

Exhibit No.:
Issue: Return on Equity
Witness: Samuel C. Hadaway
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2012-0175
Date Testimony Prepared: October 10, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0175

SURREBUTTAL TESTIMONY

OF

SAMUEL C. HADAWAY

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
October 2012**

SURREBUTTAL TESTIMONY

OF

SAMUEL C. HADAWAY

Case No. ER-2012-0175

1 **I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Samuel C. Hadaway. My business address is FINANCO, Inc., 3520
4 Executive Center Drive, Suite 124, Austin, Texas 78731.

5 **Q. Are you the same Samuel C. Hadaway who prefiled Direct and Rebuttal
6 testimony in this matter?**

7 A. Yes. I previously filed Direct and Rebuttal Testimony on behalf of KCP&L Greater
8 Missouri Operations Company (“GMO” or the “Company”) in this matter.

9 **Q. What is the purpose of your Surrebuttal Testimony?**

10 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony
11 concerning the return on equity (“ROE”) filed by Missouri Public Service
12 Commission Staff (“Staff”) witness David Murray. To the extent that I have
13 responded, in my Rebuttal Testimony to the arguments set forth by Mr. Murray, I will
14 note my previous responses and not comment further on those arguments.

15 **Q. Have the parties changed their initial ROE recommendations?**

16 A. Yes. Based on the updated analysis I presented in my Rebuttal Testimony, the
17 Company reduced its requested ROE from 10.4 percent to 10.3 percent. Mr. Murray

1 did not adjust his recommendation; he continues to recommend an ROE of 9.0
2 percent.

3 **II. RESPONSE TO STAFF WITNESS MURRAY**

4 **Q. What is the primary focus of Mr. Murray’s Rebuttal Testimony?**

5 A. Mr. Murray’s primary focus remains entirely on the growth rate for the discounted
6 cash flow (“DCF”) models. Mr. Murray reiterates his ongoing position that all DCF
7 growth rate estimates, other than his, are too high and, therefore, all the other parties’
8 ROE estimates, which are consistently higher than his, are incorrect. Mr. Murray
9 restates his same discredited historical “evidence” about utility growth rates from the
10 1960s to 1990s, concluding that investors should expect a growth rate of
11 approximately 2.50%. *See* Murray Rebuttal Testimony at pages 11-12. Mr. Murray
12 also restates his belief that if Gross Domestic Product (“GDP”) growth is used, that
13 rate should come from currently low government GDP estimates, which he concludes
14 would support a growth rate of 4.3 percent. *See* Murray Rebuttal Testimony at page
15 13. Finally, apparently to show that even a 4.3 percent growth rate might be too high,
16 Mr. Murray offers what he calls a Great Plains Energy “internal DCF analysis,”
17 which contains a growth rate of slightly over 2 percent. *See* Murray Rebuttal
18 Testimony at page 15. This range of growth rates, 2 percent to 4.3 percent, with Mr.
19 Murray’s 4.1 percent projected dividend yield would produce a constant growth DCF
20 range of 6.1 percent to 8.4 percent. My response to Mr. Murray’s growth rates and
21 the ROEs implied by his views is the same as in my Rebuttal Testimony: His views
22 and the results of his analysis do not meet the “common sense” test that the Staff’s

1 Revenue Requirement/Cost of Service Report (“Staff Report”) initially called for.
2 Mr. Murray’s analysis is not reliable and his recommendations should be rejected.

3 **Q. Did Mr. Murray’s growth rate discussion add any new information to the debate**
4 **about what the long-term DCF growth rate should be?**

5 A. No. As I explained in my Rebuttal Testimony on page 13, lines 11 through 21:

6 Mr. Murray’s 3.5 percent rate is below the average rate of inflation in
7 the U.S. economy over the past 60 years (3.7%) and only barely above
8 the annual change in the GDP price deflator (3.4%). See Schedule
9 SCH-11. I have consistently shown in my GDP growth estimates
10 (Schedules SCH-4 and SCH-11) that the current GDP forecasts from
11 the various government agencies use estimates of permanently low
12 inflation and lower real growth rates that do not reflect the long-term
13 U.S. economy. For Mr. Murray to rely on these low GDP growth rate
14 forecasts, which are the product of the most severe economic
15 downturn since the Great Depression of the 1930s, and then to select
16 an even lower growth rate for his multi-stage DCF analysis is
17 indicative of a biased and unrealistic approach.

