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 Witness: Michael P. Gorman
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 Sponsoring Party: Midwest Energy Consumers Group
 Case Nos.: ER-2018-0145 and ER-2018-0146
 Date Testimony Prepared: September 4, 2018

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 October 24, 2018
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 Service Commission

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

_____)
 In the Matter of Kansas City Power & Light)
 Company's Request for Authority to) **Case No. ER-2018-0145**
 Implement a General Rate Increase for)
 Electric Service)
 _____)

_____)
 In the Matter of KCP&L Greater Missouri)
 Operations Company's Request for) **Case No. ER-2018-0146**
 Authority to Implement a General Rate)
 Increase for Electric Service)
 _____)

Surrebuttal Testimony and Schedules of

Michael P. Gorman MECG Exhibit No. 512

Date 9/25/18 Reporter TT

File No. ER-2018-0145
ER-2018-0146

On behalf of

Midwest Energy Consumers Group

September 4, 2018



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-2018-0145

In the Matter of KCP&L Greater Missouri
Operations Company's Request for
Authority to Implement a General Rate
Increase for Electric Service

Case No. ER-2018-0146

STATE OF MISSOURI)

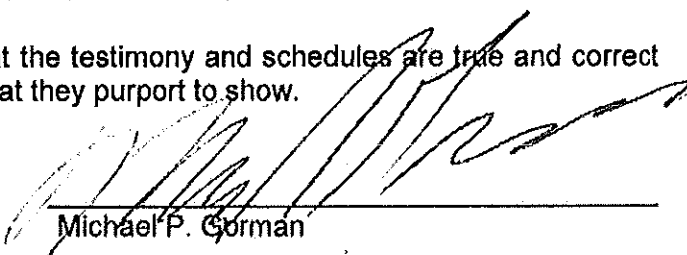
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COUNTY OF ST. LOUIS)

Affidavit of Michael P. Gorman

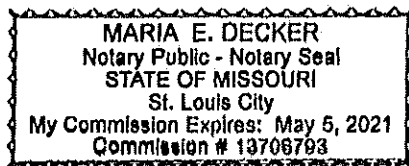
Michael P. Gorman, being first duly sworn, on his oath states:

1. My name is Michael P. Gorman. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Midwest Energy Consumers Group in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes are my surrebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case Nos. ER-2018-0145 and ER-2018-0146.
3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.


Michael P. Gorman

Subscribed and sworn to before me this 4th day of September, 2018.


Notary Public



**BEFORE THE PUBLIC SERVICE COMMISSION
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**In the Matter of Kansas City Power & Light
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Implement a General Rate Increase for
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Operations Company’s Request for
Authority to Implement a General Rate
Increase for Electric Service**

Case No. ER-2018-0146

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**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-2018-0145
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Surrebuttal Testimony of Michael P. Gorman

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 Q ARE YOU THE SAME MICHAEL P. GORMAN WHO PREVIOUSLY FILED
5 TESTIMONY IN THIS CASE?

6 A Yes. I filed revenue requirement direct and rebuttal testimony on June 19, and
7 July 27, 2018, respectively, on behalf of the Midwest Energy Consumers Group
8 ("MECG").

9 Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

10 A I respond to the rebuttal testimony of Kansas City Power & Light Company's ("KCPL"
11 or "Company") and KCP&L Greater Missouri Operations Company's ("GMO" or

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1 "Company") (collectively, "Companies") witness Robert Hevert, and Staff witnesses
2 Jeffrey Smith and Natelle Dietrich.

3 While Staff witness Mr. Smith filed rebuttal testimony on return on equity, he
4 notes that my recommended return on equity of 9.3% is within his recommended
5 range of 9.0% to 10.0%. As such, Mr. Smith did not take issue with the
6 reasonableness of my recommended return on equity. Given this Staff position, I will
7 not have surrebuttal in response to Staff's return on equity rebuttal, but I will comment
8 on Staff's capital structure and cost of debt positions.

9 My silence in regard to any issue should not be construed as an endorsement
10 of KCPL / GMO's position.

11 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND FINDINGS.**

12 **A** I respond to many of the assertions and findings offered by KCPL / GMO witness
13 Hevert in support of increasing the Companies' return on equity in this case relative to
14 their last case in Missouri and in Kansas. I find Mr. Hevert's arguments to be
15 misplaced or his facts deficient. In summary, I find the following:

- 16 1. Observable market evidence shows that authorized returns on equity around
17 9.5% have been more than adequate to support investment grade credit standing,
18 financial integrity and access to capital under reasonable terms and prices.
- 19 2. The same finding is true for KCPL and GMO since their last rate proceeding
20 before the Missouri Public Service Commission ("Commission").
- 21 3. Mr. Hevert's own analysis in this case, compared to KCPL's and GMO's last case
22 shows that the cost of capital has decreased marginally since KCPL / GMO's last
23 case, and an increase in the authorized return on equity in this case is not
24 justified.
- 25 4. Information from the Companies also shows that authorized returns on equity
26 awarded to KCPL and GMO in Kansas and Missouri have been adequate to
27 maintain their access to capital under reasonable terms and prices, and have
28 supported their financial integrity.

- 1 5. Setting rates based on a reasonable return on equity in the range of 9.1% to 9.5%
2 will accomplish the objectives of fair compensation, maintaining financial integrity
3 and credit standing, but at much lower cost to retail customers than the
4 Companies' proposal in this proceeding.
- 5 6. I also respond to Mr. Hevert's updated analysis and demonstrate how it was
6 flawed and resulted in inflation to the return on equity estimate for KCPL and
7 GMO in this proceeding. Reasonable applications of Mr. Hevert's own analysis
8 support a return on equity finding in the range of 9.1% to 9.5%.
- 9 7. Mr. Hevert's criticisms of my financial integrity study of KCPL and GMO based on
10 my return on equity recommendations and capital structure positions, are without
11 merit. These financial integrity studies do demonstrate that my recommended
12 return on equity and overall cost of capital meet the standards of fair
13 compensation, which are: maintaining financial integrity, and investment grade
14 bond ratings, preserving the utilities' access to capital, and doing so at the most
15 reasonable prices to retail customers.

16 **Hevert Updated Analysis**

17 **Q DID MR. HEVERT PROVIDE AN UPDATED ANALYSIS IN HIS REBUTTAL**
18 **TESTIMONY?**

19 **A Yes. He describes the update at page 3 of his rebuttal testimony, however he never**
20 **describes the results of his updated study.**

21 **Q DID YOU CONSIDER THE NEED TO UPDATE YOUR RETURN ON EQUITY**
22 **ANALYSIS?**

23 **A As always, I review changes in economic conditions to determine whether an updated**
24 **return on equity analysis is necessary. In this case, I did not observe changes in**
25 **economic conditions that necessitate an update or modification to the return on equity**
26 **analysis provided in my direct testimony.**

1 Q DO YOU BELIEVE THAT MR. HEVERT'S UPDATED STUDY IS REASONABLE?

2 A No. By including additional companies in his proxy group, Mr. Hevert increases his
3 DCF return range from the 8.3% to 9.5% in his direct testimony to a range of 9.2% to
4 9.9%. As will be shown, the expansion of Mr. Hevert's proxy group is not reasonable
5 or appropriate. The inclusion of these companies serves no other purpose than to
6 inflate his updated return on equity estimates.

7 Q DESPITE THE UNREASONABLE NATURE OF HIS PROXY GROUP, CAN MR.
8 HEVERT'S UPDATED ANALYSIS BE CORRECTED TO PROVIDE A
9 REASONABLE RESULT?

10 A Yes. As described in my rebuttal testimony (pages 13-37), by utilizing reasonable
11 growth rates and other inputs, Mr. Hevert's updated analysis can be corrected.

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TABLE 1

Hevert's Return on Equity Estimates

Description	Yields	Hevert Mean		Adjusted		
		Direct ¹ (1)	Update ² (2)	Direct ³ (3)	Update ⁴ (4)	
<u>Constant Growth DCF</u>						
30-Day Average		8.28%	9.24%	8.28%	8.85%	
90-Day Average		8.31%	9.29%	8.31%	8.90%	
180-Day Average		<u>8.38%</u>	<u>9.16%</u>	<u>8.38%</u>	<u>8.76%</u>	
Average Constant Growth DCF		8.32%	9.23%	8.32%	8.84%	
<u>Multi-Stage DCF -- Gordon Model</u>						
30-Day Average		8.70%	9.23%	8.01%	8.51%	
90-Day Average		8.74%	9.28%	8.05%	8.56%	
180-Day Average		<u>8.81%</u>	<u>9.14%</u>	<u>8.13%</u>	<u>8.41%</u>	
Average		8.75%	9.22%	8.06%	8.49%	
<u>Multi-Stage DCF -- Terminal P/E</u>						
30-Day Average		9.36%	9.89%	8.01%	8.51%	
90-Day Average		9.46%	10.02%	8.05%	8.56%	
180-Day Average		<u>9.67%</u>	<u>9.67%</u>	<u>8.13%</u>	<u>8.41%</u>	
Average		9.50%	9.86%	8.06%	8.49%	
DCF Range		8.3% to 9.5%	9.2% to 9.9%	8.1% to 8.3%	8.5% to 8.8%	
<u>CAPM Results (Bloomberg Beta)</u>						
	<u>Direct</u>	<u>Update</u>				
Current 30-Yr Treasury (BL)	2.77%	3.11%	8.95%	10.13%	7.10%	7.45%
Current 30-Yr Treasury (VL)	2.77%	3.11%	9.45%	10.34%	7.10%	7.45%
Near-Term Projected 30-Yr Treasury (BL)	3.32%	3.48%	9.50%	10.50%	7.64%	7.83%
Near-Term Projected 30-Yr Treasury (VL)	3.32%	3.48%	9.99%	10.71%	7.64%	7.83%
<u>CAPM Results (Value Line Beta)</u>						
Current 30-Yr Treasury (BL)	2.77%	3.11%	10.61%	11.66%	8.25%	8.50%
Current 30-Yr Treasury (VL)	2.77%	3.11%	11.24%	11.91%	8.25%	8.50%
Near-Term Projected 30-Yr Treasury (BL)	3.32%	3.48%	11.15%	12.03%	8.80%	8.87%
Near-Term Projected 30-Yr Treasury (VL)	3.32%	3.48%	11.78%	12.28%	8.80%	8.87%
<u>Risk Premium</u>						
Current 30-Yr Treasury	2.77%	3.11%	9.95%	9.96%	8.87%	9.21%
Near-Term Projected 30-Yr Treasury	3.32%	3.48%	10.01%	10.03%	9.42%	9.58%
Long-Term Projected 30-Yr Treasury	4.20%	4.30%	10.25%	10.28%	Reject	Reject
<u>Alternative Risk Premium</u>						
Current 30-Yr Treasury	2.77%	N/A	9.61%	N/A	Reject	N/A
Near-Term Projected 30-Yr Treasury	3.32%	N/A	9.59%	N/A	Reject	N/A
Long-Term Projected 30-Yr Treasury	4.20%	N/A	9.70%	N/A	Reject	N/A
Range			9.75% to 10.50%	9.75% to 10.50%	8.3% to 9.4%	8.5% to 9.5%

Sources:

¹Hevert Direct Testimony at 24, 32, 37 and 40; Schedules RBH-1 through RBH-7.²Hevert Rebuttal Schedules RBH-3 through RBH-18.³Gorman Rebuttal Testimony at 15, Table 3.⁴*Id.* and Schedule MPG-SR-3, excluding Avangrid, NextEra, and Southern Company.

1 As shown in Table 1 above, both Mr. Hevert's direct and rebuttal, with
2 reasonable adjustments, support a return on equity for KCPL and GMO in the range
3 of 8.5% to 9.5%. Also, the implied increases in Mr. Hevert's DCF results, excluding
4 the effects of three companies that should not have been included in his proxy group,
5 simply illustrate variations in stock price, up and down, and changes in growth
6 outlooks. These changes in DCF returns do not impact my finding on a reasonable
7 estimate of KCPL / GMO current market cost of equity capital. Importantly, both Mr.
8 Hevert's CAPM and equity risk premiums cost estimates have not changed from
9 direct to his rebuttal case. It is also significant that 30-year Treasury bond yields,
10 both current and projected, have not changed significantly between direct and
11 rebuttal.

12 In short, Mr. Hevert's initial and updated return on equity studies support my
13 conclusion that a reasonable return on equity falls within the range of 9.1% to 9.5%.

14 **Q DO THESE SLIGHT UPWARD MOVEMENTS IN DCF AND BOND YIELDS IN MR.**
15 **HEVERT'S UPDATED ANALYSIS SUPPORT A FINDING THAT KCPL'S AND**
16 **GMO'S RETURN ON EQUITY SHOULD BE HIGHER IN THIS CASE THAN IT WAS**
17 **IN THE LAST CASE?**

18 **A** No. As reflected on Schedule MPG-SR-1, I have compared Mr. Hevert's results from
19 his studies in this case to those offered in the last case. As shown on that schedule,
20 Mr. Hevert essentially performed the same models in the last case as he has in this
21 case. Importantly, Mr. Hevert's DCF and risk premium studies in the last case
22 supported higher returns on equity for KCPL and GMO than his studies do in this
23 case. Again, this excludes his proposal to include three inappropriate companies in
24 his updated proxy group. Other than what appears to be an obvious intention to

1 inflate his proxy group return on equity estimates, Mr. Hevert's cost of capital
2 estimates in this case support a finding that KCPL's and GMO's return on equity is
3 actually lower in this case than it was in the last case. Given this, the Commission
4 should clearly conclude that the authorized return on equity should be no higher in
5 this case than it was in the last case, and if anything should be a little lower.

6 **Modified Proxy Group**

7 **Q PLEASE DESCRIBE HOW MR. HEVERT CHANGED HIS PROXY GROUP IN HIS**
8 **UPDATED ANALYSIS.**

9 A Mr. Hevert inappropriately revised the proxy group used in his direct testimony by
10 including three new companies: Avangrid, Inc. ("Avangrid"), NextEra Energy
11 ("NextEra"), and the Southern Company. Interestingly, NextEra and Southern
12 Company are involved in significant merger and acquisition ("M&A") activity.
13 Furthermore, Avangrid is involved in the divestiture of certain business units. Given
14 this, each of these newly included companies fails to meet the proxy group selection
15 criteria expressed in Mr. Hevert's direct testimony. Specifically, at page 14 of his
16 direct testimony, Mr. Hevert states that he eliminated companies that are known to be
17 a party to a merger or other significant transactions. "I eliminated companies that are
18 currently known to be a party to a merger, or other significant transaction."

