is GPE's capital structure on a
11 consolidated basis, as of March 31, 2007. Schedule 9 presents GPE's capital structure and
12 associated capital ratios. The resulting capital structure consists of 66.01 percent common
13 stock equity, 32.32 percent long-term debt and 1.67 percent preferred stock.

14 The amount of long-term debt outstanding on March 31, 2007 was \$755,084,000 and
15 includes current maturities due within one year. The amount of long-term debt in the capital
16 structure is shown on Schedule 10 attached to this direct testimony.

17 The amount of preferred stock outstanding on March 31, 2007 was \$39,000,000 as
18 shown on Schedule 11.

19 I did not include GPE's short-term debt in the capital structure because as of
20 March 31, 2007, GPE's Construction Work In Progress (CWIP) exceeded its short-term debt
21 balance. The capital that supports the CWIP should not be included in the ROR

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1 recommendation, because it is assumed that CWIP will be re-financed in the future with
2 long-term debt.

3 Q. How has GPE been capitalized for the last 5 years?

4 A. Schedule 7 presents GPE's capital structure for the last 5 years. Long-term
5 debt has averaged 50.13 percent, common equity has averaged 45.68 percent, preferred stock
6 has averaged 1.59 percent, and short-term debt has averaged 2.60 percent.

7 Q. Staff recommended 66.01 percent common equity and 32.32 percent
8 long-term debt in this case, is that correct?

9 A. Yes.

10 Q. Please explain why the common equity ratio is higher as of March 31, 2007
11 compared to December 31, 2006.

12 A. GPE refinanced two notes since December 31, 2006 for approximately
13 \$388,600,000. This decreased the Company's debt ratio to 32.32 percent and increased the
14 common equity ratio to 66.01 percent and increased the preferred stock ratio to 1.67 percent.
15 This is not how the Company is typically capitalized. The Company anticipates issuing new
16 long-term debt notes for approximately ** _____ ** in 2007 for capital expenditures.
17 After the completion of the issuance of new long-term debt notes, the Company anticipates
18 having a debt ratio of 45.24 percent, preferred stock ratio of 1.33 percent and common equity
19 ratio of 53.43 percent.

20 Q. Why did you not use GPE's pro forma capital structure in this case?

21 A. I did not use GPE's pro forma capital structure in this case because Staff
22 typically does not use a pro forma capital structure for ratemaking purposes as the issuances
23 of long-term debt are not known and measurable at this time.

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1 Q. Will Staff's capital structure change when GPE does issue long-term debt
2 during this rate case?

3 A. Yes. The parties agreed to file True-up Direct Testimony on
4 November 2, 2007. At that time Staff will file an updated capital structure that will reflect
5 the new issuances of long-term debt as of September 30, 2007. This capital structure will be
6 reflective of how the Company is typically capitalized and it will be similar with the
7 Commission's authorized capital structure in KCP&L's last rate case, Case
8 No. ER-2006-0314.

9 Q. What was the embedded cost of long-term debt for GPE as of
10 March 31, 2007?

11 A. The embedded cost of long-term debt for GPE as of March 31, 2007,
12 was 5.77 percent. Please see Schedule 10.

13 Q. What was the embedded cost of preferred stock for GPE as of
14 March 31, 2007?

15 A. The embedded cost of preferred stock for GPE was 4.29 percent as of March
16 31, 2007. Please see Schedule 11.

17 **COST OF COMMON EQUITY**

18 Q. How did you analyze those factors by which the cost of common equity for
19 KCP&L may be determined?

20 A. In order to calculate the cost of common equity for KCP&L, I performed a
21 comparable company analysis of sixteen companies. I have selected the discounted cash
22 flow (DCF) model (explained in detail in Schedule D) as the primary tool to determine the

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1 cost of common equity for KCP&L, but I also used the CAPM (explained in detail in
2 Schedule E) to check the reasonableness of the DCF results. I also performed a company-
3 specific analysis of GPE using both of these models because I believe that this can provide
4 insight into KCP&L's cost of common equity even though GPE is a diversified company.
5 Because GPE's stock is only one option in a vast universe of many investment opportunities,
6 the analysis of GPE's cost of common equity as a possible proxy estimate for KCP&L's cost
7 of common equity using GPE's specific inputs provides information on the value investors
8 place on GPE's stock, not only as it relates to other utility companies, but also to all other
9 investment opportunities available to the investor.

10 Q. Can you directly analyze KCP&L's cost of common equity?

11 A. No. I cannot directly analyze KCP&L's cost of common equity because it is
12 not publicly traded and KCP&L does not pay a dividend.

13 Q. How did you analyze KCP&L's cost of common equity?

14 A. I decided to do an analysis of the cost of common equity for a comparable
15 group of electric utility companies because these companies have similar electric operations
16 that are comparable to KCP&L.

17 Q. How did you determine which companies were comparable electric utility
18 companies?

19 A. I first relied on Value Line's classification system, which specifies companies
20 that they consider to be electric utilities. This information was published by Value Line on
21 July 13, 2007. Schedule 12 presents a list of the sixty-six electric utility companies that
22 Value Line currently classifies as electric utility companies. I then applied the following
23 criteria to these sixty-six companies in order to select my ultimate proxy group:

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- 1 1. Stock publicly traded: This criterion did not eliminate any companies;
- 2 2. Information printed in Value Line: This criterion eliminated four
- 3 companies;
- 4 3. Ten years of data available: This criterion eliminated ten additional
- 5 companies;
- 6 4. Percent of electric utility revenues greater than or equal to 70 percent:
- 7 This eliminated twenty-six companies;
- 8 5. No pending merger in the last six months: This criterion did not
- 9 eliminate any companies.
- 10 6. No reduced dividend in the last ten years: This criterion eliminated
- 11 seven additional companies.
- 12 7. Generation assets: This criterion eliminated two additional companies.
- 13 8. Two sources for projected growth with one available from Value Line:
- 14 This criterion eliminated one additional company.
- 15 9. At least investment grade credit rating: This criterion did not eliminate
- 16 any additional companies.

17 This resulted in a group of sixteen publicly-traded electric utility companies. The
18 comparables are listed on Schedule 13.

19 Q. The methodology for selecting comparable electric utility companies you
20 used in this case is different than what you used in the last KCP&L rate case, Case
21 No. ER-2006-0314. Can you please explain why you changed your methodology?

22 A. Yes. As of September 2006, S&P changed its classification system for
23 publishing CreditStats for electric or natural gas companies. S&P no longer provides a list of
24 "vertically-integrated" electric utility companies in its CreditStats publication, which is what
25 Staff used in the last rate case. S&P released a new classification publication called
26 "*U.S. Utility and Power Companies, Strongest to Weakest*" that separates utility companies
27 into five categories: 1. Regulated Transmission and Distribution-Electric, Gas, and Water; 2.
28 Transmission Only-Electric, Gas, and Other; 3. Integrated Electric, Gas, and Combination

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1 Utilities; 4. Diversified Energy and Diversified Non-Energy; and 5. Energy Merchants/Power
2 Developers/Trading and Marketing. Staff analyzed the companies listed as Integrated
3 Electric, Gas, and Combination Utilities and noticed a majority of the companies listed are
4 subsidiaries of parent companies, such as KCP&L being a subsidiary of the diversified
5 company Great Plains Energy. If the parent company isn't rated by S&P, then Staff may
6 have had to exclude what may otherwise be used as a comparable company if it used another
7 source, such as Value Line. Therefore, Staff started with Value Line in this case to select its
8 proxy group. It is noteworthy that Staff has used Value Line in previous rate cases.
9 However, Staff will continue to explore different methodologies for selecting comparable
10 companies.

11 Q. How did you determine the cost of common equity of each of the
12 comparables?

13 A. I calculated a DCF cost of common equity for each of the comparables. The
14 first step was to calculate a growth rate. I reviewed the actual dividends per share (DPS),
15 earnings per share (EPS), and book values per share (BVPS) as well as projected EPS growth
16 rates for the comparables. Schedule 14-1 lists the annual compound growth rates for
17 DPS, EPS, and BVPS for the past ten years. Schedule 14-2 lists the annual compound
18 growth rates for DPS, EPS, and BVPS for the past five years. Schedule 14-3 presents the
19 averages of the growth rates shown in Schedules 14-1 and 14-2. Schedule 15 presents the
20 average historical growth rates and the projected growth rates for the comparables. The
21 projected EPS growth rates were obtained from three outside sources; I/B/E/S Inc.'s
22 *Institutional Brokers Estimate System*, Standard & Poor's Corporation's *Earnings Guide*, and
23 *The Value Line Investment Survey: Ratings and Reports*. The three projected EPS growth

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1 rates were averaged to develop an average projected growth rate of 6.07 percent, which was
2 averaged with the historical growth rates to produce a historical and projected growth rate of
3 3.68 percent. Because of the volatility of historical growth rates, I chose to rely primarily on
4 the projected growth rates to arrive at a growth rate range for the comparables of 5.34 percent
5 to 6.50 percent.

6 The next step was to calculate an expected yield for each of the comparables. The
7 yield term of the DCF model is calculated by dividing the amount of DPS expected to be
8 paid over the next twelve months by the market price per share of the firm's stock. Even
9 though a strict technical application of the model requires the use of a current spot market
10 price, I have chosen to use a monthly average market price for each of the comparables.
11 I used this averaging technique to minimize the effects on the dividend yield which can occur
12 due to daily volatility in the stock market. Schedule 16 presents the average high / low stock
13 price for the period of February 1, 2007, through May 31, 2007, for each comparable.
14 Column 1 of Schedule 17 indicates the expected dividend for each comparable over the next
15 12 months as projected by *The Value Line Investment Survey: Ratings & Reports*, May 11,
16 June 1, and June 29, 2006. Column 3 of Schedule 17 shows the projected dividend yield for
17 each of the comparables. The dividend yield for each comparable was averaged to calculate
18 the projected dividend yield for the comparables of 3.80 percent.

19 As illustrated in Column 5 of Schedule 17, the average cost of common equity based
20 on the projected dividend yield added to the average of historical and projected growth is
21 7.48 percent. However, this is not my recommendation because in this case, the historical
22 growth rates are somewhat volatile. As a result, I decided to rely on the projected

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1 growth rates that I analyzed. Giving complete weight to the projected growth rates, my DCF
2 proxy group cost of common equity estimation is 9.14 percent to 10.30 percent.

3 Q. How did you verify the reasonableness of your DCF model-derived cost of
4 common equity for the comparable company group?

5 A. I performed a CAPM cost-of-common-equity analysis for the comparables.

6 Q. What did you use for your risk-free rate?

7 A. For purposes of this analysis, the risk-free rate I used was the yield on Thirty-
8 Year U.S. Treasury Bonds. I determined the appropriate rate to be the average yield for the
9 month of June 2007. The average yield of 5.20 percent was provided on the St. Louis
10 Federal Reserve website.

11 For the second variable, beta, I researched Value Line in order to find the betas for
12 my comparable group of companies. Schedule 18 contains the appropriate betas for the
13 comparables.

14 The final term of the CAPM is the market risk premium ($R_m - R_f$). The market risk
15 premium represents the expected return from holding the entire market portfolio less the
16 expected return from holding a risk-free investment.

17 Q. Please explain your application of the CAPM using historical return
18 differences.

19 A. The first risk premium used was based on the long-term, arithmetic average
20 from 1926 to 2006, which was 6.50 percent. The second risk premium was based on the
21 long-term, geometric average from 1926 to 2006, which was determined to be 5.00 percent.
22 The third risk premium was based on a 10-year geometric average from 1996 to 2006,

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1 which was determined to be .59 percent. These risk premiums were taken from
2 Ibbotson Associates, Inc.'s *Stocks, Bonds, Bills, and Inflation: 2007 Yearbook*.

3 Schedule 18 presents the CAPM analysis of the comparables using historical actual
4 return spreads to estimate the required equity risk premium. The CAPM analysis produces
5 an estimated cost of common equity of 11.33 percent for the comparables when using the
6 long-term arithmetic average risk premium period; using the long-term geometric average
7 produces an estimated cost of common equity of 9.92 percent and using the short-term risk
8 premium period produces an estimated cost of common equity of 5.76 percent. The long-
9 term arithmetic average risk premium CAPM results would support a higher cost of common
10 equity. The long-term geometric average risk premium CAPM results supports a cost of
11 common equity similar to what is currently produced in performing a DCF analysis.

12 Q. Would you summarize your cost of common equity analysis for KCP&L?

13 A. I performed a DCF and CAPM cost of common equity analysis on a group of
14 five comparable companies. The results are summarized below.

	<u>DCF</u>	<u>CAPM (Historical)</u>
15 Comparable Companies	9.14% - 10.30%	Historical - 10.43%; 9.92%; 5.76%

17 Q. Based on your analysis, what is your recommended return on common equity
18 for KCP&L in this proceeding?

19 A. I recommend a return on common equity in the range of 9.14 percent to
20 10.30 percent based on the results of my comparable-company-DCF analysis.

21 **RATE OF RETURN FOR KCP&L**

22 Q. How are the returns you developed for each capital component used in the
23 ratemaking approach you have adopted for KCP&L?

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1 A. The cost of service ratemaking method was adopted in this case. This
2 approach develops the public utility's revenue requirement. The cost of service
3 (revenue requirement) is based on the following components: operating costs, rate base and a
4 return allowed on the rate base (see Schedule 20).

5 It is my responsibility to calculate and recommend a rate of return that should be
6 authorized on the Missouri jurisdictional electric utility rate base of KCP&L. Under the cost
7 of service ratemaking approach, a weighted cost of capital in the range of 7.97 to
8 8.73 percent was developed for KCP&L's electric utility operations (see Schedule 21). This
9 rate was calculated by applying an embedded cost of long-term debt of 5.77 percent, an
10 embedded cost of trust preferred stock of 4.29 percent and a cost of common equity range of
11 9.14 percent to 10.30 percent to a capital structure consisting of 32.32 percent long-term
12 debt, 1.67 percent preferred stock and 66.01 percent common equity. Therefore, from a
13 financial prospective I am recommending that KCP&L's electric utility operations be
14 allowed to earn a return on its original cost rate base in the range of 7.97 to 8.73 percent.

15 It is my expert opinion that, through my analysis I have developed a fair and
16 reasonable return, which, when applied to KCP&L's jurisdictional rate base, will allow
17 KCP&L the opportunity to earn the revenue requirement developed in this rate case.

