

**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-2012-0174

and

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

MOTION TO UPDATE REPLY BRIEF

COMES NOW, the Midwest Energy Consumers' Group ("MECG") and, for its Motion to update Reply Brief, respectfully states as follows:

1. On December 11, 2012, MECG filed its Reply Brief in this matter. At pages 8-9 of that Brief, MECG addressed KCPL's repeated request that the Commission consider return on equity decisions of other state utility commissions. Rather than focusing on current economic conditions, KCPL's request to consider these dated decisions would effectively have the Commission base its order on the economic conditions existing at the time these cases were processed and decided. In many cases, such economic conditions are now 14-16 months old. Recognizing that capital costs have decreased significantly in the interim, by focusing on these aged economic conditions, KCPL hopes to receive an inflated return on equity.

2. Two days after filing its Reply Brief, the Kansas Commission issued its decision in KCPL's Kansas rate proceeding. Unlike the decisions offered by KCPL, this Kansas decision is relevant in that it is contemporaneous with this Commission's decision. Additionally, because it concerns the same utility, it involves the exact same risk profile as that addressed in Missouri's

pending case. Finally, it involves the same KCPL return on equity witness utilizing the same analyses and making the exact same recommendation.

3. In that decision, attached hereto, the Kansas Commission rejected KCPL's request for a 10.3% return on equity and instead held that KCPL should be authorized a return on equity of 9.50%. Furthermore, the Commission expressly rejected the GDP growth rates advocated by KCPL witness Hadaway.

Hadaway estimates gross domestic product (GDP) will grow by an average 5.4% over the next 30 years. Yet Hadaway recommends a long run nominal GDP growth rate of 5.7% in his DCF models, which is roughly 120 basis points more optimistic than either of the estimates by the Social Security Administration and the Energy Information Administration. Based on the current economic climate, the Commission believes a projected growth rate in GDP of 5.7% is unreasonably optimistic. KCP&L argues the recommendations by Staff and CURB ignore the worst economic slowdown since the Great Depression. Yet it appears KCP&L is the party ignoring the economic downturn. Gatewood testified analysts are no longer expecting double digit returns from the S&P 500, which are going to be riskier and more volatile than electric utility stocks, and thus have higher returns than electric utilities.¹

4. By citing this decision, MECG is not agreeing to the 9.50% return authorized by the Kansas Commission. In that case, the Kansas Commission was not provided evidence regarding the affordability of KCPL rates and the excessive amount of A&G costs included in KCPL rates.² After considering these facts that were unavailable to the Kansas Commission, MECG believes that KCPL should be authorized a return at the lower end of Mr. Gorman's range (9.10% - 9.50%). As such, MECG continues to believe that a return of 9.10% is reasonable. Nevertheless, the Kansas decision is relevant to the Commission's consideration of KCPL's recommendation and, for that reason, should be considered by the Commission.

5. In civil practice, courts routinely allow parties to update their briefs to reflect recent decisions. For instance, in Case No. WD74676, appellant Public Counsel filed its Reply

¹ See paragraph 22 (footnotes omitted).

² See, MECG Initial Brief at pages 4-7.

Brief on May 24, 2012. Nevertheless, Public Counsel was authorized to supplement its brief on August 30, 2012 to reflect court cases that were issued following the filing of that brief.

WHEREFORE, MECG respectfully updates its reply brief to reflect the return on equity decision issued by the Kansas Commission on December 13.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.



David L. Woodsmall

Dated: December 17, 2012