18 Additionally, in his Rebuttal Testimony, Mr. Murray again attempts to misuse
19 valuation data from “fairness opinions” and asset impairment tests to estimate
20 investors’ growth expectations. These are the very same kind of data from Mr.
21 Murray’s analysis that the Missouri Public Service Commission (“Commission”)
22 flatly rejected in prior Ameren Missouri rate case proceedings. See Case No. ER-
23 2011-0028, Report and Order at 69-70 (July 13, 2012); Case No. ER-2010-0036,
24 Report and Order at 20 (May 28, 2010). Mr. Murray’s historical growth rate
25 calculations are incorrect, and his use of analysts’ and accountants’ discount rates,
26 which are often confidential and entirely unknown to the investing public, is
27 inappropriate. As the Commission has in past cases, it should continue to reject Mr.
28 Murray’s inappropriate analysis.

1 **Q. At pages 5-6 of his Rebuttal Testimony, Mr. Murray says that four of your**
2 **comparable companies should have been excluded. How do you respond?**

3 A. First, Mr. Murray acknowledges on page 5, lines 18-19 that he is “not focusing on Dr.
4 Hadaway’s proxy group for purposes” of his Rebuttal Testimony. As such, he
5 provides no analysis or explanation of why our respective proxy groups are so
6 different. Additionally, it is Mr. Murray who has a different proxy group; Mr.
7 Gorman, Mr. Kahal, and I use the same group.

8 I disagree with the reasons Mr. Murray states for removing the four
9 companies, because his reasons are *ad hoc* and could lead to “selectivity” criticism.
10 While it is generally not possible to pick a perfect proxy group, to the extent that
11 reasonable selection criteria are applied consistently and a reasonably large group is
12 chosen, the results should not be significantly affected by additional details like those
13 noted by Mr. Murray. Finally, as I explained in my Rebuttal Testimony DCF update,
14 I evaluated the comparable group based on the most recent data and eliminated two of
15 the four companies that Mr. Murray complains about. Those companies, Edison
16 International and Vectren, were removed because they no longer met my selection
17 criteria. Mr. Murray’s comparable company comments are misplaced and should be
18 disregarded.

19 **Q. At page 9 of his Rebuttal Testimony, Mr. Murray offers an example based on**
20 **your GDP growth rate and the dividend yield for the S&P 500 Index. How do**
21 **you respond to this example?**

22 A. In his example, Mr. Murray adds my initial GDP growth rate estimate (5.8%) to the
23 recent S&P 500 dividend yield (2.24%) to obtain a “yield plus growth” DCF estimate

1 for the S&P 500 of 8.04 percent. While his math is correct, his logic is entirely
2 wrong. The simple, constant growth DCF model, which Mr. Murray uses for this
3 purpose, should not be applied to the S&P 500 index. Many of the companies in the
4 index currently pay little or no dividends, but they have (relative to GDP) very high
5 expected growth rates. Under these circumstances, the DCF model cannot be applied
6 without assuming a multi-stage growth approach, or by assuming that current
7 analysts' growth rates are expected to be blended, at some point in the future, with
8 lower perpetual growth rates and with, currently unknown, higher future dividend
9 yields. A correct application of the DCF model and principles of finance to
10 companies in the S&P 500 is much more complex than Mr. Murray's GDP growth
11 plus current yield approach. His S&P 500 analogy is, therefore, inappropriate and
12 misleading. As a result, Mr. Murray's conclusion that his example illustrates how my
13 methodologies "defy" basic principles of finance should be disregarded.

14 **Q. What other parts of Mr. Murray's GDP discussion do you disagree with?**

15 A. I additionally disagree with the second portion of Mr. Murray's GDP discussion,
16 which appears on pages 9-10 of his Rebuttal Testimony. In this discussion, Mr.
17 Murray mistakenly claims that GDP growth "... is often used for a company or an
18 industry in its 'growth phase,' i.e., experiencing 'supernormal' growth." In fact, the
19 opposite is true. In my Direct Testimony at page 38, I provided the following
20 quotation from the well respected Brigham and Houston textbook:

21 Expected growth rates vary somewhat among companies, but
22 dividends for mature firms are often expected to grow in the future at
23 about the same rate as nominal gross domestic product (real GDP plus
24 inflation). On this basis, one might expect the dividend of an average,
25 or "normal," company to grow at a rate of 5 to 8 percent a year.

