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Issue:	Revenue Requirement
Witness:	Michael Gorman
Type of Schedule:	Surrebuttal Testimony
Sponsoring Party:	Missouri Industrial Energy Consumers
Case No.:	ER-2011-0028
Date Testimony Prepared:	April 15, 2011

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service	))))))	**Case No. ER-2011-0028** Tariff No. YE-2011-0116

Surrebuttal Testimony and Schedules of

Michael Gorman

On behalf of

Missouri Industrial Energy Consumers

April 15, 2011

BAI
BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

Project 9371

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service	**Case No. ER-2011-0028** Tariff No. YE-2011-0116

STATE OF MISSOURI)
) **SS**
COUNTY OF ST. LOUIS)

Affidavit of Michael Gorman

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

1. My name is Michael 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 Missouri Industrial Energy Consumers 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 No. ER-2011-0028.

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 Gorman

Michael Gorman

Subscribed and sworn to before me this 15th day of April, 2011.

MARIA E. DECKER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: May 5, 2013
Commission # 09706793

Maria E. Decker

Notary Public

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<u>Surrebuttal Testimony of Michael Gorman</u>

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q ARE YOU THE SAME MICHAEL GORMAN WHO PREVIOUSLY FILED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A Yes.

Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A I will respond to the rebuttal testimony of Ameren Missouri witness Mr. Robert B. Hevert.

Q PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY TO MR. HEVERT.

A In my surrebuttal testimony, I outline my response to Mr. Hevert as follows:

1. Mr. Hevert makes inaccurate assertions concerning the sustainable growth rate DCF methodology. The studies Mr. Hevert relies on to support his assertions are erroneous and should be disregarded. While I would agree that the sustainable growth rate DCF model should not be used in isolation, this model provides meaningful information when combined with other DCF studies to help the Commission gauge an appropriate ROE for Ameren Missouri in this proceeding.

2. As noted in my rebuttal testimony, Mr. Hevert fails to support his inflated GDP growth forecast. His GDP growth forecast is calculated in an erroneous manner and is tied to historical "real" GDP growth that is not reflective of analysts' projected forward-looking real GDP growth. Therefore, he has failed to capture investors' expectations of future growth and has overestimated a fair ROE for Ameren Missouri in this proceeding.

3. Mr. Hevert has made inaccurate representations concerning the proper measurement of a market risk premium and beta factor for use in a CAPM study. This includes misrepresenting *Morningstar* market risk premium estimates, and asserting that futures market contract price volatility rather than equity and debt securities price variance relative to the market should be given primary reliance in measuring a market risk premium and beta factor. Mr. Hevert's CAPM assertion and return estimate should be rejected.

4. Mr. Hevert's criticisms of my financial integrity assessment are largely misplaced and produce an unreliable assessment of whether or not the rate structure proposed in this proceeding will support Ameren Missouri's retail operations. However, he does make one argument concerning construction work in progress ("CWIP") that I believe has merit. Therefore, I incorporated a change in my financial integrity study to include retail electric CWIP. Based on this revised financial integrity study, I continue to conclude that my recommended ROE for Ameren Missouri in this case provides fair compensation, and will support the financial integrity of retail operations in Missouri.

5. I update my return on equity ("ROE") studies based on Mr. Hevert's updated proxy group, which excludes two companies that are involved in mergers and acquisitions, and includes Great Plains Energy.

I. Hevert Response

1. Sustainable Growth DCF Study

Q DOES MR. HEVERT TAKE EXCEPTION WITH YOUR SUSTAINABLE GROWTH DCF ANALYSIS?

A Yes. Mr. Hevert questions whether or not investors rely on sustainable growth rate methodology, or rely exclusively on analysts' growth rate projections. He also asserts that I do not consider whether or not analysts' growth rate estimates are given due consideration by investors in forming investment outlooks.

Q AT PAGE 64 OF HIS REBUTTAL, MR. HEVERT ASSERTS THAT YOU DO NOT CONSIDER WHETHER ANALYSTS' GROWTH RATE PROJECTIONS ARE GIVEN DUE CONSIDERATION BY INVESTORS. PLEASE RESPOND.

A Mr. Hevert's testimony is misplaced. At pages 15 and 16 of my direct testimony, I testified that analysts' growth rate projections are highly influential on investors. I explained that investors make rational investment decisions and are influenced by analysts' growth rate projections for the period they are designed to reflect. Mr. Hevert ignores the critically important fact that analysts' growth projections are made to reflect a three- to five-year time frame. Importantly, the constant growth DCF analysis requires a growth rate that can be sustained indefinitely. Therefore, while analysts' three- to five-year growth rate estimates may be a good gauge of investors' growth rate outlooks over the next three to five years, if investors make rational investment decisions, then elevated short-term growth rate estimates are not reasonable estimates of investors' outlooks for long-term sustainable growth. The important question is whether growth projections designed for the next three to five years are reasonable to gauge long-term sustainable growth.

Mr. Hevert's contention that I did not give proper consideration to analysts' growth rate estimates is erroneous, and should be disregarded.

Q DID MR. HEVERT ALSO TAKE ISSUE WITH YOUR SUSTAINABLE GROWTH RATE ESTIMATES?

A Yes. Mr. Hevert conducts an analysis of historical data that shows that the earnings retention method of estimating growth does not correlate with future earnings growth. From this, he concludes that the B x R methodology of estimating future growth is not reliable.

Q IS MR. HEVERT'S ANALYSIS OF THE B x R GROWTH RATE METHODOLOGY REASONABLE?

A No. Mr. Hevert uses historical data to measure earnings retention rates "B", and then test how the historical earnings retention rates correlate to forecasted earning growth rates. The underlying hypothesis of Mr. Hevert's analysis is, however, severely flawed, and indeed it even contradicts Mr. Hevert's own testimony. Mr. Hevert and I generally agree that analysts' forecasts produce superior growth forecasts.

Mr. Hevert's analysis of earnings retention rates relative to forecasted growth rates suggests that there must be a strong correlation between historical earnings retention rates and forecasted earnings growth rates in order for the B x R methodology to be reliable. This hypothesis is nonsensical.

At page 36 of Mr. Hevert's rebuttal testimony, he observes that analysts' growth rates are more reliable than historical growth rates. Mr. Hevert likely would agree that analysts can form forward-looking growth rate projections based on expectations of changing fundamental factors of the company, including forward earnings retention rates that may be different than historical earnings retention rates and other forward-looking growth factors that represent changes from historical data. Mr. Hevert's implicit assumption that historical earnings retention ratios should have a strong correlation with forecasted earnings growth rates misses the important point that forecasted earnings growth rates can reflect expected changes to historical data.

Further, Mr. Hevert's study is based on data from widely inconsistent time periods. Also, some of the companies included in his study have undergone fundamental changes, which would severely distort earnings growth outlooks from historical operations. All of this works strongly against the accuracy and reliability of Mr. Hevert's analysis.

For example, the retention rates and growth outlooks reflect substantially varying time periods for companies within the proxy group. As shown on Mr. Hevert's Schedule RBH-ER24, he uses data for Alliant Energy during 2000 through 2004. Ameren Corporation data is based on a 1994 through 2004 period. American Electric Company has data for the 2000 through 2004 period. The available data for the proxy group companies is very erratic and inconsistent.