18 Q. Does this conclude your prepared direct testimony?

19 A. Yes, it does.

SUMMARY
OF
MATTHEW J. BARNES
CASE PARTICIPATION

Date Filed	Issue	Case Number	Exhibit	Case Name
10/6/2006	Rate of Return/ Cost of Capital	ER20060314	Surrebuttal	Kansas City Power & Light Company
9/8/2006	Rate of Return	ER20060314	Rebuttal	Kansas City Power & Light Company
9/13/2006	Rate of Return	GR20060387	Direct	Atmos Energy Corporation
10/15/2004	Rate of Return	TC20021076	Supplemental Direct	BPS Telephone Company
11/7/2006	Rate of Return	ER20060314	True-Up	Kansas City Power & Light Company
11/7/2006	Cost of Capital	ER20060314	True-Up	Kansas City Power & Light Company
8/8/2006	Rate of Return	ER20060314	Direct	Kansas City Power & Light Company
11/13/2006	Rate of Return	GR20060387	Surrebuttal	Atmos Energy Corporation
3/8/2006	Transaction Structure	TM20060272	Rebuttal	Alltel Missouri, Inc.
1/12/2007	Rate of Return	WR20060425	Surrebuttal	Algonquin Water Resources of Missouri LLC

SUMMARY
OF
MATTHEW J. BARNES
CASE PARTICIPATION

Date Filed	Issue	Case Number	Exhibit	Case Name
12/28/2006	Rate of Return	WR20060425	Rebuttal	Algonquin Water Resources of Missouri LLC
12/1/2006	Rate of Return	WR20060425	Direct	Algonquin Water Resources of Missouri LLC
11/15/2005	Transaction Structure	IO20060086	Rebuttal	Sprint Nextel Corporation
11/13/2006	Rate of Return	GR20060387	Rebuttal	Atmos Energy Corporation
05/04/07	Rate of Return	GR20070208	Direct	Laclede Gas Company

MATTHEW J. BARNES

TESTIMONY SCHEDULES A THROUGH E

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2007-0291

Q. Is your recommendation of the cost of common equity consistent with a fair rate of return on common equity?

A. Yes. It is my expert opinion that my recommendation is consistent with a fair rate of return on common equity. It is generally recognized that authorizing an allowed return on common equity based on a utility's cost of common equity is consistent with a fair rate of return. It is for this very reason that the discounted cash flow (DCF) model is widely recognized as an appropriate model to utilize in arriving at a reasonable recommended return on equity that should be authorized for a utility. The concept underlying the DCF model is to determine the cost of common equity capital to the utility, which reflects the current economic and capital market environment. For example, a company may achieve a return on common equity that is higher than its cost of common equity. This situation will tend to increase the share price. However, this does not mean that this past achieved return is the barometer for what would be a fair authorized return in the context of a rate case. It is the lower cost of capital that should be recognized as a fair authorized return. If a utility continues to be allowed a return on common equity that is not reflective of today's current low-cost-of-capital environment, then this will result in the possibility of excessive returns.

The authorized return should provide a fair and reasonable return to the investors of the company, while ensuring that ratepayers do not support excessive earnings that could

1 result from the utility's monopolistic powers. However, this fair and reasonable rate does not
2 necessarily guarantee revenues or the continued financial integrity of the utility.

3 It should be noted that a reasonable return may vary over time as economic conditions,
4 such as the level of interest rates, and business conditions change. Therefore, the past, present
5 and projected economic and business conditions must be analyzed in order to calculate a fair
6 and reasonable rate of return.

1 Q. Please discuss the historical economic conditions in which GPE has operated.

2 A. One of the most commonly accepted indicators of economic conditions is the
3 discount rate set by the Federal Reserve Board (Federal Reserve or Fed). The
4 Federal Reserve tries to achieve its monetary policy objectives by controlling the discount rate
5 (the interest rate charged by the Federal Reserve for loans of reserves to depository
6 institutions) and the Federal (Fed) Funds Rate (the overnight lending rate between banks).
7 However, recently the Fed Funds Rate has become the primary means for the Federal Reserve
8 to achieve its monetary policy, and the discount rate has become more of a symbolic interest
9 rate. This explains why the Federal Reserve's decisions now focus on the Fed Funds rate and
10 this is reflected in the discussion of interest rates. It should also be noted that on
11 January 9, 2003, the Federal Reserve changed the administration of the discount window.
12 Under the changed administration of the discount window an eligible institution does not need
13 to exhaust other sources of funds before coming to the discount window, nor are there
14 restrictions on the purposes for which the borrower can use primary credit. This explains why
15 the discount rate jumped from 0.75 percent to 2.25 percent on January 9, 2003, when the Fed
16 Funds rate didn't change. Therefore, discount rates before January 9, 2003, are not
17 comparable to discount rates after January 9, 2003.

18 At the end of 1982, the U.S. economy was in the early stages of an economic
19 expansion, following the longest post-World War II recession. This economic expansion
20 began when the Federal Reserve reduced the discount rate seven times in the second half of
21 1982 in an attempt to stimulate the economy. This reduction in the discount rate led to a
22 reduction in the prime interest rate (the rate charged by banks on short-term loans to
23 borrowers with high credit ratings) from 16.50 percent in June 1982, to 11.50 percent in

1 December 1982. The economic expansion continued for approximately eight years until
2 July 1990, when the economy entered into a recession.

3 In December 1990, the Federal Reserve responded to the slumping economy by
4 lowering the discount rate to 6.50 percent (see Schedules 2-1 and 2-2). Over the next year-
5 and-a-half, the Federal Reserve lowered the discount rate another six times to a low of
6 3.00 percent, which had the effect of lowering the prime interest rate to 6.00 percent (see
7 Schedules 3-1 and 3-2).

8 In 1993, perhaps the most important factor for the U.S. economy was the passage of
9 the North American Free Trade Agreement (NAFTA). NAFTA created a free trade zone
10 consisting of the United States, Canada and Mexico. The rate of economic growth for the
11 fourth quarter of 1993 was one the Federal Reserve believed could not be sustained without
12 experiencing higher inflation. In the first quarter of 1994, the Federal Reserve took steps to
13 try to restrict the economy by increasing interest rates. As a result, on March 24, 1994, the
14 prime interest rate increased to 6.25 percent. On April 18, 1994, the Federal Reserve
15 announced its intention to raise its targeted interest rates, which resulted in the prime interest
16 rate increasing to 6.75 percent. The Federal Reserve took action again on May 17, 1994, by
17 raising the discount rate to 3.50 percent. The Federal Reserve took three additional restrictive
18 monetary actions, with the last occurring on February 1, 1995. These actions raised the
19 discount rate to 5.25 percent, and in turn, banks raised the prime interest rate to 9.00 percent.

20 The Federal Reserve then reversed its policy in late 1995 by lowering its target for the
21 Fed Funds Rate by 0.25 percentage points on two different occasions. This had the effect of
22 lowering the prime interest rate to 8.50 percent. On January 31, 1996, the Federal Reserve
23 lowered the discount rate to a rate of 5.00 percent.

1 The actions of the Federal Reserve from 1996 through 2000 were primarily focused on
2 keeping the level of inflation under control, and it was successful. The inflation rate, as
3 measured by the *Consumer Price Index - All Urban Consumers* (CPI), had never been higher
4 than 3.70 percent during this period. The increase in CPI stood at 2.70 percent for the twelve
5 months ending May 31, 2007 (see attached Schedules 4-1, 4-2 and 6). The unemployment
6 rate was 4.50 percent as of June 2007.

7 The combination of low inflation and low unemployment had led to a prosperous
8 economy from 1993 through 2000 as evidenced by the fact that real gross domestic
9 product (GDP) of the United States increased every quarter during this period. However,
10 GDP actually declined for the first three quarters of 2001, indicating there was a contraction
11 in the economy during these three quarters. This contraction of GDP for more than two
12 quarters in a row meets the textbook definition of a recession. According to the National
13 Bureau of Economic Research, the recession began in March of 2001 and ended eight months
14 later. Since the recession ended, GDP had been low up until the second quarter of 2003, but
15 since the second quarter of 2003, GDP has been fairly healthy. GDP grew at a rate of
16 .70 percent for the first quarter of 2007 (see attached Schedule 6).

1 Q. What are the inflationary estimations and expectations for 2007 through 2009?

2 A. *The Value Line Investment Survey: Selection & Opinion*, May 25, 2007,
3 estimates inflation to be 3.5 percent for 2007, 2.4 percent for 2008 and 2.4 percent for 2009.
4 The Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years*
5 *2008-2017*, issued January 2007, states that inflation is expected to be 1.9 percent for 2007,
6 2.3 percent for 2008 and 2.2 percent for 2009 (see attached Schedule 6).

7 Q. What are the interest rate forecasts for 2007, 2008 and 2009 and the current
8 interest rates?

9 A. Short-term interest rates, those measured by three-month U.S. Treasury Bills,
10 are estimated to be 4.9 percent in 2007, 4.9 percent in 2008 and 4.9 percent in 2009
11 according to Value Line's predictions. Value Line expects the long-term Thirty-Year
12 U.S. Treasury Bonds to average 4.8 percent in 2007, 5.0 percent in 2008 and 5.3 percent
13 in 2009. The current rate for three-month U.S. Treasury Bills was 4.61 percent as of
14 June 1, 2007, as noted on the St. Louis Federal Reserve website,
15 <http://research.stlouisfed.org/fred2/series/TB3MS/22>. The current rate for Thirty-Year
16 U.S. Treasury Bonds was 5.13 percent as of July 10, 2007, as noted on the CBS MarketWatch
17 website, <http://www.marketwatch.com/tools/marketsummary/default.asp?site=mktw>.

18 Q. What are the growth estimates and expectations for real GDP?

19 A. GDP is a benchmark utilized by the Commerce Department to measure
20 economic growth within the U.S. borders. Real GDP is measured by the actual GDP, adjusted
21 for inflation. Value Line stated that real GDP growth is expected to increase by 2.0 percent in
22 2007, 2.6 percent in 2008 and 3.0 percent in 2009. The Congressional Budget Office,
23 *The Budget and Economic Outlook: Fiscal Years 2008-2017*, stated that real GDP is expected

1 to increase by 2.3 percent in 2007, 3.0 percent in 2008 and 3.1 percent in 2009 (see attached
2 Schedule 6).

3 Q. Please summarize the expectations of the economic conditions for the next few
4 years.

5 A. In summary, when combining the previously mentioned sources, inflation is
6 expected to be in the range of 1.9 to 3.5 percent, increase in real GDP in the range of 2.0 to
7 3.1 percent and long-term interest rates are expected to range from 4.8 to 5.3 percent.

8 Selected excerpts from *The Value Line Investment Survey: Selection & Opinion*,
9 July 13, 2007, follow:

10 The economy is starting the new half with a modest head of steam.
11 First, reports issued recently confirm that manufacturing is
12 strengthening, after some softness earlier in 2007. Second,
13 construction is picking up, as increases in nonresidential projects (most
14 notably the building of factories and utilities) help offset weakness in
15 homebuilding brought about by a glut of unsold properties on the
16 market. Finally, both personal income and consumer spending are
17 rising, albeit irregularly. This upbeat combination probably helped
18 the nation's gross domestic product gain a solid 3%, or so, in the
19 just-ended quarter. (GDP results for the second quarter are to be
20 released on July 27th.)

21 We think the business expansion will grind on for a while.
22 Following the apparently good second quarter (with growth in the
23 April-through-June period probably aided by inventory building, which
24 helped to increase production levels at U.S. factories), we expect the
25 economy to grow at a steady 2.5%-3.0% over the final six months of
26 2007. A similar pace of improvement appears likely in 2008.

27 Inflation is moderating, but with some exceptions. Reports issued
28 recently showed that the core price index of personal consumption (that
29 is inflation excluding food and energy) rose just 0.1% in May and by
30 only 1.9% during the last year. Those are tame enough figures for the
31 Federal Reserve to turn a little anxious about inflation. However, if
32 food and energy are put back into the pricing calculation, the cost
33 increases are much more worrisome, owing to the sharp rise in corn,
34 wheat, and gasoline prices recently.

1 Oil is a concern. Not only has the price of gasoline surged in recent
2 weeks, but with oil prices passing the \$70-a-barrel mark as July began,
3 the expense of driving and cooling one's home this summer will rise as
4 well. Recent energy price trends also do not augur well for the coming
5 heating season this fall and winter.

6 The Federal Reserve is likely to keep interest rates where they are for
7 now. However, with the economy growing faster than it was for much
8 of the spring, the possibility that the Fed will tighten monetary policy
9 as some point is less remote than it had been, although we continue to
10 believe that a reduction in rates, perhaps in 2008, is more likely than an
11 increase.

12 Conclusion: We think that buying enthusiasm for stocks will remain
13 generally modest in the current half. Please refer to the inside back
14 cover of *Selection & Opinion* for our Asset Allocation Model's current
15 reading.

1 Q. Please describe the DCF model.

2 A. The DCF model is a market-oriented approach for deriving the cost of
3 common equity. The cost of common equity calculated from the DCF model is inherently
4 capable of attracting capital. This results from the theory that security prices adjust
5 continually over time, so that an equilibrium price exists and the stock is neither undervalued
6 nor overvalued. It can also be stated that stock prices continually fluctuate to reflect the
7 required and expected return for the investor.

8 The constant-growth form of the DCF model was used in this analysis. This model
9 relies upon the fact that a company's common stock price is dependent upon the expected
10 cash dividends and upon cash flows received through capital gains or losses that result from
11 stock price changes. The interest rate which discounts the sum of the future expected cash
12 flows to the current market price of the common stock is the calculated cost of common
13 equity. This can be expressed algebraically as:

$$14 \quad \text{Present Price} = \frac{\text{Expected Dividends}}{\text{Discounted by } k} + \frac{\text{Expected Price in 1 year}}{\text{Discounted by } k} \quad (1)$$

16 where k equals the cost of equity. Since the expected price of a stock in one year is equal to
17 the present price multiplied by one plus the growth rate, equation (1) can be restated as:

$$18 \quad \text{Present Price} = \frac{\text{Expected Dividends}}{(1 + k)} + \frac{\text{Present Price } (1+g)}{(1 + k)} \quad (2)$$

20 where g equals the growth rate and k equals the cost of equity. Letting the present price equal
21 P_0 and expected dividends equal D_1 , the equation appears as:

$$22 \quad P_0 = \frac{D_1}{(1 + k)} + \frac{P_0(1+g)}{(1 + k)} \quad (3)$$

1 The cost of equity equation may also be algebraically represented as:

$$2 \quad k = \frac{D_1}{P_0} + g \quad (4)$$

3
4
5 Thus, the cost of common stock equity, k , is equal to the expected dividend yield
6 (D_1/P_0) plus the expected growth in dividends (g) continuously summed into the future. The
7 growth in dividends and implied growth in earnings will be reflected in the current price.
8 Therefore, this model also recognizes the potential of capital gains or losses associated with
9 owning a share of common stock.

10 The discounted cash flow method is a continuous stock valuation model. The DCF
11 theory is based on the following assumptions:

- 12 1. Market equilibrium;
- 13 2. Perpetual life of the company;
- 14 3. Constant payout ratio;
- 15 4. Payout of less than 100% earnings;
- 16 5. Constant price/earnings ratio;
- 17 6. Constant growth in cash dividends;
- 18 7. Stability in interest rates over time;
- 19 8. Stability in required rates of return over time; and
- 20 9. Stability in earned returns over time.

21 Flowing from these, it is further assumed that an investor's growth horizon is
22 unlimited and that earnings, book values and market prices grow hand-in-hand. Although the
23 entire list of the above assumptions is rarely met, the DCF model is a reasonable working
24 model describing an actual investor's expectations and resulting behaviors.

1 Q. Please describe the CAPM.

2 A. The CAPM describes the relationship between a security's investment risk and
3 its market rate of return. This relationship identifies the rate of return which investors expect a
4 security to earn so that its market return is comparable with the market returns earned by other
5 securities that have similar risk. The general form of the CAPM is as follows:

$$6 \quad k = R_f + \beta (R_m - R_f)$$

7 where:

8 k = the expected return on equity for a specific security;

9 R_f = the risk-free rate;

10 β = beta; and

11 $R_m - R_f$ = the market risk premium.

12 The first term of the CAPM is the risk-free rate (R_f). The risk-free rate reflects the
13 level of return that can be achieved without accepting any risk. In reality, there is no such
14 risk-free asset, but it is generally represented by U.S. Treasury securities.

15 The second term of the CAPM is beta (β). Beta is an indicator of a security's
16 investment risk. It represents the relative movement and relative risk between a particular
17 security and the market as a whole (where beta for the market equals 1.00). Securities with
18 betas greater than 1.00 exhibit greater volatility than do securities with betas less than 1.00.
19 This causes a higher beta security to be less desirable to a risk-averse investor and therefore
20 requires a higher return in order to attract investor capital away from a lower beta security.