1 (Eugene F. Brigham and Joel F. Houston, *Fundamentals of Financial*
2 *Management*, 11th Ed. 2007, page 298 [emphasis added].)

3 In addition to his misstatements about “supernormal” growth versus expected
4 growth for “mature” firms, Mr. Murray again refers to his flawed historical growth
5 rate studies to support his contentions.

6 **Q. On page 17-18, Mr. Murray criticizes your risk premium study. How do you**
7 **respond to these criticisms?**

8 A. Mr. Murray’s criticisms of my analysis are misplaced. First, he says that my use of
9 allowed ROE data to interpret the market’s required rate of return is of questionable
10 value. His opinion in this regard is exactly opposite of the Commission’s opinion in
11 the July 2011 Ameren Missouri Report and Order:

12 The Commission mentions the average allowed return on equity
13 not because the Commission should, or would slavishly follow the
14 national average in awarding a return on equity to Ameren
15 Missouri. However, Ameren Missouri must compete with other
16 utilities all over the country for the same capital. Therefore, the
17 average allowed return on equity provides a reasonableness test for
18 the recommendations offered by the return on equity experts.
19 (Case No. ER-2011-0028, Report and Order at 67, ¶ 12).

20 Additionally, Mr. Murray is incorrect in his criticism of my risk premium adjustment,
21 which accounts for the inverse relationship between risk premiums and interest rate
22 levels. My data, spanning the 1980-2011 timeframe, clearly demonstrate this inverse
23 relationship. See Schedules SCH-6 and SCH-13 at page 3 and Hadaway Rebuttal
24 Testimony at page 21, Graph 2. During periods of high interest rates, regulators have
25 allowed and investors have come to expect, lower risk premiums. Similarly, during
26 periods of low interest rates, risk premiums tend to expand. Mr. Murray’s criticism
27 of this fundamental relationship is simply a further effort to reduce ROE in lockstep

1 with current, artificially low interest rates. Finally, Mr. Murray is incorrect in his
 2 criticism of my use of projected interest rates. I use both actual and projected rates in
 3 my risk premium analysis because investors are fully aware of both. The risk
 4 premium approach is an effort to gauge the cost of equity by reviewing debt costs and
 5 the relationship between debt costs and the cost of equity. Interest rate forecasts are
 6 an integral part of what investors expect and, therefore, such forecasts, along with
 7 existing actual interest rates, provide additional information about what investors
 8 expect their ROE to be. Mr. Murray's criticisms should be dismissed.

9 **Q. In your Direct and Rebuttal Testimony, you provided the recently allowed rates**
 10 **of return for other vertically integrated electric utilities. Has there been a**
 11 **further update to those data?**

12 A. Yes. On October 4, 2012, SNL Regulatory Research Associates published its 3rd
 13 Quarter Regulatory Focus, which contains the allowed rates of return from other
 14 commissions through September 30, 2012. Those results for the 3rd Quarter 2012,
 15 along with the quarterly averages for the past five years, are shown in Table 1 below:

16 **Table 1**
 17 **Authorized Equity Returns for Vertically-Integrated Electric Utilities**

	2008	2009	2010	2011	2012
19 1 st Quarter	10.49%	10.57%	10.59%	10.09%	10.30%
20 2 nd Quarter	10.48%	10.75%	10.18%	10.26%	9.95%
21 3 rd Quarter	10.48%	10.50%	10.32%	10.11%	9.90%
22 4 th Quarter	10.38%	10.59%	10.32%	10.39%	
23 Full Year Average	10.45%	10.63%	10.38%	10.24%	10.09%

24 Source: Regulatory Focus, SNL Regulatory Research Associates, Major Rate
 25 Case Decisions, October 4, and Schedule SCH-14.

26 **Q. Does this conclude your testimony?**

27 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of KCP&L Greater Missouri)
Operations Company's Request for Authority to) Case No. ER-2012-0175
Implement General Rate Increase for Electric Service)

AFFIDAVIT OF SAMUEL C. HADAWAY

STATE OF TEXAS)
) ss
COUNTY OF TRAVIS)

Samuel C. Hadaway, being first duly sworn on his oath, states:

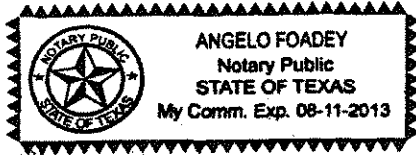
1. My name is Samuel C. Hadaway. I am employed by FINANCO, Inc. in Austin, Texas. I have been retained by Great Plains Energy, Inc., the parent company of KC&PL Greater Missouri Operations Company, to serve as an expert witness on behalf of KC&PL Greater Missouri Operations Company.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of KC&PL Greater Missouri Operations Company consisting of seven (7) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Samuel C. Hadaway
Samuel C. Hadaway

Subscribed and sworn before me this 09 day of October, 2012.



