

Company Name: GMO Electric  
Case Description: 2010 GMO Elec Rate Case  
Case: ER-2010-0356

Response to Murray David Interrogatories – Set MPSC\_20100914  
Date of Response: 09/27/2010

Question No. :0159.2

Please provide the hypothetical embedded cost of debt for GMO if the cost of the \$500 million debt issuance was based on weighted average costs of debt for 'BBB' rated utility bonds and an average of 'BBB+', 'BBB' and 'BBB-' rated utility bonds.

RESPONSE:

The attached file named "Q0159\_2\_GMO Cost of Debt.xls contains two worksheets. One worksheet is called "Yield Data Since July 2002" and contains the daily 10-year utility bond yields from Bloomberg from July 1, 2002 to December 31, 2009 for BBB-, BBB and BBB+ ratings. At the bottom of the worksheet are averages calculated for various time periods.

The other worksheet is called "Cost of Debt" and contains a summary of the cost of debt for GMO based on various assumptions for the hypothetical cost of the \$500 million debt issuance. Included in the summary are the cost of the \$500 million debt issuance, the cost of GMO only debt as of 12/31/09, 6/30/10 and projected for 12/31/10, and the cost of GMO debt for ratemaking as of 12/31/09, 6/30/10 and projected for 12/31/10.

The first line in the summary shows (a) the weighted average cost of GMO debt for (a) 12/31/09 and projected for 12/31/10 as included in Schedule 2 of Dr. Hadaway's direct testimony; and (b) for 6/30/10 as provided in response to Question No. 0159. Lines 2 and 3 show the GMO cost of debt when the BBB- utility bond yield used in the Company's calculation of the weighted average cost of debt for the \$500 million debt issue is replaced with the average BBB utility bond yield and the average of the BBB-, BBB and BBB+ utility bond yields, respectively. Lines 4 and 5 set aside the Company's methodology and instead show the GMO cost of debt when the weighted average cost of debt for the \$500 million debt instrument is based upon (a) on line 4, the BBB utility bond yield for July 3, 2002 (the issuance date of the \$500 million security); and (b) on line 5, the average of the BBB-, BBB and BBB+ utility bond yields for July 3, 2002. Lines 6 and 7 show the GMO cost of debt when the average BBB utility bond yield for July 2002 and the average of the BBB-, BBB and BBB+ utility bond yields for July 2002, respectively, are used for the weighted average cost of debt for the \$500 million debt issued on July 3, 2002.

Attachment: Q0159\_2\_GMO cost of debt.xls  
Q0159.2 GMO Verification.pdf

Staff Exhibit No. 252  
Date 2-15-11 Reporter YU  
File No. ER-2010-0356

### Cost of Debt for GMO

Line	Bond Yield	\$500 million Debt Cost	GMO Only Debt Cost			GMO Debt Cost for Ratemaking			
			<u>12/31/2009</u>	<u>6/30/2010</u>	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>6/30/2010</u>	<u>12/31/2010</u>	
1	Company methodology using BBB- bond yields for 2009	6.827%	6.258%	7.033%	7.026%	6.722%	7.079%	7.073%	6.729%
2	Company methodology using BBB bond yields for 2009	6.081%	6.015%	6.906%	6.899%	6.622%	6.964%	6.958%	6.630%
3	Company methodology using average BBB-, BBB, BBB+ bond yields for 2009	6.214%	6.058%	6.929%	6.922%	6.639%	6.985%	6.978%	6.647%
4	Using July 3, 2002 BBB bond yields	6.880%	6.880%	7.356%	7.349%	6.979%	7.370%	7.365%	6.984%
5	Using July 3, 2002 average BBB-, BBB, BBB+ bond yields	7.293%	7.293%	7.570%	7.564%	7.149%	7.564%	7.559%	7.153%
6	Using average July 2002 BBB bond yields	6.823%	6.823%	7.326%	7.319%	6.955%	7.344%	7.338%	6.960%
7	Using average July 2002 average BBB-, BBB, BBB+ bond yields	7.154%	7.154%	7.498%	7.492%	7.092%	7.499%	7.493%	7.096%

## Utility Bond Yields from Bloomberg


Date	BBB-	BBB	BBB+	Average
July 3, 2002	8.390	6.880	6.610	7.293
July 2002 Average	8.131	6.823	6.507	7.154
7/3/02 to 12/31/09 Average	6.161	5.820	5.668	5.883
2009 Average	6.827	6.081	5.734	6.214

*Verification of Response*

**Kansas City Power & Light Company  
AND  
KCP&L Greater Missouri Operations**

**Docket No. ER-2010-0356**

The response to Data Request # 0159.2 is true and accurate to the best of my knowledge and belief.

Signed: 

Date: September 27, 2010