Q MR. HEVERT ALSO CONTENDS THAT THERE IS AN ACADEMIC ARTICLE PUBLISHED IN *FINANCIAL ANALYSIS JOURNAL* THAT SUPPORTS HIS CONCERN OF THE RELIABILITY OF THE SUSTAINABLE GROWTH RATE METHODOLOGY. HE CITES THAT AT PAGE 67 OF HIS DIRECT TESTIMONY. DOES THIS ARTICLE SUPPORT MR. HEVERT'S BELIEF THAT THE SUSTAINABLE GROWTH RATE METHODOLOGY IS NOT RELIABLE?

A This article does not support Mr. Hevert's position. The conclusion of the article he referenced is provided below:

> "**Conclusion**
> We extended the work of Arnott and Asness in the U.S. market to an additional 10 countries, and this international evidence generally supports A&A's findings-despite the very different institutional, tax, and legal environments of our sample. In short, substantial reinvestment of retained earnings does not lead to faster future real earnings growth, although it does lead to faster real dividend growth. Investing in countries with higher payout ratios is also observed to result in higher earnings growth than investing in markets with low payout ratios.
>
> Unfortunately, these findings did not translate to return predictability in a persuasive fashion: The results vary for different countries and time periods. The notable exception appears to be the U.S. market, where the payout ratio is significantly related to subsequent 5-year and 10-year returns. In general, predicting real earnings and dividend growth is the easy part; valuing them is quite another matter!
>
> Currently, the components of the S&P 500 are paying out around one-third of their earnings as dividends, well below the post-World War II average of 50-60 percent. Therefore, our findings suggest that the

outlook for earnings growth in the next few years is ominous." (*Financial Analysts Journal*, Volume 62, Number 1, page 52)

As described above, the article's conclusion that payout ratios and earnings growth rate may not be correlated, was largely based on international companies. However, the authors found that for U.S. companies, earnings retention rates (or dividend payout ratios) correlate with future earnings growth. Since the subject of this proceeding is to assess earnings growth outlooks for U.S. utility companies, this article would support the use of my sustainable growth DCF model, and refuted the accuracy of Mr. Hevert's assertions.

The second article referenced by Mr. Hevert also qualifies its findings to companies with "limited growth opportunities."[1] The findings of this second article also fail to support Mr. Hevert's conclusions.

Q DOES MR. HEVERT MAKE OTHER CRITICISMS OF THE SUSTAINABLE GROWTH RATE METHODOLOGY?

A Yes. Mr. Hevert argues that the sustainable growth rate is circular because it is tied to *Value Line*'s projection of the earned ROE for the companies in the proxy group. He further opines that it is not possible for the earnings growth outlooks to be realized if *Value Line*'s projected earned return for the proxy group is 11.2%, and Ameren Missouri is allowed to earn a ROE of 9.75%.

Q PLEASE RESPOND.

A Mr. Hevert's arguments are again misplaced and without merit for several reasons. First, the sustainable growth rate methodology is not a comparable earnings analysis. Hence, it does not estimate a fair return on equity for Ameren Missouri based on the

[1] Dividend payout and future earnings growth, May/June 2006 at 67.

Value Line projected book returns on equity for the proxy companies. Rather, the sustainable growth DCF methodology estimates the return an investor would require to make an investment in Ameren Missouri.

Also, the earned return on book equity for the publicly traded companies in the proxy group need not serve as a proxy for the earned return on equity for the regulated utility operations of those publicly traded holding companies. That is, the proxy companies have unregulated affiliates which produce earnings differently than the capital intensive regulated utilities. Also, the accounting practices for non-regulated companies are not comparable to regulated utilities. Hence, the earned returns on equity for the publicly traded parent company and its non-regulated subsidiaries are not directly comparable to the earned return on equity for a regulated utility company.

Q AT PAGE 69 OF HIS TESTIMONY, MR. HEVERT ASSERTS THAT YOU COMPARE YOUR SUSTAINABLE GROWTH ESTIMATE TO GDP GROWTH, AND UTILITY SALES VOLUME GROWTH. IS THIS ACCURATE?

A No. I do consider that historically, GDP growth has a strong relationship to utility sales. I observe that utility sales, in turn, have a relationship to utility plant investment growth.

Importantly, my testimony equates utility earnings growth to the utility's rate base growth. Rate base growth, in turn, is driven in part by sales growth. However, I did not and have never used utility sales growth as a long-term growth rate estimate for use in a DCF study. Mr. Hevert's assertion here is simply erroneous and without merit.

2. Multi-Stage Growth DCF Model

Q DOES MR. HEVERT TAKE ISSUE WITH YOUR MULTI-STAGE GROWTH DCF STUDY?

A Yes. Mr. Hevert appears to make generally three arguments concerning my multi-growth DCF analysis. First, he believes that my study should not have been based on year-end cash flows, but rather the first dividend payments should have been reflected six months after the stock was purchased. Second, he takes issue with the quarterly compounding version of the DCF model versus the annual version of the DCF model. Based on these parameters, he believes my multi-stage growth DCF model underestimates ROE for Ameren Missouri by approximately 28 basis points. He finally takes issue with my use of analysts' 10-year projected GDP growth rate. He supports the use of a historically derived GDP real growth rate estimate rather than a consensus analysts' growth rate.

Q IS MR. HEVERT'S ARGUMENT THAT YOU SHOULD HAVE MODELED DCF CASH FLOWS STARTING SIX MONTHS OUT REASONABLE?

A No. Mr. Hevert has critically misspecified the timing of the cash flows in his multi-growth DCF study. On his Schedule RBH-ER12, he modeled the first cash flow as <u>four</u> quarters of dividends that are paid two quarters after the stock is purchased. The second cash flow then reflects eight quarters of dividends received by the investor in only six quarters after the stock is purchased. This misspecification of cash flow timing continues through the entire DCF time period. Hence, Mr. Hevert's multi-growth DCF model has substantially misstated the timing of cash flow payments after buying a utility stock in his DCF model.

In significant contrast, my multi-stage growth DCF analysis assumes that the first cash flow will be received four quarters after the stock is purchased. This pattern of four quarterly dividend receipts after the stock's own four quarters continues throughout the model. In effect, my analysis properly times the amount and timing of cash flows (or dividends) received with the time period the stock is owned.

Mr. Hevert's DCF model, however, falsely assumes that utilities will accelerate the payment of dividends to investors by giving them four quarters of dividends after the stock is owned for a two quarter time period. This acceleration of dividend payments results in an overstatement to Mr. Hevert's multi-stage growth DCF analysis.

Q MR. HEVERT ALSO ASSERTS THAT YOUR MULTI-STAGE DCF MODEL DOES NOT PROPERLY REFLECT PAYOUT RATIO ASSUMPTIONS FOR THE UTILITY INDUSTRY. PLEASE RESPOND.

A As shown on Schedule MPG-6 of my direct testimony, the payout ratios for the utilities in my proxy group are expected to decline from 71.6% in 2009 to 59.8% in three to five years.

A decreasing payout ratio indicates that earnings are growing at a rate faster than dividends because dividends are becoming a smaller percentage of total earnings. As such, an accurate reflection of this would be to assume that short-term dividend growth will be slower short-term earnings growth in the short-term stage of my multi-growth DCF study. I agree with Mr. Hevert's multi-growth model that eventually utility earning and dividend growth will converge after a target dividend payout ratio is realized.

