BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service.	))))	**File No. ER-2010-0356**

CLARIFICATION OF STAFF RESPONSE TO ORDER SUSPENDING TARIFF SHEETS AND DIRECTING FILING

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and clarifies its response to the Commission's *Order Suspending Tariff Sheets and Directing Filing* as follows:

1. In ordered paragraph 3 of its *Order Suspending Tariff Sheets and Directing Filing*, the Commission ordered the following:

> No later than June 8, 2011, the parties shall file a pleading stating KCP&L Greater Missouri Operations Company's short-term debt and any arguments why the "carrying costs" for the phased-in tariffs should not be equal to the short-term debt cost.

2. In its response to ordered paragraph 3 of its *Order Suspending Tariff Sheets and Directing Filing* filed June 7, 2011, Staff stated the following:

> GMO's short-term cost of debt varies monthly with the LIBOR (London Interbank Offered Rate). Stated as an annual rate, GMO's cost of short-term debt in May 2011 was 3.00 percent (%). Historically, from January 2010 to May 2011 it has varied as follows:

Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
2.00%	1.90%	2.00%	1.90%	2.00%	2.00%	2.10%	3.83%	2.95%
Oct-10	**Nov-10**	**Dec-10**	**Jan-11**	**Feb-11**	**Mar-11**	**Apr-11**	**May-11**	
2.95%	2.95%	3.60%	3.60%	3.72%	3.60%	3.24%	3.00%	

3. On June 8, 2011, GMO filed its response stating,

> First, it should be noted that short-term debt costs vary widely over the course of time. In fact, short-term interest costs can differ on a daily basis. However, over the most recent twelve-month period, June 2010 through May 2011, the Company's short term debt costs as reflected on its monthly AFUDC calculations, which encompass an all-in cost for short term borrowings, have averaged 4.473%.

4. Given the disparity in the rates provided by Staff and GMO, Staff wishes to clarify. Section 386.266.4(4), RSMo. Supp. 2010, provides,

> In the case of an adjustment mechanism submitted under subsection 1 or 2 of this section, includes provisions for prudence reviews of the costs subject to the adjustment mechanism no less frequently than at eighteen-month intervals, and shall require refund of any imprudently incurred costs plus ***interest at the utility's short-term borrowing rate***. (Emphasis added.)

5. The short-term cost of debt of GMO Staff provided in its June 7, 2011, response to the Commission's order was based on the short-term borrowing rates GMO has provided to Staff for calculating interest for its fuel adjustment clause over- and under- billings.

6. GMO's short-term cost of debt for its fuel adjustment clause is based on the three-month London Interbank Offered Rate (LIBOR) quoted on the last business day of the month plus an investment grade margin. Both the three-month LIBOR and the investment grade margin vary each month.

7. GMO uses two short-term debt facilities to calculate the short-term cost of debt for its fuel adjustment clause that is applied to the over/under balance for the month. The two facilities are 1) Accounts Receivable Program and 2) $400 million Revolver. Both facilities use the same three-month LIBOR. The investment grade margin used for each facility is different. For each facility the investment grade margin is added to the LIBOR rate to yield the cost of the debt for that facility. The two costs of debt are then weighted based on the total amount of debt available under each facility to get the annualized weighted-cost of short-term debt that is applied to over/under FAC balance for the month. The annual short-term debt rate is then divided by twelve to arrive at a monthly weighted-average short-term debt rate that is applied to

the over/under balance in the FAC. Below is an illustrative example:

8.

Facility Description	Facility Size	Base Rate	Investment Grade Margin	Total Cost	Weighted Cost
A/R Program	$50,000,000	1.25%	2.000%	3.250%	0.361%
$400M Revolver	$400,000,000	1.25%	1.250%	2.500%	2.222%
	$450,000,000				**2.58%**

9. Staff also has information from Kansas City Power & Light Company and GMO regarding their short-term cost of debt and allowance for funds used during construction ("AFUDC) debt rates by month for calendar year 2010. In the attached confidential spreadsheet the columns labeled "Short-Term Rate" show the annual percentage rate for each month of the average cost of short-term debt included in each company's and rate district's AFUDC rate. The columns labeled "AFUDC Debt Rate" show the annual percentage rate for each month of the average cost of all debt—both short-term and long-term—that is included in each company's and rate districts AFUDC rate.

10. Based on what it currently knows, Staff is unable to explain the 4.473% short-term borrowing rate GMO reported.

WHEREFORE, Staff submits the foregoing in clarification of its response to the Commission's *Order Suspending Tariff Sheets and Directing Filing*.

Respectfully submitted,

/s/ Nathan Williams

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 10th day of June 2011.

/s/ Nathan Williams

ATTACHMENT

HAS BEEN DEEMED HIGHLY CONFIDENTIAL IN IT'S ENTIRETY