Exhibit No.:	
Issues:	*Rate of Return, Cost of Capital*
Witness:	*Matthew J. Barnes*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*True-Up Direct Testimony*
Case No.:	*ER-2007-0291*
Date Testimony Prepared:	*November 2, 2007*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

TRUE-UP DIRECT TESTIMONY

OF

MATTHEW J. BARNES

KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2007-0291

Jefferson City, Missouri
November 2007

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TRUE-UP DIRECT TESTIMONY

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KANSAS CITY POWER AND LIGHT COMPANY

CASE NO. ER-2007-0291

Q. Please state your name.

A. My name is Matthew J. Barnes.

Q. Are you the same Matthew J. Barnes who filed direct, rebuttal, and surrebuttal testimony in this proceeding for the Staff of the Missouri Public Service Commission (Staff)?

A. Yes, I am.

Q. In your direct testimony, did you provide your expert opinion on what you considered to be a fair and reasonable rate-of-return on the Missouri jurisdictional electric utility rate base for Kansas City Power & Light (KCP&L or Company)?

A. Yes, I did.

Q. What is the purpose of your True-up Direct testimony?

A. The purpose of my True-up Direct testimony is to provide the Commission the updated capital structure, embedded cost of long-term debt and overall rate-of-return as of September 30, 2007 for KCP&L.

<u>KCP&L'S CAPITAL STRUCTURE AS OF SEPTEMBER 30, 2007</u>

Q. Please explain Staff's updated capital structure.

A. As of September 30, 2007, KCP&L's capital structure consisted of 57.62 percent equity, 1.45 percent preferred stock, and 40.93 percent long-term debt. Please see Schedule 1.

Q. What was KCP&L's previous capital structure that you proposed?

A. KCP&L's previous capital structure as of March 31, 2007 that Staff proposed consisted of 66.01 percent equity, 1.67 percent preferred stock, and 32.32 percent long-term debt.

Q. Did the embedded cost of long-term debt change as of September 30, 2007?

A. Yes. KCP&L's embedded cost of long-term debt as of September 30, 2007, was calculated by the company to be 5.93 percent. Please see Schedule 2.

Q. What was KCP&L's previous embedded cost of long-term debt proposed by Staff?

A. KCP&L's previous embedded cost of long-term debt as of March 31, 2007 as calculated by the company was 5.77 percent.

Q. Why did KCP&L's embedded cost of long-term debt increase from 5.77 percent to 5.93 percent?

A. KCP&L issued $250 million of 5.85 percent Senior Notes on June 4, 2007. Great Plains Energy issued $100 million of 6.88 percent Unsecured Senior Notes on September 25, 2007. These debt issuances increased KCP&L's embedded cost of long-term debt and long-term debt ratio.

Q. Why did Staff's rate-of-return decrease when the embedded cost of long-term debt increased?

A. The increase in the Company's long-term debt ratio off-set the equity ratio in the capital structure. Equity is more expensive than debt, therefore; in this case the lower equity ratio in the capital structure resulted in a lower rate-of-return for KCP&L.

Q. Did the embedded cost of preferred stock change as of September 30, 2007?

A. No. The embedded cost of preferred stock as of September 30, 2007 remained the same at 4.29 percent.

Q. Does Staff still recommend a return on equity in the range of 9.14 percent to 10.30 percent with a mid-point of 9.72 percent?

A. Yes. Please see Schedule 3.

SUMMARY AND CONCLUSIONS

Q. Please summarize the conclusions of your True-up Direct testimony.

A. My recommended cost of common equity, which is in the range of 9.14 percent to 10.30 percent, would produce a fair and reasonable rate-of-return of 7.76 percent to 8.42 percent for KCP&L's Missouri jurisdictional electric utility rate base.

Q. Does this conclude your True-up Direct testimony?

A. Yes, it does.

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.	)	

AFFIDAVIT OF MATTHEW J. BARNES

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 foregoing True-Up Direct Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the following True-Up 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

Matthew J. Barnes

Subscribed and sworn to before me this 1st day of November, 2007.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
County of Cole
My Commission Exp. 07/01/2008

D Suzie Mankin

Notary Public

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

Capital Structure as of September 30, 2007
Great Plains Energy

Capital Component	Dollar Amount	Percentage of Capital
Common Stock Equity	$ 1,553,527,000	57.62%
Preferred Stock	$ 39,000,000	1.45%
Long-Term Debt	$ 1,103,699,000	40.93%
Short-Term Debt	$ -	0.00%
Total Capitalization	**$ 2,696,226,000**	**100.00%**

Electric Financial Ratio Benchmark
Total Debt / Total Capital

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

Source: Email response from Christine Davidson with Kansas City Power and Light received 10/30/07.