21 The final term of the CAPM is the market risk premium ($R_m - R_f$). The market risk
22 premium represents the expected return from holding the entire market portfolio less the
23 expected return from holding a risk-free investment.

AN ANALYSIS OF THE COST OF CAPITAL

FOR

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2007-0291

SCHEDULES

BY

MATTHEW J. BARNES

UTILITY SERVICES DIVISION

MISSOURI PUBLIC SERVICE COMMISSION

JULY 2007

Kansas City Power and Light Company
Case No. ER-2007-0291

List of Schedules

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Kansas City Power and Light Company
Case No. ER-2007-0291

Federal Reserve Discount Rate Changes

Date	Federal Reserve Discount Rate	Federal Reserve Funds Rate	Date	Federal Reserve Discount Rate	Federal Reserve Funds Rate
07/19/82	11.50%		01/31/96	5.00%	5.25%
07/31/82	11.00%		03/25/97		5.50%
08/14/82	10.50%		12/12/97	5.00%	
08/26/82	10.00%		01/09/98	5.00%	
10/10/82	9.50%		03/06/98	5.00%	
11/20/82	9.00%		09/29/98		5.25%
12/14/82	8.50%		10/15/98	4.75%	5.00%
01/01/83	8.50%		11/17/98	4.50%	4.75%
12/31/83	8.50%		06/30/99	4.50%	5.00%
04/09/84	9.00%		08/24/99	4.75%	5.25%
11/21/84	8.50%		11/16/99	5.00%	5.50%
12/24/84	8.00%		02/02/00	5.25%	5.75%
05/20/85	7.50%		03/21/00	5.50%	6.00%
03/07/86	7.00%		05/19/00	6.00%	6.50%
04/21/86	6.50%		01/03/01	5.75%	6.00%
07/11/86	6.00%		01/04/01	5.50%	6.00%
08/21/86	5.50%		01/31/01	5.00%	5.50%
09/04/87	6.00%		03/20/01	4.50%	5.00%
08/09/88	6.50%		04/18/01	4.00%	4.50%
02/24/89	7.00%		05/15/01	3.50%	4.00%
07/13/90		8.00%	06/27/01	3.25%	3.75%
10/29/90		7.75%	08/21/01	3.00%	3.50%
11/13/90		7.50%	09/17/01	2.50%	3.00%
12/07/90		7.25%	10/02/01	2.00%	2.50%
12/18/90		7.00%	11/06/01	1.50%	2.00%
12/19/90	6.50%		12/11/01	1.25%	1.75%
01/09/91		6.75%	11/06/02	0.75%	1.25%
02/01/91	6.00%	6.25%	01/09/03	2.25%**	1.25%
03/08/91		6.00%	06/25/03	2.00%	1.00%
04/30/91	5.50%	5.75%	06/30/04	2.25%	1.25%
08/06/91		5.50%	08/10/04	2.50%	1.50%
09/13/91	5.00%	5.25%	09/21/04	2.75%	1.75%
10/31/91		5.00%	11/10/04	3.00%	2.00%
11/06/91	4.50%	4.75%	12/14/04	3.25%	2.25%
12/06/91		4.50%	02/02/05	3.50%	2.50%
12/20/91	3.50%	4.00%	03/22/05	3.75%	2.75%
04/09/92		3.75%	05/03/05	4.00%	3.00%
07/02/92	3.00%	3.25%	06/30/05	4.25%	3.25%
09/04/92		3.00%	08/09/05	4.50%	3.50%
01/01/93			09/20/05	4.75%	3.75%
12/31/93	No Changes	No Changes	11/01/05	5.00%	4.00%
02/04/94		3.25%	12/13/05	5.25%	4.25%
03/22/94		3.50%	01/31/06	5.50%	4.50%
04/18/94		3.75%	03/28/06	5.75%	4.75%
05/17/94	3.50%	4.25%	05/10/06	6.00%	5.00%
08/16/94	4.00%	4.75%	06/29/06	6.25%	5.25%
11/15/94	4.75%	5.50%			
02/01/95	5.25%	6.00%			
07/06/95		5.75%			
12/19/95		5.50%			

* Staff began tracking the Federal Funds Rate.

**Revised discount window program begins. Reflects rate on primary credit. This revised discount window policy results in incomparability of the discount rates after January 9, 2003 to discount rates before January 9, 2003.

Source:

Federal Reserve Discount rate

<http://www.newyorkfed.org/markets/statistics/dlyrates/fedrate.html>

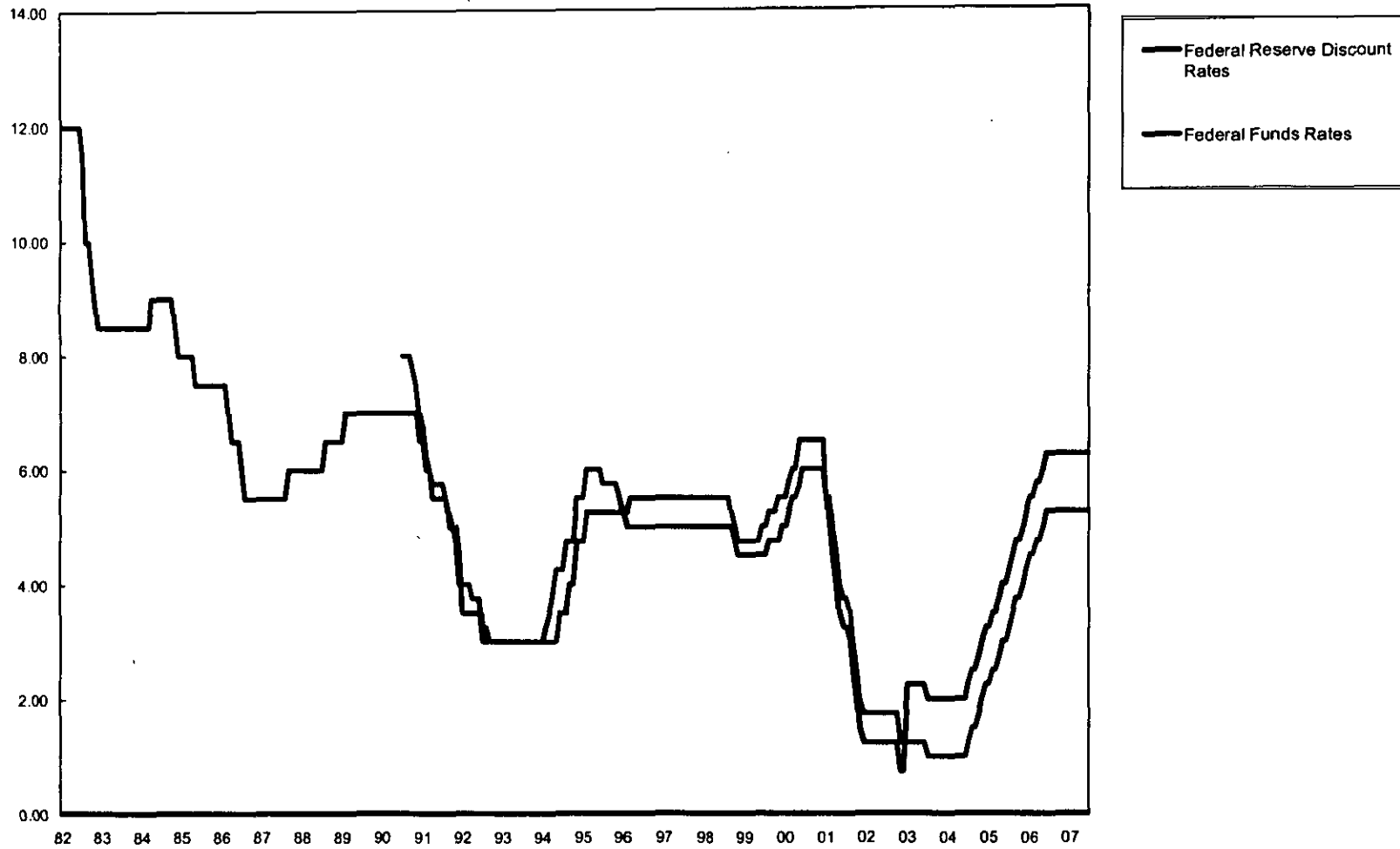
Federal Reserve Funds rate

<http://www.newyorkfed.org/markets/statistics/dlyrates/fedrate.html>

Note: Interest rates as of December 31 for each year are underlined.

Kansas City Power and Light Company
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Federal Reserve Discount Rates and Federal Funds Rates
1982 - 2007