In my multi-growth DCF model, I overstated short-term dividend growth projections because I assumed dividends and earnings would grow at the same rate in the short-term stage. This will likely not happen if the dividend payout ratio is declining. If I would have modeled my multi-stage growth DCF analysis in the way Mr. Hevert asserts is more accurate, then I would have reduced short-term dividend growth, which would lower my multi-stage growth DCF result. As such, if my multi-growth DCF model is biased, it is an overestimation bias.

Q DOES MR. HEVERT TAKE ISSUE WITH YOUR GDP GROWTH RATE ESTIMATE USED AS A LONG-TERM STEADY-STATE GROWTH RATE IN YOUR MULTI-STAGE DCF ANALYSIS?

A Yes. Mr. Hevert takes issue with my GDP growth forecast published by the consensus of economists in *Blue Chip Economic Forecasts*. He instead proposes to develop a growth rate based on historical real GDP growth rate, with a projection of future inflation based on the *Blue Chip Economic Forecasts* and the Energy Information Administration.

Q PLEASE RESPOND TO MR. HEVERT'S CONTENTION ON THE APPROPRIATE GDP GROWTH RATE OUTLOOK.

A The appropriate GDP growth rate outlook is to reflect what is likely to impact investors' decisions, not those that either Mr. Hevert or I believe are most appropriate. Because Mr. Hevert has asserted that consensus analysts' growth projections are less likely to not be biased (Hevert Direct Testimony at 27 and 28), than is a single analyst projection, it should not be contested that consensus analysts'

GDP growth rate projections are superior to a GDP growth rate derived by Mr. Hervert (a single analyst) primarily from only historical data.

3. CAPM Study

Q DOES MR. HEVERT TAKE ISSUE WITH YOUR CAPM STUDY?

A Yes. He takes issue with certain findings from the *Morningstar* publication concerning market risk premium estimates. He also takes issue with my reliance on *Value Line* beta estimates. He continues to support his short-term beta estimates.

Q WHAT ISSUES DO YOU HAVE WITH MR. HEVERT'S ASSESSMENT OF THE MARKET RISK PREMIUM ESTIMATES AS PUBLISHED IN THE *MORNINGSTAR* PUBLICATION?

A Mr. Hevert takes issue with the lower market risk premium that I identified in my testimony but did not use for my recommended ROE. However, to illustrate Mr. Hevert's lack of accuracy in his assertions, I will respond to his argument. Specifically, Mr. Hevert contends that in the *Morningstar* publication, it estimated a supply-side market risk premium of 5.2%. At page 77 of his rebuttal testimony, Mr. Hevert testifies that he updated the *Ibbotson* (*Morningstar*) supply-side market risk premium and found that the supply-side market risk premium would be 7.29% using data through 2010.

Q WHY DO YOU BELIEVE THAT MR. HEVERT'S UPDATED *MORNINGSTAR* SUPPLY-SIDE MARKET RISK PREMIUM SHOWS HOW SKEWED ARE HIS ASSERTIONS?

A The reason I believe that his assertions are skewed is because he claims to have updated the *Morningstar* supply-side market risk and he produced a market risk premium of 7.29%. However, an updated *Morningstar* supply-side market risk premium estimate is available in the *Morningstar 2011 Valuation Handbook*. From this published source, using *Morningstar's* supply-side market risk premium methodology, updated for the data in the *2011 Valuation Handbook*, *Morningstar* found supply-side market risk premium is 5.96%.[2] Hence, while Mr. Hevert claims to have made an updated supply-side risk premium estimate of 7.29%, his estimate was more than 130 basis points higher than the *Morningstar's* published market risk premium. Clearly, the reliability of Mr. Hevert's estimates and assertions are unreliable at best.

Q DO YOU HAVE ANY COMMENTS CONCERNING THE APPROPRIATE BETA ESTIMATE TO USE IN THE CAPM RETURN ESTIMATE?

A I have already responded to Mr. Hevert's assertions in my rebuttal testimony. His beta adjustments do not reflect long-term investment outlooks because they do not reflect stock investors' valuation decisions for utility stocks and market stock investments. Rather, Mr. Hevert's market risk premium estimate is driven by derivative markets, that is, futures and options contracts. These futures and options markets do not represent the market that Ameren Missouri would go to to sell bonds or stock. Rather, the equity market that Ameren Corporation or Ameren Missouri

[2] 2011 Ibbotson SBBI Valuation Yearbook at 66.

would go to sell stock and bonds, will value the stock bond based on long-term investment outlooks, company and market fundamentals over the security holding period.

In significant contrast, the futures and options derivative market, which Mr. Hevert relies on his volatility adjustments to the market risk premium and beta estimates, values derivative contracts with investment horizons of only a few years. The derivative market is simply not the market where Ameren Missouri will go to sell new stocks and bonds to secure proceeds to fund investments in utility plant and equipment. Mr. Hevert's CAPM analysis is flawed because it is based on the wrong market data.

4. <u>Risk Premium Analysis</u>

Q DO YOU HAVE ANY COMMENTS CONCERNING MR. HEVERT'S EQUITY RISK PREMIUM ARGUMENTS?

A Mr. Hevert continues to endorse his simplistic inverse relationship between equity risk premiums and interest rates. While there is some relationship between interest rates and equity risk premiums, the movement of equity risk premiums in relationship to the nominal interest rates is far more complex than that suggested by Mr. Hevert. Academic research clearly indicates that equity risk premiums change based on the market's assessment of equity investment risk versus bond investment risk. That relationship cannot be described entirely by simple changes in nominal interest rates. As such, Mr. Hevert's methodology is simply based on simplistic, illogical conclusions and should not be relied on.

5. Financial Integrity

Q DID MR. HEVERT RESPOND TO YOUR FINANCIAL INTEGRITY ASSESSMENT OF YOUR PROPOSED RATE OF RETURN FOR AMEREN MISSOURI?

A Yes. Mr. Hevert makes several assertions directed at whether or not that analysis supports my conclusion that my recommended ROE and overall rate of return represents both fair compensation to Ameren Missouri and will maintain its financial integrity.

Q WHAT IS THE FIRST ARGUMENT MR. HEVERT MAKES CONCERNING YOUR FINANCIAL INTEGRITY ASSESSMENT OF YOUR RECOMMENDED RATE OF RETURN?

A Mr. Hevert states at page 80 of his testimony that the credit metrics I developed would support an investment grade bond rating even at a ROE of 5%. He states this calls into question whether or not this provides meaningful information on whether or not my ROE will support Ameren Missouri's credit metrics.

Q PLEASE RESPOND TO MR. HEVERT'S ASSERTION.

A My credit metric calculations in my financial integrity analysis are done after I perform market-based studies to estimate a fair ROE for Ameren Missouri. Hence, my ROE is based on both an assessment of the current market cost of equity for Ameren Missouri, and an assessment of whether or not my estimated fair ROE and capital structure will support credit metrics that support Ameren Missouri's financial integrity.

Mr. Hevert's assertion that a 5% ROE will support credit metrics was not supported by my assessment of what a fair ROE is for Ameren Missouri.

