Exhibit No.: Issues: Witness: Sponsoring Party: Type of Exhibit: Case Nos.: Date Testimony Prepared:

Rate of Return, Capital Structure David Murray MoPSC Staff True Up Rebuttal Testimony ER-2016-0285 March 10, 2017

#### MISSOURI PUBLIC SERVICE COMMISSION

## **COMMISSION STAFF DIVISION**

# FINANCIAL ANALYSIS

## TRUE UP REBUTTAL TESTIMONY

## OF

## **DAVID MURRAY**

## **KANSAS CITY POWER & LIGHT COMPANY**

CASE NO. ER-2016-0285

Jefferson City, Missouri March 2017

1		TRUE-UP REBUTTAL TESTIMONY	
2		OF	
3		DAVID MURRAY	
4 5		KANSAS CITY POWER & LIGHT COMPANY	
6		CASE NO. ER-2016-0285	
7	Q.	Please state your name.	
8	А.	My name is David Murray.	
9	Q.	Are you the same David Murray who earlier filed rebuttal and surrebuttal in this	
10	proceeding on behalf of the Staff of the Missouri Public Service Commission ("Staff")?		
11	А.	Yes, I am.	
12	Q.	Did you file true-up direct testimony in this case?	
13	А.	No. I did not file true-up direct testimony because in my surrebuttal testimony I	
14	indicated that	Great Plains Energy's capital structure and cost of debt as of the updated period,	
15	June 30, 2016, was the most appropriate capital structure and cost of debt to use to set Kansas		
16	City Power & Light Company's ("KCPL") allowed rate of return ("ROR").		
17	Q.	Is this the capital structure and cost of debt reflected in Staff's revenue	
18	requirement as of the true-up date?		
19	А.	Yes.	
20	Q.	What is the purpose of your true-up rebuttal testimony?	
21	А.	The purpose of my true-up rebuttal testimony is to address the capital structure and	
22	embedded cost of debt information provided in Ron Klote's True-up Direct Testimony. I am not		
23	introducing any new issues in the true-up. I am simply confirming Staff's position that if the		
24	Commission adopts Staff's recommended use of Great Plains Energy's ("GPE") consolidated		

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

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

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

14

15

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

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

Does this conclude your true-up rebuttal testimony?

21 22

A. Yes.

Q.

#### **BEFORE THE PUBLIC SERVICE COMMISSION**

#### **OF THE STATE OF MISSOURI**

In the Matter of Kansas City Power & Light Company's Request for Authority to ) Implement A General Rate Increase for ) **Electric Service** )

Case No. ER-2016-0285

#### **AFFIDAVIT OF DAVID MURRAY**

STATE OF MISSOURI	)	
	)	SS.
COUNTY OF COLE	)	

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

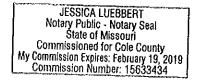
is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

and hum DAVID MURRAY

#### JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this  $1/2^{\frac{4}{2}}$ day of March, 2017.



Jessica Luebbert Notary Public