Kansas City Power and Light Company
Case No. ER-2007-0281

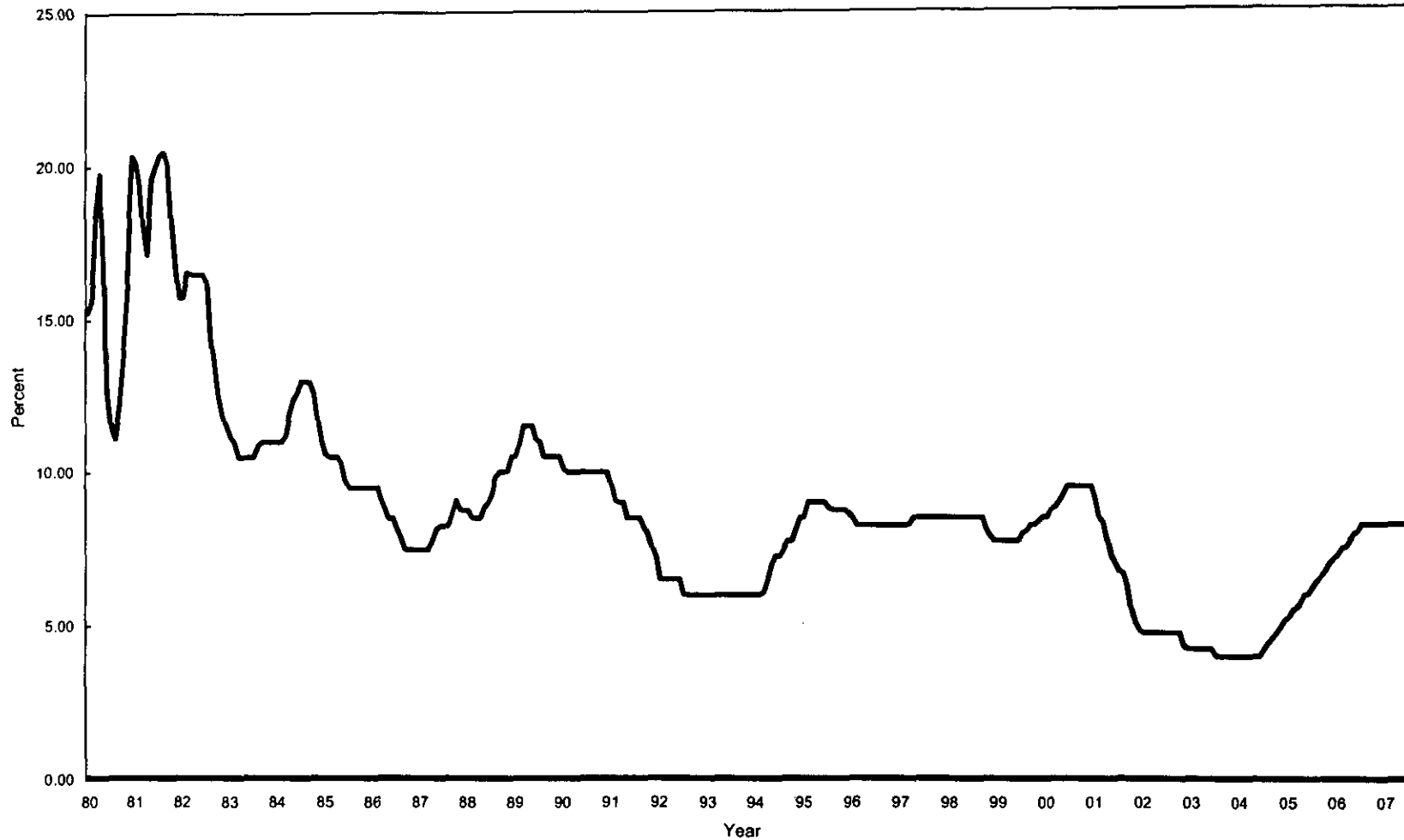
Average Prime Interest Rates

Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)
Jan 1980	15.75	Jan 1984	11.00	Jan 1988	11.00	Jan 1992	8.75	Jan 1996	6.50	Jan 2000	8.50	Jan 2004	6.50	Jan 2008	4.00	Jan 2012	4.00
Feb	15.63	Feb	11.00	Feb	11.00	Feb	8.51	Feb	6.50	Feb	8.25	Feb	6.25	Feb	3.75	Feb	3.75
Mar	18.31	Mar	11.21	Mar	11.21	Mar	8.50	Mar	6.50	Mar	8.25	Mar	6.25	Mar	3.75	Mar	3.75
Apr	19.77	Apr	11.93	Apr	11.93	Apr	8.50	Apr	6.50	Apr	8.25	Apr	6.25	Apr	3.75	Apr	3.75
May	18.57	May	12.39	May	12.39	May	8.84	May	6.50	May	8.25	May	6.25	May	3.75	May	3.75
Jun	12.63	Jun	12.60	Jun	12.60	Jun	9.00	Jun	6.50	Jun	8.25	Jun	6.25	Jun	3.75	Jun	3.75
Jul	11.48	Jul	13.00	Jul	13.00	Jul	9.29	Jul	6.02	Jul	8.25	Jul	6.25	Jul	3.75	Jul	3.75
Aug	11.12	Aug	13.00	Aug	13.00	Aug	9.84	Aug	6.00	Aug	8.25	Aug	6.25	Aug	3.75	Aug	3.75
Sep	12.23	Sep	12.97	Sep	12.97	Sep	10.00	Sep	6.00	Sep	8.25	Sep	6.25	Sep	3.75	Sep	3.75
Oct	13.79	Oct	12.58	Oct	12.58	Oct	10.00	Oct	6.00	Oct	8.25	Oct	6.25	Oct	3.75	Oct	3.75
Nov	18.06	Nov	11.77	Nov	11.77	Nov	10.05	Nov	6.00	Nov	8.25	Nov	6.25	Nov	3.75	Nov	3.75
Dec	20.35	Dec	11.06	Dec	11.06	Dec	10.50	Dec	6.00	Dec	8.25	Dec	6.25	Dec	3.75	Dec	3.75
Jan 1981	20.16	Jan 1985	10.61	Jan 1989	10.61	Jan 1993	10.50	Jan 1997	6.00	Jan 2001	8.25	Jan 2005	9.05	Jan 2009	4.25	Jan 2013	4.25
Feb	19.43	Feb	10.50	Feb	10.50	Feb	10.93	Feb	6.00	Feb	8.25	Feb	9.05	Feb	4.25	Feb	4.25
Mar	18.05	Mar	10.50	Mar	10.50	Mar	11.50	Mar	6.00	Mar	8.30	Mar	8.32	Mar	4.25	Mar	4.25
Apr	17.15	Apr	10.50	Apr	10.50	Apr	11.50	Apr	6.00	Apr	8.50	Apr	7.80	Apr	4.25	Apr	4.25
May	19.61	May	10.31	May	10.31	May	11.50	May	6.00	May	8.50	May	7.24	May	4.25	May	4.25
Jun	20.03	Jun	9.78	Jun	9.78	Jun	11.07	Jun	6.00	Jun	8.50	Jun	6.98	Jun	4.25	Jun	4.25
Jul	20.39	Jul	9.50	Jul	9.50	Jul	10.98	Jul	6.00	Jul	8.50	Jul	6.75	Jul	4.25	Jul	4.25
Aug	20.50	Aug	9.50	Aug	9.50	Aug	10.50	Aug	6.00	Aug	8.50	Aug	6.67	Aug	4.25	Aug	4.25
Sep	20.08	Sep	9.50	Sep	9.50	Sep	10.50	Sep	6.00	Sep	8.50	Sep	6.59	Sep	4.25	Sep	4.25
Oct	18.45	Oct	9.50	Oct	9.50	Oct	10.50	Oct	6.00	Oct	8.50	Oct	5.53	Oct	4.25	Oct	4.25
Nov	16.84	Nov	9.50	Nov	9.50	Nov	10.50	Nov	6.00	Nov	8.50	Nov	5.10	Nov	4.25	Nov	4.25
Dec	15.75	Dec	9.50	Dec	9.50	Dec	10.50	Dec	6.00	Dec	8.50	Dec	4.84	Dec	4.25	Dec	4.25
Jan 1982	15.75	Jan 1986	9.50	Jan 1990	9.50	Jan 1994	10.11	Jan 1998	6.00	Jan 2002	8.50	Jan 2006	4.75	Jan 2010	3.75	Jan 2014	3.75
Feb	16.56	Feb	9.50	Feb	9.50	Feb	10.00	Feb	6.00	Feb	8.50	Feb	4.75	Feb	3.75	Feb	3.75
Mar	16.50	Mar	9.10	Mar	9.10	Mar	10.00	Mar	6.06	Mar	8.50	Mar	4.75	Mar	3.75	Mar	3.75
Apr	16.50	Apr	8.83	Apr	8.83	Apr	10.00	Apr	6.45	Apr	8.50	Apr	4.75	Apr	3.75	Apr	3.75
May	16.50	May	8.50	May	8.50	May	10.00	May	6.99	May	8.50	May	7.93	May	3.75	May	3.75
Jun	16.50	Jun	8.50	Jun	8.50	Jun	10.00	Jun	7.25	Jun	8.50	Jun	4.75	Jun	3.75	Jun	3.75
Jul	16.26	Jul	8.16	Jul	8.16	Jul	10.00	Jul	7.25	Jul	8.50	Jul	4.75	Jul	3.75	Jul	3.75
Aug	14.39	Aug	7.90	Aug	7.90	Aug	10.00	Aug	7.51	Aug	8.50	Aug	4.75	Aug	3.75	Aug	3.75
Sep	13.50	Sep	7.50	Sep	7.50	Sep	10.00	Sep	7.75	Sep	8.49	Sep	4.75	Sep	3.75	Sep	3.75
Oct	12.52	Oct	7.50	Oct	7.50	Oct	10.00	Oct	7.75	Oct	8.12	Oct	4.75	Oct	3.75	Oct	3.75
Nov	11.85	Nov	7.50	Nov	7.50	Nov	10.00	Nov	8.15	Nov	7.89	Nov	4.35	Nov	3.75	Nov	3.75
Dec	11.50	Dec	7.50	Dec	7.50	Dec	10.00	Dec	8.50	Dec	7.75	Dec	4.25	Dec	3.75	Dec	3.75
Jan 1983	11.16	Jan 1987	7.50	Jan 1991	7.50	Jan 1995	9.52	Jan 1999	8.50	Jan 2003	7.75	Jan 2007	4.25	Jan 2011	3.75	Jan 2015	3.75
Feb	10.96	Feb	7.50	Feb	7.50	Feb	9.05	Feb	9.00	Feb	7.75	Feb	4.25	Feb	3.75	Feb	3.75
Mar	10.50	Mar	7.50	Mar	7.50	Mar	9.00	Mar	9.00	Mar	7.75	Mar	4.25	Mar	3.75	Mar	3.75
Apr	10.50	Apr	7.75	Apr	7.75	Apr	9.00	Apr	9.00	Apr	7.75	Apr	4.25	Apr	3.75	Apr	3.75
May	10.50	May	8.14	May	8.14	May	8.50	May	9.00	May	7.75	May	4.25	May	3.75	May	3.75
Jun	10.50	Jun	8.25	Jun	8.25	Jun	8.50	Jun	9.00	Jun	7.75	Jun	4.22	Jun	3.75	Jun	3.75
Jul	10.50	Jul	8.25	Jul	8.25	Jul	8.50	Jul	8.80	Jul	8.00	Jul	4.00	Jul	3.75	Jul	3.75
Aug	10.88	Aug	8.25	Aug	8.25	Aug	8.50	Aug	8.75	Aug	8.08	Aug	4.00	Aug	3.75	Aug	3.75
Sep	11.00	Sep	8.70	Sep	8.70	Sep	8.20	Sep	8.75	Sep	8.25	Sep	4.00	Sep	3.75	Sep	3.75
Oct	11.00	Oct	9.07	Oct	9.07	Oct	8.00	Oct	8.75	Oct	8.25	Oct	4.00	Oct	3.75	Oct	3.75
Nov	11.00	Nov	8.78	Nov	8.78	Nov	7.58	Nov	8.75	Nov	8.37	Nov	4.00	Nov	3.75	Nov	3.75
Dec	11.00	Dec	8.75	Dec	8.75	Dec	7.21	Dec	8.65	Dec	8.50	Dec	4.00	Dec	3.75	Dec	3.75

Source: <http://research.stlouisfed.org/fred2/data/MPRIME.txt>

Kansas City Power and Light Company
Case No. ER-2007-0291

Average Prime Interest Rate
1980 - 2007



Schedule 3-2

SCHEDULE 3-2

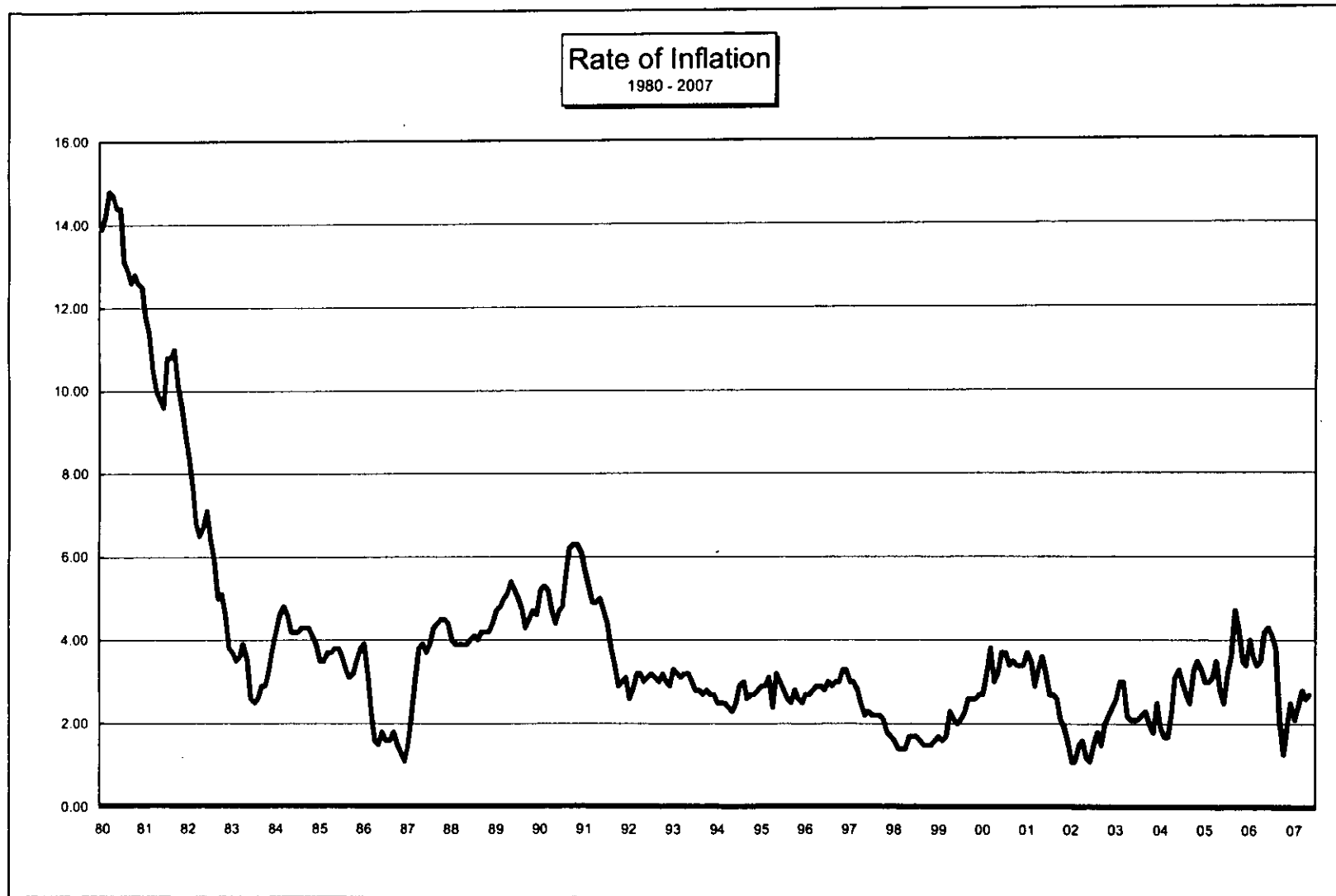
Kansas City Power and Light Company
Case No. ER-2007-0291

Rate of Inflation

Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)
Jan 1980	13.90	Jan 1984	4.20	Jan 1988	4.00	Jan 1992	2.80	Jan 1996	2.70	Jan 2000	2.70	Jan 2004	1.90
Feb	14.20	Feb	4.60	Feb	3.90	Feb	2.60	Feb	2.70	Feb	3.20	Feb	1.70
Mar	14.80	Mar	4.80	Mar	3.90	Mar	3.20	Mar	2.80	Mar	3.70	Mar	1.70
Apr	14.70	Apr	4.60	Apr	3.90	Apr	3.20	Apr	2.90	Apr	3.00	Apr	2.30
May	14.40	May	4.20	May	3.90	May	3.00	May	2.90	May	3.10	May	3.10
Jun	14.40	Jun	4.20	Jun	4.00	Jun	3.10	Jun	2.80	Jun	3.70	Jun	3.30
Jul	13.10	Jul	4.20	Jul	4.10	Jul	3.20	Jul	3.00	Jul	3.70	Jul	3.00
Aug	12.90	Aug	4.30	Aug	4.00	Aug	3.10	Aug	2.90	Aug	3.40	Aug	2.70
Sep	12.60	Sep	4.30	Sep	4.20	Sep	3.00	Sep	3.00	Sep	3.50	Sep	2.50
Oct	12.80	Oct	4.30	Oct	4.20	Oct	3.20	Oct	3.00	Oct	3.40	Oct	3.30
Nov	12.60	Nov	4.10	Nov	4.20	Nov	3.00	Nov	3.30	Nov	3.40	Nov	3.50
Dec	12.50	Dec	3.90	Dec	4.40	Dec	2.90	Dec	3.30	Dec	3.40	Dec	3.30
Jan 1981	11.80	Jan 1985	3.50	Jan 1989	4.70	Jan 1993	3.30	Jan 1997	3.00	Jan 2001	3.70	Jan 2005	3.00
Feb	11.40	Feb	3.50	Feb	4.80	Feb	3.20	Feb	3.00	Feb	3.50	Feb	3.00
Mar	10.50	Mar	3.70	Mar	5.00	Mar	3.10	Mar	2.80	Mar	2.90	Mar	3.10
Apr	10.00	Apr	3.70	Apr	5.10	Apr	3.20	Apr	2.50	Apr	3.30	Apr	3.50
May	9.80	May	3.80	May	5.40	May	3.20	May	2.20	May	3.60	May	2.80
Jun	9.60	Jun	3.80	Jun	5.20	Jun	3.00	Jun	2.30	Jun	3.20	Jun	2.50
Jul	10.80	Jul	3.60	Jul	5.00	Jul	2.80	Jul	2.20	Jul	2.70	Jul	3.20
Aug	10.80	Aug	3.30	Aug	4.70	Aug	2.80	Aug	2.20	Aug	2.70	Aug	3.60
Sep	11.00	Sep	3.10	Sep	4.30	Sep	2.70	Sep	2.20	Sep	2.80	Sep	4.70
Oct	10.10	Oct	3.20	Oct	4.50	Oct	2.80	Oct	2.10	Oct	2.10	Oct	4.30
Nov	9.60	Nov	3.50	Nov	4.70	Nov	2.70	Nov	1.80	Nov	1.90	Nov	3.50
Dec	8.90	Dec	3.80	Dec	4.60	Dec	2.70	Dec	1.70	Dec	1.60	Dec	3.40
Jan 1982	8.40	Jan 1986	3.90	Jan 1990	5.20	Jan 1994	2.50	Jan 1998	1.60	Jan 2002	1.10	Jan 2006	4.00
Feb	7.60	Feb	3.10	Feb	5.30	Feb	2.50	Feb	1.40	Feb	1.10	Feb	3.60
Mar	6.80	Mar	2.30	Mar	5.20	Mar	2.50	Mar	1.40	Mar	1.50	Mar	3.40
Apr	6.50	Apr	1.60	Apr	4.70	Apr	2.40	Apr	1.40	Apr	1.60	Apr	3.50
May	6.70	May	1.50	May	4.40	May	2.30	May	1.70	May	1.20	May	4.20
Jun	7.10	Jun	1.80	Jun	4.70	Jun	2.50	Jun	1.70	Jun	1.10	June	4.30
Jul	6.40	Jul	1.60	Jul	4.80	Jul	2.90	Jul	1.70	Jul	1.50	July	4.10
Aug	5.90	Aug	1.60	Aug	5.80	Aug	3.00	Aug	1.60	Aug	1.80	Aug	3.80
Sep	5.00	Sep	1.80	Sep	6.20	Sep	2.60	Sep	1.50	Sep	1.50	Sep	2.10
Oct	5.10	Oct	1.50	Oct	6.30	Oct	2.70	Oct	1.50	Oct	2.00	Oct	1.30
Nov	4.60	Nov	1.30	Nov	6.30	Nov	2.70	Nov	1.50	Nov	2.20	Nov	2.00
Dec	3.80	Dec	1.10	Dec	6.10	Dec	2.80	Dec	1.80	Dec	2.40	Dec	2.50
Jan 1983	3.70	Jan 1987	1.50	Jan 1991	5.70	Jan 1995	2.90	Jan 1999	1.70	Jan 2003	2.60	Jan 2007	2.10
Feb	3.50	Feb	2.10	Feb	5.30	Feb	2.90	Feb	1.60	Feb	3.00	Feb	2.40
Mar	3.60	Mar	3.00	Mar	4.90	Mar	3.10	Mar	1.70	Mar	3.00	Mar	2.80
Apr	3.90	Apr	3.80	Apr	4.80	Apr	2.40	Apr	2.30	Apr	2.20	Apr	2.80
May	3.50	May	3.90	May	5.00	May	3.20	May	2.10	May	2.10	May	2.70
Jun	2.60	Jun	3.70	Jun	4.70	Jun	3.00	Jun	2.00	Jun	2.10		
Jul	2.50	Jul	3.90	Jul	4.40	Jul	2.80	Jul	2.10	Jul	2.10		
Aug	2.60	Aug	4.30	Aug	3.80	Aug	2.60	Aug	2.30	Aug	2.20		
Sep	2.90	Sep	4.40	Sep	3.40	Sep	2.50	Sep	2.60	Sep	2.30		
Oct	2.90	Oct	4.50	Oct	2.90	Oct	2.80	Oct	2.60	Oct	2.00		
Nov	3.30	Nov	4.50	Nov	3.00	Nov	2.60	Nov	2.60	Nov	1.80		
Dec	3.80	Dec	4.40	Dec	3.10	Dec	2.50	Dec	2.70	Dec	1.90		