Further, a ROE of 5% simply does not produce a strong credit metric and has a ROE of 9.75%. For example, as shown on my Direct Testimony, Schedule MPG-17, and at 9.75% deterrent, the debt to Editda, of 2.9 times, indicates intermediate, or less financial risk than that of a utility with a significant bond rating. In contrast, this ratio to 5% ROE erodes that ratio to the high end of the significant financial risk category as indicating much lower credit standing. The same is true to the Funds from Operations ("FFO") to total debt. As shown on my Schedule MPG-17, at a 9.75% ROE, Ameren Missouri's ratios would be 27% which supports the high-end of the significant category. In contrast, at a 5% ROE, the ratio drops to 22%, which is much weaker for this rated category.

The only discernable information that is produced by Mr. Hevert's calculation of these ratios at a 5% ROE is that there is some flexibility in maintaining these financial ratios. Nevertheless, a return on equity of 9.75% provides Ameren Missouri an opportunity for achieving strong credit metrics, which will strongly support its investment grade bond rating, and also provide Ameren Missouri fair compensation. If the return on equity is set at 5%, the ratios might still be satisfied, but the opportunity for achieving the credit metrics will not be as strong.

Q PLEASE DESCRIBE MR. HEVERT'S CRITICISM OF YOUR FINANCIAL INTEGRITY STUDY.

A He asserts that I did not include all the debt for Ameren Missouri in my study. He states that I only included debt associated with Ameren Missouri's electric retail rate base. Mr. Hevert asserts that there is also debt supporting CWIP, and debt supporting Ameren Missouri's gas operations.

Q DID MR. HEVERT MAKE REASONABLE ASSERTIONS CONCERNING YOUR CREDIT METRIC ANALYSIS?

A No. I clearly stated in my direct testimony that the purpose of my analysis was to help assess whether or not the proposed rates being developed for Ameren Missouri's electric retail utility operations will help support its financial integrity. Hence, my study is directed at Ameren Missouri's electric retail operations in Missouri, not the total Company.

Q DID MR. HEVERT REVISE YOUR CREDIT METRIC CALCULATIONS TO INCLUDE MORE DEBT?

A Yes. At page 88 of his rebuttal testimony, he updated my analysis to include all of Ameren Missouri's debt less $122.5 million of debt for gas operations. Based on that assessment, his revision to my credit metrics study still produced credit metrics that support Ameren Missouri's current investment grade bond rating.

Mr. Hevert, however, understated Ameren Missouri's credit metrics because he included all the debt on Ameren Missouri's balance sheet, but he only included the FFO, and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") for Ameren Missouri's retail electric operations. Ameren Missouri's 2009 FERC Form 1 also included $90 million of below-the-line income, which will improve its FFO and EBITDA. Further, Mr. Hevert did not consider whether or not there might be CWIP related to gas operations. Rather, he allocated all the debt supporting CWIP to electric retail operations.

For all these reasons, Mr. Hevert's update of my credit metric calculations skew the ratios down, but nevertheless continues to show that Ameren Missouri will be provided an opportunity to produce credit metrics that will support its investment grade bond rating at my recommended ROE and capital structure.

Q DOES MR. HEVERT ALSO MAKE CREDIT RATIO PROJECTIONS BEYOND THE TEST YEAR?

A Yes. He estimated credit metric projections assuming increasing debt levels for calendar year 2011, and calendar year 2012. However, it is not clear what other assumption Mr. Hevert made in these forecasted credit metrics, which are outside the test year in this case. For example, it is not clear whether or nor Mr. Hevert is expecting rate base to grow, but the Company fails to file a rate case to ensure that rates provide fair return on that rate base. Further, it is not clear whether or not Mr. Hevert was assuming that sales growth would increase revenues to increase funds from operation EBITDA to support increase investment levels during the forecast period. It is just not clear what assumptions, if any, Mr. Hevert made about what events will take place after the end of the test year in this case. For all these reasons, Mr. Hevert's analysis simply does not test whether or not the rate structure proposed in this test year will help support Ameren Missouri's credit metrics and provide fair compensation. Projections after the end of the test year are out of test year projections and do not provide meaningful information to assess the integrity of the rate setting process in this case.

Q DOES MR. HEVERT OFFER ANY CRITICISMS, WHICH YOU AGREE ON YOUR FINANCIAL INTEGRITY STUDY?

A Yes. Mr. Hevert's assertion that I should have included some amount of debt supporting CWIP is reasonable. A certain level of CWIP is incurred in order to support jurisdictional electric operations. As such, I agree that it would be reasonable and accurate to include the debt interest expense for an allocated portion of CWIP to Missouri electric retail operations.

II. Updated Return on Equity Study

Q DID YOU UPDATE YOUR RETURN ON EQUITY STUDY?

A Yes. I updated my return on equity study based on market data as of April 11, 2011. This updated study is based on Mr. Hevert's updated proxy group, which excluded two companies involved in mergers, and acquisitions included the addition of Great Plains Energy into the proxy group. Based on this updated study, my return on equity recommendation is summarized as follows:

Table 1

Revised Return on Equity Results

Description	Amount
Discounted Cash Flow	
Constant Growth DCF	10.47%
Sustainable Growth DCF	9.38%
Multi-Stage Growth DCF	10.16%
Midpoint	9.93%
Risk Premium	9.90% - 10.10%
CAPM	9.79%
Range	9.80% - 10.00%
Recommended ROE	**9.90%**

The support for these studies are provided in my attached Schedules MPG-SR-1 through MPG-SR-17. Based on this updated study, I believe Ameren Missouri's return on equity currently falls in the range of 9.8% to 10.0% with mid-point estimates of 9.9%.

Q WERE YOUR DCF STUDIES COMPLETED IN THE SAME MANNER IN WHICH YOUR ORIGINAL STUDIES WERE CONDUCTED?

A Yes. However, from a risk premium study, relied on a forecasted Treasury bond yield of 5.2%, which is higher than the 5.0% used in my direct testimony. Result of the projected increase in Treasury bond yields, Treasury bond yields spread over utility bond yields decrease to only 1.06% and 1.49% for "A," and "Baa" bonds, respectively. This is a very low spread indicating markets current assessment utility securities be quite favorable thus supporting our reduced common equity risk premium. All of this was captured in my updated analysis.

Q DID YOU UPDATE YOUR FINANCIAL METRICS BASED ON YOUR HIGHER RETURN ON EQUITY?

A Yes. I also adjusted my analysis to include debt supporting construction work in progress allocated to retail operations. This was done by reflecting total company debt ratio, and allocated debt interest expense for CWIP to retail Missouri operations.

As shown on my attached Schedule MPG-SR-17, page 1, these updated ratios still produce credit metrics that will support Ameren Missouri's current investment grade bond rating. Based on this assessment, my updated return on equity recommendation of 9.9% represents fair compensation, and will help support Ameren Missouri's financial integrity.

Q HAS AMEREN MISSOURI PROPOSED AN UPDATED RETURN ON COMMON EQUITY IN THE PROCEEDING?

A No. While Mr. Hevert updated his proxy group and return on equity study in his rebuttal testimony, he concludes the return on equity range and point estimate from his direct testimony has not changed. In his rebuttal, Mr. Hevert concludes that his updated proxy group's return on equity study still supports a return on equity within the range of 10.50% to 11.25% with a return on equity of 10.90%.