KANSAS CITY POWER & LIGHT COMPANY AND GREAT PLAINS ENERGY
Weighted Average Cost of Long-Term Debt Capital
At September 30, 2007

Line	Issue	(a) Initial Offering	(b) Date of Offering	(c) Date of Maturity	(d) Price to Public	(e) Underwriters 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
	KANSAS CITY POWER & LIGHT ONLY										
	Pledged General Mortgage Bonds										
1	EIRR 1992 Series	$31,000,000	9/15/1992	7/1/2017					4.080%	$31,000,000	$1,264,800
2	EIRR Hawthorn 1993 Series - 4.0% Coup	$12,366,000	10/14/1993	1/2/2012					4.202%	$12,366,000	$519,619
3	MATES Series 1993-A	$40,000,000	12/7/1993	12/1/2023					3.994%	$40,000,000	$1,597,600
4	MATES Series 1993-B	$39,480,000	12/7/1993	12/1/2023					3.984%	$39,480,000	$1,572,883
5	EIRR La Cygne 1994 Series - 4.05% Cou	$13,982,500	2/23/1994	3/1/2015					4.245%	$13,982,000	$593,536
6	EIRR La Cygne 1994 Series - 4.65% Cou	$21,940,000	2/23/1994	9/1/2035					4.813%	$21,940,000	$1,055,972
	Unsecured Notes										
7	Senior Notes Due 2017 - 5.85% Coupon (`	$250,000,000	6/4/2007	6/15/2017	$250,000,000	$1,625,000	$250,000	$248,125,000	5.951%	$250,000,000	$14,876,484
8	Senior Notes Due 2011 - 6.5% Coupon (2)	$150,000,000	3/20/2001	11/15/2011	$150,000,000	$1,198,500	$50,000	$148,751,500	6.615%	$150,000,000	$9,922,646
9	Senior Notes Due 2035 - 6.05% Coupon (:	$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
	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 2035-4.65% 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									(1,909,561)	$0
15	Loss/(Gain) on Reacquired Debt									$0	$ 504,094
16	Weighted Cost of Interest Rate Management Products									$0	$1,728,954
17	**Total KCP&L Long-Term Debt Capital**				**At September 30, 2007**					**$1,003,358,439**	**$58,346,344**
18	**KCP&L Weighted Avg. Cost of Long-Term Debt Capital**				**At September 30, 2007**			**5.815%**			

SCHEDULE 2 - 1

Kansas City Power and Light
ER-2007-0291

KANSAS CITY POWER & LIGHT COMPANY AND GREAT PLAINS ENERGY
Weighted Average Cost of Long-Term Debt Capital
At September 30, 2007

Line	Issue	(a) Initial Offering	(b) Date of Offering	(c) Date of Maturity	(d) Price to Public	(e) Underwriters 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
	GREAT PLAINS ENERGY ONLY										
	Unsecured Notes										
1	Senior Notes Due 2017 - 6.875% Coupon	$100,000,000	9/25/2007	9/15/2017	$100,000,000	$650,000	$500,000	$98,850,000	7.037%	$100,000,000	$7,037,102
	Affordable Housing Notes										
2	Missouri Affordable Housing Fund IX - NDI	$3,907,767	3/30/1999	10/1/2008					7.600%	$856,132	$65,066
	Other Long-Term Debt										
3	Unamortized Discount on Senior Notes									($516,000)	
4	Weighted Cost of Interest Rate Management Products										$7,458
5	**Total GPE Only Long-Term Debt Capital**				**At September 30, 2007**					**$100,340,132**	**$7,109,627**
6	**GPE Only Weighted Avg. Cost of Long-Term Debt Capital**				**At September 30, 2007**			**7.086%**			
	GREAT PLAINS ENERGY										
7	**Total GPE Long-Term Debt Capital**				**At September 30, 2007**					**$1,103,698,571**	**$65,455,970**
8	**GPE Weighted Avg. Cost of Long-Term Debt Capital**				**At September 30, 2007**			**5.931%**			

(1) Expenses associated with the Senior Notes issue are being amortized over a 10 year period.
(2) Expenses associated with the Senior Notes issue are being amortized over a 10 year period.
(3) Expenses associated with the Senior Notes are being amortized over a 30 year period.
(4) Expenses associated with the Senior Notes issue are being amortized over a 10 year period.

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SCHEDULE 2 - 2

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

Weighted Cost of Capital as of September 30, 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	57.62%	-----	5.27%	5.60%	5.93%
Preferred Stock	1.45%	4.29%	0.06%	0.06%	0.06%
Long-Term Debt	40.93%	5.93%	2.43%	2.43%	2.43%
Short-Term Debt	0.00%				
Total	**100.00%**		**7.76%**	**8.09%**	**8.42%**

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.