Angelo Foadey
Notary Public

My commission expires: 8-11-2013

KCP&L Greater Missouri Operations Company
Electric Utility ROE Cases (2008)

Panel 1

T&D Utilities vs. Vertically-Integrated Utilities

T&D Utilities					
No	Date	Company	State	ROE	Comment
1	1/28/2008	Connecticut Light & Power	CT	9.40%	
2	1/30/2008	Potomac Electric Power	DC	10.00%	
3	2/29/2008	Fitchburg Gas & Electric	MA	10.25%	
4	3/25/2008	Consolidated Edison of New York	NY	9.10%	
5	5/27/2008	UNS Electric	AZ	10.00%	T&D segment of Unisource
6	7/16/2008	Orange and Rockland Utilities	NY	9.40%	
7	9/10/2008	Commonwealth Edison	IL	10.30%	

Average T&D

	9.78%
Min	9.10%
Max	10.30%

Vertically-Integrated Utilities

No	Date	Company	State	ROE
1	1/8/2008	Northern States Power	WI	10.75%
2	1/17/2008	Wisconsin Electric Power	WI	10.75%
3	1/31/2008	Central Vermont Public Service	VT	10.21%
4	3/12/2008	PacifiCorp	WY	10.25%
5	4/22/2008	MDU Resources	MT	10.25%
6	4/24/2008	Public Service Company of NM	NM	10.10%
7	5/1/2008	Hawaiian Electric Co	HI	10.70%
8	6/10/2008	Consumers Energy	MI	10.70%
9	6/27/2008	Appalachian Power	WV	10.50%
10	6/27/2008	Sierra Pacific Power	NV	10.60%
11	7/10/2008	Otter Tail Corp	MN	10.43%
12	7/30/2008	Empire District Electric	MO	10.80%
13	8/11/2008	PacifiCorp	UT	10.25%
14	8/26/2008	Southwestern Public Service	NM	10.18%
15	9/24/2008	Central Illinois Light	IL	10.65%
16	9/24/2008	Central Illinois Public Service	IL	10.65%
17	9/24/2008	Illinois Power	IL	10.65%
18	9/30/2008	Avista Corp	ID	10.20%
19	10/8/2008	Puget Sound Energy	WA	10.15%
20	11/17/2008	Appalachian Power	VA	10.20%
21	12/1/2008	Tucson Electric	AZ	10.25%
22	12/23/2008	Detroit Edison	MI	11.00%
23	12/29/2008	Portland General	OR	10.10%
24	12/2/2008	Avista Corp	WA	10.20%
25	12/31/2008	Northern States Power	ND	10.75%

Average Vertically-Integrated

	10.45%
Min	10.10%
Max	11.00%

Other Cases

No	Date	Company	State	ROE	Comment
1	2/6/2008	Interstate Power & Light	IA	11.70%	Power plant only
2	3/31/2008	Virginia Electric Power	VA	12.12%	Power plant only
4	6/16/2008	MidAmerican Energy	IA	11.70%	Power plant only
5	8/27/2008	MidAmerican Energy	IA	11.70%	Power plant only
6	11/13/2008	NorthWestern Corp	MT	10.00%	Power plant only

Average Other

	11.44%
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Average all Utilities for 2008

	10.46%
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Panel 2

Summary of Results by Quarter

T&D Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
ROE	9.69%	10.00%	9.85%		9.78%
No. Cases	4	1	2	0	7

Vertically-Integrated Utilities

By Quarter	1Q	2Q	3Q	4Q	Total
ROE	10.49%	10.48%	10.48%	10.38%	10.45%
No. Cases	4	6	8	7	25

Other Cases

By Quarter	1Q	2Q	3Q	4Q	Total
ROE	11.91%	11.70%	11.70%	10.00%	11.44%
No. Cases	2	1	1	1	5

All Utilities

By Quarter	1Q	2Q	3Q	4Q	Total
ROE	10.45%	10.57%	10.47%	10.33%	10.46%
No. Cases	10	8	11	8	37

KCP&L Greater Missouri Operations Company
Electric Utility ROE Cases (2009)