19 **Q WHY IS IT APPROPRIATE TO EXCLUDE COMPANIES THAT ARE ENGAGED IN**
20 **M&A OR OTHER TRANSACTIONAL ACTIVITIES FROM A PROXY GROUP?**

21 A The DCF and risk parameters of the company can be materially impacted when the
22 company is involved in M&A or major asset transactions. This results in inflation or
23 erosion to the DCF measured cost of equity and can also impact its risk assessment

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1 so as to not reflect the company-specific risk and growth outlook as the company
2 currently exists but rather reflect changes based on the proposed M&A transaction.
3 Hence, the DCF from such companies is not a reliable estimate of the current market
4 cost of equity.

5 **Q PLEASE DESCRIBE THE M&A OR MAJOR TRANSACTIONS IN WHICH MR.**
6 **HEVERT'S NEW PROXY COMPANIES ARE CURRENTLY ENGAGED.**

7 **A** As reflected in its May 20, 2018 8-K filing with the Securities and Exchange
8 Commission ("SEC"), NextEra is in the process of acquiring two utility companies
9 from Southern Company: Gulf Power Company and Florida City Gas. This was a
10 sale of major operating companies by Southern Company and a major acquisition of
11 operating companies by NextEra.

12 Further, Avangrid (formerly known as Energy East and Iberdrola USA) is also
13 involved in significant transactions. Specifically, as reflected in its most recent 10-K
14 filing with the SEC, Avangrid is in the process of completing the sale of both its gas
15 storage and gas trading business units. *Value Line* noted in its most recent report on
16 Avangrid that it will "no longer book losses from gas storage and trading businesses it
17 sold in the first half of 2018."¹

18 As such, all three of these companies are involved in mergers or significant
19 transactions. The inclusion of these companies distorts the DCF parameters and, as
20 Mr. Hevert initially recognized, these companies should be excluded from a proxy
21 group used to estimate a reasonable and accurate estimate of KCPL's and GMO's
22 current market cost of equity.

¹*The Value Line Investment Survey*, August 17, 2018.

1 Q IS THERE ANY OTHER REASON TO EXCLUDE AVANGRID FROM MR.
2 HEVERT'S UPDATED PROXY GROUP?

3 A Yes. Avangrid is simply not an appropriate company to include in a proxy group for
4 KCPL and GMO. About 81.5% of Avangrid stock is owned by a private entity,
5 Iberdrola, and this stock is not publicly traded. Only approximately 18.5% of Avangrid
6 stock is publicly traded. The market data used by Mr. Hevert reflects the minority
7 interest ownership of Avangrid. Indeed, Mr. Hevert excluded Avangrid from his proxy
8 companies in Case Nos. ER-2016-0285; ER-2016-0156; ER-2014-0370; and ER-
9 2014-0371.

10 Avangrid's market price most likely reflects a control premium which is
11 logically demanded by minority shareholders, because Iberdrola has complete control
12 of Avangrid and the minority shareholders simply have no ability to influence Board
13 decisions and management decisions, apart from Iberdrola's influence. Therefore,
14 the minority shareholders have limited ownership control of Avangrid, and most likely
15 demand a return premium in exchange for accepting this minority interest risk. It is
16 simply not appropriate to include companies in a proxy group where the publicly
17 traded shares represent minority control of the publicly traded company.

18 Moreover, Avangrid does not meet Mr. Hevert's criterion that all proxy
19 companies will be vertically integrated. As its 10-K indicates, Avangrid's operations
20 are primarily in the distribution of electricity and gas in New York, Connecticut and
21 Maine. These are open access jurisdictions. Further, Avangrid is a major supplier of
22 renewable energy across the U.S., and its business operations are not comparable to
23 KCPL and GMO.

24 For these additional reasons, Avangrid should not be included in Mr. Hevert's
25 proxy group.

1 Q DOES MR. HEVERT'S EVIDENCE SHOW THAT INCLUDING THESE THREE
2 COMPANIES IN HIS PROXY GROUP HAS THE EFFECT OF INFLATING THE
3 RETURN ON EQUITY ESTIMATES FOR KCPL AND GMO?

4 A Yes. This is evident from a review of the constant growth DCF studies reflected in
5 Schedule RBH-13, pages 1-3 of Mr. Hevert's rebuttal testimony. I have included
6 below a table summarizing his proxy group median and the estimates for Avangrid,
7 NextEra Energy, and Southern Company for the 30-day, 90-day and 180-day DCF
8 studies, respectively. As shown in this schedule and as evident from a review of
9 Schedule RBH-13, Avangrid and NextEra Energy reflect significant outliers from the
10 results of his proxy group averages. This is true in all three (constant growth and two
11 multi-stage) of his DCF studies.

<u>Description</u>	<u>30-Day</u>	<u>90-Day</u>	<u>180-Day</u>
Proxy Mean	9.24%	9.26%	9.16%
Avangrid, Inc.	14.34%	14.43%	14.46%
NextEra Energy	11.87%	11.89%	11.93%
Southern Company	8.95%	8.92%	8.62%

Source: Schedule RBH-3.

12 Most significantly, Avangrid is more than 5 percentage points above the proxy
13 group average, and more than 3 percentage points above the second highest
14 company in the proxy group excluding NextEra Energy. NextEra Energy also is a
15 clear high-end outlier because in each of the studies, it reflects a DCF return estimate
16 that is more than 2 percentage points higher than the proxy group median, and

1 reflects a growth rate nearly 3 percentage points greater than the average of the
2 growth rates used in each of the DCF studies.

3 **Trend in Authorized Returns on Equity**

4 **Q DID MR. HEVERT RESPOND TO YOUR COMMENTS CONCERNING**
5 **AUTHORIZED RETURNS ON EQUITY IN THE REGULATED UTILITY INDUSTRY?**

6 **A** Yes. In my direct testimony I showed authorized returns on equity over the 12-year
7 period 2008-2017 for both gas and electric utilities. That evidence showed that there
8 was a clear and discernible downward trend in the authorized returns on equity over
9 this period. Mr. Hevert responded that he did not agree there was a downward trend.
10 To support this assertion, Mr. Hevert excluded authorized returns on equity for
11 periods 2008-2013, and focused only on equity returns during the period 2014-2018.
12 Over the shorter period, Mr. Hevert concludes that authorized returns have been
13 relatively flat.²

14 **Q IN YOUR TESTIMONY, DID YOU ASSERT THAT AUTHORIZED RETURNS ON**
15 **EQUITY OVER THE 2014-2018 PERIOD DEMONSTRATED A DOWNWARD**
16 **TREND?**

17 **A** I did not, and Mr. Hevert's implication that I did is disingenuous. I did make, however,
18 this statement based on observable trend over the period 2008-2017, which is an
19 accurate description.

²Hevert Rebuttal Testimony at 5, 36 and 37.

1 Q DO YOU AGREE WITH MR. HEVERT THAT AUTHORIZED RETURN ON EQUITY
2 AND CAPITAL MARKET COSTS HAVE BEEN LEVEL DURING THE PERIOD
3 2014-2018?

4 A Yes. I will agree with Table 1 included at page 38 of Mr. Hevert's testimony. Below I
5 expand Mr. Hevert's Table 1 and also include utility bond yields with authorized
6 returns on equity for electric utility companies. These capital returns are shown below
7 in Table 3.

Year	Authorized ROE		A-Utility		Baa-Utility	
	Return	STDEV	Yield	STDEV	Yield	STDEV
2014	9.75%	0.32%	4.28%	0.21%	4.80%	0.16%
2015	9.60%	0.39%	4.12%	0.32%	5.03%	0.44%
2016	9.60%	0.42%	3.93%	0.25%	4.67%	0.42%
2017	9.68%	0.55%	4.00%	0.15%	4.38%	0.18%
2018	9.58%	0.39%	4.03%	0.13%	4.37%	0.15%

Source: Hevert Direct testimony at 38 and <http://credittrends.moodys.com/>.

8 As shown above in Table 3, authorized returns on equity did drop after the
9 end of 2014, and have been relatively stable over 2015-2018. Indeed, the variation in
10 the average authorized return on equity has been relatively stable over this time
11 period as noted by the standard deviations of the average return on equity in each of
12 the years.³

³The standard deviation of an average explains how much variability the data points are around the group average. If all the returns on equity have a low standard deviation this indicates that most of the observations used in the average are pretty close to the average. Conversely, if the standard deviation is larger, this would indicate that the individual components that comprise the average have significant variability around the average result. As such, a low standard deviation indicates that most observations included in the average are reasonably comparable to the average.

1 Just as significantly, Table 3 above shows that A-rated and Baa-rated utility
2 bond yields have also been relatively stable over the 2015-2018 period, and the
3 variation in monthly bond yields has been increasingly more stable over this time
4 period, as evidenced by a reduction in the standard deviation in monthly average
5 yields.

6 This observable market evidence clearly indicates that capital market costs
7 have remained low over the last five years, and are more stable at these low capital
8 market costs currently than they have been in the past. Indeed, as I outlined in my
9 direct testimony, expectations of changes in capital market costs by consensus
10 economists support a finding that today's low capital market costs are expected to
11 stay low over the next five to ten years, at a minimum. (Gorman Direct Testimony at
12 10-17).

13 **Q IS THERE EVIDENCE THAT THE AUTHORIZED RETURNS ON EQUITY OF KCPL**
14 **AND GMO HAVE SUPPORTED THEIR FINANCIAL INTEGRITY, CREDIT**
15 **STANDING AND ABILITY TO ATTRACT CAPITAL UNDER REASONABLE**
16 **TERMS AND COSTS?**

17 **A Yes.** As reflected in my direct testimony, the Kansas Corporation Commission
18 authorized KCPL a return on equity of 9.3% in September of 2015. In a data request
19 response, KCPL indicated that it was not aware of any negative financial limitation to
20 KCPL associated with Kansas authorizing a 9.3% return on equity. Moreover, KCPL
21 and GMO indicated that they believed that the 9.3% return on equity agreed to for
22 use in Kansas for the next five years is reasonable. The Company made these
23 statements in response to data request MEGC Questions 13-1 and 13-2, which are
24 attached as Schedule MPG-SR-2.

1 Further, as stated at page 27 of my direct testimony, KCPL and GMO both
2 have stable credit rating outlooks from Standard & Poor's ("S&P") and Moody's.
3 Indeed, KCPL's bond ratings from S&P and Moody's are A- and Baa1, respectively,
4 where GMO's bond ratings from S&P and Moody's are A- and Baa2, respectively.
5 S&P recently upgraded its bond ratings for KCPL and GMO in part based on the
6 regulated utilities' ability to generate sufficient cash flow to sufficiently produce credit
7 metrics that support these bond ratings. Interestingly, S&P upgraded KCPL's bond
8 rating despite the commitment to use a 9.3% return on equity for the next five years in
9 Kansas. Moreover, when asked in discovery, Great Plains Energy ("GPE")
10 acknowledged that it had received no negative feedback from equity analysts
11 associated with its agreement to use a 9.3% return on equity for the next five years.
12 Clearly, GPE, KCPL, S&P, Moody's, and equity analysts all agree that capital costs
13 are likely to remain stable.

14 **Q DID YOU PROVIDE OTHER EVIDENCE THAT AUTHORIZED RETURNS ON**
15 **EQUITY HAVE SUPPORTED UTILITIES' FINANCIAL INTEGRITY, CREDIT**
16 **STANDING AND ACCESS TO CAPITAL?**

17 **A** Yes. I went into great detail on this subject in my direct testimony. At pages 10-17, I
18 demonstrated that authorized returns on equity for the industry, which have averaged
19 around 9.5% to 9.6% over the last 24 months, have supported strong investment
20 grade credit standing for utilities, access to significant amounts of capital, and very
21 strong price performance for the publicly traded holding companies of utility
22 companies. Specifically, despite the low cost of capital, there have been many more
23 credit upgrades than downgrades over this time. All of this is clear and observable
24 evidence that KCPL's / GMO's authorized return on equity is certainly no higher in

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1 this case than it was in the last case, and their authorized return on equity should be
2 no more than 9.5%.

3 **Q DO YOU BELIEVE CUSTOMERS SHOULD ALSO BE PROTECTED BY THE**
4 **STANDARDS OF FAIR AND REASONABLE RATE-SETTING IN MISSOURI?**

5 **A** Yes. As noted in my direct testimony, the *Hope* and *Bluefield* standards state that
6 utilities should receive a level of compensation that is fair, maintains financial integrity
7 and credit standing, but is no higher than necessary to achieve these objectives. In
8 doing this, rates to retail customers would be just and reasonable and will provide fair
9 compensation to investors.

10 Increasing the authorized return by 55 basis points, from the 9.3% that I
11 recommend for use in Missouri, and agreed to by GPE for use in Kansas, to 9.85%
12 as recommended by KCPL / GMO, will increase KCPL's and GMO's revenue
13 requirement and charges to customers. This increased cost will unjustifiably increase
14 rates to retail customers, and limit customers' ability to successfully operate their own
15 businesses, and households because the rates they will pay to KCPL / GMO will be
16 higher than they need to be to fairly compensate these utilities' investors. The
17 practical effect of the Commission increasing the return on equity above that which is
18 more than necessary to maintain financial integrity is to pay dividends that export
19 money out of the Missouri economy to shareholders that are primarily located in other
20 states or around the world. Indeed, in response to MCEG Data Request 5.10, GPE
21 acknowledged that only 0.57% of shareholders actually live in Missouri.

1 Q HAS THE FEDERAL RESERVE MONETARY POLICY ACTIONS, OR THE NEW
2 FEDERAL TAX REDUCTION, INCREASED UTILITIES' COST OF EQUITY
3 CAPITAL?

4 A No. I would also note that the Federal Reserve impact on interest rates has changed
5 significantly over the last several years. The Federal Reserve has gone from phasing
6 in a normalized monetary policy, to where it exists now. As recognized by Mr. Hevert,
7 and shown on my Schedule MPG-SR-3, the Federal Reserve has increased its
8 Federal Funds Rate from approximately 0.25% in December 2015 to approximately
9 2% as of June 2018. Despite these increases in short-term Federal Funds Rates,
10 long-term interest rates simply have not increased with short-term rates. This was
11 specifically addressed in my direct testimony at pages 22-26. Hence, this change in
12 Federal Reserve monetary policy has not resulted in an increased utility cost of
13 capital.

14 Further, in June 2017, the Fed announced an intention to cease interactions in
15 long-term interest rate markets.⁴ Hence, long-term markets are again driven
16 completely by market forces. During the period 2008 through around 2015, the Fed
17 accumulated approximately \$4.7 trillion of long-term interest rate securities. Since
18 terminating the Quantitative Easing ("QE") program, the Fed has now started to
19 unwind its balance sheet holdings of long-term Treasury and mortgage-backed
20 securities ("MBS"). The Fed has announced that it will do this through a gradual
21 unwind of its balance sheet position by not reinvesting maturing securities, and cash
22 flows produced through the securities the Fed owns. The market is fully aware of this
23 announced Fed normalization policy that includes the unwinding of the securities on
24 its balance sheet position. The Fed's actions are fully known to market participants

⁴Federal Reserve press release, June 14, 2017.