Sources: U.S. Dept. of Labor, Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers.
Change for 12-Month Period, Bureau of Labor Statistics.
http://www.bls.gov/schedule/archives/cpi_m.htm

Kansas City Power and Light Company
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Mo/Year	1980		1984		1988		1992		1996		2000		2004		Rate (%)
	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	
Jan	12.12	Jan 1980	13.40	Jan 1988	10.75	Jan 1992	8.77	Jan 1996	7.20	Jan 2000	8.22	Jan 2004	6.23	Jan 2008	6.17
Feb	13.48	Feb	13.50	Feb	10.11	Feb	8.67	Feb	7.37	Feb	8.10	Feb	6.17	Feb	6.17
Mar	14.33	Mar	14.03	Mar	10.11	Mar	8.84	Mar	7.72	Mar	8.14	Mar	6.01	Mar	6.01
Apr	13.50	Apr	13.50	Apr	10.53	Apr	8.79	Apr	7.88	Apr	8.14	Apr	6.38	Apr	6.38
May	12.17	May	14.95	May	10.75	May	8.72	May	7.98	May	8.55	May	6.68	May	6.68
Jun	11.87	Jun	15.16	Jun	10.71	Jun	8.64	Jun	8.07	Jun	8.22	Jun	6.53	Jun	6.53
Jul	12.12	Jul	14.92	Jul	10.96	Jul	8.46	Jul	8.02	Jul	8.17	Jul	6.34	Jul	6.34
Aug	12.82	Aug	14.29	Aug	11.09	Aug	8.34	Aug	7.84	Aug	8.05	Aug	6.18	Aug	6.18
Sep	13.29	Sep	14.04	Sep	10.56	Sep	8.32	Sep	8.01	Sep	8.16	Sep	6.01	Sep	6.01
Oct	13.53	Oct	13.68	Oct	9.92	Oct	8.44	Oct	7.76	Oct	8.08	Oct	5.95	Oct	5.95
Nov	14.07	Nov	13.15	Nov	9.89	Nov	8.53	Nov	7.48	Nov	8.03	Nov	5.97	Nov	5.97
Dec	14.48	Dec	12.96	Dec	10.02	Dec	8.36	Dec	7.58	Dec	7.79	Dec	5.93	Dec	5.93
Jan 1981	14.22	Jan 1985	12.88	Jan 1989	10.02	Jan 1993	8.23	Jan 1997	7.79	Jan 2001	7.76	Jan 2005	5.80	Jan 2009	5.80
Feb	14.84	Feb	13.00	Feb	10.02	Feb	8.00	Feb	7.68	Feb	7.69	Feb	5.64	Feb	5.64
Mar	14.86	Mar	13.66	Mar	10.16	Mar	7.65	Mar	7.92	Mar	7.59	Mar	5.86	Mar	5.86
Apr	15.32	Apr	13.42	Apr	10.14	Apr	7.76	Apr	8.08	Apr	7.81	Apr	5.72	Apr	5.72
May	15.84	May	12.89	May	9.92	May	7.78	May	7.94	May	7.88	May	5.60	May	5.60
Jun	15.27	Jun	11.91	Jun	9.49	Jun	7.68	Jun	7.77	Jun	7.75	Jun	5.39	Jun	5.39
Jul	15.87	Jul	11.88	Jul	9.34	Jul	7.53	Jul	7.52	Jul	7.71	Jul	5.50	Jul	5.50
Aug	16.33	Aug	11.93	Aug	9.37	Aug	7.21	Aug	7.57	Aug	7.57	Aug	5.51	Aug	5.51
Sep	18.69	Sep	11.95	Sep	9.43	Sep	7.01	Sep	7.50	Sep	7.73	Sep	5.54	Sep	5.54
Oct	16.76	Oct	11.84	Oct	9.37	Oct	6.99	Oct	7.37	Oct	7.64	Oct	5.79	Oct	5.79
Nov	15.50	Nov	11.33	Nov	9.33	Nov	7.30	Nov	7.24	Nov	7.81	Nov	5.88	Nov	5.88
Dec	15.77	Dec	10.92	Dec	9.31	Dec	7.33	Dec	7.16	Dec	7.96	Dec	5.83	Dec	5.83
Jan 1982	16.73	Jan 1988	10.66	Jan 1990	9.44	Jan 1994	7.31	Jan 1998	7.03	Jan 2002	7.69	Jan 2006	5.77	Jan 2010	5.77
Feb	16.72	Feb	10.16	Feb	9.66	Feb	7.44	Feb	7.09	Feb	7.62	Feb	5.83	Feb	5.83
Mar	16.07	Mar	9.33	Mar	9.75	Mar	7.83	Mar	7.13	Mar	7.83	Mar	5.98	Mar	5.98
Apr	15.82	Apr	9.02	Apr	9.87	Apr	8.20	Apr	7.12	Apr	7.74	Apr	6.28	Apr	6.28
May	15.60	May	9.52	May	9.89	May	8.32	May	7.11	May	7.76	May	6.39	May	6.39
Jun	16.18	Jun	9.51	Jun	9.69	Jun	8.31	Jun	6.99	Jun	7.67	Jun			

Schedule 5-1

Kansas City Power and Light Company
Case No. ER-2007-0291

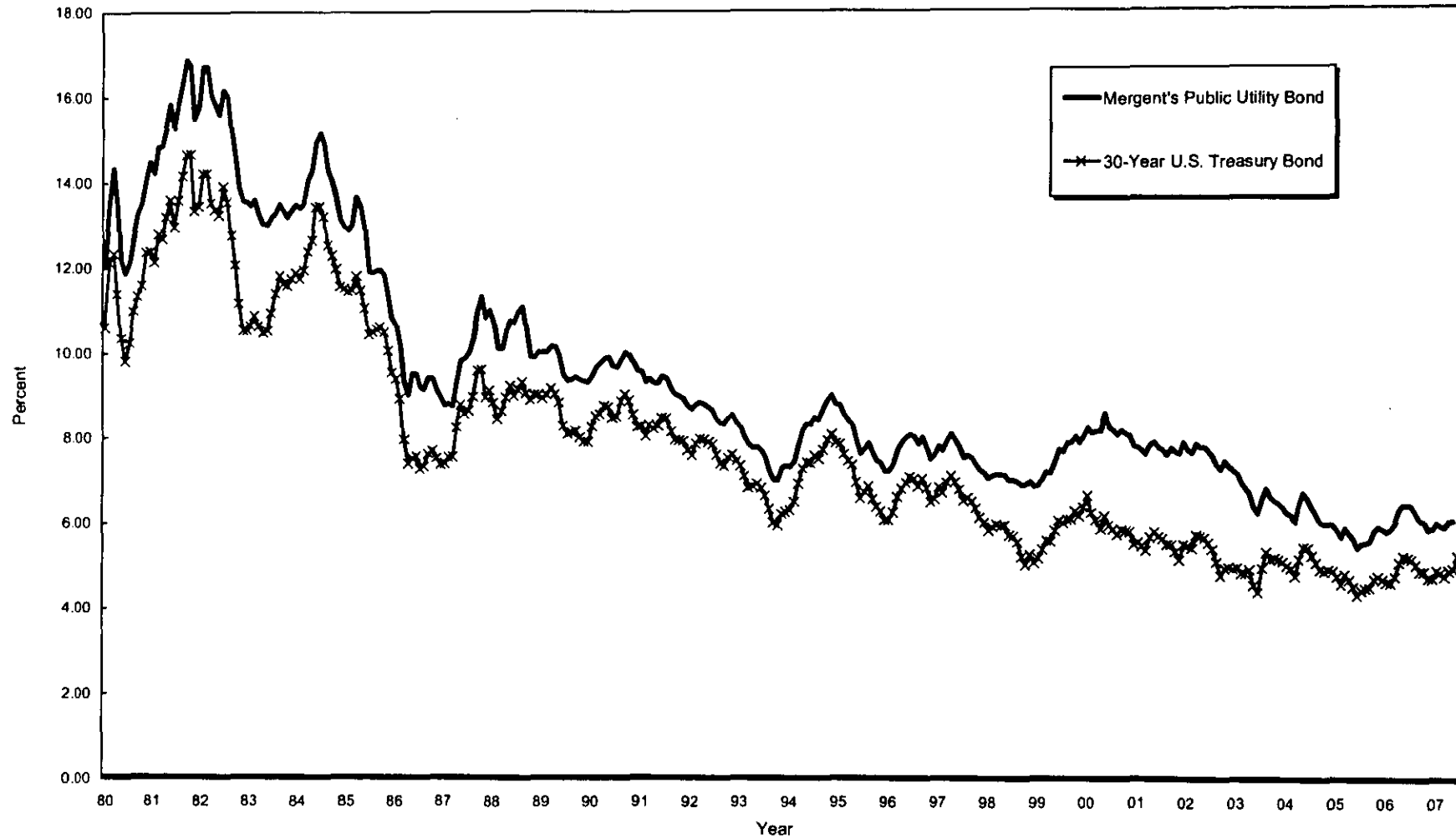
Average Yields on Thirty-Year U.S. Treasury Bonds

Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)	Mo/Year	Rate (%)
Jan 1980	10.60	Jan 1984	11.75	Jan 1988	8.83	Jan 1992	7.58	Jan 1996	6.05	Jan 2000	6.53	Jan 2004	4.99	Jan 2008	4.58	Jan 2012	4.90
Feb	12.13	Feb	11.95	Feb	8.43	Feb	7.85	Feb	6.24	Feb	6.23	Feb	4.93	Feb	4.74	Feb	4.74
Mar	12.34	Mar	12.38	Mar	8.63	Mar	7.97	Mar	6.60	Mar	6.05	Mar	4.74	Mar	4.74	Mar	4.74
Apr	11.40	Apr	12.65	Apr	8.95	Apr	7.96	Apr	6.79	Apr	5.85	Apr	5.14	Apr	4.86	Apr	4.86
May	10.36	May	13.43	May	9.23	May	7.89	May	6.93	May	6.15	May	5.42	May	5.20	May	5.20
Jun	9.81	Jun	13.44	Jun	9.00	Jun	7.84	Jun	7.06	Jun	5.93	Jun	5.41	Jun	5.20	Jun	5.20
Jul	10.24	Jul	13.21	Jul	9.14	Jul	7.60	Jul	7.03	Jul	5.85	Jul	5.22	Jul	5.13	Jul	5.13
Aug	11.00	Aug	12.54	Aug	9.32	Aug	7.39	Aug	6.84	Aug	5.72	Aug	5.06	Aug	4.86	Aug	4.86
Sep	11.34	Sep	12.29	Sep	9.06	Sep	7.34	Sep	7.03	Sep	5.63	Sep	4.90	Sep	4.73	Sep	4.73
Oct	11.59	Oct	11.98	Oct	8.89	Oct	7.53	Oct	6.81	Oct	5.80	Oct	4.86	Oct	4.78	Oct	4.78
Nov	12.37	Nov	11.58	Nov	9.02	Nov	7.61	Nov	6.48	Nov	5.78	Nov	4.89	Nov	4.78	Nov	4.78
Dec	12.40	Dec	11.52	Dec	9.01	Dec	7.44	Dec	6.55	Dec	5.49	Dec	4.86	Dec	4.73	Dec	4.73
Jan 1981	12.14	Jan 1985	11.45	Jan 1989	8.93	Jan 1993	7.34	Jan 1997	6.83	Jan 2001	5.54	Jan 2005	4.73	Jan 2009	4.55	Jan 2013	4.90
Feb	12.80	Feb	11.47	Feb	9.01	Feb	7.09	Feb	6.69	Feb	5.45	Feb	4.55	Feb	4.38	Feb	4.38
Mar	12.69	Mar	11.81	Mar	9.17	Mar	6.82	Mar	6.93	Mar	5.34	Mar	4.78	Mar	4.65	Mar	4.65
Apr	13.20	Apr	11.47	Apr	9.03	Apr	6.85	Apr	7.09	Apr	5.65	Apr	4.95	Apr	4.78	Apr	4.78
May	13.60	May	11.05	May	8.83	May	6.92	May	6.94	May	5.78	May	4.49	May	4.29	May	4.29
Jun	12.96	Jun	10.44	Jun	8.27	Jun	6.81	Jun	6.77	Jun	5.67	Jun	4.29	Jun	4.14	Jun	4.14
Jul	13.59	Jul	10.50	Jul	8.08	Jul	6.63	Jul	6.51	Jul	5.61	Jul	4.41	Jul	4.29	Jul	4.29
Aug	14.17	Aug	10.56	Aug	8.12	Aug	6.32	Aug	6.58	Aug	5.48	Aug	4.46	Aug	4.29	Aug	4.29
Sep	14.67	Sep	10.61	Sep	8.15	Sep	6.00	Sep	6.50	Sep	5.48	Sep	4.47	Sep	4.29	Sep	4.29
Oct	14.68	Oct	10.50	Oct	8.00	Oct	5.94	Oct	6.33	Oct	5.32	Oct	4.67	Oct	4.47	Oct	4.47
Nov	13.35	Nov	10.06	Nov	7.90	Nov	6.21	Nov	6.11	Nov	5.12	Nov	4.73	Nov	4.59	Nov	4.59
Dec	13.45	Dec	9.54	Dec	7.90	Dec	6.25	Dec	5.99	Dec	5.48	Dec	4.66	Dec	4.59	Dec	4.59
Jan 1982	14.22	Jan 1986	9.40	Jan 1990	8.26	Jan 1994	6.29	Jan 1998	5.81	Jan 2002	5.44	Jan 2006	4.58	Jan 2010	4.73	Jan 2014	5.00
Feb	14.22	Feb	8.93	Feb	8.50	Feb	6.49	Feb	5.89	Feb	5.39	Feb	4.58	Feb	4.44	Feb	4.44
Mar	13.53	Mar	7.96	Mar	8.58	Mar	6.91	Mar	5.95	Mar	5.71	Mar	4.73	Mar	4.58	Mar	4.58
Apr	13.37	Apr	7.39	Apr	8.76	Apr	7.27	Apr	5.92	Apr	5.67	Apr	5.08	Apr	4.85	Apr	4.85
May	13.24	May	7.52	May	8.73	May	7.41	May	5.93	May	5.64	May	5.20	May	5.08	May	5.08
Jun	13.92	Jun	7.57	Jun	8.46	Jun	7.40	Jun	5.70	Jun	5.52	Jun	5.16	Jun	5.00	Jun	5.00
Jul	13.55	Jul	7.27	Jul	8.50	Jul	7.58	Jul	5.68	Jul	5.38	Jul	5.13	Jul	5.00	Jul	5.00
Aug	12.77	Aug	7.33	Aug	8.86	Aug	7.49	Aug	5.54	Aug	5.08	Aug	5.00	Aug	4.85	Aug	4.85
Sep	12.07	Sep	7.62	Sep	9.03	Sep	7.71	Sep	5.20	Sep	4.76	Sep	4.85	Sep	4.69	Sep	4.69
Oct	11.17	Oct	7.70	Oct	8.86	Oct	7.94	Oct	5.01	Oct	4.93	Oct	4.85	Oct	4.69	Oct	4.69
Nov	10.54	Nov	7.52	Nov	8.54	Nov	8.08	Nov	5.25	Nov	4.95	Nov	4.69	Nov	4.58	Nov	4.58
Dec	10.54	Dec	7.37	Dec	8.24	Dec	7.87	Dec	5.06	Dec	4.92	Dec	4.66	Dec	4.58	Dec	4.58
Jan 1983	10.63	Jan 1987	7.39	Jan 1991	8.27	Jan 1995	7.85	Jan 1999	5.16	Jan 2003	4.94	Jan 2007	4.86	Jan 2011	4.86	Jan 2015	5.20
Feb	10.88	Feb	7.54	Feb	8.03	Feb	7.61	Feb	5.37	Feb	4.81	Feb	4.82	Feb	4.72	Feb	4.72
Mar	10.63	Mar	7.55	Mar	8.29	Mar	7.45	Mar	5.58	Mar	4.80	Mar	4.72	Mar	4.66	Mar	4.66
Apr	10.48	Apr	8.25	Apr	8.21	Apr	7.36	Apr	5.55	Apr	4.90	Apr	4.86	Apr	4.86	Apr	4.86
May	10.53	May	8.78	May	8.27	May	6.95	May	5.81	May	4.53	May	4.90	May	4.86	May	4.86
Jun	10.93	Jun	8.57	Jun	8.47	Jun	6.57	Jun	6.04	Jun	4.37	Jun	4.90	Jun	4.86	Jun	4.86
Jul	11.40	Jul	8.64	Jul	8.45	Jul	6.72	Jul	5.98	Jul	4.37	Jul	4.90	Jul	4.86	Jul	4.86
Aug	11.82	Aug	8.97	Aug	8.14	Aug	6.86	Aug	6.07	Aug	4.37	Aug	4.90	Aug	4.86	Aug	4.86
Sep	11.63	Sep	9.59	Sep	7.95	Sep	6.55	Sep	6.07	Sep	4.37	Sep	4.90	Sep	4.86	Sep	4.86
Oct	11.58	Oct	9.61	Oct	7.93	Oct	6.37	Oct	6.26	Oct	4.37	Oct	4.90	Oct	4.86	Oct	4.86
Nov	11.75	Nov	8.95	Nov	7.92	Nov	6.26	Nov	6.15	Nov	4.37	Nov	4.90	Nov	4.86	Nov	4.86
Dec	11.88	Dec	9.12	Dec	7.70	Dec	6.06	Dec	6.35	Dec	4.37	Dec	4.90	Dec	4.86	Dec	4.86