Panel 1

T&D Utilities and Vertically-Integrated Utilities

T&D Utilities					
No	Date	Company	State	ROE	Comment
1	1/21/2009	Cleveland Electric Illuminating	OH	10.50%	
2	1/21/2009	Ohio Edison	OH	10.50%	
3	1/21/2009	Toledo Edison	OH	10.50%	
4	2/4/2009	United Illuminating	CT	8.75%	
5	4/24/2009	Consolidated Edison of New York	NY	10.00%	
6	6/22/2009	Central Hudson Gas & Electric	NY	10.00%	
7	7/8/2009	Duke Energy Ohio	OH	10.63%	
8	8/31/2009	Oncor Electric Delivery	TX	10.25%	
9	11/30/2009	Mass El./Nantucket El.	MA	10.35%	
10	12/30/2009	Delmarva Power & Light	MD	10.00%	
Average T&D				10.15%	
				Min 8.75%	
				Max 10.63%	

Vertically-Integrated Utilities

No	Date	Company	State	ROE
1	1/14/2009	Public Service Oklahoma	OK	10.50%
2	1/30/2009	Idaho Power	ID	10.50%
3	2/10/2009	Union Electric	MO	10.76%
4	3/4/2009	Indiana Michigan Power	IN	10.50%
5	4/2/2009	Entergy New Orleans	LA	11.10%
6	4/21/2009	PacifiCorp	UT	10.61%
7	4/30/2009	Tampa Electric	FL	11.25%
8	5/4/2009	Minnesota Power	MN	10.74%
9	5/20/2009	Oklahoma Gas & Electric	AR	10.25%
10	5/28/2009	Public Service New Mexico	NM	10.50%
11	6/24/2009	Nevada Power	NV	10.80%
12	7/17/2009	Avista Corp.	ID	10.50%
13	10/14/2009	Cleco Power	LA	10.70%
14	10/23/2009	Northern States Power-Minn	MN	10.88%
15	11/2/2009	Consumers Energy	MI	10.70%
16	11/3/2009	Sierra Pacific Power	CA	10.70%
17	11/24/2009	Southwestern Electric Power	AR	10.25%
18	11/25/2009	Otter Tail Power	ND	10.75%
19	12/7/2009	Duke Energy Carolinas	NC	10.70%
20	12/16/2009	Arizona Public Service	AZ	11.00%
21	12/16/2009	Upper Peninsula Power	MI	10.90%
22	12/18/2009	Wisconsin Electric Power	WI	10.40%
23	12/18/2009	Wisconsin Power and Light	WI	10.40%
24	12/22/2009	Avista Corp.	WA	10.20%
25	12/22/2009	Madison Gas and Electric	WI	10.40%
26	12/22/2009	Northern States Power-Wisc	WI	10.40%
27	12/24/2009	Public Service of Colorado	CO	10.50%

Average Vertically-Integrated				10.63%
				Min 10.20%
				Max 11.25%

Other Cases

No	Date	Company	State	ROE	Comment
1	2/4/2009	Interstate Power & Light	IA	10.10%	Power plant only
2	5/20/2009	NorthWestern Corp	MT	10.25%	Power plant only

Average Other				10.18%
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Average All Utilities for 2009				10.48%
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Panel 2

Summary of Results by Quarter

T&D Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
Avg. ROE	10.06%	10.00%	10.44%	10.18%	10.15%
No. Cases	4	2	2	2	10

Vertically-Integrated Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
Avg. ROE	10.57%	10.75%	10.50%	10.59%	10.63%
No. Cases	4	7	1	15	27

Other Cases					
By Quarter	1Q	2Q	3Q	4Q	Total
ROE	10.10%	10.25%			10.18%
No. Cases	1	1	0	0	2

All Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
ROE	10.29%	10.55%	10.46%	10.54%	10.48%
No. Cases	9	10	3	17	39

Source: Regulatory Research Associates, "Major Rate Case Decisions, January 2009-December 2009," January 8, 2010.