1 and reflected in interest rate markets and outlooks. As such, the Federal Reserve's
2 change to a normalized monetary policy has not increased long-term interest rates or
3 equity capital costs.

4 **Q DOES MR. HEVERT CLAIM THAT THE RECENT FEDERAL CORPORATE**
5 **INCOME TAX REDUCTION HAS INCREASED UTILITIES' COST OF CAPITAL?**

6 **A** Yes. That said, Mr. Hevert's claims concerning the Tax Cuts and Jobs Act ("TCJA")
7 increasing utility cost of capital is based on the erroneous suggestion that the tax rate
8 reduction is bad for credit quality. This claim is however without merit.

9 For the credit rating agencies, concerns about the impacts of the TCJA reflect
10 more short-term impacts on utilities' cash flows than it does on the long-term credit
11 standing or financial integrity of the industry. The TCJA has caused significant
12 amounts of accumulated deferred income taxes ("ADIT") to be in excess of the
13 utilities' tax obligations, and it is anticipated that regulatory commissions will require
14 these excess ADIT balances to be refunded to customers. During the refunding
15 period, particularly for unprotected excess ADIT balances, the refund of these excess
16 ADIT balances will have temporary impacts on utilities' cash flows. As such, credit
17 rating agencies have placed some utilities' credit rating on outlook with negative
18 implications, because these excess ADIT refunds will have a temporary impact on the
19 utilities' cash flows.

20 For the majority of the companies in the utility industry, however, cash flows of
21 the industry in general are very strong and refunding excess ADIT balances is not
22 expected to impact credit. Importantly, KCPL and GMO both fall into this category
23 where their credit outlooks have not been placed on negative outlook. To the

1 contrary, S&P has upgraded KCPL and GMO's credit rating and provided them a
2 stable outlook.

3 **Constant Growth DCF**

4 Q AT PAGES 20 AND 23 OF HIS REBUTTAL TESTIMONY, MR. HEVERT TAKES
5 ISSUE WITH THE REASONABLENESS OF YOUR CONSTANT GROWTH DCF
6 MODEL. PLEASE OUTLINE MR. HEVERT'S CRITICISMS.

7 A Mr. Hevert takes critical issue with the DCF model assumptions and states that,
8 based on current market capital costs, the results somehow are not reliable.
9 Specifically, he points out that under the constant growth DCF model, the underlying
10 assumptions include the dividend yield and the growth. He goes on to explain that
11 when the growth increases, it should lead to higher stock prices and lower dividend
12 yields. The converse would also be true. When growth slows, the stock price will
13 decrease and dividend yields will increase. However, Mr. Hevert claims that these
14 conditions simply are not prevalent in the current marketplace. Specifically, he states
15 that price-to-earnings ("P-E") ratios for the utility industry have risen more recently,
16 due to an expanding P-E ratio. He goes on to assert that despite the increased P-E
17 ratio, stock prices are not exhibiting higher growth in earnings and dividends, and
18 therefore DCF returns require adjustments as he states under Ibbotson and Chen
19 analyses. Ibbotson's and Chen's analyses observe that historically the market risk
20 premium experiences an abnormally high period during the period market P-E ratio
21 was abnormally at high levels, but it subsequently reverted to more normal levels.
22 Based on this assessment, Mr. Hevert concludes that the DCF analysis requires
23 adjustments which I have not made in interpreting the results of my models.

1 Q ARE MR. HEVERT'S CRITICISMS OF THE DCF ANALYSES ACCURATE?

2 A No. Indeed, I provided material in my direct testimony showing that the DCF
3 estimated return on equity is reasonable and comparable to observed market capital
4 cost. For example, I referenced the robust valuation of utility securities and observed
5 correctly, that this is an indication that utilities have access to significant amounts of
6 equity and debt capital, under reasonable terms and prices. In reaching that
7 conclusion, I referenced my Schedule MPG-2 (included with my direct testimony). On
8 that schedule, I provided a critical review of the relative level of utility dividend yields,
9 and the relative growth rate of utility outlooks currently. These factors can indicate
10 whether or not stock prices are abnormally high and can be used to assess whether
11 DCF returns are economically logical in comparison to returns on other investments
12 of comparable risk.

13 Q CAN YOU EXPAND ON WHY YOU HAVE RELIED ON OBSERVABLE MARKET
14 EVIDENCE TO SUPPORT THE REASONABLENESS OF YOUR DCF MODEL
15 RESULTS?

16 A I have updated the data I provided in my direct testimony on Schedule MPG-2, on my
17 surrebuttal testimony Schedule MPG-SR-4. As shown on that schedule, a
18 comparison can be made to whether or not the DCF return components (yield and
19 growth) are reasonable in comparison to alternative investment options. For
20 example, the yield component of a utility stock is an income return that competes for
21 other income investments such as utility bond yields. A stock yield provides both
22 income return and the prospects for future growth in dividends, earnings and stock
23 price. A bond yield provides income return with the prospect for future growth.
24 However, the yield component of a stock can be gauged against a utility bond yield to

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1 get a sense of whether or not stock yields reflect competitive income returns for the
2 component of the stock which provides income returns to shareholders.

3 Indeed, a comparison of the yield component of the DCF return in the current
4 market is very competitive when compared to the income return available for an
5 A-rated utility bond. For example, during 2018, the electric utility stock industry
6 followed by *Value Line* yielded about 3.56%. The A-rated utility bond yield during this
7 time period averaged around 4.15%. The bond to stock yield "spread" was about
8 0.6% (60 basis points). As shown on this schedule on line 48, this utility bond-stock
9 yield spread has been fairly flat since 2013. That is, utility stock yields have tracked
10 utility bond yield spreads and have averaged a negative 60 basis points. These more
11 recent stock-bond yield spreads are smaller than long-term average yield spread of
12 100 basis points, or 1 percentage point over the period 2002 to 2018. As such, utility
13 stock yields are very competitive with utility bond yields currently, which indicates that
14 DCF yields are tracking alternative investment returns, and are, therefore,
15 economically logical in comparison to alternative, comparable risk, investments.

16 From a growth perspective, my short-term analyst growth projections for my
17 proxy group are around 5.3%.⁵ This growth rate is higher than the long-term
18 historical growth of earnings and dividends for the *Value Line* electric utility universe
19 of around 4%.⁶

20 Based on these two observations, DCF returns while low, are very competitive
21 with alternative investment options available to investors, and therefore the DCF
22 returns are economically logical and reflect returns demanded by investors in the
23 current low capital market cost environment.

⁵Gorman Direct Testimony, Schedule MPG-8.

⁶*Id.* at Schedule MPG-2, page 5.

1 **CAPM Study**

2 **Q DID MR. HEVERT CRITICIZE YOUR CAPM RETURN ESTIMATE?**

3 A Yes. Mr. Hevert observed that I produced two CAPM return estimates, one reflecting
4 a market return of 9.9% and a second reflecting a return of 11.5%. His criticisms
5 largely focused on the low-end of my market return estimate. Concerning the 9.9%
6 market return estimate, he states that the historical long-run average return on the
7 market has been 12.06%. He also observes that on a 50-year rolling average basis
8 the high-end range of 11.5% falls in the bottom of the 27% decile of these average
9 returns. (Hevert Rebuttal Testimony at 26).

10 **Q DO YOU BELIEVE YOUR PROJECTED RETURNS ON THE MARKET ARE LOW**
11 **IN RELATIONSHIP TO HISTORICAL RETURNS?**

12 A Not when a full consideration is given to market factors that produced historical
13 returns, and the current consensus outlook for future market factors. Most
14 specifically, and notably, historically inflation has averaged around 3.0%. This
15 coincides with the historical arithmetic average market return of 12.1% recognized by
16 Mr. Hevert. (*Id.*). This is what drives the historical real return on the market of 9.19%
17 which I used in my study. Significantly, consensus economists are projecting long-
18 term inflation to be around 2.0%, considerably lower than the historical inflation rate
19 of 3.0%. Hence, a comparable market return going forward, recognizing reduced
20 inflation outlooks, would be 11.0%, which economically is equivalent to the historical
21 market return estimate of 12.1% adjusted for reduced inflation outlook now compared
22 to historical inflation.

1 Q DID YOU GIVE CONSIDERATION TO THE MARKET RISK PREMIUM IMPLIED
2 FROM YOUR LOW MARKET RISK PREMIUM RESULT OF 9.9% WHICH MR.
3 HEVERT PRIMARILY TAKES ISSUE WITH?

4 A Not in the current market conditions, no. As noted at page 61 of my direct testimony,
5 my estimated CAPM return ranged from approximately 8.07% up to 9.19%. The
6 high-end of that range was based on a market risk premium estimate of 7.7% which
7 was the difference between the 11.5% return on the market and a 3.8% risk-free rate.

8 Holding Mr. Hevert to his contention that the market return going forward
9 should reasonably reflect the parameters that drove market returns in the past, then
10 my 11.5% return on the market is the most accurate outlook for future market returns,
11 because it more accurately reflects the continuation of market factors that produce
12 market returns going forward, that have been realized by market participants in the
13 past. It also more accurately reflects changes in returns based on changes to future
14 market factors, most notably inflation.

15 Q MR. HEVERT ALSO DERIVES A MARKET RISK PREMIUM BASED ON AN
16 ASSUMED RELATIONSHIP OF INTEREST RATES TO MARKET RISK
17 PREMIUMS. PLEASE COMMENT.

18 A Mr. Hevert introduces a brand new concept which states that market risk premiums
19 are directly related to the level of interest rates. He cites no academic study for this
20 principle, nor investment practitioner results. Rather, it is largely based on his
21 incomplete understanding that academic research supports an ability to accurately
22 gauge an equity risk premium based on only changes in nominal interest rates. As I
23 have outlined many times in this testimony, and in many proceedings before the
24 Missouri Public Service Commission, Mr. Hevert simply is not accurately quoting

1 academic studies. Changes in interest rates are one factor which help explains
2 changes in equity risk premiums but they are not the only factor. Rather, academic
3 research is quite clear. The relationship between interest rates and equity risk
4 premiums can change over time, but the relative magnitude of an equity risk premium
5 is largely driven by changes in market perceptions of the risk of equity investment
6 versus debt investment. That risk perception can reflect expected changes in interest
7 rates, but that is simply not the only factor that explains risk premiums. The same is
8 true for his new methodology of assuming the same relationship between interest
9 rates and market risk premiums, which is simply not based on any independent
10 academic or practitioner outlook.

11 **Equity Risk Premium**

12 **Q DID MR. HEVERT MAKE ANY COMMENTS CONCERNING YOUR EQUITY RISK**
13 **PREMIUM ANALYSIS?**

14 **A** Yes. Mr. Hevert's primary argument is that equity risk premiums should be made
15 simply based on changes in nominal interest rates. He demonstrates that there is a
16 relationship between changes in nominal interest rates and equity risk premiums, and
17 he believes this is an appropriate and only factor that should be considered.

18 **Q PLEASE RESPOND.**

19 **A** The relationship between equity risk premiums is driven by changes in perceptions of
20 levels of investment risk between equity and debt securities. Changes in interest
21 rates are one component that describes this equity versus debt investment risk
22 outlook but it is not the only factor. Indeed, academic research clearly finds that
23 relationships between interest rates and equity risk premiums can change based on

1 changes in market conditions, and that the relationships that existed in prior periods
2 cannot be used to accurately predict relationships in any other market.

3 As an example, the level of interest rates can change simply based on the fact
4 that historical inflation has been around 3%, and future inflation is expected to be
5 around 2%. This drop in inflation outlook explains at least a full percentage point of
6 reduction in utility and Treasury bond yields today compared to historical periods.
7 Equity returns, like bond returns, reflect both an inflation outlook and a real return.
8 The real return compensates investors for the relative risk, and produces the
9 opportunity return that allows an investor's money to grow relative to the current
10 spending power of its capital at the time the investment was made. If no other market
11 factors change, and inflation outlooks decrease by 1 percentage point prospectively,
12 compared to 3 percentage points historically, then it is reasonable to believe that a 1
13 percentage point reduction in interest rates would not impact the equity risk premium
14 at all. Both debt and equity expected returns would decline by a percentage point.
15 Despite this common sense and academic and fundamental aspect of security
16 investments, Mr. Hevert's simplistic analysis would ignore this straight-forward
17 principle.

18 **Financial Integrity**

19 Q WHAT CRITICISMS DOES MR. HEVERT OFFER CONCERNING YOUR
20 FINANCIAL INTEGRITY ANALYSIS?

21 A Mr. Hevert claims that a credit rating review is related to more than just the impact on
22 cost of service of a particular return on equity and overall cost of service from the
23 utility. It is based on a more detailed and complete assessment performed by the
24 credit rating agencies to assign bond ratings. Second, Mr. Hevert claims that I should

1 have more accurately gauged my pro forma credit metrics to determine whether or
2 not they fall within credit rating guidelines that will support KCPL and GMO's bond
3 rating.

4 **Q DO YOU HAVE ANY GENERAL COMMENTS?**

5 A As an initial matter, it is important to recognize two facts. First, KCPL has agreed that
6 a 9.3% return on equity, as agreed to in Kansas, is a reasonable return on equity. By
7 agreeing that the 9.3% return on equity is reasonable, KCPL is agreeing that it will
8 preserve its financial integrity. Otherwise, if it will not maintain KCPL's financial
9 integrity, the Commission should mandate that KCPL take fundamental steps to
10 shield Missouri ratepayers from the return on equity agreed to in Kansas. Clearly,
11 despite Mr. Hevert's criticisms, KCPL itself has agreed that a 9.3% return on equity
12 will maintain its financial integrity.

13 Second, while Mr. Hevert has raised criticisms of my approach for analyzing
14 financial integrity, he has failed to run his own financial integrity analysis. This failure
15 is undoubtedly due to the fact that Mr. Hevert recognizes that a 9.3% equity return
16 does support KCPL's credit rating, as confirmed by credit rating analysts, and that his
17 9.85% return on equity will be shown to be inflated and more than is needed to
18 preserve KCPL and GMO's financial integrity.

19 **Q PLEASE PROVIDE SPECIFIC COMMENTS ON MR. HEVERT'S CLAIM THAT**
20 **FINANCIAL INTEGRITY AND CREDIT RATING ARE BASED ON MORE DETAILS**
21 **THAN YOU HAVE REFLECTED IN YOUR ANALYSIS.**

22 A I agree. However, credit rating analysis of KCPL and GMO is not the objective of my
23 testimony in this case. Rather, I am providing information that helps the Commission

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1 determine whether my recommended return on equity meets the *Hope* and *Bluefield*
2 standards of awarding a return on equity that: (a) reflects fair compensation that is
3 comparable to returns in other enterprises of comparable risk; (b) supports KCPL /
4 GMO's financial integrity and access to capital; and (c) accomplishes these objectives
5 at fair and reasonable prices to retail customers.