Q HAVE YOU REVIEWED MR. HEVERT'S UPDATED STUDY?

A Yes, I have. Mr. Hevert's updated return on equity estimates are summarized below in Table 2, Column 1. In Column 2, I show the results with reasonable adjustments to Mr. Hevert's common equity return estimates. With reasonable adjustments to his proxy group DCF, CAPM and Risk Premium return estimates, Mr. Hevert's own studies show my updated range of 9.4% to 10.2% results in a reasonable return on equity for Ameren Missouri. I have followed the same methodology in updating Mr. Hevert's studies here as I did in my rebuttal testimony. I will briefly summarize the changes below.

TABLE 2

Hevert's Updated Return on Equity Estimates

Description	Hevert Mean[1] (1)	Adjusted (2)
DCF		
Constant Growth DCF		
30-Day Average Stock Price	10.42%	9.06%
90-Day Average Stock Price	10.46%	9.11%
180-Day Average Stock Price	10.61%	9.25%
Average	10.50%	9.14%
Multi-Stage Growth DCF (Mean)		
30-Day Average Stock Price	9.90% - 10.47%	9.52% - 9.84%
90-Day Average Stock Price	10.00% - 10.51%	9.62% - 9.88%
180-Day Average Stock Price	10.32% - 10.66%	9.93% - 10.03%
Average	10.07% -10.55 %	9.69%-9.92%
CAPM Results (Current Beta)		
Current Treasury Yield (Sharpe Ratio)	10.37%	Reject
Current Treasury Yield (Market DCF)	11.13%	Reject
Proj Treasury Yield (Sharpe Ratio)	10.61%	Reject
Proj Treasury Yield (Market DCF)	11.37%	Reject
Average	10.87%	
CAPM Results (Avg. Hist Beta)		
Current Treasury Yield	9.62%	9.31%
Current Treasury Yield	10.28%	9.31%
Proj Treasury Yield	9.86%	9.54%
Proj Treasury Yield	10.52%	9.54%
Average	10.07%	9.43%
Risk Premium	10.63%-10.70%	10.18%
Range	**10.50%-11.25%**	**9.40%-10.20%**
Recommended ROE	**10.90%**	

Source:
[1]Hevert Rebuttal Testimony at 114.

Q CAN MR. HEVERT'S CONSTANT GROWTH DCF MODEL REFLECT A REASONABLE LONG-TERM SUSTAINABLE GROWTH RATE?

A Yes. By relying on Mr. Hevert's low growth rate estimates, his model can be revised to reflect a reasonable long-term sustainable growth rate. Mr. Hevert's low estimate of 4.36% is more in line with the projected GDP growth of 4.9%.

Q DID YOU ADJUST MR. HEVERT'S MULTI-STAGE STAGE GROWTH DCF ANALYSIS?

A Yes. Again, I adjusted his multi-growth DCF to reflect a GDP growth rate based on published analysts' projection. I used *The Blue Chip Economic Indicators'* GDP growth forecast of 4.9% rather than Mr. Hevert's individual non-public GDP growth rate projection. Mr. Hevert's multi-stage growth DCF analysis would decrease from the numbers shown in Column 1 to the numbers shown in Column 2 in Table 2 above, with this revised GDP growth risk.

Q DO YOU TAKE ISSUE WITH MR. HEVERT'S REVISED CAPM ANALYSIS?

A Yes. I take issue with his inappropriate Market Risk Premium and his Current Beta. I do not take issue with his Historical Beta of 0.697 (rounded to 0.70).

Q CAN MR. HEVERT'S CAPM ANALYSIS BE REVISED TO REFLECT A MORE REASONABLE MARKET RISK PREMIUM?

A Yes. Using Mr. Hevert's risk-free rates of 4.62% and 4.85%, published beta estimate of 0.70 and applying *Morningstar's* average market risk premium estimate of 6.70%, Mr. Hevert's CAPM would be reduced to 9.31% to 9.54%, with a midpoint of 9.43%.

Q DO YOU TAKE ISSUE WITH MR. HEVERT'S BOND YIELD PLUS RISK PREMIUM STUDY?

A Yes. As described in my rebuttal testimony, his Bond Yield Plus Risk Premium Study is based on a simplistic inverse relationship between equity risk premiums and interest rates and should be disregarded.

Q CAN MR. HEVERT'S BOND YIELD PLUS RISK PREMIUM STUDY BE REVISED TO PRODUCE A REASONABLE RETURN ON EQUITY FOR AMEREN MISSOURI?

A Yes. Mr. Hevert's equity risk premium range of 5.44% to 5.45% applied to the current and projected long-term Treasury bond yields of 4.62% and 4.85%, respectively, will produce a risk premium return estimate in the range of 10.06% to 10.30%, with a midpoint of 10.18%.

Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A Yes, it does.

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Rate of Return

Line	Description	Amount (000) (1)	Weight (2)	Cost (3)	Weighted Cost (4)
1	Long-Term Debt	$ 3,657,492	47.59%	5.94%	2.83%
2	Short-Term Debt	-	0.00%	0.00%	0.00%
3	Preferred Stock	114,502	1.49%	5.19%	0.08%
4	Common Equity	3,913,191	50.92%	**9.90%**	5.04%
5	**Total**	**$ 7,685,186**	**100.00%**		**7.95%**

Source:
Schedule MGO-E1.

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Proxy Group

Line	Company	Credit Ratings[1] S&P (1)	Credit Ratings[1] Moody's (2)	Common Equity Ratios *AUS*[1] (3)	Common Equity Ratios *Value Line*[2] (4)	S&P Business Risk Score[3] (5)
1	American Electric Power	BBB	Baa2	42.8%	45.4%	Excellent
2	Cleco Corp.	BBB	Baa2	45.7%	45.8%	Excellent
3	DPL, Inc.	A	Aa3	47.5%	46.9%	Excellent
4	Empire District Electric	BBB+	A3	47.8%	48.4%	Excellent
5	Great Plains Energy Inc.	BBB	Baa2	42.9%	46.2%	Excellent
6	IDACORP, Inc.	A-	A2	47.7%	49.8%	Excellent
7	Pinnacle West Capital	BBB-	Baa2	50.0%	49.6%	Excellent
8	Portland General	A-	A3	46.5%	49.7%	Excellent
9	Southern Co.	A	A2	43.0%	43.6%	Excellent
10	Westar Energy	BBB+	Baa1	43.8%	46.1%	Excellent
11	**Average**	**BBB+**	**A3**	**45.8%**	**47.2%**	**Excellent**
12	Ameren Missouri	BBB+[4]	A3[4]		50.9%[5]	Excellent

Sources:
[1] *AUS Utility Reports* , April 2011.
[2] *The Value Line Investment Survey,* February 4, February 25 and March 25, 2011.
[3] *S&P RatingsDirect:* "U.S. Regulated Electric Utilities, Strongest to Weakest," April 7, 2011.
[4] SNL Interactive, http://www.snl.com/, downloaded on January 13, 2011.
[5] Schedule MPG-SR-1.