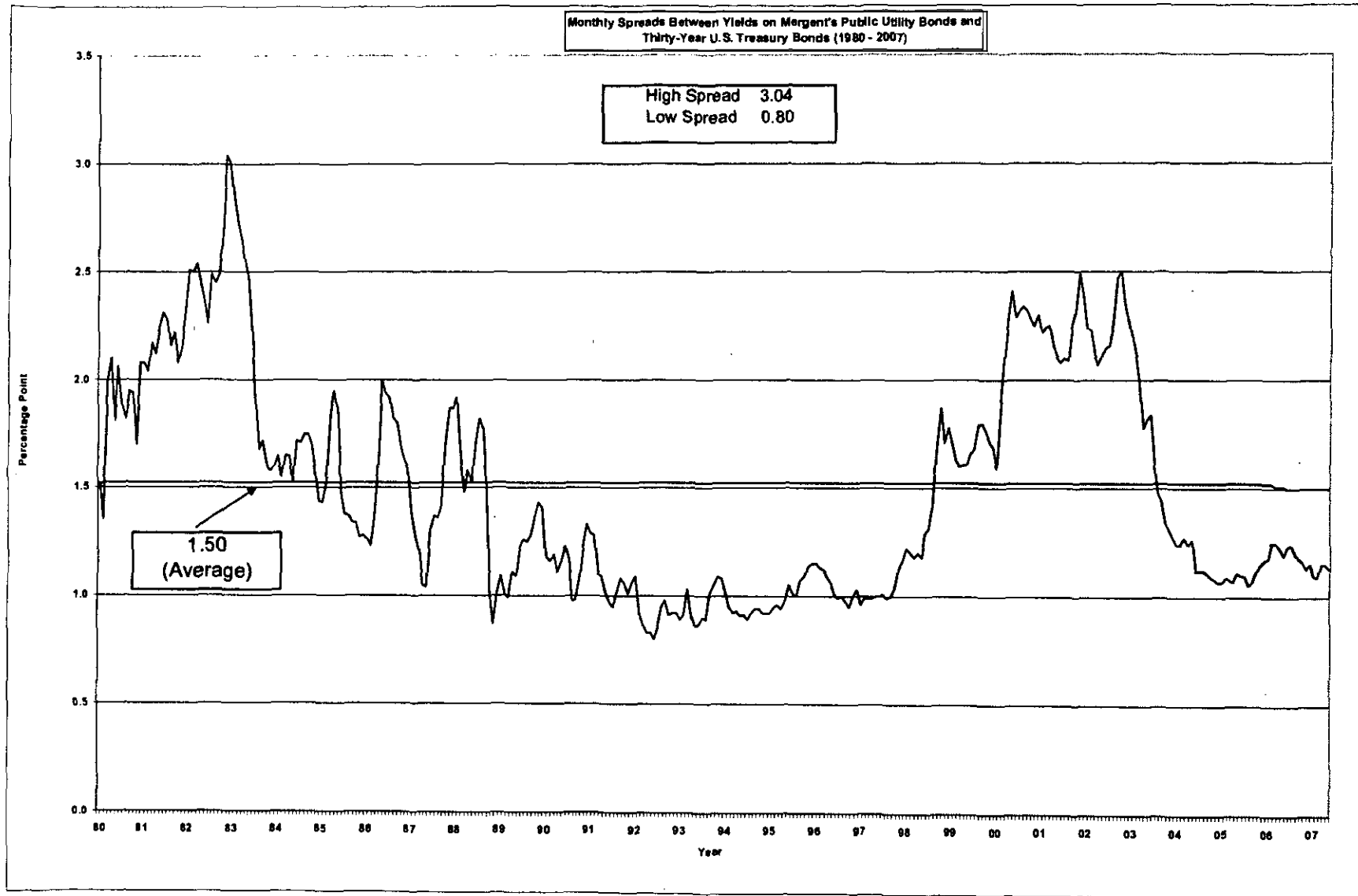
Sources:
<http://finance.yahoo.com/q/hp?z=1Y2>

Kansas City Power and Light Company
Case No. ER-2007-0291

Average Yields on Mergent's Public Utility Bonds and
Thirty-Year U.S. Treasury Bonds (1980 - 2007)



Kansas City Power and Light Company
Case No. ER-2007-0291



**Kansas City Power and Light Company
Case No. ER-2007-0291**

Economic Estimates and Projections, 2007-2009

Source	Inflation Rate			Real GDP			Unemployment			3-Mo. T-Bill Rate			30-Year T-Bond Rate		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Value Line Investment Survey – Selection & Opinion (05-25-07, page 4707)	3.50%	2.40%	2.40%	2.00%	2.60%	3.00%	4.60%	4.90%	4.70%	4.90%	4.90%	4.90%	4.80%	5.00%	5.30%
The Budget and Economic Outlook FY2008-2017	1.90%	2.30%	2.20%	2.30%	3.00%	3.10%	4.70%	4.90%	5.00%	4.80%	4.50%	4.40%	N/A	N/A	N/A
Current rate	2.70%			0.70%			4.50%			4.61%			5.13%		
Notes: N.A. = Not Available. Value Line data for 2006-2008 are estimated. CBO data for 2007 and 2008 are forecasted, data for 2009 is projected.															
Sources of Current Rates:															
Inflation:	The Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, 12-Month Period Ending, May 31, 2007 (see first paragraph). http://www.bls.gov/schedule/archives/cpi_nr.htm														
GDP:	U.S. Department of Commerce, Bureau of Economic Analysis for the Quarter Ending March 31, 2007 (see first paragraph). http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm														
Unemployment:	The Bureau of Labor Statistics, Economy Situation Summary - Unemployment Rate, June 2007. http://www.bls.gov/news.release/emp/sit.nr0.htm														
3-Month Treasury:	St. Louis Federal Reserve website for June 1, 2007. http://research.stlouisfed.org/fred2/series/TB3MS/22														
30-Yr. T-Bond:	CBS MarketWatch website on July 10, 2007. http://www.marketwatch.com/tools/marketsummary/default.asp?site=mktw														
Other Sources (2006 - 2008):	ValueLine Investment Survey Selection & Opinion, May 25, 2007, page 4707. The Congressional Budget Office, The Budget and Economic Outlook: Fiscal Years 2008-2017, January 2007. http://www.cbo.gov/publications/bysubject.cfm?cat=0														

Kansas City Power and Light Company
Case No. ER-2007-0291

Historical Consolidated Capital Structures for Great Plains Energy

(Millions of Dollars)						
Capital Components	2002	2003	2004	2005	2006	5-Year Average
Common Equity	\$939,470.0	\$957,294.0	\$1,141,594.0	\$1,223,427.0	\$1,341,916.0	\$1,120,740.2
Preferred Stock	39,000.0	39,000.0	39,000.0	39,000.0	39,000.0	\$39,000.0
Long-Term Debt	1,332,388.0 *	1,346,936.0 *	1,295,612.0 *	1,145,155.0 *	997,144.0 *	\$1,223,447.0
Short-Term Debt	21,079.0	87,000.0	20,000.0	37,900.0	156,400.0	\$64,475.8
Total	\$2,331,937.0	\$2,430,230.0	\$2,496,206.0	\$2,445,482.0	\$2,534,460.0	\$2,447,663.0
Capital Components	2002	2003	2004	2005	2006	5-Year Average
Common Equity	40.29%	39.39%	45.73%	50.03%	52.95%	45.68%
Preferred Stock	1.67%	1.60%	1.56%	1.59%	1.54%	1.59%
Long-Term Debt	57.14%	55.42%	51.90%	46.83%	39.34%	50.13%
Short-Term Debt	0.90%	3.58%	0.80%	1.55%	6.17%	2.60%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Source: Great Plains Energy's SEC 10-K for 12/31/2002.						
Great Plains Energy's SEC 10-K for 12/31/2003.						
Great Plains Energy's SEC 10-K for 12/31/2005.						
Great Plains Energy's SEC 10-K for 12/31/2006.						
Note: *Includes current maturities of long-term debt.						

**Kansas City Power and Light Company
Case No. ER-2007-0291**

Selected Financial Ratios for Great Plains Energy

Financial Ratios	2002	2003	2004	2005	2006
Return on Common Equity	13.60%	16.40%	15.50%	13.30%	9.40%
Earnings Per Common Share	\$2.04	\$2.27	\$2.46	\$2.18	\$1.62
Cash Dividends Per Common Share	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66
Common Dividend Payout Ratio	81.37%	73.13%	67.48%	76.15%	102.47%
Year-End Market Price Per Common Share	\$22.88	\$31.82	\$30.28	\$27.96	\$31.80
Year-End Book Value Per Common Share	\$13.58	\$13.82	\$15.35	\$16.35	\$16.70
Year-End Market-to-Book Ratio	1.68 x	2.30 x	1.97 x	1.71 x	1.90 x
Funds From Operations (FFO) Interest Coverage Ratio	3.9 x	4.9 x	4.4 x	4.6 x	4.5 x
FFO/Average Total Debt	20%	24%	23%	24%	24%
Corporate Credit Rating (Standard & Poor's Corporation)	BBB	BBB	BBB	BBB	BBB

Formulas:

Common Dividend Payout Ratio = Common Dividends Paid / Earnings Per Common Share.

Year-End Market-to-Book Ratio = Year-End Market Price Per Common Share / Year-End Book Value Per Common Share.

Sources: Standard and Poor's CreditStats, February 7, 2007.

Standard and Poor's Stock Guide, January 2003, January 2004, January 2005, January 2006, and January 2007.

Value Line Investment Survey for Great Plains Energy, June 29, 2007.

**Kansas City Power and Light Company
Case No. ER-2007-0291**

**Capital Structure as of March 31, 2007
Great Plains Energy**

Capital Component	Dollar Amount (000's)	Percentage of Capital
Common Stock Equity	\$ 1,541,961	66.01%
Preferred Stock	\$ 39,000	1.67%
Long-Term Debt	\$ 755,084	32.32%
Short-Term Debt	\$ -	0.00%
Total Capitalization	\$ 2,336,045	100.00%

**Electric Financial Ratio Benchmark
Total Debt / Total Capital**

Standard & Poor's Corporation's RatingsDirect, Revised Financial Guidelines as of June 2, 2004	<u>BBB Credit Rating based on a "6" Business Profile</u> 48% to 58%
---	--

Notes: 1. Long-term Debt at March 31, 2007 is based on the net balance of long-term debt, including current maturities (total principal amount of long-term debt outstanding less unamortized expenses and discounts) shown on Schedule 10. This balance also includes the amount of non-regulated debt. These balances were provided in KCP&L's response to DR 0088.

2. Short-term debt balance net of construction work in progress (CWIP) was negative as of March 31, 2007. Therefore, no short-term debt is included in the capital structure.

Source: Kansas City Power and Light's response to Staff's Data Request No. 0088.

Kansas City Power and Light Company
ER-2007-0291

Weighted Average Cost of Long-Term Debt Capital
At March 31, 2007

Line	Issue	(a) Initial Offering	(b) Date of Offering	(c) Date of Maturity	(d) Price to Public	(e) Underwriter Discounts & Commissions	(f) Issuance Expense	(g) Net Proceeds to Company	(h) Cost to Company	(i) Long-Term Debt Capital Outstanding	(j) Annual Cost of Long-Term Debt Capital	Coupon	Nper	% of curr. O/S to original issue amt * orig net proceeds
KANSAS CITY POWER & LIGHT ONLY														
General Mortgage Bonds														
1	Medium Term Notes - Series C (1)	\$150,000,000	Various	Various	\$150,000,000	\$981,050	\$572,926 (2)	\$148,456,024	8.085%	\$500,000	\$40,427	7.950%	24	
Pledged General Mortgage Bonds														
2	ERR 1992 Series	\$31,000,000	9/15/1992	7/1/2017					3.959%	\$31,000,000	\$1,227,290			
3	ERR Hawthorn 1993 Series - 4.0% Coupon	\$12,166,000	10/14/1993	1/2/2012					4.202%	\$12,398,000	\$519,819			
4	MATES Series 1991 A	\$40,000,000	12/7/1993	12/1/2023					3.908%	\$40,000,000	\$1,583,200			
5	MATES Series 1991 B	\$39,480,000	12/7/1993	12/1/2023					3.864%	\$39,480,000	\$1,525,507			
6	ERR La Cynne 1994 Series - 4.05% Coupon	\$13,942,500	2/23/1994	3/1/2015					4.245%	\$13,982,000	\$583,536			
7	ERR La Cynne 1994 Series - 4.65% Coupon	\$21,940,000	2/23/1994	9/1/2035					4.813%	\$21,940,000	\$1,055,972			
Unsecured Notes														
8	Senior Notes Due 2011 - 6.5% Coupon (3)	\$150,000,000	3/20/2001	11/15/2011	\$150,000,000	\$1,198,500	\$50,000	\$148,751,500	6.815%	\$150,000,000	\$9,822,848	6.500%	20	
9	Senior Notes Due 2035 - 6.0% Coupon (4)	\$250,000,000	11/17/2005	11/15/2035	\$250,000,000	\$2,187,500	\$150,000	\$247,662,500	6.118%	\$250,000,000	\$15,296,070	6.050%	60	
Environmental Improvement Revenue Refunding Bonds														
10	Series 1998 A Due 2015 - 4.75% Coupon	\$56,500,000	8/11/1998	9/1/2015					4.776%	\$56,500,000	\$2,698,440			
11	Series 1998 B Due 2015 - 4.75% Coupon	\$50,000,000	8/11/1998	9/1/2015					4.774%	\$50,000,000	\$2,387,000			
12	Series 1998 C Due 2015 - 4.85% Coupon	\$50,000,000	8/11/1998	9/1/2035					4.837%	\$50,000,000	\$2,418,500			
13	Series 1998 D Due 2017 - 4.75% Coupon	\$40,000,000	8/11/1998	10/1/2017					4.774%	\$40,000,000	\$1,909,744			
Other Long-Term Debt														
14	Unamortized Discount on Senior Notes									(1,539,721)	\$0			
15	Loss (Gain) on Requirants Debt									\$0	\$687,894			
16	Weighted Cost of Interest Rate Management Products									\$0	\$1,630,717			
17	Total KCP&L Long-Term Debt Capital									\$754,228,279	\$43,476,384			
18	KCP&L Weighted Avg. Cost of Long-Term Debt Capital								5.764%					
GREAT PLAINS ENERGY ONLY														
Affordable Housing Notes														
1	Medium Affordation Housing Fund II - NDH	\$1,907,767	3/30/1999	10/1/2008					7.600%	\$856,132	\$65,066			
2	Total GPE Only Long-Term Debt Capital									\$856,132	\$65,066			
3	GPE Only Weighted Avg. Cost of Long-Term Debt Capital								7.600%					
GREAT PLAINS ENERGY														
4	Total GPE Long-Term Debt Capital									\$755,084,411	\$43,541,450			
5	GPE Weighted Avg. Cost of Long-Term Debt Capital								5.768%					

- (1) Expenses associated with the Series C Medium Term Note issue are being amortized monthly over a 12 year period.
(2) Costs associated with the early issuance of Series C and Series D Medium Term Notes for refunding Series B Medium Term Notes and First Mortgage Bonds in April and May 1991 have been added to Issuance Expenses.
(3) Expenses associated with the Senior Notes issue are being amortized monthly over a 10 year period.
(4) Expenses associated with the Senior Notes issue are being amortized monthly over a 30 year period.