6 The only aspects of the credit rating review that is impacted by my return on
7 equity and capital structure adjustments are the cash flow credit metrics realized in
8 KCPL's / GMO's cost of service. Therefore, my intention was, and is, to provide
9 evidence so the Commission can find that my 9.3% return on equity will provide an
10 opportunity, but not a guarantee, that KCPL and GMO will be fairly compensated, will
11 preserve financial integrity and credit rating, so as to support their access to external
12 capital, and these financial objectives will be met at fair and reasonable prices to their
13 retail customers.

14 **Q BASED ON S&P'S CORPORATE CREDIT RATING GUIDES, AND ASSESSMENT**
15 **OF BUSINESS AND FINANCIAL RISK FOR KCPL AND GMO, WILL YOUR 9.3%**
16 **RECOMMENDED RETURN ON EQUITY AND RATE OF RETURN**
17 **RECOMMENDATIONS FOR THESE UTILITIES SUPPORT THEIR CURRENT**
18 **BOND RATINGS?**

19 **A** Yes. I went into detail on this in my direct testimony on my Schedule MPG-21,
20 pages 1 and 5. On page 1, I show that KCPL has a financial risk profile score from
21 S&P of "Significant" and an "Excellent" business position ranking. Hence, for the
22 "Significant" category, my rate of return will produce credit metrics that are at the
23 strong end for debt-to-EBITDA ratios, and toward the high-end for FFO-to-debt
24 metrics. I also observed that the adjusted total debt ratio is consistent with industry

1 medians for utilities with A- bond ratings. The same is true for GMO as shown on
2 Schedule MPG-21, page 5. There, GMO has a financial risk profile score of
3 "Significant" and a business risk profile score of "Strong." With these ratings, GMO's
4 credit metrics will be at the strong end of the "Significant" financial risk category for
5 debt-to-EBITDA, and again toward the high end for FFO-to-debt. These ratings will
6 reflect a strong BBB to an A- bond rating criterion. This reasonably aligns with
7 GMO's bond rating.

8 For these reasons, my recommended overall rate of return I conclude
9 represents fair compensation, will maintain KCPL's and GMO's financial integrity and
10 credit standing, and preserve their access to capital. However, my recommended
11 rate of return will accomplish these objectives at more reasonable rates to retail
12 customers, than the Companies' proposed rate of return.

13 **Response to Staff Witnesses Jeffrey Smith and Natelle Dietrich**

14 **Q DO YOU HAVE ANY COMMENTS IN RESPONSE TO STAFF WITNESS JEFFREY**
15 **SMITH'S REBUTTAL TESTIMONY?**

16 **A** Yes. I will respond to two assertions Mr. Smith made in his rebuttal testimony. First, I
17 will respond to his contention that I removed the amount of goodwill reflected on
18 GPE's balance sheet, and not the amount reflected on GMO's balance sheet (Smith
19 Rebuttal at 5). Second, I will respond to his assertion that my recommended
20 embedded debt cost for GMO is "not based on known and measurable costs." (*Id.*
21 at 8).

1 Q DID YOU REMOVE THE AMOUNT OF GOODWILL RECORDED ON GPE'S
2 BALANCE SHEET OR GMO'S BALANCE SHEET?

3 A I removed the amount of goodwill which GMO listed on its FERC Form 1 balance
4 sheet. In Schedule MPG-SR-5, I am attaching several pages of GMO's 2017 FERC
5 Form 1 as proof of the accuracy of my adjustment. GMO asserts the following
6 concerning its annual impairment test of its balance sheet goodwill asset:

7 Accounting rules require goodwill to be tested for impairment annually
8 and when an event occurs indicating the possibility that an impairment
9 exists. The annual impairment test for the \$169.0 million of GMO
10 acquisition goodwill was conducted on September 1, 2017.⁷

11 This amount of goodwill is recorded on GMO's balance sheet as a component
12 of Miscellaneous Deferred Debt Account 186 (GMO's FERC Form 1 at page 233) as
13 recorded on GMO's balance sheet (GMO's FERC Form 1 stated at page 111).⁸ As
14 GMO's FERC Form 1 makes clear, I did not use GPE's goodwill asset in my capital
15 structure adjustment, and I disagree with Mr. Smith that the amount of common equity
16 I removed from GMO's capital structure was that recorded by GPE. Mr. Smith is
17 simply incorrect in this assertion.

18 Q DO YOU AGREE THAT YOUR ADJUSTMENT TO GMO'S COST OF DEBT IS NOT
19 KNOWN AND MEASURABLE?

20 A No. It is known that both of these affiliate loans are priced above prevailing market
21 conditions. GMO has an option to call and reprice these affiliate loans at the current
22 market cost. However, there are repricing costs, so GMO needs to prove a call and
23 reprice is not economic. Because GMO debt is large affiliate loan transactions, there
24 should be a requirement for GMO to prove its affiliate loans are priced at the current

⁷GMO FERC Form No. 1, page 123.6 (See Schedule MPG-SR-5, page 6, emphasis added).
⁸*Id.*, pages 3 and 7, emphasis added.

1 market cost. This requirement, which is part of the Commission's affiliate transaction
2 rule, will protect customers from paying inappropriate charges between affiliate
3 companies.

4 Because the loans in question are affiliate loan transactions, a requirement to
5 ensure that customers are not detrimentally harmed by these transactions is
6 incumbent on GMO.

7 **Q IN REBUTTAL TESTIMONY, STAFF WITNESS NATELLE DIETRICH INDICATES**
8 **THAT STAFF DID NOT CONSIDER THE IMPACT ASSOCIATED WITH THE**
9 **IMPLEMENTATION OF SENATE BILL 564 ("SB564") IN THE PREPARATION OF**
10 **ITS CASE. STAFF EXPLAINS THAT IT IS NOT KNOWN WHETHER KCPL / GMO**
11 **WOULD OPT INTO THE PLANT IN SERVICE ACCOUNTING ("PISA")**
12 **PROVISIONS OF SB564. DO YOU BELIEVE THAT THIS IS APPROPRIATE?**

13 **A.** No. As I mentioned at page 8 of my direct testimony, "I believe [SB564] does clearly
14 reduce risk and a reduction in return on equity to reflect that risk reduction would be
15 appropriate." I believe that this is true regardless of whether KCPL / GMO have
16 expressly indicated their intention to opt into the PISA provisions of SB564. In this
17 regard, the mere fact that SB564 was enacted provides a risk reduction tool that is
18 available to KCPL and GMO. KCPL and GMO can assess their individual situation at
19 any time and, without any need for Commission approval, may opt into those PISA
20 provisions. Therefore, whether KCPL / GMO actually opt into PISA, the fact is that
21 KCPL / GMO's risk profile has already been reduced simply by the fact that the risk
22 reducing tool is available for their use at any time.

1 Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

2 A Yes, it does.

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KCPL / GMO

Comparison of Hevert's Return on Equity Estimates

Description	ER-2016-0284				ER-2018-0144			
	Yields	Direct ¹ (1)	Update ² (2)	Yields	Direct ³ (3)	Update ⁴ (4)		
<u>Constant Growth DCF:</u>								
30-Day Average		8.76%	8.99%		8.28%			
90-Day Average		8.82%	8.94%		8.31%			
180-Day Average		<u>9.00%</u>	<u>8.96%</u>		<u>8.38%</u>			
Average Constant Growth DCF		8.86%	8.96%		8.32%			
<u>Multi-Stage Growth DCF:</u>								
30-Day Average		9.45%	9.18%		8.70%			
90-Day Average		9.60%	9.13%		8.74%			
180-Day Average		<u>10.08%</u>	<u>9.14%</u>		<u>8.81%</u>			
Average Multi-Stage Growth DCF		9.71%	9.15%		8.75%			
DCF Range		8.9% to 9.7%	9.0% to 9.2%		8.3% to 8.8%			
<u>CAPM Results (Bloomberg Beta)</u>								
	<u>Direct</u>	<u>Update</u>			<u>Direct</u>	<u>Update</u>		
Current 30-Yr Treasury (BL)	2.65%	2.75%	9.11%	8.77%	2.77%	3.11%	8.95%	10.13%
Current 30-Yr Treasury (VL)	2.65%	2.75%	9.49%	9.37%	2.77%	3.11%	9.45%	10.34%
Near-Term Projected 30-Yr Treasury (BL)	3.08%	3.13%	9.55%	9.15%	3.32%	3.48%	9.50%	10.50%
Near-Term Projected 30-Yr Treasury (VL)	3.08%	3.13%	9.92%	9.75%	3.32%	3.48%	9.99%	10.71%
<u>CAPM Results (Value Line Beta)</u>								
Current 30-Yr Treasury (BL)	2.65%	2.75%	10.72%	10.17%	2.77%	3.11%	10.61%	11.66%
Current 30-Yr Treasury (VL)	2.65%	2.75%	11.18%	10.91%	2.77%	3.11%	11.24%	11.91%
Near-Term Projected 30-Yr Treasury (BL)	3.08%	3.13%	11.15%	10.55%	3.32%	3.48%	11.15%	12.03%
Near-Term Projected 30-Yr Treasury (VL)	3.08%	3.13%	11.62%	11.29%	3.32%	3.48%	11.78%	12.28%
<u>Risk Premium</u>								
Current 30-Yr Treasury	2.65%	2.75%	10.04%	10.01%	2.77%	3.11%	9.95%	9.96%
Near-Term Projected 30-Yr Treasury	3.08%	3.13%	10.05%	10.03%	3.32%	3.48%	10.01%	10.03%
Long-Term Projected 30-Yr Treasury	4.45%	4.35%	10.39%	10.34%	4.20%	4.30%	10.25%	10.28%
<u>Alternative Risk Premium</u>								
Current 30-Yr Treasury	2.65%	N/A	9.74%	N/A	2.77%	N/A	9.61%	N/A
Near-Term Projected 30-Yr Treasury	3.08%	N/A	9.75%	N/A	3.32%	N/A	9.59%	N/A
Long-Term Projected 30-Yr Treasury	4.45%	N/A	10.04%	N/A	4.20%	N/A	9.70%	N/A
Range		9.75% to 10.50%	9.75% to 10.50%		9.75% to 10.50%	9.75% to 10.50%		

Sources:

¹ER-2016-0285 Hevert Direct Testimony at 22, 32, 38, 41 and 42.

²ER-2016-0285 Hevert Rebuttal Schedules RBH-13, RBH-14, RBH-17, and RBH-18.

³Schedules RBH-1 through RBH-7.

⁴Hevert Rebuttal Schedules RBH-3 through RBH-18.

KCPL
Case Name: 2018 KCPL Rate Case
Case Number: ER-2018-0145

Response to Woods David Interrogatories - MECG_20180813
Date of Response: 8/27/2018

Question:13-1

- (a) Does KCPL / GMO / Great Plains Energy believe that the 9.3% return on equity agreed to by KCPL and Westar in Kansas is reasonable?
- (b) If KCPL / GMO / Great Plains Energy does not believe that the 9.3% return on equity agreed to in Kansas is reasonable, please identify all of the potential financial implications associated with KCPL / Westar agreeing to a 9.3% return on equity?
- (c) If KCPL / GMO / Great Plains Energy do not believe that the 9.3% return on equity is reasonable, please identify all steps that KCPL / GMO / Great Plains Energy have taken to protect Missouri ratepayers from the potential financial implications associated with KCPL / Westar agreeing to a 9.3% return on equity in Kansas.

Response:

- a- Yes. See the supplemental Direct testimony of Darrin Ives in KCC Docket No. 18-KCPE-480-RTS.
- b. N/A
- c. N/A

Information provided by Robert B. Hevert, ScottMadden, Inc.

Attachment: Q13-1_Verification.pdf

KCPL
Case Name: 2018 KCPL Rate Case
Case Number: ER-2018-0145

Response to Woods David Interrogatories - MECG_20180813
Date of Response: 8/27/2018

Question: 13-2

- (a) In its last case in Kansas (15-KCPE-116-RTS), KCPL asserted that a reasonable return on equity was 10.0 to 10.6 (with a recommended point of 10.3%). In that case, the Commission authorized a return on equity of 9.30% (Order dated September 10, 2015). Does KCPL believe that the 9.3% return on equity authorized by Kansas in that last case was reasonable?
- (b) If KCPL / Great Plains Energy does not believe that the 9.30% return on equity authorized by the Kansas Commission was reasonable, please identify all financial implications that resulted from the Kansas Commission authorizing an unreasonable return on equity?
- (c) If KCPL / Great Plains Energy does not believe that the 9.30% return on equity authorized by the Kansas Commission was reasonable, how were KCPL and GMO ratepayers in Missouri protected from the financial implications of the Kansas Commission authorizing an unreasonable return on equity?

Response:

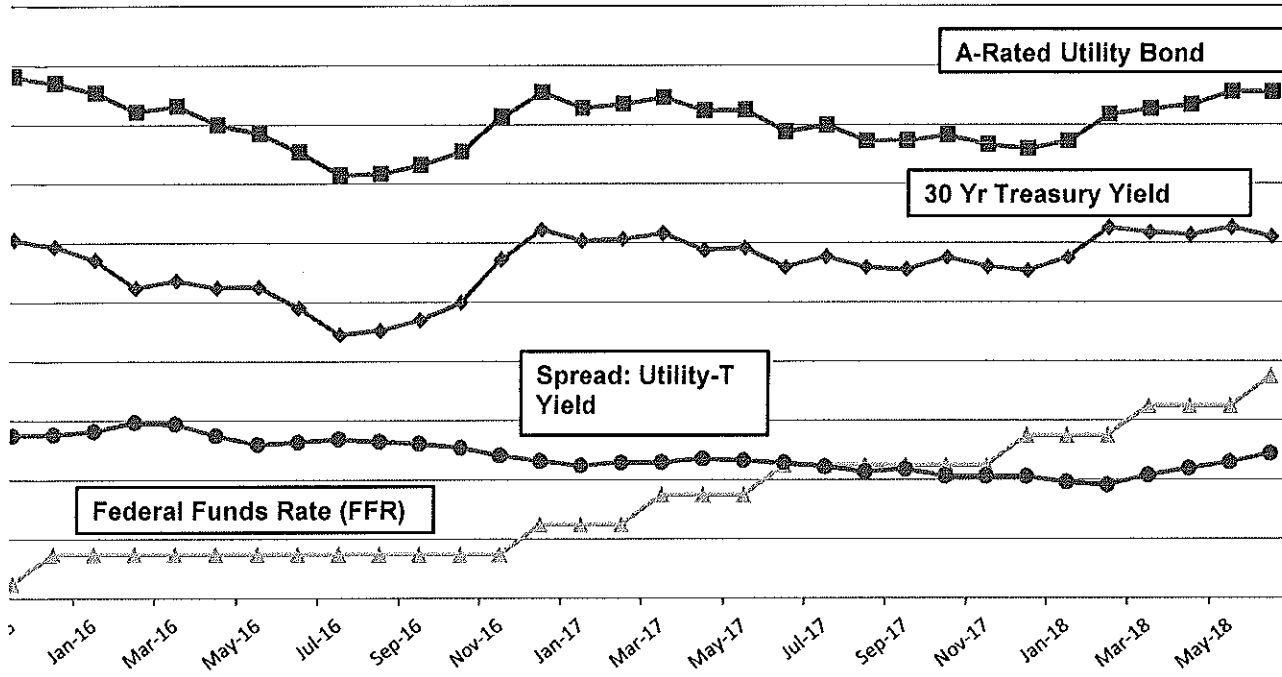
- (a) No.
- (b) The 9.3% ROE adopted by the KCC for KCP&L in docket No. 15-KCPE-116-RTS produced lower authorized rates and resulting revenues than if a higher ROE had been used.
- (c) KCP&L and GMO are not aware of any financial implications to GMO or KCP&L-MO customers from the adoption of a 9.3% ROE in KCC Docket No. 15-KCPE-116-RTS. Also see the response to DR 13-1(a).