**KCP&L Greater Missouri Operations Company
Electric Utility ROE Cases (2010)**

Panel 1

T&D Utilities and Vertically-Integrated Utilities

T&D Utilities					
No	Date	Company	State	ROE	Comment
1	2/9/2010	Narragansett Electric	RI	9.80%	
2	3/2/2010	Potomac Electric Power	DC	9.63%	
3	3/26/2010	Consolidated Edison of NY	NY	10.15%	
4	4/29/2010	Central Illinois Light	IL	9.90%	
5	4/29/2010	Central Illinois Public Service	IL	10.06%	
6	4/29/2010	Illinois Power	IL	10.26%	
7	5/12/2010	Atlantic City Electric	NJ	10.30%	
8	5/12/2010	Rockland Electric	NJ	10.30%	
9	6/7/2010	Public Service Electric & Gas	NJ	10.30%	
10	6/18/2010	Central Hudson Gas & Electric	NY	10.00%	
11	6/28/2010	Public Service of New Hampshire	NH	9.67%	
12	6/30/2010	Connecticut Light & Power	CT	9.40%	
13	9/16/2010	New York State Electric & Gas	NY	10.00%	
14	9/16/2010	Rochester Gas and Electric	NY	10.00%	
15	12/9/2010	NorthWestern Corp.	MT	10.00%	
Average T&D				9.98%	
				Min 9.40%	
				Max 10.30%	

Vertically-Integrated Utilities

No	Date	Company	State	ROE
1	1/11/2010	Detroit Edison	MI	11.00%
2	1/19/2010	Interstate Power & Light	IA	10.80%
3	1/26/2010	PacifiCorp	OR	10.13%
4	1/27/2010	Westar Energy	KS	10.40%
5	1/27/2010	Kansas Gas & Electric	KS	10.40%
6	1/27/2010	Duke Energy Carolines	SC	10.70%
7	2/18/2010	PacifiCorp	UT	10.60%
8	2/24/2010	Idaho Power	OR	10.18%
9	3/4/2010	Kentucky Utilities	VA	10.50%
10	3/5/2010	Florida Power	FL	10.50%
11	3/11/2010	Virginia Electric and Power	VA	11.90%
12	3/17/2010	Florida Power & Light	FL	10.00%
13	4/2/2010	Puget Sound Energy	WA	10.10%
14	5/26/2010	MDU Resources	WY	10.00%
15	5/28/2010	Union Electric	MO	10.10%
16	6/23/2010	Entergy Arkansas	AR	10.20%
17	6/28/2010	Kentucky Power	KY	10.50%
18	7/1/2010	Wisconsin Electric Power	MI	10.25%
19	7/15/2010	South Carolina Electric & Gas	SC	10.70%
20	7/15/2010	Appalachian Power	VA	10.53%
21	7/30/2010	Maui Electric	HI	10.70%
22	8/4/2010	Black Hills Colorado Electric	CO	10.50%
23	8/6/2010	Potomac Electric Power	MD	9.83%
24	8/25/2010	Northern Indiana Public Service	IN	9.90%
25	9/14/2010	Hawaiian Electric	HI	10.70%
26	9/30/2010	UNS Electric	AZ	9.75%
27	10/14/2010	Indiana Michigan Power	MI	10.35%
28	10/28/2010	Hawaii Electric Light	HI	10.70%
29	11/2/2010	Minnesota Power	MN	10.38%
30	11/4/2010	Consumers Energy	MI	10.70%
31	11/19/2010	Avista Corp.	WA	10.20%
32	11/22/2010	Kansas City Power & Light	KS	10.00%
33	12/1/2010	Entergy Texas	TX	10.13%
34	12/6/2010	Baltimore Gas & Electric	MD	9.86%
35	12/15/2010	Interstate Power & Light	IA	10.00%
36	12/13/2010	Dominion North Carolina Power	NC	10.70%
37	12/14/2010	PacifiCorp	OR	10.13%
38	12/17/2010	Portland General Electric	OR	10.00%
39	12/20/2010	Sierra Pacific Power	NV	10.60%
40	12/21/2010	Upper Peninsula Power	MI	10.30%
41	12/27/2010	PacifiCorp	ID	9.90%
42	12/29/2010	Georgia Power	GA	11.15%

Average Vertically-Integrated	10.38%
Min	9.75%
Max	11.90%

Other Cases

No	Date	Company	State	ROE	Comment
1	3/11/2010	Virginia Electric and Power	VA	12.30%	Power plant only
2	3/11/2010	Virginia Electric and Power	VA	12.30%	Power plant only

Average Other	12.30%
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Average All Utilities for 2010	10.34%
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Panel 2