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Growth Rates

Line	Company	Zacks Estimated Growth %[1] (1)	Zacks Number of Estimates (2)	SNL Estimated Growth %[2] (3)	SNL Number of Estimates (4)	Reuters Estimated Growth %[3] (5)	Reuters Number of Estimates (6)	Average of Growth Rates (7)
1	American Electric Power	4.00%	N/A	4.50%	4	4.60%	6	4.37%
2	Cleco Corp.	7.00%	N/A	3.00%	1	3.00%	1	4.33%
3	DPL, Inc.	N/A	N/A	N/A	N/A	5.90%	2	5.90%
4	Empire District Electric	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Great Plains Energy Inc.	9.00%	N/A	9.00%	3	7.43%	4	8.48%
6	IDACORP, Inc.	4.70%	N/A	5.00%	3	4.67%	3	4.79%
7	Pinnacle West Capital	5.80%	N/A	5.00%	5	6.15%	6	5.65%
8	Portland General	5.20%	N/A	6.00%	5	5.89%	7	5.70%
9	Southern Co.	5.00%	N/A	5.00%	4	5.43%	8	5.14%
10	Westar Energy	5.30%	N/A	5.00%	3	6.00%	6	5.43%
11	**Average**	**5.75%**	**N/A**	**5.31%**	**4**	**5.45%**	**5**	**5.53%**
12	**Median**							**5.43%**

Sources and Notes:
[1] Zacks Elite, http://www.zackselite.com/, downloaded on April 8, 2011.
[2] SNL Interactive, http://www.snl.com/, downloaded on April 8, 2011.
[3] Reuters, http://www.reuters.com/, downloaded on April 8, 2011.
N/A: Not Available.

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Constant Growth DCF Model

Line	Company	13-Week AVG Stock Price[1] (1)	Analysts' Growth[2] (2)	Annualized Dividend[3] (3)	Adjusted Yield (4)	Constant Growth DCF (5)
1	American Electric Power	$35.49	4.37%	$1.84	5.41%	9.78%
2	Cleco Corp.	$32.41	4.33%	$1.00	3.22%	7.55%
3	DPL, Inc.	$26.52	5.90%	$1.33	5.32%	11.22%
4	Empire District Electric	$21.57	N/A	$1.28	N/A	N/A
5	Great Plains Energy Inc.	$19.69	8.48%	$0.83	4.57%	13.05%
6	IDACORP, Inc.	$37.79	4.79%	$1.20	3.33%	8.12%
7	Pinnacle West Capital	$42.03	5.65%	$2.10	5.28%	10.93%
8	Portland General	$23.01	5.70%	$1.04	4.78%	10.47%
9	Southern Co.	$37.92	5.14%	$1.82	5.05%	10.19%
10	Westar Energy	$25.91	5.43%	$1.28	5.21%	10.64%
11	**Average**	**$30.23**	**5.53%**	**$1.37**	**4.68%**	**10.22%**
12	**Median**		**5.43%**			**10.47%**

Sources and Notes:
[1] http://moneycentral.msn.com, downloaded on April 11, 2011.
[2] Schedule MPG-SR-3, Column 7.
[3] *The Value Line Investment Survey,* February 4, February 25 and March 25, 2011.
N/A: Not Available.

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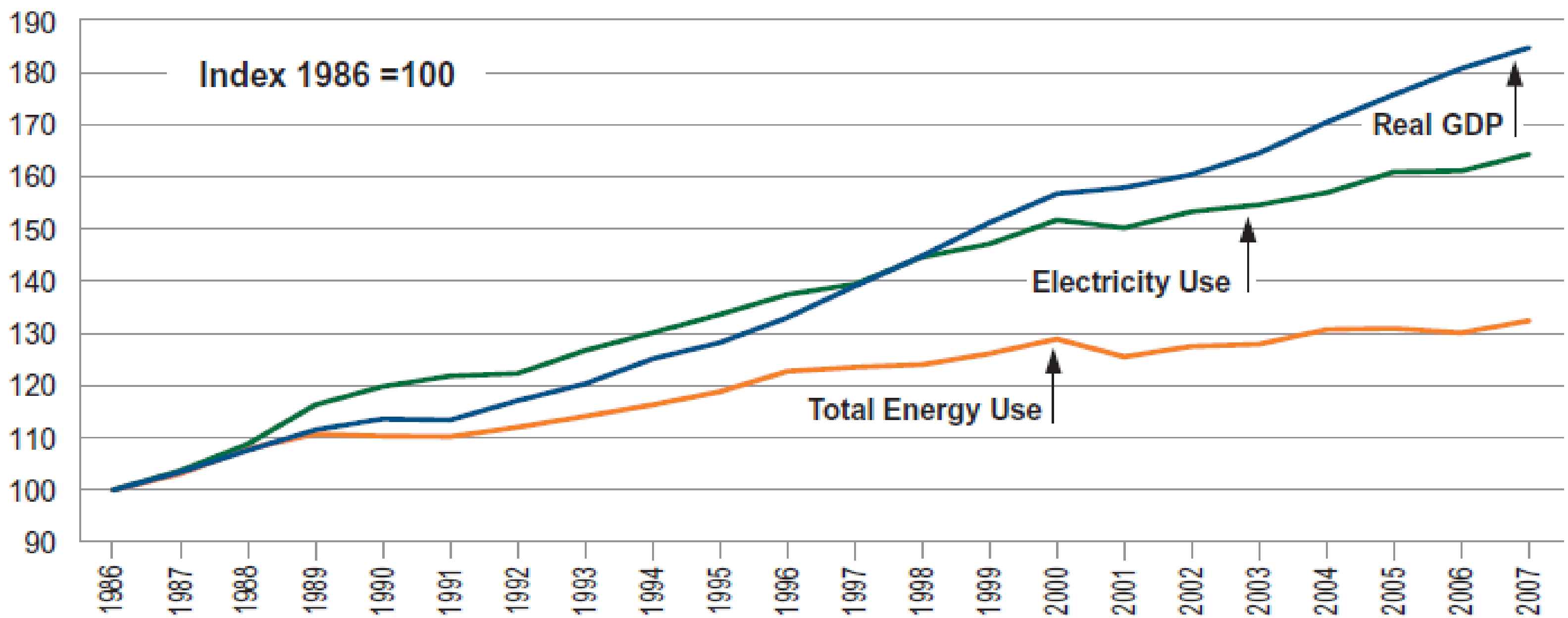
Electricity Sales Are Linked to U.S. Economic Growth



1986 represents the base year. Graph depicts increases or decreases from the base year.

Source: U.S. Department of Energy, Energy Information Administration (EIA).

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Payout Ratios

Line	Company	Dividends Per Share 2009 (1)	Dividends Per Share Projected (2)	Earnings Per Share 2009 (3)	Earnings Per Share Projected (4)	Payout Ratio 2009 (5)	Payout Ratio Projected (6)
1	American Electric Power	$1.64	$2.10	$2.97	$3.75	55.22%	56.00%
2	Cleco Corp.	$0.90	$1.60	$1.76	$2.75	51.14%	58.18%
3	DPL, Inc.	$1.14	$1.60	$2.01	$3.20	56.72%	50.00%
4	Empire District Electric	$1.28	$1.35	$1.18	$1.75	108.47%	77.14%
5	Great Plains Energy Inc.	$1.03	$1.20	$1.53	$1.75	67.32%	68.57%
6	IDACORP, Inc.	$1.20	$1.40	$2.64	$3.10	45.45%	45.16%
7	Pinnacle West Capital	$2.10	$2.30	$2.26	$3.50	92.92%	65.71%
8	Portland General	$1.01	$1.20	$1.31	$2.00	77.10%	60.00%
9	Southern Co.	$1.73	$2.20	$2.32	$3.25	74.57%	67.69%
10	Westar Energy	$1.20	$1.44	$1.28	$2.40	93.75%	60.00%
11	**Average**	**$1.32**	**$1.64**	**$1.93**	**$2.75**	**72.27%**	**60.85%**

Source:
The Value Line Investment Survey, February 4, February 25 and March 25, 2011.