Information provided by Robert B. Hevert, ScottMadden, Inc.

Attachment: Q13-2_Verification.pdf

KCPL / GMO

Timeline of Federal Funds Rate Increases



December 2015	0.25	→	0.50
December 2016	0.50	→	0.75
March 2017	0.75	→	1.00
June 2017	1.00	→	1.25
December 2017	1.25	→	1.50
March 2018	1.50	→	1.75
June 2018	1.75	→	2.00

Bank of New York, <https://apps.newyorkfed.org/markets/autorates/fed-funds-search-page>
of the Federal Reserve System, <https://www.federalreserve.gov/datadownload/>
ds, <https://credittrends.moodys.com/>

KCPL / GMO

Electric Utilities (Valuation Metrics)

Price to Earnings (P/E) Ratio ¹

17-Year Average (1)	2018 ² (2)	2017 (3)	2016 (4)	2015 (5)	2014 (6)	2013 (7)	2012 (8)	2011 (9)	2010 (10)	2009 (11)	2008 (12)	2007 (13)	2006 (14)	2005 (15)	2004 (16)	2003 (17)	2002 (18)
17.71	22.10	23.05	18.63	15.06	17.23	18.59	15.88	14.66	15.98	16.08	13.95	14.78	16.55	17.91	25.21	N/A	N/A
15.98	18.90	20.60	22.30	18.07	18.60	15.28	14.60	14.45	12.47	13.88	13.43	15.08	16.82	12.59	14.00	12.69	19.93
15.65	18.80	20.60	18.29	17.55	16.71	16.52	13.35	11.93	9.66	9.26	14.21	17.45	19.39	16.72	16.28	13.51	15.78
14.03	17.00	19.33	15.16	15.77	15.88	14.49	13.77	11.92	13.42	10.03	13.06	16.27	12.91	13.70	12.42	10.68	12.68
27.90	22.90	27.27	20.49	40.94	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
18.47	26.60	23.37	18.80	17.60	17.28	14.64	19.30	14.08	12.74	11.42	14.97	30.88	15.39	19.45	24.43	13.84	19.27
17.66	17.40	19.48	22.29	16.14	19.03	18.24	17.13	31.13	18.10	9.93	N/A	15.02	15.77	17.27	17.13	15.95	12.52
14.75	17.10	17.91	21.91	18.10	16.96	18.75	14.85	14.58	13.78	11.81	11.27	15.00	10.27	19.06	17.84	8.05	5.59
16.84	18.80	21.32	20.94	18.29	17.30	16.32	15.07	13.62	12.48	13.68	10.87	26.84	22.18	12.60	12.39	N/A	N/A
15.38	17.90	19.77	18.80	15.59	15.90	14.72	15.39	15.08	13.30	12.55	12.29	13.78	15.49	15.13	18.21	14.30	13.28
18.00	17.30	22.17	21.33	22.14	22.97	19.25	18.91	17.27	14.35	12.74	13.78	20.63	15.98	24.89	15.07	15.24	12.05
15.41	17.00	18.59	18.97	18.11	14.91	17.92	14.89	13.51	12.27	10.41	14.81	18.27	17.43	13.80	16.04	13.69	11.28
16.80	16.20	19.93	21.25	18.22	17.91	17.45	17.46	13.76	12.69	13.32	17.28	16.13	N/A	N/A	N/A	N/A	N/A
13.98	14.90	17.23	17.92	14.77	13.05	12.70	9.71	11.81	10.32	9.72	12.36	16.03	12.99	11.74	37.59	6.97	7.78
17.55	24.60	21.78	18.66	16.33	16.38	15.88	14.47	12.60	10.72	10.79	11.89	15.28	16.92	26.72	22.03	18.26	22.99
13.78	19.00	15.01	10.92	12.63	12.89	13.21	11.22	9.06	11.57	11.98	16.56	19.30	14.28	16.28	15.09	13.77	11.53
17.57	17.60	19.47	18.69	18.11	17.92	16.94	19.88	15.35	13.42	11.96	13.66	18.75	27.07	19.76	20.77	13.35	18.07
14.47	15.70	13.41	18.68	12.58	16.02	13.43	19.08	11.30	10.97	11.49	17.97	18.22	16.53	15.37	12.99	11.77	10.46
18.22	33.20	11.41	15.91	17.02	39.79	13.06	21.10	22.39	11.75	13.02	15.64	15.59	14.23	16.07	14.13	22.47	12.95
18.89	15.10	16.81	21.60	18.00	24.29	19.97	20.12	18.79	18.22	16.36	17.48	21.14	17.68	N/A	N/A	N/A	N/A
15.52	N/A	HMF	17.98	19.37	16.47	14.19	15.53	16.11	12.10	18.03	20.55	16.35	18.30	13.96	12.59	12.23	11.09
18.00	18.20	20.69	13.56	20.40	15.88	16.21	15.81	17.09	18.59	19.79	23.16	21.57	20.33	18.27	19.18	13.78	13.47
16.27	21.80	20.60	19.08	16.22	14.67	13.45	12.41	11.54	11.83	10.20	13.93	18.19	15.07	16.70	15.49	26.51	18.88
18.55	24.40	29.36	24.90	20.28	17.19	17.01	17.23	15.82	14.98	15.14	14.22	15.01	15.88	22.40	17.98	17.55	15.96
16.11	20.60	21.65	20.71	16.89	17.25	16.57	14.43	11.54	10.83	13.42	14.49	18.90	13.65	17.88	13.65	17.88	13.60
16.75	16.60	17.85	17.19	18.38	18.24	16.86	15.72	12.62	12.90	11.54	13.67	21.74	25.95	17.09	N/A	N/A	N/A
14.99	16.70	18.32	17.68	17.69	19.27	17.69	15.16	14.37	13.31	10.83	12.41	13.75	13.68	14.95	14.13	11.84	14.12
24.18	22.30	22.06	20.19	18.20	18.84	21.12	21.75	47.48	55.10	31.16	30.06	19.02	17.35	15.40	17.34	17.77	16.01
16.79	HMF	18.28	21.13	26.40	15.00	23.67	20.70	15.46	15.80	13.01	12.08	16.85	14.84	15.37	13.81	9.50	N/A
15.67	17.80	19.28	18.74	16.04	15.89	15.27	14.35	14.60	12.57	13.74	16.07	14.93	13.69	19.24	15.80	13.96	14.43
17.97	20.50	20.43	19.83	16.85	18.68	15.13	14.97	14.53	14.05	18.09	N/A	35.65	15.57	17.38	15.02	14.73	15.08
16.38	19.60	20.03	19.06	17.71	15.32	16.88	13.98	12.37	12.00	14.40	16.30	11.94	23.35	N/A	N/A	N/A	N/A
14.17	12.20	17.65	12.83	13.92	14.08	12.84	10.88	10.52	11.93	25.69	17.84	17.26	14.10	15.12	12.51	10.59	11.08
13.52	16.50	18.31	15.35	12.41	12.61	13.50	12.79	10.40	10.37	10.04	13.65	16.54	17.81	16.74	14.28	10.58	10.00
13.71	9.70	14.46	16.80	14.67	13.68	14.43	14.80	13.67	12.93	11.63	12.67	14.96	15.42	14.44	13.57	13.05	12.17
15.01	21.00	24.33	24.37	19.73	21.87	19.68	14.89	11.77	12.60	10.09	11.80	14.01	11.50	11.79	8.65	8.96	8.19
15.65	15.20	15.48	17.76	15.85	18.04	16.19	18.97	15.85	14.90	13.52	16.13	15.95	16.19	15.92	14.68	14.83	14.63
17.50	24.70	23.54	19.18	17.92	19.98	20.66	15.02	15.83	15.10	12.89	16.79	15.33	18.92	15.11	17.57	14.80	14.16
16.08	18.40	20.01	19.95	21.33	17.71	16.50	15.76	14.25	14.01	13.35	14.77	16.47	15.97	14.46	17.51	12.43	10.46
15.58	N/A	23.40	21.59	18.45	15.36	14.04	13.43	14.78	12.96	14.95	16.96	14.10	12.18	14.79	17.44	10.78	14.02
16.67	18.70	20.20	18.48	16.54	15.44	15.04	14.82	14.24	14.13	12.66	13.69	16.65	14.80	15.36	13.65	11.62	40.60
18.41	19.03	19.81	18.97	18.00	17.39	16.38	15.69	15.30	14.28	13.56	15.18	17.74	16.47	16.52	16.57	13.70	14.31
15.73	18.30	19.97	18.80	17.71	16.54	16.27	15.04	14.31	12.91	12.82	14.21	16.41	15.68	15.92	15.29	13.60	13.47

Survey Investment Analyzer Software, downloaded on June 21, 2018.
Survey, May 18, June 15, and July 27, 2018.

KCPL / GMO

Electric Utilities (Valuation Metrics)

Market Price to Cash Flow (MP/CF) Ratio¹

17-Year																	
Average	2018 ^{2*}	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
9.44	10.69	10.95	8.28	7.49	8.80	9.15	8.18	7.91	8.04	8.51	9.29	10.30	11.06	11.54	11.48	N/A	N/A
7.62	9.45	13.21	10.67	8.86	8.40	7.52	7.50	7.21	6.59	6.23	7.49	7.92	8.00	5.09	5.52	4.76	5.20
8.88	7.55	8.38	7.44	6.87	6.95	6.61	5.48	5.02	4.23	4.25	6.35	7.69	8.57	8.57	8.24	6.74	7.96
6.25	8.09	8.81	7.57	7.09	7.00	6.57	5.93	5.46	5.54	4.71	5.71	6.84	5.54	6.07	5.50	4.69	5.19
9.90	8.60	10.14	8.58	11.30	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6.70	10.04	9.35	7.63	6.76	7.30	6.21	6.88	6.40	5.80	4.06	5.12	7.58	5.30	6.58	7.58	5.36	5.90
7.59	8.43	9.20	9.33	8.08	8.81	8.03	6.04	7.85	6.16	4.25	11.28	7.62	6.92	7.57	6.69	6.89	5.92
4.92	8.27	6.97	5.96	5.75	6.25	6.58	5.15	5.39	4.70	4.05	4.29	5.17	3.94	4.70	4.26	2.08	2.16
5.59	7.79	8.76	8.50	7.53	7.13	6.68	6.03	5.41	4.48	3.64	3.45	5.57	4.40	4.04	3.20	2.68	NMF
8.21	9.06	9.64	9.39	7.96	7.89	7.77	8.31	8.15	7.39	6.72	6.89	8.31	8.65	8.59	9.31	7.90	7.64
9.36	10.12	11.35	11.69	11.84	12.27	10.88	9.92	9.45	8.12	6.98	8.27	8.65	7.81	10.09	7.68	7.51	6.53
8.19	8.43	9.05	8.64	8.52	6.42	6.65	5.91	5.18	4.69	3.59	4.90	5.73	5.21	5.54	6.00	5.62	5.20
7.55	7.05	8.40	8.57	7.95	8.12	8.11	9.53	6.56	6.01	5.96	7.13	7.16	N/A	N/A	N/A	N/A	N/A
5.30	5.54	7.05	8.77	5.92	5.68	5.46	4.59	4.22	4.11	3.95	5.63	7.01	5.87	5.61	6.84	2.82	2.96
5.89	8.59	8.54	7.46	6.47	6.33	6.19	5.78	5.16	4.31	3.98	4.95	6.44	6.25	6.67	4.65	3.90	4.39
5.71	4.98	4.66	4.01	4.11	4.21	4.03	4.23	3.90	4.66	5.68	7.96	9.21	7.16	8.76	7.12	6.84	5.57
6.67	9.37	10.36	10.14	10.12	10.14	8.08	9.30	6.99	4.97	4.61	4.12	6.18	6.02	3.55	3.78	2.85	2.75
6.09	4.31	4.45	4.80	4.70	5.09	4.61	5.54	5.88	5.10	5.98	9.65	9.89	8.62	7.97	6.29	5.71	4.97
6.39	9.41	4.76	5.12	5.38	7.43	6.15	7.42	7.33	4.49	4.91	7.58	7.89	7.53	6.04	5.15	6.90	5.10
8.16	7.62	8.23	10.48	7.29	9.25	7.93	8.09	8.38	7.40	6.76	7.58	9.18	7.89	N/A	N/A	N/A	N/A
6.89	N/A	14.62	8.63	6.66	6.45	5.73	6.09	5.74	4.49	5.06	7.71	7.13	7.68	6.70	6.52	5.92	5.14
7.96	8.49	9.21	7.44	9.25	7.84	8.15	8.05	7.73	7.81	6.95	9.10	7.95	8.47	8.29	8.44	6.12	6.20
8.10	11.33	11.56	10.95	9.37	8.59	7.78	7.05	6.64	6.52	5.31	7.10	8.23	7.73	7.55	7.15	7.27	7.53
11.09	14.67	17.33	15.66	12.53	11.42	11.20	10.77	9.48	9.05	8.40	8.42	9.23	9.30	11.73	11.04	10.20	8.09
7.51	10.20	11.62	9.23	7.93	7.98	7.60	7.58	5.98	5.33	6.09	7.34	9.02	6.51	6.71	6.71	6.97	5.77
7.55	7.79	8.82	8.65	8.99	9.01	7.61	6.85	5.89	5.79	5.05	5.57	8.45	9.39	7.31	8.13	N/A	N/A
7.74	9.15	10.52	9.03	9.25	10.65	9.93	7.35	7.48	8.61	5.37	6.43	7.58	7.50	7.04	6.73	5.62	5.39
9.20	10.78	11.09	9.38	9.04	9.45	9.58	8.43	9.04	8.07	8.01	11.65	9.53	8.66	8.18	9.01	8.13	8.33
6.42	9.07	7.09	7.26	7.24	5.65	6.84	5.86	5.32	5.42	4.71	4.61	5.84	5.28	5.07	5.13	4.05	14.69
6.10	7.87	8.73	7.89	6.91	7.03	6.85	6.34	5.80	5.85	3.84	4.19	4.76	4.48	7.48	5.88	4.80	5.21
6.69	7.03	7.40	7.64	6.95	7.48	6.47	5.80	4.94	4.58	4.53	7.10	10.67	7.50	7.62	6.84	5.55	5.72
5.70	6.61	7.45	7.12	6.73	5.49	6.06	5.08	4.86	4.13	4.63	4.81	5.34	5.74	N/A	N/A	N/A	N/A
7.51	8.04	10.11	8.37	8.73	7.32	6.59	5.87	6.98	7.46	8.82	9.17	8.90	7.58	7.57	6.49	5.41	5.30
7.38	8.49	8.67	8.58	6.66	6.48	6.40	6.40	6.03	6.04	6.20	8.46	9.83	8.41	8.59	7.17	6.79	6.24
7.03	6.01	8.26	9.59	8.33	7.50	7.49	7.40	6.75	6.52	5.88	6.38	7.15	7.03	5.40	6.86	6.59	6.36
7.73	9.97	10.65	10.88	9.99	10.77	9.37	7.26	6.13	6.53	6.07	7.07	8.61	7.22	6.96	5.16	4.85	4.00
8.14	7.13	7.49	8.83	8.23	8.42	8.30	8.75	8.22	7.79	7.08	8.18	8.62	8.47	8.41	8.28	8.28	7.83
7.26	10.15	10.32	8.60	7.82	7.57	8.82	5.79	5.81	5.58	5.24	6.90	6.53	7.37	7.06	7.63	7.27	6.92
8.37	10.36	11.04	10.95	12.90	10.27	9.58	9.24	8.43	8.15	6.87	7.57	7.84	7.27	6.40	6.27	4.91	4.27
6.91	N/A	10.87	10.86	9.05	7.93	7.23	6.71	6.67	5.51	5.32	7.09	6.88	5.81	7.00	6.54	4.24	2.94
6.45	7.68	8.50	8.10	7.62	7.31	7.00	6.85	6.47	6.28	5.43	5.71	6.51	5.54	5.62	5.31	4.27	5.46
7.19	8.54	9.36	8.65	8.05	7.85	7.39	6.98	6.53	6.00	5.59	6.95	7.72	7.12	7.13	6.77	5.70	5.85
7.06	8.49	9.05	8.57	7.93	7.54	7.12	6.85	6.27	5.80	5.35	7.09	7.76	7.37	7.04	6.71	5.62	5.52