Kansas City Power and Light Company
ER-2007-0291

Weighted Cost of Preferred Stock Capital Outstanding at
March 31, 2007

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line	Description of Issue	Date of Issuance	No. of Shares Initial Offering	Price to Public	Underwriters Discounts & Commissions	Issuance Expense	Net Proceeds to Company	Cost to Company	Preferred Stock Capital Outstanding	Annual Cost of Preferred Stock Capital
1	3.80% cum \$100 par	12-01-46	100,000	\$10,270,000	\$179,000	\$58,391	\$10,032,609	3.788%	\$10,000,000	\$378,800
2	4.50% cum \$100 par	1-20-52	100,000	10,000,000	195,000	79,241	9,725,759	4.627%	10,000,000	462,700
3	4.20% cum \$100 par	1-21-54	70,000	7,070,000	122,500	41,270	6,906,230	4.257%	7,000,000	297,990
4	4.35% cum \$100 par	4-17-56	120,000	12,000,000	201,600	71,304	11,727,096	4.451%	<u>12,000,000</u>	<u>534,120</u>
5	Total Preferred Stock Capital March 31, 2007								<u>\$39,000,000</u>	<u>\$1,673,610</u>
6	Weighted Average Cost at March 31, 2007						<u>4.291%</u>			

Kansas City Power and Light Company
Case No. ER-2007-0291

Criteria for Selecting Comparable Electric Utility Companies

(1)	(2)	(3)	(8)	(4)	(5)	(6)	(7)	(9)	(10)	(11)
ValueLine	Stock Publicly Traded	Information Printed in ValueLine	10-Years of Data Available	% Electric Revenues ≥ 70%	No Pending Merger in the last 6 months	No Reduced Dividend in the last 10 years	Generation Assets	Two Sources for Projected Growth Available with One from Value Line	At Least Investment Grade Credit Rating	Comparable Company Met All Criteria
Electric Utility Companies(Ticker)										
ALLETE(ALE)	Yes	Yes	No							
Allegheny Energy(AVE)	Yes	Yes	Yes	Yes	Yes	No				
Allete Energy(LNT)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
American Corp(AKE)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
American Electric Power(AEP)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Aquila, Inc.(ILA)	Yes	Yes	Yes	No						
Avista Corp(AVA)	Yes	Yes	Yes	No						
Black Hills(BKH)	Yes	Yes	Yes	No						
CenterPoint Energy(CNP)	Yes	Yes	No							
Central Vermont Public Service(CV)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No		
CH Energy Group(CHG)	Yes	Yes	Yes	No						
Ches Corp(CNL)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CMS Energy Corp(CMS)	Yes	Yes	Yes	No						
Consolidated Edison(ED)	Yes	Yes	Yes	No						
Constellation Energy(CEG)	Yes	Yes	Yes	No						
Dominion Resources(D)	Yes	Yes	Yes	No						
DPL Inc(DPL)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DTE Energy(DTE)	Yes	Yes	Yes	No						
Duke Energy(DUK)	Yes	Yes	No							
Edison International(ED)	Yes	Yes	Yes	Yes	Yes	No				
El Paso Electric(EP)	Yes	Yes	Yes	Yes	Yes	No				
Empire District Electric(EDF)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy East Corp(EAS)	Yes	Yes	Yes	No						
Energy Corp(ETR)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energizer Energy Inc(EEI)	Yes	Yes	Yes	N.A.						
Exel Energy Inc(XEL)	Yes	Yes	Yes	N.A.						
Exelon Corp(EXC)	Yes	Yes	No							
FirstEnergy Corp(FK)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Florida Public Utilities(FPL)	Yes	Yes	No							
Fortis Inc(FTS.TO)	Yes	No								
FPL Group(FPL)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Harwin Electric(HE)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Idacorp, Inc(IDA)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Integrus Energy(IEG)	Yes	Yes	Yes	No						
Marine & Maritime Corp(MAM)	Yes	Yes	No							
MDU Resources(MDU)	Yes	Yes	Yes	No						
MGE Energy(MGE)	Yes	Yes	Yes	No						
NiSource Inc(NI)	Yes	Yes	Yes	No						
Northeast Utilities(NU)	Yes	Yes	Yes	Yes	Yes	No				
NSTAR(NST)	Yes	Yes	Yes	Yes	Yes	Yes	No			
OGF Energy(OGF)	Yes	Yes	Yes	No						
Older Tail Corp(OTTR)	Yes	Yes	Yes	No						
Pepco Holdings(POM)	Yes	Yes	No							
PG&E Corp(PCG)	Yes	Yes	Yes	Yes	Yes	No				
Plains West Capital(PNW)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
PNM Resources(PNM)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Portland General(POR)	Yes	Yes	No							
PPL Corp(PPL)	Yes	Yes	Yes	No						
Progress Energy(PGH)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Public Service Enterprise(PEG)	Yes	Yes	Yes	No						
Puget Energy Inc(PSD)	Yes	Yes	Yes	No						
Rochester Gas & Electric Corp(RGE)	Yes	No								
SCANA Corp(SCG)	Yes	Yes	Yes	No						
Sempra Energy(SRE)	Yes	Yes	Yes	No						
Serra Pacific Resources(SRP)	Yes	Yes	Yes	Yes	Yes	No				
Southern Company(SO)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
TECU Energy(TE)	Yes	Yes	Yes	No						
TXU Corp(TXU)	Yes	Yes	Yes	No						
U.S. Energy System Inc(USAY)	Yes	No								
UIL Holdings(UIL)	Yes	Yes	Yes	Yes	Yes	Yes	N.A.			
Unisource Energy(UNS)	Yes	Yes	Yes	Yes	Yes	No				
UNITIL Corp(UTL)	Yes	Yes	No							
Vacata Corp(VVC)	Yes	Yes	No							
Western Energy(WB)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wilmington Capital Management(WCM.A.T)	Yes	No								
Wisconsin Energy(WEC)	Yes	Yes	Yes	No						

Sources: Columns 1, 2 and 3: Standard & Poor's RatingsDirect
Columns 4, 5 and 6: The Value Line Investment Survey: Ratings & Reports
Column 6: May 2006 Earnings Guide and I/B/E/S Inc.'s Institutional Brokers Estimate System, June 15, 2006

Notes: N/A: Not available

**Kansas City Power and Light Company
Case No. ER-2007-0291**

**Comparable Electrical Utility Companies
for Kansas City Power and Light Company**

Number	Ticker Symbol	Company Name
1	LNT	Alliant Energy
2	AEE	Ameren Corp.
3	PNW	American Electric Power
4	CNL	Cleco Corp.
5	DPL	DPL Inc.
6	EDE	Empire Distric Electric
7	ETR	Entergy Corp.
8	FE	FirstEnergy Corp.
9	FPL	FPL Group
10	HE	Hawaiian Electric
11	IDA	IDACORP, Inc.
12	PNW	Pinnacle West Capital
13	PNM	PNM Resources
14	PGN	Progress Energy
15	SO	Southern Company
16	WR	Westar Energy

Kansas City Power and Light Company
Case No. ER-2007-0291

Ten-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates
for the Comparable Electric Utility Companies and Great Plains Energy

----- 10-Year Annual Compound Growth Rates -----				Average of 10 Year Annual Compound Growth Rates
Company Name	DPS	EPS	BVPS	
Alliant Energy	-6.00%	-1.00%	1.00%	-2.00%
Ameren Corp.	0.50%	0.00%	3.00%	1.17%
American Electric Power	-5.00%	-0.50%	-0.50%	-2.00%
Cleco Corp.	2.00%	3.00%	5.50%	3.50%
DPL Inc.	1.50%	1.50%	0.50%	1.17%
Empire Distric Electric	0.00%	-1.50%	1.50%	0.00%
Entergy Corp.	1.50%	8.50%	3.00%	4.33%
FirstEnergy Corp.	2.00%	4.50%	5.50%	4.00%
FPL Group	4.50%	5.50%	6.50%	5.50%
Hawaiian Electric	0.50%	0.50%	1.50%	0.83%
IDACORP, Inc.	-4.50%	0.00%	3.00%	-0.50%
Pinnacle West Capital	7.50%	2.00%	4.50%	4.67%
PNM Resources	0.00%	4.00%	6.00%	3.33%
Progress Energy	3.00%	1.00%	6.50%	3.50%
Southern Company	2.00%	2.50%	1.00%	1.83%
Westar Energy	-8.00%	-5.00%	-4.00%	-5.67%
Average	0.09%	1.56%	2.78%	1.46%
Standard Deviation	3.93%	3.07%	2.82%	2.90%
Great Plains Energy	0.50%	2.00%	1.00%	1.17%

Source: The Value Line Investment Survey: Ratings & Reports, May 11, June 1, and June 29, 2007.

Kansas City Power and Light Company
Case No. ER-2007-0291

Five-Year Dividends Per Share, Earnings Per Share & Book Value Per Share Growth Rates
for the Comparable Electric Utility Companies and Great Plains Energy

Company Name	5-Year Annual Compound Growth Rates			Average of 5 Year Annual Compound Growth Rates
	DPS	EPS	BVPS	
Alliant Energy	-11.50%	-3.00%	-2.50%	-5.67%
Ameren Corp.	0.00%	-2.00%	5.50%	1.17%
American Electric Power	-9.50%	3.00%	-2.50%	-3.00%
Cleco Corp.	1.00%	0.00%	5.50%	2.17%
DPL Inc.	0.50%	-3.50%	0.50%	-0.83%
Empire Distric Electric	0.00%	1.00%	2.00%	1.00%
Entergy Corp.	11.00%	10.50%	4.00%	8.50%
FirstEnergy Corp.	4.00%	3.50%	4.50%	4.00%
FPL Group	5.50%	4.50%	6.50%	5.50%
Hawaiian Electric	0.00%	-1.00%	2.00%	0.33%
IDACORP, Inc.	-8.50%	-8.50%	2.50%	-4.83%
Pinnacle West Capital	6.00%	-5.00%	4.00%	1.67%
PNM Resources	7.50%	-2.50%	4.50%	3.17%
Progress Energy	2.50%	-0.50%	5.00%	2.33%
Southern Company	2.00%	3.00%	1.00%	2.00%
Westar Energy	-11.00%	21.00%	-9.00%	0.33%
Average	-0.03%	1.28%	2.09%	1.11%
Standard Deviation	6.55%	6.64%	3.87%	3.48%
Great Plains Energy	0.00%	5.00%	3.00%	2.67%

Source: The Value Line Investment Survey: Ratings & Reports, May 11, June 1, and June 29, 2007.

Kansas City Power and Light Company
Case No. ER-2007-0291

**Average of Ten- and Five-Year Dividends Per Share, Earnings Per Share &
Book Value Per Share Growth Rates for the Comparable Electric Utility Companies
and Great Plains Energy**

Company Name	10-Year Average DPS, EPS & BVPS	5-Year Average DPS, EPS & BVPS	Average of 5-Year & 10-Year Averages
Alliant Energy	-2.00%	-5.67%	-3.83%
Ameren Corp.	1.17%	1.17%	1.17%
American Electric Power	-2.00%	-3.00%	-2.50%
Cleco Corp.	3.50%	2.17%	2.83%
DPL Inc.	1.17%	-0.83%	0.17%
Empire Distric Electric	0.00%	1.00%	0.50%
Entergy Corp.	4.33%	8.50%	6.42%
FirstEnergy Corp.	4.00%	4.00%	4.00%
FPL Group	5.50%	5.50%	5.50%
Hawaiian Electric	0.83%	0.33%	0.58%
IDACORP, Inc.	-0.50%	-4.83%	-2.67%
Pinnacle West Capital	4.67%	1.67%	3.17%
PNM Resources	3.33%	3.17%	3.25%
Progress Energy	3.50%	2.33%	2.92%
Southern Company	1.83%	2.00%	1.92%
Westar Energy	-5.67%	0.33%	-2.67%
Average	<u>1.48%</u>	<u>1.11%</u>	<u>1.30%</u>
 Great Plains Energy	 1.17%	 2.67%	 1.92%

**Kansas City Power and Light Company
Case No. ER-2007-0291**

**Historical and Projected Growth Rates
for the Comparable Electric Utility Companies
and Great Plains Energy**

	(1)	(2)	(3)	(4)	(5)	(6)
Company Name	Historical Growth Rate (DPS, EPS and BVPS)	Projected 5-Year EPS Growth IBES (Mean)	Projected 5-Year EPS Growth S&P	Projected 3-5 Year EPS Growth Value Line	Average Projected Growth	Average of Historical & Projected Growth
Alliant Energy	-3.83%	4.87%	5.00%	5.00%	4.96%	0.56%
Ameren Corp.	1.17%	5.90%	7.00%	2.50%	5.13%	3.15%
American Electric Power	-2.50%	5.57%	6.00%	6.50%	6.02%	1.76%
Cleco Corp.	2.83%	12.00%	12.00%	4.00%	9.33%	6.08%
DPL Inc.	0.17%	7.75%	9.00%	7.00%	7.92%	4.04%
Empire Distric Electric	0.50%	3.00%	3.00%	11.00%	5.67%	3.08%
Entergy Corp.	6.42%	7.60%	8.00%	7.50%	7.70%	7.06%
FirstEnergy Corp.	4.00%	7.83%	8.00%	9.00%	8.28%	6.14%
FPL Group	5.50%	8.33%	8.00%	8.00%	8.11%	6.81%
Hawaiian Electric	0.58%	4.30%	4.00%	4.00%	4.10%	2.34%
IDACORP, Inc.	-2.67%	6.00%	5.00%	2.50%	4.50%	0.92%
Pinnacle West Capital	3.17%	3.67%	4.00%	3.50%	3.72%	3.45%
PNM Resources	3.25%	10.60%	11.00%	4.50%	8.70%	5.98%
Progress Energy	2.92%	4.11%	4.00%	3.00%	3.70%	3.31%
Southern Company	1.92%	5.00%	5.00%	3.00%	4.33%	3.13%
Westar Energy	-2.67%	5.39%	5.00%	4.50%	4.96%	1.15%
Average	1.30%	6.37%	6.50%	5.34%	6.07%	3.68%
Great Plains Energy	1.92%	4.58%	5.00%	1.50%	3.69%	2.81%

Proposed Range of Growth for Comparables: 5.34%-6.50%

Column 5 = [(Column 2 + Column 3 + Column 4) / 3]

Column 6 = [(Column 1 + Column 5) / 2]

Sources: Column 1 = Average of 10-Year and 5-Year Annual Compound Growth Rates from Schedule 13-3.