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Sustainable Growth Rates

Line	Company	Dividends Per Share (1)	Earnings Per Share (2)	Book Value Per Share (3)	Book Value Growth (4)	ROE (5)	Adjustment Factor (6)	Adjusted ROE (7)	Payout Ratio (8)	Retention Rate (9)	Internal Growth Rate (10)	Growth Rate Plus S * V[1] (11)
		3 to 5 Year Projections										
1	American Electric Power	$2.10	$3.75	$36.00	5.54%	10.42%	1.03	10.70%	56.00%	44.00%	4.71%	4.97%
2	Cleco Corp.	$1.60	$2.75	$28.50	9.03%	9.65%	1.04	10.07%	58.18%	41.82%	4.21%	4.33%
3	DPL, Inc.	$1.60	$3.20	$13.90	8.49%	23.02%	1.04	23.96%	50.00%	50.00%	11.98%	10.72%
4	Empire District Electric	$1.35	$1.75	$17.50	2.13%	10.00%	1.01	10.11%	77.14%	22.86%	2.31%	3.17%
5	Great Plains Energy Inc.	$1.20	$1.75	$23.50	2.65%	7.45%	1.01	7.54%	68.57%	31.43%	2.37%	2.25%
6	IDACORP, Inc.	$1.40	$3.10	$36.50	4.59%	8.49%	1.02	8.68%	45.16%	54.84%	4.76%	5.25%
7	Pinnacle West Capital	$2.30	$3.50	$38.25	3.19%	9.15%	1.02	9.29%	65.71%	34.29%	3.19%	4.26%
8	Portland General	$1.20	$2.00	$23.75	2.99%	8.42%	1.01	8.54%	60.00%	40.00%	3.42%	3.87%
9	Southern Co.	$2.20	$3.25	$25.25	6.83%	12.87%	1.03	13.30%	67.69%	32.31%	4.30%	7.20%
10	Westar Energy	$1.44	$2.40	$24.00	3.11%	10.00%	1.02	10.15%	60.00%	40.00%	4.06%	4.78%
11	**Average**	**$1.64**	**$2.75**	**$26.72**	**4.85%**	**10.95%**	**1.02**	**11.23%**	**60.85%**	**39.15%**	**4.53%**	**5.08%**
12	**Median**											**4.55%**

Sources and Notes:
Cols. (1), (2) and (3): T*he Value Line Investment Survey,* February 4, February 25 and March 25, 2011.
Col. (4): [Col. (3) / Page 2 Col. (2)] ^ (1/5) - 1.
Col. (5): Col. (2) / Col. (3).
Col. (6): [2 * (1 + Col. (4))] / (2 + Col. (4)).
Col. (7): Col. (6) * Col. (5).
Col. (8): Col. (1) / Col. (2).
Col. (9): 1 - Col. (8).
Col. (10): Col. (9) * Col. (7).
Col. (11): Col. (10) + Page 2 Col. (9).

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Sustainable Growth Rates

Line	Company	13-Week Average Stock Price[1]	2009 Book Value Per Share[2]	Market to Book Ratio	Common Shares Outstanding (in Millions)[2] 2009	3-5 Years	Growth	S Factor[3]	V Factor[4]	S * V[5]
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	American Electric Power	$35.49	$27.49	1.29	478.05	500.00	0.90%	1.16%	22.54%	0.26%
2	Cleco Corp.	$32.41	$18.50	1.75	60.26	60.75	0.16%	0.28%	42.91%	0.12%
3	DPL, Inc.	$26.52	$9.25	2.87	118.97	115.00	-0.68%	-1.94%	65.12%	-1.26%
4	Empire District Electric	$21.57	$15.75	1.37	38.11	42.75	2.32%	3.18%	26.99%	0.86%
5	Great Plains Energy Inc.	$19.69	$20.62	0.95	135.42	155.00	2.74%	2.61%	-4.73%	-0.12%
6	IDACORP, Inc.	$37.79	$29.17	1.30	47.90	52.00	1.66%	2.15%	22.82%	0.49%
7	Pinnacle West Capital	$42.03	$32.69	1.29	101.43	122.00	3.76%	4.84%	22.23%	1.08%
8	Portland General	$23.01	$20.50	1.12	75.21	90.00	3.66%	4.10%	10.90%	0.45%
9	Southern Co.	$37.92	$18.15	2.09	819.65	935.00	2.67%	5.57%	52.13%	2.91%
10	Westar Energy	$25.91	$20.59	1.26	109.07	125.00	2.76%	3.48%	20.52%	0.71%
11	**Average**	**$30.23**	**$21.27**	**1.53**	**198.41**	**219.75**	**2.00%**	**2.54%**	**28.14%**	**0.55%**

Sources and Notes:
[1] http://moneycentral.msn.com, downloaded on April 11, 2011.
[2] *The Value Line Investment Survey,* February 4, February 25 and March 25, 2011.
[3] Expected Growth in the Number of Shares, Column (3) * Column (6).
[4] Expected Profit of Stock Investment, [1 - 1 / Column (3)].
[5] Column (7) * Column (8).

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Sustainable Constant Growth DCF Model

Line	Company	13-Week AVG Stock Price[1] (1)	Sustainable Growth[2] (2)	Annualized Dividend[3] (3)	Adjusted Yield (4)	Constant Growth DCF (5)
1	American Electric Power	$35.49	4.97%	$1.84	5.44%	10.41%
2	Cleco Corp.	$32.41	4.33%	$1.00	3.22%	7.55%
3	DPL, Inc.	$26.52	10.72%	$1.33	5.56%	16.28%
4	Empire District Electric	$21.57	3.17%	$1.28	6.12%	9.29%
5	Great Plains Energy Inc.	$19.69	2.25%	$0.83	4.31%	6.56%
6	IDACORP, Inc.	$37.79	5.25%	$1.20	3.34%	8.59%
7	Pinnacle West Capital	$42.03	4.26%	$2.10	5.21%	9.47%
8	Portland General	$23.01	3.87%	$1.04	4.70%	8.56%
9	Southern Co.	$37.92	7.20%	$1.82	5.15%	12.35%
10	Westar Energy	$25.91	4.78%	$1.28	5.18%	9.95%
11	**Average**	**$30.23**	**5.08%**	**$1.37**	**4.82%**	**9.90%**
12	**Median**					**9.38%**

Sources:
[1] http://moneycentral.msn.com, downloaded on April 11, 2011.
[2] Schedule MPG-SR-7, Page 1 of 2, Column 10.
[3] *The Value Line Investment Survey,* February 4, February 25 and March 25, 2011.