Survey Investment Analyzer Software, downloaded on June 21, 2018.
Survey, May 18, June 15, and July 27, 2018.

high and low price for 2018 and the projected 2018 Cash Flow per share,
e Investment Survey, May 18, June 15, and July 27, 2018.

KCPL / GMO

Electric Utilities (Valuation Metrics)

Market Price to Book Value (MP/BV) Ratio ¹

14-Year Average (1)	2018 ^{a,b} (2)	2017 (3)	2016 (4)	2015 (5)	2014 (6)	2013 (7)	2012 (8)	2011 (9)	2010 (10)	2009 (11)	2008 (12)	2007 (13)	2006 (14)	2005 (15)
1.59	1.75	1.78	1.53	1.37	1.42	1.51	1.34	1.35	1.28	1.15	1.55	1.89	2.09	2.22
1.67	2.11	2.38	2.17	1.86	1.86	1.70	1.57	1.46	1.31	1.04	1.33	1.67	1.52	1.33
1.39	1.80	1.93	1.67	1.46	1.45	1.29	1.18	0.90	0.83	0.78	1.25	1.60	1.82	1.68
1.52	1.77	1.88	1.81	1.55	1.54	1.40	1.31	1.23	1.23	1.08	1.48	1.85	1.56	1.57
0.87	1.01	0.93	0.83	0.72	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1.31	1.85	1.73	1.57	1.36	1.33	1.25	1.21	1.19	1.07	0.94	1.11	1.29	1.30	1.13
1.48	1.69	2.06	1.94	1.59	1.79	1.62	1.21	1.14	1.07	0.83	1.22	1.57	1.47	1.63
2.41	2.36	2.59	2.73	2.43	2.27	2.30	1.99	1.87	1.96	1.77	2.49	3.13	2.75	3.06
1.93	2.60	2.93	2.72	2.43	2.26	2.09	1.91	1.66	1.48	1.10	1.23	1.82	1.42	1.32
1.40	1.53	1.63	1.58	1.42	1.34	1.38	1.47	1.38	1.22	1.08	1.17	1.47	1.47	1.52
2.65	2.49	2.94	3.15	3.34	3.55	2.97	2.84	2.37	2.01	1.80	2.42	2.69	2.07	2.60
1.44	1.86	2.01	1.82	1.65	1.62	1.51	1.35	1.20	1.16	0.89	1.10	1.35	1.29	1.39
1.18	1.29	1.41	1.35	1.29	1.28	1.19	1.12	1.11	1.00	0.91	1.06	1.15	N/A	N/A
1.64	1.69	2.17	1.92	1.76	1.68	1.57	1.53	1.24	1.07	1.04	1.56	2.05	1.80	1.93
1.56	1.87	1.87	1.68	1.48	1.52	1.49	1.59	1.64	1.17	0.98	1.33	1.69	1.71	1.76
1.71	1.70	1.76	1.67	1.40	1.33	1.21	1.31	1.35	1.62	1.66	2.44	2.65	1.89	2.01
1.41	1.67	1.73	1.64	1.53	1.47	1.38	1.28	1.50	1.31	1.12	1.31	1.60	1.22	1.05
2.28	1.20	1.20	1.20	1.14	1.28	1.17	1.46	1.95	2.07	2.57	4.39	4.79	3.69	3.60
1.88	2.64	3.53	2.37	1.16	1.15	1.28	1.44	1.33	1.38	1.54	2.52	2.23	1.92	1.64
1.48	1.27	1.41	1.26	1.33	1.35	1.45	1.59	1.59	1.56	1.33	1.48	1.63	1.96	N/A
1.21	N/A	1.33	1.17	1.12	1.11	1.02	0.96	0.93	0.87	0.80	1.11	1.66	1.77	1.66
1.61	1.70	1.76	1.63	1.71	1.49	1.54	1.62	1.54	1.44	1.16	1.61	1.57	2.01	1.78
1.38	1.89	1.94	1.78	1.54	1.45	1.33	1.19	1.17	1.13	0.92	1.09	1.26	1.37	1.22
2.02	2.43	2.88	2.60	2.10	2.10	2.06	1.92	1.75	1.65	1.54	1.62	1.75	1.83	2.09
1.98	2.25	2.35	2.30	2.09	2.15	1.93	1.74	1.55	1.49	1.70	2.06	2.34	1.80	1.93
1.44	1.44	1.64	1.68	1.60	1.54	1.56	1.42	1.35	1.22	1.07	1.15	1.48	1.65	1.42
1.83	1.63	1.82	1.73	1.79	2.22	2.24	1.94	1.90	1.70	1.37	1.52	1.98	1.91	1.80
1.76	2.33	2.33	1.90	1.78	1.90	1.96	1.58	1.35	1.19	1.18	1.71	1.93	1.76	1.74
1.56	1.18	1.71	1.69	1.57	1.39	1.38	1.41	1.46	1.56	1.41	1.50	1.94	1.83	1.84
1.38	1.72	1.91	1.72	1.52	1.44	1.47	1.39	1.25	1.14	0.95	1.00	1.26	1.26	1.25
1.16	1.70	1.84	1.58	1.33	1.21	1.09	0.98	0.80	0.69	0.56	0.66	1.23	1.21	1.45
1.28	1.52	1.69	1.56	1.42	1.37	1.28	1.14	1.09	0.94	0.92	1.05	1.32	1.36	N/A
2.03	0.18	2.40	2.46	2.24	1.64	1.55	1.58	1.47	1.61	2.10	3.19	3.05	2.43	2.50
1.90	1.72	1.68	1.67	1.58	1.57	1.44	1.46	1.59	1.67	1.78	2.58	2.99	2.46	2.45
1.48	1.06	1.65	1.74	1.47	1.48	1.48	1.48	1.36	1.33	1.20	1.45	1.62	1.64	1.72
1.77	2.01	2.24	2.00	2.17	2.20	1.84	1.53	1.28	1.35	1.32	1.60	1.87	1.70	1.73
2.04	1.81	2.07	2.01	1.99	2.02	2.04	2.15	1.99	1.83	1.73	2.12	2.24	2.23	2.35
1.90	2.73	2.75	2.29	2.11	2.08	1.82	1.57	1.53	1.41	1.34	1.64	1.74	1.77	1.82
1.87	2.02	2.10	2.09	1.82	2.34	2.21	2.05	1.81	1.65	1.40	1.57	1.77	1.71	1.62
1.37	N/A	1.94	1.95	1.49	1.44	1.33	1.26	1.20	1.10	0.93	1.10	1.36	1.30	1.41
1.54	1.89	2.06	1.88	1.66	1.55	1.50	1.51	1.41	1.32	1.19	1.30	1.53	1.40	1.38
1.66	1.78	2.00	1.85	1.67	1.68	1.60	1.51	1.43	1.35	1.25	1.63	1.90	1.78	1.80
1.57	1.75	1.91	1.74	1.57	1.53	1.49	1.47	1.37	1.31	1.15	1.46	1.71	1.71	1.73

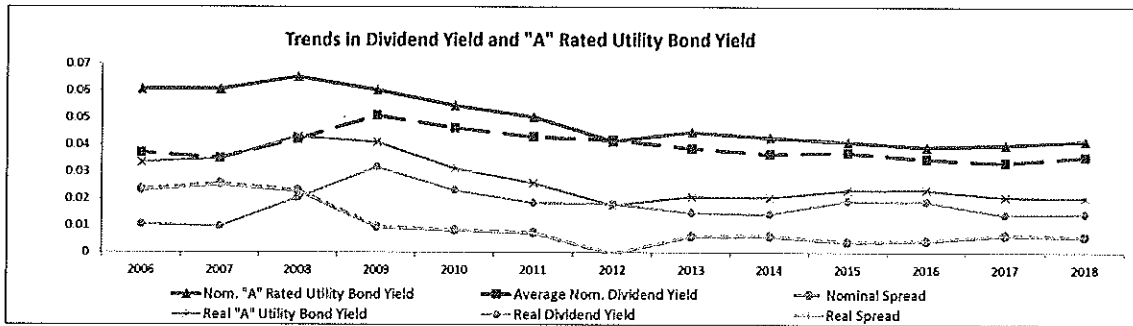
¹Survey Investment Analyzer Software, downloaded on June 21, 2018.
²Survey, May 18, June 15, and July 27, 2018.

^aHigh and low price for 2018 and the projected 2018 Book Value per share,
^bInvestment Survey, May 18, June 15, and July 27, 2018.

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Electric Utilities
(Valuation Metrics)