Summary of Results by Quarter

T&D Utilities						
By Quarter	1Q	2Q	3Q	4Q	Total	
Avg. ROE	9.86%	10.02%	10.00%	10.00%	9.98%	
No. Cases	3	9	2	1	15	
Vertically-Integrated Utilities						
By Quarter	1Q	2Q	3Q	4Q	Total	
Avg. ROE	10.59%	10.18%	10.32%	10.32%	10.38%	
No. Cases	12	5	9	16	42	
Other Cases						
By Quarter	1Q	2Q	3Q	4Q	Total	
ROE	12.30%				12.30%	
No. Cases	2	0	0	0	2	
All Utilities						
By Quarter	1Q	2Q	3Q	4Q	Total	
ROE	10.66%	10.08%	10.26%	10.30%	10.34%	
No. Cases	17	14	11	17	59	

KCP&L Greater Missouri Operations Company
Electric Utility ROE Cases (2011)

Panel 1

T&D Utilities and Vertically-Integrated Utilities

T&D Utilities					
No	Date	Company	State	ROE	Comment
1	1/18/2011	Delmarva Power & Light Co.	DE	10.00%	
2	1/20/2011	Niagara Mohawk Power Corp.	NY	9.30%	
3	1/20/2011	Texas-New Mexico Power Co.	TX	10.13%	
4	1/31/2011	Western Massachusetts Electric	MA	9.60%	
5	2/3/2011	CenterPoint Energy Houston	TX	10.00%	
6	4/26/2011	Unitil Energy Systems	NH	9.67%	
7	5/24/2011	Commonwealth Edison	IL	10.50%	
8	6/16/2011	Orange and Rockland Utilities	NY	9.20%	
9	8/1/2011	Fitchburg Gas & Electric	MA	9.20%	
10	8/19/2011	Oncor Electric Delivery	TX	10.25%	
11	12/14/2011	Columbus Southern Power	OH	10.00%	
12	12/14/2011	Ohio Power	OH	10.30%	

Average T&D	9.85%
	Min 9.20%
	Max 10.50%

Vertically-Integrated Utilities

No	Date	Company	State	ROE
1	1/5/2011	Public Service Co. of OK	OK	10.15%
2	1/12/2011	Madison Gas and Electric Co.	WI	10.30%
3	1/13/2011	Wisconsin Public Service Corp.	WI	10.30%
4	2/25/2011	Hawaiian Electric Co.	HI	10.00%
5	3/25/2011	PacifiCorp	WA	9.80%
6	3/30/2011	Appalachian Pwr/Wheeling Pwr	WV	10.00%
7	4/12/2011	Kansas City Power & Light	MO	10.00%
8	4/25/2011	Otter Tail Power Co.	MN	10.74%
9	4/27/2011	Southern Indiana Gas & Electric	IN	10.40%
10	5/4/2011	KCP&L Greater Missouri Op. (MPS)	MO	10.00%
11	5/4/2011	KCP&L Greater Missouri Op. (L&P)	MO	10.00%
12	6/8/2011	MDU Resources	ND	10.75%
13	6/17/2011	Oklahoma Gas & Electric	AR	9.95%
14	7/13/2011	Union Electric	MO	10.20%
15	8/8/2011	Public Service Co. of New Mexico	NM	10.00%
16	8/11/2011	PacifiCorp	UT	10.00%
17	8/12/2011	Interstate Power and Light	MN	10.35%
18	9/22/2011	PacifiCorp	WY	10.00%
19	10/12/2011	Kentucky Utilities	VA	10.30%
20	10/20/2011	Detroit Edison	MI	10.50%
21	11/30/2011	Appalachian Power	VA	10.90%
22	11/30/2011	Virginia Electric and Power	VA	10.90%
23	12/20/2011	Upper Peninsula Power	MI	10.20%
24	12/21/2011	Northern Indiana Public Service	IN	10.20%
25	12/22/2011	Black Hills Colorado Elec. Utility Co.	CO	9.90%
26	12/22/2011	Northern States Power-Wisconsin	WI	10.40%
27	12/23/2011	Nevada Power	NV	10.19%

Average Vertically-Integrated	10.24%
	Min 9.80%
	Max 10.90%

Other Cases

No	Date	Company	State	ROE	Comment
1	3/22/2011	Virginia Electric and Power	VA	12.30%	Power plant only
2	3/22/2011	Virginia Electric and Power	VA	12.30%	Power plant only

Average Other	12.30%
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Average All Utilities for 2011	10.22%
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Panel 2

Summary of Results by Quarter

T&D Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
Avg. ROE	9.81%	9.79%	9.73%	10.15%	9.85%
No. Cases	5	3	2	2	12