Column 2 = I/B/E/S Inc.'s Institutional Brokers Estimate System, June 14, 2007.

Column 3 = Standard & Poor's Earnings Guide, June 2007.

Column 4 = The Value Line Investment Survey: Ratings and Reports, May 11, June 1, and June 29, 2007.

Kansas City Power and Light Company
Case No. ER-2007-0291

Average High / Low Stock Price for February 2007 through May 2007
for the Comparable Electric Utility Companies and
Great Plains Energy

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	-- Feb 2007 --		-- March 2007 --		-- April 2007 --		-- May 2007 --		Average
	High	Low	High	Low	High	Low	High	Low	High/Low
Company Name	Stock	Stock	Stock	Stock	Stock	Stock	Stock	Stock	Stock
	Price	Price	Price	Price	Price	Price	Price	Price	Price
									(2/07 - 6/07)
Alliant Energy	\$44.000	\$36.050	\$46.300	\$40.710	\$46.530	\$43.600	\$45.470	\$42.070	\$43.091
Ameren Corp.	\$55.000	\$51.620	\$52.610	\$48.560	\$53.600	\$49.730	\$55.000	\$51.540	\$52.208
American Electric Power	\$46.760	\$43.480	\$49.470	\$44.030	\$51.240	\$48.080	\$51.000	\$46.740	\$47.600
Cleco Corp.	\$27.770	\$25.080	\$27.010	\$24.830	\$29.200	\$25.430	\$28.640	\$26.540	\$26.813
DPL Inc.	\$31.460	\$28.700	\$31.450	\$29.580	\$32.720	\$30.680	\$31.890	\$30.260	\$30.843
Empire Distric Electric	\$26.110	\$23.620	\$24.970	\$23.070	\$26.130	\$24.510	\$25.090	\$23.300	\$24.600
Entergy Corp.	\$105.200	\$92.450	\$106.130	\$95.180	\$117.790	\$104.880	\$120.470	\$109.710	\$106.476
FirstEnergy Corp.	\$66.290	\$59.360	\$67.110	\$60.850	\$71.460	\$66.170	\$72.900	\$67.570	\$66.464
FPL Group	\$63.070	\$56.670	\$62.350	\$56.500	\$65.760	\$60.340	\$66.520	\$61.810	\$61.628
Hawaiian Electric	\$27.420	\$25.780	\$26.480	\$25.100	\$26.600	\$25.970	\$26.730	\$24.320	\$26.050
IDACORP, Inc.	\$38.390	\$33.340	\$35.060	\$32.000	\$35.180	\$33.210	\$34.890	\$31.220	\$34.161
Pinnacle West Capital	\$49.050	\$47.210	\$48.890	\$46.430	\$50.680	\$48.140	\$49.450	\$45.050	\$48.113
PNM Resources	\$31.650	\$29.460	\$32.700	\$29.320	\$34.280	\$32.310	\$33.370	\$28.500	\$31.449
Progress Energy	\$50.950	\$47.480	\$51.600	\$47.870	\$52.340	\$50.300	\$52.750	\$49.300	\$50.324
Southern Company	\$36.950	\$35.110	\$37.090	\$34.850	\$38.900	\$36.580	\$38.460	\$35.270	\$36.651
Westar Energy	\$28.540	\$25.230	\$28.020	\$25.550	\$28.500	\$27.210	\$28.570	\$26.050	\$27.209
Great Plains Energy	\$32.400	\$30.900	\$32.760	\$30.240	\$33.760	\$32.370	\$33.040	\$30.340	\$31.976

Notes:

Column 9 = [(Column 1 + Column 2 + Column 3 + Column 4 + Column 5 + Column 6 + Column 7 + Column 8) / 8].

Sources: S & P Stock Guides: March 2007, April 2007, May 2007 and June 2007.

Kansas City Power and Light Company
Case No. ER-2007-0291

Discounted Cash Flow (DCF) Estimated Costs of Common Equity
for the Comparable Electric Utility Companies and
Great Plains Energy

	(1)	(2)	(3)	(4)	(5)
Company Name	Expected Annual Dividend	Average High/Low Stock Price	Projected Dividend Yield	Average of Historical & Projected Growth	Estimated Cost of Common Equity
Alliant Energy	\$1.32	\$43.091	3.06%	0.56%	3.62%
Ameren Corp.	\$2.54	\$52.208	4.87%	3.15%	8.02%
American Electric Power	\$1.66	\$47.600	3.48%	1.76%	5.24%
Cleco Corp.	\$0.90	\$26.813	3.36%	6.08%	9.44%
DPL Inc.	\$1.06	\$30.843	3.44%	4.04%	7.48%
Empire Distric Electric	\$1.28	\$24.600	5.20%	3.08%	8.29%
Entergy Corp.	\$2.28	\$106.476	2.14%	7.06%	9.20%
FirstEnergy Corp.	\$2.09	\$66.464	3.14%	6.14%	9.28%
FPL Group	\$1.71	\$61.628	2.77%	6.81%	9.58%
Hawaiian Electric	\$1.24	\$26.050	4.76%	2.34%	7.10%
IDACORP, Inc.	\$1.20	\$34.161	3.51%	0.92%	4.43%
Pinnacle West Capital	\$2.18	\$48.113	4.53%	3.45%	7.98%
PNM Resources	\$0.98	\$31.449	3.12%	5.98%	9.09%
Progress Energy	\$2.45	\$50.324	4.87%	3.31%	8.18%
Southern Company	\$1.63	\$36.651	4.45%	3.13%	7.57%
Westar Energy	\$1.12	\$27.209	4.12%	1.15%	5.26%
Average			3.80%	3.68%	7.48%
 Great Plains Energy	 \$1.66	 \$31.976	 5.19%	 2.81%	 8.00%
Proposed Dividend Yield:					3.80%
Proposed Range of Growth:					5.34% - 6.50%
Estimated Proxy Cost of Common Equity:					9.14%-10.30%
GPE Company-Specific Using Average Projected Growth					8.88%

Notes: Column 1 = Estimated Dividends Declared per share represents the average projected dividends for 2007 and 2008.

Column 3 = (Column 1 / Column 2).

Column 5 = (Column 3 + Column 4).

Sources: Column 1 = The Value Line Investment Survey: Ratings and Reports, May 11, June 1, and June 29, 2007.

Column 2 = Schedule 15.

Column 4 = Schedule 14.

Kansas City Power and Light Company
Case No. ER-2007-0291

Capital Asset Pricing Model (CAPM) Costs of Common Equity Estimates
Based on Historical Return Differences Between Common Stocks and Long-Term U.S. Treasuries
for the Comparable Electric Utility Companies and Great Plains Energy

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Risk Free Rate	Company's Value Line Beta	Arithmetic Average Market Risk Premium (1926-2006)	Geometric Average Market Risk Premium (1926-2006)	Geometric Average Market Risk Premium (1996-2006)	Arithmetic CAPM Cost of Common Equity (1926-2006)	Geometric CAPM Cost of Common Equity (1926-2006)	Geometric CAPM Cost of Common Equity (1996-2006)
Company Name								
Alliant Energy	5.20%	0.95	6.50%	5.00%	0.59%	11.38%	9.95%	5.76%
Ameren Corp.	5.20%	0.75	6.50%	5.00%	0.59%	10.08%	8.95%	5.64%
American Electric Power	5.20%	1.35	6.50%	5.00%	0.59%	13.98%	11.95%	6.00%
Cleco Corp.	5.20%	1.30	6.50%	5.00%	0.59%	13.65%	11.70%	5.97%
DPL Inc.	5.20%	0.95	6.50%	5.00%	0.59%	11.38%	9.95%	5.76%
Empire Distric Electric	5.20%	0.85	6.50%	5.00%	0.59%	10.73%	9.45%	5.70%
Entergy Corp.	5.20%	0.90	6.50%	5.00%	0.59%	11.05%	9.70%	5.73%
FirstEnergy Corp.	5.20%	0.85	6.50%	5.00%	0.59%	10.73%	9.45%	5.70%
FPL Group	5.20%	0.85	6.50%	5.00%	0.59%	10.73%	9.45%	5.70%
Hawaiian Electric	5.20%	0.75	6.50%	5.00%	0.59%	10.08%	8.95%	5.64%
IDACORP, Inc.	5.20%	1.05	6.50%	5.00%	0.59%	12.03%	10.45%	5.82%
Pinnacle West Capital	5.20%	1.00	6.50%	5.00%	0.59%	11.70%	10.20%	5.79%
PNM Resources	5.20%	0.95	6.50%	5.00%	0.59%	11.38%	9.95%	5.76%
Progress Energy	5.20%	0.95	6.50%	5.00%	0.59%	11.38%	9.95%	5.76%
Southern Company	5.20%	0.70	6.50%	5.00%	0.59%	9.75%	8.70%	5.61%
Westar Energy	5.20%	0.95	6.50%	5.00%	0.59%	11.38%	9.95%	5.76%
Average		0.94				11.33%	9.92%	5.76%
Great Plains Energy	5.20%	0.95	6.50%	5.00%	0.59%	11.38%	9.95%	5.76%

Sources:

Column 1 = The appropriate yield is equal to the average 30-year U.S. Treasury Bond yield for June 2007 which was obtained from the St. Louis Federal Reserve website at <http://research.stlouisfed.org/fred2/series/GS30/22>.

Column 2 = Beta is a measure of the movement and relative risk of an individual stock to the market as a whole as reported by the Value Line Investment Survey: Ratings & Reports, May 11, June 1, and June 29, 2007.

Column 3 = The Market Risk Premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk free investment. The appropriate Market Risk Premium for the period 1926 - 2006 was determined to be 6.50% based on an arithmetic average as calculated in Ibbotson Associates, Inc.'s Stocks, Bonds, Bills, and Inflation: 2007 Yearbook.

Column 4 = The Market Risk Premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk free investment. The appropriate Market Risk Premium for the period 1926 - 2006 was determined to be 5.00% based on a geometric average as calculated in Ibbotson Associates, Inc.'s Stocks, Bonds, Bills, and Inflation: 2007 Yearbook.

Column 5 = The Market Risk Premium represents the expected return from holding the entire market portfolio less the expected return from holding a risk free investment. The appropriate Market Risk Premium for the period 1997 - 2006 was determined to be .59% as calculated in Ibbotson Associates, Inc.'s Stocks, Bonds, Bills, and Inflation: 2007 Yearbook.

Column 6 = (Column 1 + (Column 2 * Column 3)).

Column 7 = (Column 1 + (Column 2 * Column 4)).

Column 8 = (Column 1 + (Column 2 * Column 5)).

Kansas City Power and Light Company
Case No. ER-2007-0291

**Selected Financial Ratios for the Comparable Electric Utility Companies
and Great Plains Energy**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Company Name	2006 Common Equity Ratio	2006 Long-Term Debt Ratio	Funds From Operations Interest Coverage	Funds From Operations to Total Debt	Market- to-Book Value	2006 Return on Common Equity	2007 Projected Return on Common Equity	Bond Rating
Alliant Energy	62.90%	31.40%	4.20 x	26.0%	1.81 x	9.10%	11.00%	BBB+
Ameren Corp.	54.60%	43.80%	4.80 x	18.5%	1.59 x	8.10%	10.00%	BBB-
American Electric Power	43.30%	56.70%	3.30 x	17.6%	1.92 x	12.00%	11.50%	BBB
Cleco Corp.	57.80%	40.90%	5.00 x	26.9%	1.68 x	8.30%	7.50%	BBB
DPL Inc.	31.10%	67.90%	2.70 x	13.20%	4.72 x	17.50%	27.00%	BBB
Empire Distric Electric	50.30%	49.70%	3.40 x	16.00%	1.46 x	8.50%	9.50%	BBB-
Entergy Corp.	47.20%	50.70%	4.50 x	21.00%	2.83 x	13.50%	14.00%	BBB
FirstEnergy Corp.	51.40%	48.60%	4.00 x	18.00%	2.46 x	13.90%	15.00%	BBB
FPL Group	50.90%	49.10%	3.20 x	14.00%	2.48 x	12.90%	13.00%	A
Hawaiian Electric	49.90%	48.60%	3.70 x	16.90%	1.74 x	9.90%	9.50%	BBB
IDACORP, Inc.	54.80%	45.20%	3.30 x	13.20%	1.24 x	8.90%	8.00%	BBB+
Pinnacle West Capital	51.60%	48.40%	3.40 x	14.60%	1.28 x	9.20%	8.50%	BBB-
PNM Resources	48.80%	50.90%	4.40 x	17.90%	1.28 x	7.20%	8.00%	BBB
Progress Energy	48.10%	51.30%	3.70 x	20.00%	1.45 x	6.10%	8.50%	BBB+
Southern Company	46.20%	50.80%	5.00 x	21.60%	2.33 x	13.80%	13.50%	A
Westar Energy	49.30%	50.00%	4.00 x	19.00%	2.01 x	10.70%	9.50%	BBB-
Average	49.89%	49.00%	3.91 x	18.4%	2.02 x	10.60%	11.50%	BBB
Great Plains Energy	67.50%	30.60%	4.50 x	24.0%	1.63 x	9.40%	9.00%	BBB

Sources:

The Value Line Investment Survey Ratings & Reports, May 11, June 1, and June 29, 2007: for columns (1), (2), (6) and (7).
Standard & Poor's RatingsDirect for columns (3), (4).
AUS Utility Reports, July 2007 for column (5).

**Kansas City Power and Light Company
Case No. ER-2007-0291**

Public Utility Revenue Requirement

or

Cost of Service

The formula for the revenue requirement of a public utility may be stated as follows :

Equation 1 : **Revenue Requirement = Cost of Service**

or

Equation 2 : **$RR = O + (V - D)R$**

The symbols in the second equation are represented by the following factors :

RR	= Revenue Requirement
O	= Prudent Operating Costs, including Depreciation and Taxes
V	= Gross Valuation of the Property Serving the Public
D	= Accumulated Depreciation
(V - D)	= Rate Base (Net Valuation)
(V - D)R	= Return Amount (\$\$) or Earnings Allowed on Rate Base
R	= $iL + dP + kE$ or Overall Rate of Return (%)
i	= Embedded Cost of Debt
L	= Proportion of Debt in the Capital Structure
d	= Embedded Cost of Preferred Stock
P	= Proportion of Preferred Stock in the Capital Structure
k	= Required Return on Common Equity (ROE)
E	= Proportion of Common Equity in the Capital Structure

**Kansas City Power and Light Company
Case No. ER-2007-0291**

**Weighted Cost of Capital as of March 31, 2007
for Kansas City Power and Light Company**

Capital Component	Percentage of Capital	Embedded Cost	Weighted Cost of Capital Using Common Equity Return of:		
			9.14%	9.72%	10.30%
Common Stock Equity	66.01%	-----	6.03%	6.42%	6.80%
Preferred Stock	1.67%	4.29%	0.07%	0.07%	0.07%
Long-Term Debt	32.32%	5.77%	1.86%	1.86%	1.86%
Short-Term Debt	0.00%				
Total	<u>100.00%</u>		<u>7.97%</u>	<u>8.35%</u>	<u>8.73%</u>

Notes:

See Schedule 9 for the Capital Structure Ratios.

Embedded Cost of Long-Term Debt and Embedded Cost of Preferred Stock Taken from Response to DR 0178.1.