Line	Company	Dividend Yield ¹													
		13-Year Average (1)	2018 ^{2*} (2)	2017 (3)	2016 (4)	2015 (5)	2014 (6)	2013 (7)	2012 (8)	2011 (9)	2010 (10)	2009 (11)	2008 (12)	2007 (13)	2006 (14)
1	ALLETE	4.03%	3.06%	2.97%	3.56%	3.97%	3.92%	3.69%	4.49%	4.58%	5.03%	5.79%	4.37%	3.60%	3.16%
2	Alliant Energy	3.83%	3.34%	3.07%	3.21%	3.67%	3.53%	3.74%	4.07%	4.26%	4.61%	5.73%	4.10%	3.13%	3.32%
3	Ameren Corp	4.66%	3.31%	3.12%	3.59%	3.96%	4.02%	4.61%	4.97%	5.26%	5.76%	5.88%	6.21%	4.88%	4.93%
4	American Electric Power	4.16%	3.67%	3.42%	3.54%	3.80%	3.83%	4.23%	4.55%	4.56%	4.50%	5.69%	4.20%	3.40%	4.05%
5	Avangrid, Inc	3.85%	3.49%	3.75%	4.26%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	3.76%	2.97%	3.14%	3.39%	3.97%	3.99%	4.51%	4.55%	4.54%	4.76%	4.49%	3.30%	2.66%	N/A
7	Black Hills	3.84%	3.32%	2.75%	2.87%	3.55%	2.84%	3.19%	4.39%	4.64%	4.79%	6.17%	4.21%	3.40%	3.79%
8	CenterPoint Energy	4.57%	4.17%	4.79%	4.70%	5.06%	3.94%	3.57%	4.04%	4.27%	5.29%	6.37%	4.58%	3.87%	4.39%
9	CMS Energy Corp	3.34%	3.25%	2.85%	2.99%	3.36%	3.43%	3.76%	4.16%	4.25%	3.58%	3.97%	2.69%	1.16%	N/A
10	Consol. Edson	4.51%	3.61%	3.40%	3.62%	4.12%	4.35%	4.25%	4.07%	4.46%	5.16%	5.99%	5.67%	4.84%	5.04%
11	Dominion Resources	3.66%	4.62%	3.66%	3.82%	3.66%	3.43%	3.76%	4.06%	4.13%	4.41%	5.20%	4.16%	3.77%	3.32%
12	DTE Energy	4.25%	3.45%	3.15%	3.34%	3.53%	3.54%	3.84%	4.19%	4.65%	4.75%	6.29%	5.24%	4.36%	4.66%
13	Duke Energy	4.79%	4.63%	4.15%	4.26%	4.34%	4.26%	4.45%	4.65%	5.21%	5.71%	6.25%	5.16%	4.44%	N/A
14	Edison Intl	3.03%	3.91%	2.87%	2.81%	2.83%	2.62%	2.85%	2.97%	3.37%	3.66%	3.55%	2.69%	2.21%	2.55%
15	El Paso Electric	2.75%	2.60%	2.49%	2.75%	3.13%	2.97%	2.99%	2.97%	2.11%	N/A	N/A	N/A	N/A	N/A
16	Entergy Corp	4.14%	4.62%	4.49%	4.55%	4.59%	4.47%	5.07%	4.91%	4.65%	4.20%	3.97%	2.92%	2.39%	2.82%
17	Eversource Energy	3.35%	3.34%	3.14%	3.22%	3.34%	3.40%	3.48%	3.52%	3.23%	3.64%	4.16%	3.23%	2.60%	3.27%
18	Eaton Corp.	3.93%	3.66%	3.51%	3.75%	3.88%	3.69%	4.63%	5.73%	4.96%	4.95%	4.26%	2.76%	2.45%	2.83%
19	FirstEnergy Corp.	4.37%	4.44%	4.62%	4.31%	4.23%	4.26%	4.26%	4.90%	5.23%	5.76%	5.09%	3.21%	3.12%	3.40%
20	Fortis Inc.	3.66%	4.10%	3.69%	3.60%	3.76%	3.85%	3.84%	3.64%	3.66%	3.80%	4.21%	3.76%	3.01%	2.79%
21	Great Plains Energy	4.52%	N/A	3.56%	3.64%	3.76%	3.62%	3.84%	4.08%	4.15%	4.49%	5.03%	6.56%	5.49%	5.60%
22	Hawaiian Elec	4.75%	3.65%	3.65%	3.99%	4.05%	4.76%	4.72%	4.70%	5.04%	5.91%	6.89%	5.00%	5.16%	4.59%
23	IDACORP, Inc	3.26%	2.73%	2.58%	2.77%	3.06%	3.12%	3.21%	3.26%	3.10%	3.44%	3.46%	3.95%	3.55%	3.39%
24	MGE Energy	3.29%	2.31%	1.95%	2.23%	2.78%	2.78%	2.91%	3.25%	3.63%	3.98%	4.36%	4.24%	4.14%	4.25%
25	NexEra Energy, Inc	3.23%	2.85%	2.79%	2.91%	3.01%	3.00%	3.30%	3.65%	3.96%	3.90%	3.55%	3.02%	2.65%	3.40%
26	NexEra Energy, Inc	4.15%	4.01%	3.52%	3.43%	3.61%	3.30%	3.65%	4.17%	4.51%	4.93%	5.75%	5.35%	4.09%	3.65%
27	NorthWestern Corp	3.64%	4.31%	3.61%	3.87%	3.51%	3.63%	2.48%	2.94%	3.05%	3.65%	4.66%	4.52%	3.77%	3.99%
28	Oter Tail Corp.	4.27%	3.07%	3.12%	3.87%	4.33%	4.14%	4.11%	5.21%	5.57%	5.65%	5.35%	3.63%	3.46%	3.92%
29	PG&E Corp.	3.70%	N/A	2.42%	3.22%	3.45%	3.58%	3.68%	4.20%	4.25%	4.24%	4.63%	4.26%	3.07%	3.22%
30	Pinnacle West Capital	4.62%	3.60%	3.15%	3.45%	3.68%	4.09%	3.68%	5.32%	4.61%	5.43%	6.76%	6.17%	4.75%	4.67%
31	PNM Resources	3.32%	2.90%	2.53%	2.69%	2.90%	2.79%	2.99%	2.96%	3.19%	4.09%	4.76%	4.85%	3.36%	3.21%
32	Portland General	3.76%	3.38%	2.92%	3.06%	3.27%	3.34%	3.67%	4.11%	4.37%	5.20%	4.26%	3.45%	2.54%	2.54%
33	PPL Corp.	4.37%	5.61%	4.24%	4.25%	4.55%	4.45%	4.81%	5.07%	5.10%	5.12%	4.51%	3.10%	2.69%	3.41%
34	Public Serv. Enterprise	3.65%	3.65%	3.74%	3.78%	3.81%	3.92%	4.35%	4.55%	4.24%	4.39%	4.30%	3.26%	2.73%	3.47%
35	SCANA Corp	4.15%	1.45%	4.03%	3.29%	3.60%	4.05%	4.15%	4.25%	4.78%	4.93%	5.67%	4.92%	4.29%	4.21%
36	Sempra Energy	2.94%	3.25%	2.92%	2.92%	2.71%	2.61%	3.03%	3.71%	3.65%	3.06%	3.23%	2.62%	2.08%	2.47%
37	Southern Co.	4.73%	5.26%	4.63%	4.42%	4.76%	4.69%	4.61%	4.29%	4.63%	5.13%	5.52%	4.58%	4.39%	4.52%
38	Vectren Corp.	4.26%	2.84%	2.79%	3.31%	3.60%	3.62%	4.15%	4.62%	5.06%	5.53%	5.65%	4.78%	4.53%	4.52%
39	WEC Energy Group	3.08%	3.53%	3.31%	3.35%	3.49%	3.40%	3.49%	3.24%	3.35%	2.97%	3.16%	2.41%	2.14%	2.15%
40	Westar Energy	4.37%	N/A	3.00%	2.90%	3.73%	3.88%	4.27%	4.57%	4.84%	5.32%	6.27%	5.22%	4.16%	4.28%
41	Xcel Energy Inc.	4.01%	3.35%	3.10%	3.33%	3.69%	3.83%	3.66%	3.90%	4.20%	4.54%	5.14%	4.70%	4.05%	4.40%
Stock Yields															
42	Average	3.94%	3.56%	3.34%	3.49%	3.71%	3.66%	3.87%	4.18%	4.30%	4.63%	5.09%	4.21%	3.51%	3.71%
43	Median	3.93%	3.47%	3.15%	3.43%	3.71%	3.76%	3.85%	4.16%	4.42%	4.76%	5.14%	4.21%	3.40%	3.60%
44	Implied Inflation ³	2.15%	2.06%	1.69%	1.66%	1.75%	2.19%	2.35%	2.33%	2.40%	2.26%	1.65%	2.13%	2.49%	2.62%
45	Real Dividend Yield	1.76%	1.45%	1.42%	1.90%	1.93%	1.44%	1.49%	1.81%	1.86%	2.32%	3.18%	2.04%	0.99%	1.06%
Bond Yields															
46	Nominal "A" Rated Utility Bond Yield ⁴	4.95%	4.15%	4.00%	3.93%	4.12%	4.28%	4.48%	4.13%	5.04%	5.46%	6.04%	6.53%	6.07%	6.07%
47	Real "A" Utility Bond Yield	2.74%	2.03%	2.07%	2.34%	2.33%	2.04%	2.08%	1.76%	2.58%	3.13%	4.11%	4.31%	3.49%	3.36%
Spread															
48	Nominal Spread ⁵	1.00%	0.60%	0.66%	0.44%	0.40%	0.61%	0.61%	-0.05%	0.74%	0.84%	0.95%	2.32%	2.57%	2.36%
49	Real Spread ⁶	0.98%	0.58%	0.65%	0.44%	0.40%	0.60%	0.59%	-0.05%	0.72%	0.82%	0.93%	2.27%	2.50%	2.30%



Sources:

¹ The Value Line Investment Survey Investment Analyzer Software, downloaded on June 21, 2018.

² The Value Line Investment Survey, May 18, June 15, and July 27, 2018.

³ St. Louis's Federal Reserve: Economic Research, <http://research.stlouisfed.org>

⁴ www.moodys.com, Bond Yields and Key Indicators, through July 31, 2018.

Notes

^a Based on the average of the high and low price for 2017 and the projected 2017 Dividends Declared per share, published in the Value Line Investment Survey, May 18, June 15, and July 27, 2018.

^b The spread being measured here is the nominal A-rated utility bond yield over the average nominal utility dividend yield, (Line 46 - Line 42)

^c The spread being measured here is the real A-rated utility bond yield over the average real utility dividend yield, (Line 47 - Line 45)

KCPL / GMO

Electric Utilities (Valuation Metrics)

Company	Dividend per Share ¹													
	13-Year Average (1)	2018 ² (2)	2017 (3)	2016 (4)	2015 (5)	2014 (6)	2013 (7)	2012 (8)	2011 (9)	2010 (10)	2009 (11)	2008 (12)	2007 (13)	2006 (14)
Energy	1.87	2.24	2.14	2.08	2.02	1.96	1.90	1.84	1.78	1.76	1.76	1.72	1.64	1.45
Corp.	0.93	1.34	1.26	1.18	1.10	1.02	0.94	0.90	0.85	0.79	0.75	0.70	0.64	0.58
Electric Power	1.85	1.85	1.78	1.72	1.66	1.61	1.60	1.56	1.54	1.54	1.54	1.54	1.54	1.54
l, Inc.	1.93	2.51	2.39	2.27	2.15	2.03	1.95	1.88	1.85	1.71	1.64	1.64	1.58	1.50
Corp.	1.73	1.74	1.73	1.73	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Energy	1.08	1.49	1.43	1.37	1.32	1.27	1.22	1.16	1.10	1.00	0.81	0.69	0.60	0.57
Resources	1.54	1.90	1.81	1.68	1.62	1.56	1.52	1.48	1.46	1.44	1.42	1.40	1.37	1.32
Energy	0.88	1.11	1.35	1.03	0.99	0.95	0.83	0.81	0.79	0.78	0.76	0.73	0.68	0.60
Corp.	0.90	1.43	1.33	1.24	1.16	1.08	1.02	0.96	0.84	0.66	0.50	0.36	0.20	N/A
Edison	2.49	2.86	2.76	2.68	2.60	2.52	2.46	2.42	2.40	2.38	2.36	2.34	2.32	2.30
Resources	2.19	3.34	3.04	2.80	2.59	2.40	2.25	2.11	1.97	1.83	1.75	1.68	1.46	1.38
Energy	2.58	3.59	3.36	3.06	2.84	2.69	2.59	2.42	2.32	2.18	2.12	2.12	2.12	2.08
Energy	3.08	3.64	3.49	3.36	3.24	3.15	3.09	3.03	2.97	2.91	2.82	2.70	2.58	N/A
Util	1.53	2.45	2.23	1.98	1.73	1.48	1.37	1.31	1.29	1.27	1.25	1.23	1.18	1.10
Electric	1.11	1.42	1.32	1.23	1.17	1.11	1.05	0.97	0.66	N/A	N/A	N/A	N/A	N/A
Corp.	3.16	3.58	3.50	3.42	3.34	3.32	3.32	3.32	3.32	3.24	3.00	3.00	2.58	2.16
Energy	1.32	2.02	1.90	1.78	1.67	1.57	1.47	1.32	1.10	1.03	0.95	0.83	0.78	0.73
Corp.	1.68	1.38	1.31	1.26	1.24	1.24	1.46	2.10	2.10	2.10	2.10	2.05	1.82	1.64
Energy Corp.	1.83	1.44	1.44	1.44	1.44	1.44	1.65	2.20	2.20	2.20	2.20	2.20	2.05	1.85
Energy	1.23	1.75	1.65	1.55	1.43	1.30	1.25	1.21	1.17	1.12	1.04	1.00	0.82	0.67
Energy	1.11	N/A	1.10	1.06	1.00	0.94	0.88	0.86	0.84	0.83	0.83	1.66	1.66	1.66
Electric	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24
P, Inc.	1.58	2.40	2.24	2.08	1.92	1.76	1.57	1.37	1.20	1.20	1.20	1.20	1.20	1.20
Energy	1.07	1.32	1.26	1.21	1.16	1.11	1.07	1.04	1.01	0.99	0.97	0.96	0.94	0.93
Energy, Inc.	2.61	4.44	3.93	3.48	3.08	2.90	2.64	2.40	2.20	2.00	1.89	1.78	1.64	1.50
Energy Corp.	1.60	2.20	2.10	2.00	1.92	1.60	1.52	1.48	1.44	1.36	1.34	1.32	1.28	1.24
Energy	0.90	1.40	1.27	1.16	1.05	0.95	0.85	0.80	0.76	0.73	0.71	0.70	0.68	0.67
Energy Corp.	1.21	1.34	1.28	1.25	1.23	1.21	1.19	1.19	1.19	1.19	1.19	1.19	1.17	1.15
Energy	1.70	N/A	1.55	1.93	1.82	1.82	1.82	1.82	1.82	1.82	1.68	1.56	1.44	1.32
West Capital	2.33	2.86	2.70	2.56	2.44	2.33	2.23	2.67	2.10	2.10	2.10	2.10	2.10	2.03
Energy	0.74	1.08	0.99	0.88	0.80	0.76	0.68	0.58	0.50	0.50	0.50	0.61	0.91	0.86
General	1.09	1.43	1.34	1.26	1.18	1.12	1.10	1.08	1.06	1.04	1.01	0.97	0.93	0.88
Energy	1.42	1.64	1.58	1.52	1.50	1.49	1.47	1.44	1.40	1.40	1.38	1.34	1.22	1.10
Energy Enterprise	1.44	1.80	1.72	1.64	1.58	1.48	1.44	1.42	1.37	1.37	1.33	1.29	1.17	1.14
Corp.	1.90	0.61	2.45	2.30	2.18	2.10	2.03	1.98	1.94	1.90	1.88	1.84	1.76	1.68
Energy	2.24	3.58	3.29	3.02	2.80	2.64	2.52	2.40	1.92	1.56	1.56	1.37	1.24	1.20
Energy Co.	1.95	2.38	2.30	2.22	2.15	2.08	2.01	1.94	1.87	1.80	1.73	1.66	1.60	1.54
Energy Corp.	1.45	1.83	1.71	1.62	1.54	1.46	1.43	1.41	1.39	1.37	1.35	1.31	1.27	1.23
Energy Group	1.25	2.21	2.08	1.98	1.74	1.56	1.45	1.20	1.04	0.80	0.68	0.54	0.50	0.46
Energy	1.30	N/A	1.60	1.52	1.44	1.40	1.36	1.32	1.28	1.24	1.20	1.16	1.08	0.98
Energy Inc.	1.13	1.52	1.44	1.36	1.28	1.20	1.11	1.07	1.03	1.00	0.97	0.94	0.91	0.88
Average Growth	1.61	2.06	1.97	1.86	1.76	1.67	1.61	1.59	1.51	1.47	1.42	1.42	1.36	1.27
Average Growth	4.12%	4.64%	6.14%	5.60%	5.24%	3.58%	1.23%	5.69%	2.49%	3.36%	-0.08%	5.06%	6.45%	

¹Blue Line Investment Survey Investment Analyzer Software, downloaded on June 21, 2018.
²Blue Line Investment Survey, May 18, June 15, and July 27, 2018.

excluded from 2017 and 2018 average calculations due to their Dividend Suspension.