Vertically-Integrated Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
Avg. ROE	10.09%	10.26%	10.11%	10.39%	10.24%
No. Cases	6	7	5	9	27

Other Cases					
By Quarter	1Q	2Q	3Q	4Q	Total
ROE	12.30%				12.30%
No. Cases	2	0	0	0	2

All Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
ROE	10.32%	10.12%	10.00%	10.34%	10.22%
No. Cases	13	10	7	11	41

KCP&L Greater Missouri Operations Company
Electric Utility ROE Cases (2012)

Panel 1

T&D Utilities and Vertically-Integrated Utilities

T&D Utilities					
No	Date	Company	State	ROE	Comment
1	5/29/2012	Commonwealth Edison	IL	10.05%	
2	6/14/2012	Orange and Rockland Utilities	NY	9.40%	
3	7/20/2012	Delmarva Power & Light	MD	9.81%	
4	7/20/2012	Potomac Electric Power	MD	9.31%	
5	9/19/2012	Ameren Illinois	IL	10.05%	
6	9/26/2012	Potomac Electric Power	DC	9.50%	

Average T&D	9.69%
	Min 9.31%
	Max 10.05%

Vertically-Integrated Utilities					
No	Date	Company	State	ROE	
1	1/25/2012	Duke Energy Carolinas	SC	10.50%	
2	1/27/2012	Duke Energy Carolinas	NC	10.50%	
3	2/15/2012	Indiana Michigan Power	MI	10.20%	
4	2/23/2012	Idaho Power	OR	9.90%	
5	2/27/2012	Gulf Power	FL	10.25%	
6	2/29/2012	Northern States Power-Minnesota	ND	10.40%	
7	3/29/2012	Northern States Power-Minnesota	MN	10.37%	
8	4/4/2012	Hawaii Electric Light	HI	10.00%	
9	4/26/2012	Public Service Co. of Colorado	CO	10.00%	
10	5/2/2012	Maui Electric Company	HI	10.00%	
11	5/7/2012	Puget Sound Energy	WA	9.80%	
12	5/15/2012	Arizona Public Service	AZ	10.00%	
13	6/7/2012	Consumers Energy	MI	10.30%	
14	6/15/2012	Wisconsin Power and Light	WI	10.40%	
15	6/18/2012	Cheyenne Light, Fuel and Power	WY	9.60%	
16	6/19/2012	Northern States Power-Minnesota	SD	9.25%	
17	6/26/2012	Wisconsin Electric Power	MI	10.10%	
18	6/29/2012	Hawaiian Electric Company	HI	10.00%	
19	7/9/2012	Oklahoma Gas & Electric	OK	10.20%	
20	7/16/2012	PacifiCorp	WY	9.80%	
21	9/13/2012	Entergy Texas	TX	9.80%	
22	9/19/2012	PacifiCorp	UT	9.80%	

Average Vertically-Integrated	10.05%
	Min 9.25%
	Max 10.50%

Other Cases					
No	Date	Company	State	ROE	Comment
1	1/3/2012	Appalachian Power	VA	11.40%	Generation rider
2	2/2/2012	Virginia Electric and Power	VA	11.40%	Generation rider
3	3/16/2012	Virginia Electric and Power	VA	12.40%	Generation rider
4	3/20/2012	Virginia Electric and Power	VA	11.40%	Generation rider
5	3/23/2012	Virginia Electric and Power	VA	11.40%	Generation rider

Average Other	11.60%
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Average All Utilities for 2012	10.22%
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Source: SNL Regulatory Research Associates, "Major Rate Case Decisions" October 4, 2012.

Panel 2

Summary of Results by Quarter

T&D Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
Avg. ROE		9.73%	9.67%		9.69%
No. Cases	0	2	4		6

Vertically-Integrated Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
Avg. ROE	10.30%	9.95%	9.90%		10.05%
No. Cases	7	11	4		22

Other Cases					
By Quarter	1Q	2Q	3Q	4Q	Total
ROE	11.60%				11.60%
No. Cases	5				5

All Utilities					
By Quarter	1Q	2Q	3Q	4Q	Total
ROE	10.84%	9.92%	9.78%		10.22%
No. Cases	12	13	8		33

Vertically-Integrated Electrics	
4th Qtr 2011	10.39%
1st Qtr 2012	10.30%
2nd Qtr 2012	9.95%
3rd Qtr 2012	9.90%
Last 4-Qtr Average	10.14%