KCPL / GMO

Electric Utilities (Valuation Metrics)

Company	Earnings per Share ¹													
	13-Year													
	Average	2018 ²	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
	2.81	3.40	3.13	3.14	3.38	2.90	2.63	2.58	2.65	2.19	1.89	2.82	3.08	2.77
ergy	1.51	2.10	1.99	1.65	1.69	1.74	1.65	1.53	1.38	1.38	0.95	1.27	1.35	1.03
Corp.	2.64	3.05	2.77	2.68	2.38	2.40	2.10	2.41	2.47	2.77	2.78	2.88	2.98	2.66
Electric Power	3.25	3.85	3.62	4.23	3.59	3.34	3.18	2.98	3.13	2.60	2.97	2.99	2.66	2.86
, Inc.	1.70	2.30	1.67	1.98	0.86	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
rp.	1.65	1.90	1.95	2.15	1.89	1.84	1.85	1.32	1.72	1.65	1.58	1.36	0.72	1.47
ls	2.30	3.50	3.38	2.63	2.83	2.89	2.61	1.97	1.01	1.66	2.32	0.18	2.68	2.21
nt Energy	1.26	1.50	1.57	1.00	1.08	1.42	1.24	1.35	1.27	1.07	1.01	1.30	1.17	1.33
rgy Corp.	1.50	2.35	2.17	1.98	1.89	1.74	1.66	1.53	1.45	1.33	0.93	1.23	0.64	0.64
Edison	3.67	4.25	4.10	3.84	4.05	3.62	3.93	3.86	3.57	3.47	3.14	3.36	3.48	2.95
Resources	2.97	3.65	3.53	3.44	3.20	3.05	3.09	2.75	2.76	2.89	2.64	3.04	2.13	2.40
rgy	4.01	5.85	5.73	4.83	4.44	5.10	3.76	3.88	3.67	3.74	3.24	2.73	2.66	2.45
rgy	3.81	4.80	4.22	3.71	4.10	4.13	3.88	3.71	4.14	4.02	3.39	3.03	3.60	2.73
tl	3.83	4.40	4.51	3.94	4.15	4.33	3.78	4.65	3.23	3.35	3.24	3.68	3.32	3.28
Electric	2.05	2.45	2.42	2.39	2.03	2.27	2.20	2.26	2.48	2.07	1.50	1.73	1.63	1.27
Corp.	5.88	4.10	5.19	6.88	5.81	5.77	4.96	6.02	7.55	6.66	6.30	6.20	5.60	5.36
ce Energy	2.27	3.25	3.11	2.96	2.76	2.58	2.49	1.89	2.22	2.10	1.91	1.86	1.59	0.82
rp.	3.05	2.60	2.78	1.80	2.54	2.10	2.31	1.92	3.75	3.87	4.29	4.10	4.03	3.50
gy Corp.	2.67	1.00	2.73	2.10	2.00	0.85	2.97	2.13	1.88	3.25	3.32	4.38	4.22	3.82
.	1.77	2.70	2.66	1.89	2.11	1.38	1.63	1.65	1.74	1.62	1.51	1.52	1.29	1.36
ins Energy	1.33	N/A	-0.06	1.61	1.37	1.57	1.62	1.35	1.25	1.53	1.03	1.16	1.85	1.62
Elect.	1.49	1.90	1.64	2.29	1.50	1.64	1.62	1.67	1.44	1.21	0.91	1.07	1.11	1.33
P, Inc.	3.27	4.25	4.21	3.94	3.87	3.85	3.64	3.37	3.36	2.95	2.64	2.18	1.80	2.35
rgy	1.88	2.35	2.20	2.18	2.06	2.32	2.16	1.88	1.76	1.67	1.47	1.59	1.61	1.37
Energy, Inc.	5.01	7.75	6.50	5.78	6.06	5.60	4.83	4.56	4.82	4.74	3.97	4.07	3.27	3.23
stern Corp	2.47	3.50	3.34	3.39	2.90	2.99	2.46	2.26	2.53	2.14	2.02	1.77	1.44	1.31
rgy	1.65	2.05	1.92	1.69	1.69	1.98	1.94	1.79	1.73	1.50	1.33	1.25	1.32	1.23
l Corp.	1.32	2.05	1.66	1.60	1.56	1.55	1.37	1.05	0.45	0.38	0.71	1.09	1.78	1.69
rp.	2.44	-1.00	3.50	2.83	2.00	3.06	1.83	2.07	2.78	2.82	3.03	3.22	2.78	2.76
West Capital	3.39	4.50	4.43	3.95	3.92	3.58	3.66	3.50	2.99	3.08	2.26	2.12	2.96	3.17
sources	1.26	1.85	1.92	1.65	1.64	1.45	1.41	1.31	1.08	0.87	0.58	0.11	0.76	1.72
General	1.87	2.20	2.29	2.16	2.04	2.18	1.77	1.87	1.95	1.66	1.31	1.39	2.33	1.14
.	2.33	2.25	2.11	2.79	2.37	2.38	2.38	2.61	2.29	1.19	2.45	2.63	2.29	2.29
nv. Enterprise	2.81	3.10	2.82	2.83	3.30	2.99	2.45	2.44	3.11	3.07	3.08	2.90	2.59	1.85
Corp.	3.33	3.65	4.20	4.16	3.81	3.79	3.39	3.15	2.97	2.98	2.85	2.95	2.74	2.59
Energy	4.54	5.50	4.63	4.24	5.23	4.63	4.22	4.35	4.47	4.02	4.78	4.43	4.26	4.23
Co.	2.60	2.90	3.21	2.83	2.84	2.77	2.70	2.67	2.55	2.36	2.32	2.25	2.28	2.10
Corp.	2.01	2.85	2.60	2.55	2.39	2.02	1.66	1.94	1.73	1.64	1.79	1.63	1.83	1.44
ergy Group	2.24	3.30	3.14	2.96	2.34	2.59	2.51	2.35	2.18	1.92	1.60	1.52	1.42	1.32
nergy	1.96	N/A	2.27	2.43	2.09	2.35	2.27	2.15	1.79	1.80	1.28	1.31	1.64	1.88
rgy Inc.	1.83	2.45	2.30	2.21	2.10	2.03	1.91	1.85	1.72	1.58	1.49	1.46	1.35	1.35
	2.60	3.19	3.02	2.91	2.78	2.77	2.60	2.51	2.53	2.45	2.26	2.29	2.32	2.17
Average Growth	3.32%	5.82%	3.68%	4.86%	0.28%	6.70%	3.34%	-0.86%	3.54%	8.08%	-1.11%	-1.47%	6.98%	

Blue Line (Investment Survey Investment Analyzer Software, downloaded on June 21, 2018).
Blue Line Investment Survey, May 18, June 15, and July 27, 2018.

excluded from 2017 and 2018 average calculations due to their Dividend Suspension.

Item 1: An Initial (Original) Submission OR Resubmission No. ____

Form 1 Approved
OMB No.1902-0021
(Expires 12/31/2019)
Form 1-F Approved
OMB No.1902-0029
(Expires 12/31/2019)
Form 3-Q Approved
OMB No.1902-0205
(Expires 12/31/2019)



FERC FINANCIAL REPORT FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company) KCP&L Greater Missouri Operations Company	Year/Period of Report End of <u>2017/Q4</u>
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	3,763,969,212	3,672,678,599
3	Construction Work in Progress (107)	200-201	108,540,353	103,508,665
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		3,872,509,565	3,776,187,264
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	1,370,823,172	1,313,596,167
6	Net Utility Plant (Enter Total of line 4 less 5)		2,501,686,393	2,462,591,097
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		2,501,686,393	2,462,591,097
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	OTHER PROPERTY AND INVESTMENTS			
18	Nonutility Property (121)		7,374,347	9,005,292
19	(Less) Accum. Prov. for Depr. and Amort. (122)		5,458,634	5,075,904
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	-864,632,327	-867,997,979
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		0	0
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		17,269,612	18,280,272
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		-845,447,002	-845,788,319
33	CURRENT AND ACCRUED ASSETS			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		865,033	1,040,622
36	Special Deposits (132-134)		0	0
37	Working Fund (135)		2,454,385	2,084,385
38	Temporary Cash Investments (136)		0	0
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		0	0
41	Other Accounts Receivable (143)		4,502,977	4,272,227
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		0	0
43	Notes Receivable from Associated Companies (145)		885,687,592	867,053,107
44	Accounts Receivable from Assoc. Companies (146)		17,578,752	12,519,176
45	Fuel Stock (151)	227	31,779,466	35,516,465
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	43,060,429	41,153,677
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	344,215	339,820

Name of Respondent KCP&L Greater Missouri Operations Company	FERC PDF (Unofficial) This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/18/2018	Year/Period of Report End of 2017/Q4
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	2,079,574	2,085,963
55	Gas Stored Underground - Current (164.1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		3,290,886	2,800,462
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		0	0
60	Rents Receivable (172)		304,545	30,943
61	Accrued Utility Revenues (173)		1,812,172	1,721,842
62	Miscellaneous Current and Accrued Assets (174)		192,329	0
63	Derivative Instrument Assets (175)		0	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		214,526	362,740
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		994,166,881	970,961,429
68	DEFERRED DEBITS			
69	Unamortized Debt Expenses (181)		2,202,684	2,491,714
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	295,941,085	249,715,728
73	Prelim. Survey and Investigation Charges (Electric) (183)		451,437	453,821
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	612
77	Temporary Facilities (185)		110	110
78	Miscellaneous Deferred Debits (186)	233	174,692,217	173,091,324
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		1,157,330	1,691,684
82	Accumulated Deferred Income Taxes (190)	234	486,380,109	594,083,058
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		960,824,972	1,021,528,051
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		3,611,231,244	3,609,292,258

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	0	0
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		0	0
7	Other Paid-In Capital (208-211)	253	1,276,949,287	1,276,949,287
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	-103,935,001	3,325,762
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	18,688,063	15,322,411
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-2,541,994	-2,111,741
16	Total Proprietary Capital (lines 2 through 15)		1,189,160,355	1,293,485,719
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	354,500,000	355,625,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	634,889,000	634,889,000
21	Other Long-Term Debt (224)	256-257	90,850,000	90,850,000
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		1,080,239,000	1,081,364,000
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		1,457,278	1,554,008
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		1,580,273	979,675
29	Accumulated Provision for Pensions and Benefits (228.3)		22,826,001	22,509,894
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		34,771,565	37,997,864
35	Total Other Noncurrent Liabilities (lines 26 through 34)		60,635,117	63,041,441
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		209,300,000	201,900,000
38	Accounts Payable (232)		82,427,929	77,757,064
39	Notes Payable to Associated Companies (233)		22,338,497	16,859,375
40	Accounts Payable to Associated Companies (234)		76,690,284	63,347,821
41	Customer Deposits (235)		7,272,450	7,231,066
42	Taxes Accrued (236)	262-263	10,954,432	10,875,279
43	Interest Accrued (237)		8,235,986	8,217,934
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent KCP&L Greater Missouri Operations Company	FERC PDF (Unofficial) This Report is for 2018 (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (mo, da, yr) 04/18/2018	Year/Period of Report end of 2017/Q4
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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		970,982	925,916
48	Miscellaneous Current and Accrued Liabilities (242)		1,438,564	1,492,784
49	Obligations Under Capital Leases-Current (243)		96,729	89,405
50	Derivative Instrument Liabilities (244)		0	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		419,725,853	388,696,644
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		5,532,530	4,970,570
57	Accumulated Deferred Investment Tax Credits (255)	266-267	3,060,847	3,375,524
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	9,101,874	9,367,639
60	Other Regulatory Liabilities (254)	278	344,849,258	62,630,058
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	56,130,678	55,842,964
63	Accum. Deferred Income Taxes-Other Property (282)		369,766,876	562,816,010
64	Accum. Deferred Income Taxes-Other (283)		73,028,856	83,701,691
65	Total Deferred Credits (lines 56 through 64)		861,470,919	782,704,454
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		3,611,231,244	3,609,292,258

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
KCP&I Greater Missouri Operations Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 04/18/2018	2017/Q4
NOTES TO FINANCIAL STATEMENTS (Continued)			

	December 31	
	2017	2016
Regulatory Assets	(millions)	
Taxes recoverable through future rates	\$ 75.1	\$ 30.0
Asset retirement obligations	24.2	24.9
Pension and post-retirement costs	108.2 (a)	104.7
Deferred customer programs	19.4 (b)	27.4
Fuel recovery mechanism	12.0 (e)	-
Iatan No. 1 and common facilities depreciation and carrying costs	4.7 (c)	5.0
Iatan No. 2 construction accounting costs	13.7 (d)	16.1
Solar rebates	37.0 (e)	41.6
Other	1.6	-
Total	\$295.9	\$249.7
Regulatory Liabilities		
Taxes refundable through future rates	\$295.7	\$ 5.2
Fuel recovery mechanism	3.9	11.6
Pension and post-retirement costs	8.2	7.4
Other	37.0	38.4
Total	\$344.8	\$ 62.6

(a) GMO does not have pension and post-retirement plans; however, GMO receives its share of Great Plains Energy's pension and post-retirement plan costs. Pension and post-retirement costs represents unrecognized gains and losses, prior service and transition costs that will be recognized in future net periodic pension and post-retirement costs, pension settlements amortized over various periods and financial and regulatory accounting method differences that will be eliminated over the life of the pension plans. Of this amount, \$61.4 million is not included in rate base and is amortized over various periods.

(b) \$10.9 million not included in rate base and amortized over various periods.

(c) Included in rate base and amortized through 2038.

(d) Included in rate base and amortized through 2059.

(e) Not included in rate base and amortized over various periods.

5. GOODWILL AND INTANGIBLE ASSETS

Accounting rules require goodwill to be tested for impairment annually and when an event occurs indicating the possibility that an impairment exists. The annual impairment test for the \$169.0 million of GMO acquisition goodwill was conducted on September 1, 2017. The goodwill impairment test consists of comparing the fair value of a reporting unit to its carrying amount, including goodwill, to identify potential impairment. In the event that the carrying amount exceeds the fair value of the reporting unit, an impairment loss is recognized for the difference between the carrying amount of the reporting unit and its fair value. GMO's regulated electric utility operations are considered one reporting unit for assessment of impairment, as they have similar economic characteristics. The determination of fair value of the reporting unit consisted of two valuation techniques: an income approach consisting of a discounted cash flow analysis and a market approach consisting of a determination of reporting unit invested capital using market multiples derived from the historical revenue; earnings before interest, income taxes, depreciation and amortization; net utility asset values and market prices of stock of peer companies. The results of the two techniques were evaluated and weighted to determine a point within the range that management considered representative of fair value for the reporting unit. Fair value of the reporting unit exceeded the carrying amount, including goodwill; therefore, there was no impairment of goodwill.

GMO's intangible assets are included in utility plant on the balance sheets and are detailed in the following table.

Name of Respondent 20180418-8023 FERC PDF (Unofficial) KCP&L Greater Missouri Operations Company		This Report Is: Original <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/18/2018	Year/Period of Report End of 2017/Q4	
MISCELLANEOUS DEFERRED DEBITS (Account 186)						
1. Report below the particulars (details) called for concerning miscellaneous deferred debits. 2. For any deferred debit being amortized, show period of amortization in column (a) 3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than \$100,000, whichever is less) may be grouped by classes.						
Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	Goodwill	168,969,590				168,969,590
2	Min Lease Payment Receivable	1,816,960	623,792	456,457	593,085	1,847,667
3	Heat Pump Loans	2,158	15,171	142	17,329	
4	Miscellaneous	-479,658	1,079,832	various		600,174
5	MEEIA Performance Incentive					
6	Award	2,782,274	2,153,145	various	4,684,224	251,195
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47	Misc. Work in Progress					3,023,591
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	173,091,324				174,692,217