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Multi-Stage Growth DCF Model

Line	Company	13-Week AVG Stock Price[1] (1)	Annualized Dividend[2] (2)	First Stage Growth[3] (3)	Second Stage Growth Year 6 (4)	Year 7 (5)	Year 8 (6)	Year 9 (7)	Year 10 (8)	Third Stage Growth[4] (9)	Multi-Stage Growth DCF (10)
1	American Electric Power	$35.49	$1.84	4.37%	4.46%	4.54%	4.63%	4.72%	4.81%	4.90%	10.16%
2	Cleco Corp.	$32.41	$1.00	4.33%	4.43%	4.52%	4.62%	4.71%	4.81%	4.90%	8.01%
3	DPL, Inc.	$26.52	$1.33	5.90%	5.73%	5.57%	5.40%	5.23%	5.07%	4.90%	10.50%
4	Empire District Electric	$21.57	$1.28	N/A	N/A	N/A	N/A	N/A	N/A	4.90%	N/A
5	Great Plains Energy Inc.	$19.69	$0.83	8.48%	7.88%	7.28%	6.69%	6.09%	5.50%	4.90%	10.38%
6	IDACORP, Inc.	$37.79	$1.20	4.79%	4.81%	4.83%	4.85%	4.86%	4.88%	4.90%	8.20%
7	Pinnacle West Capital	$42.03	$2.10	5.65%	5.53%	5.40%	5.28%	5.15%	5.03%	4.90%	10.38%
8	Portland General	$23.01	$1.04	5.70%	5.56%	5.43%	5.30%	5.17%	5.03%	4.90%	9.88%
9	Southern Co.	$37.92	$1.82	5.14%	5.10%	5.06%	5.02%	4.98%	4.94%	4.90%	10.01%
10	Westar Energy	$25.91	$1.28	5.43%	5.34%	5.26%	5.17%	5.08%	4.99%	4.90%	10.25%
11	**Average**	**$30.23**	**$1.37**	**5.53%**	**5.43%**	**5.32%**	**5.22%**	**5.11%**	**5.01%**	**4.90%**	**9.75%**
12	**Median**										**10.16%**

Sources and Notes:
[1] http://moneycentral.msn.com, downloaded on April 11, 2011.
[2] *The Value Line Investment Survey,* February 4, February 25 and March 25, 2011.
[3] Schedule MPG-SR-3, Column 7.
[4] *Blue Chip Economic Indicators,* March, 2011 at 15.
N/A: Not Available.

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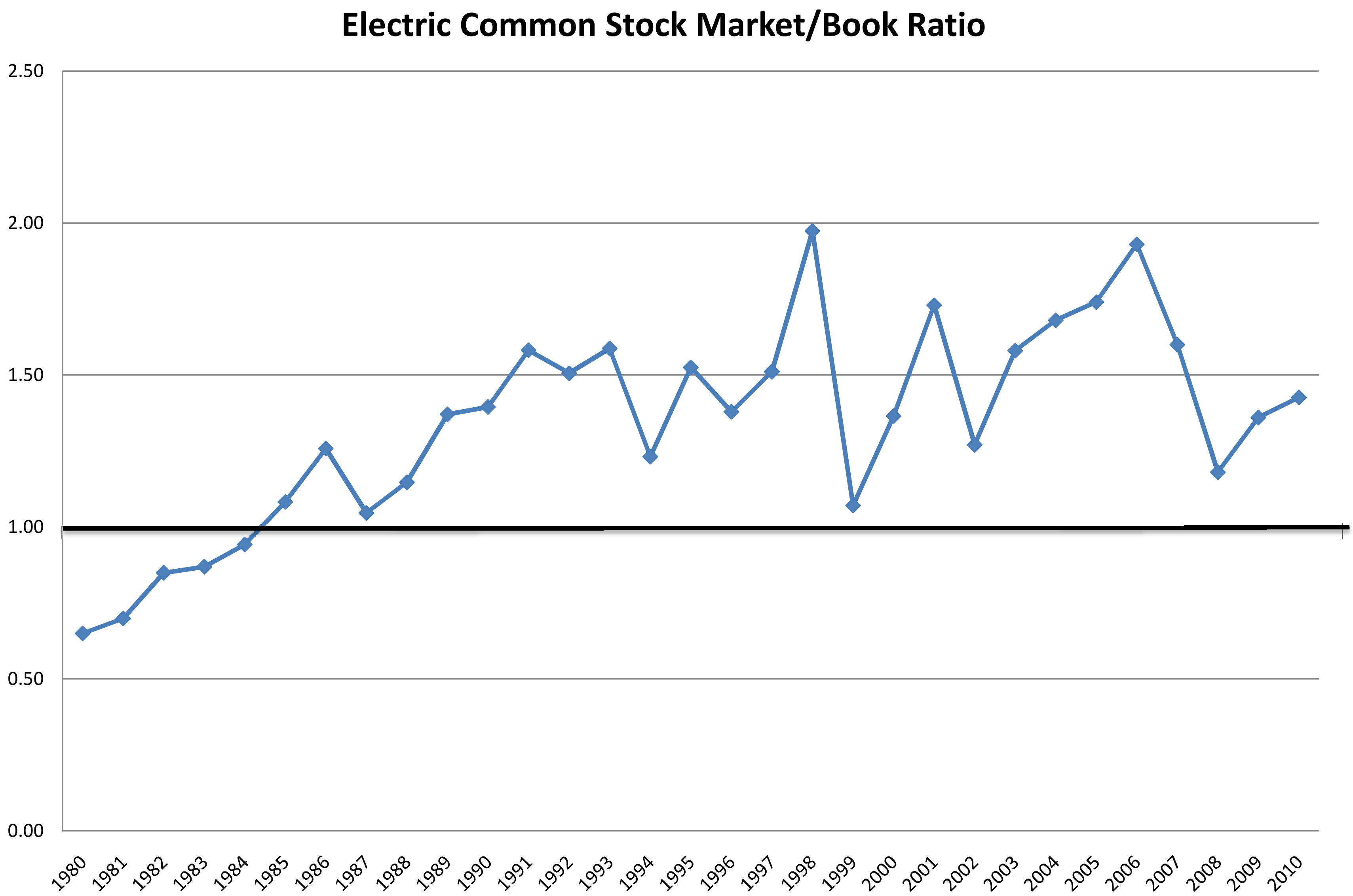

Sources:
2001 - 2010: *AUS Utility Reports.*
1980 - 2000: Mergent Public Utility Manual, 2003.

Schedule MPG-SR-10

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Electric Equity Risk Premium - Treasury Bond

Line	Year	Authorized Electric Returns[1] (1)	Treasury Bond Yield[2] (2)	Indicated Risk Premium (3)
1	1986	13.93%	7.78%	6.15%
2	1987	12.99%	8.59%	4.40%
3	1988	12.79%	8.96%	3.83%
4	1989	12.97%	8.45%	4.52%
5	1990	12.70%	8.61%	4.09%
6	1991	12.55%	8.14%	4.41%
7	1992	12.09%	7.67%	4.42%
8	1993	11.41%	6.59%	4.82%
9	1994	11.34%	7.37%	3.97%
10	1995	11.55%	6.88%	4.67%
11	1996	11.39%	6.71%	4.68%
12	1997	11.40%	6.61%	4.79%
13	1998	11.66%	5.58%	6.08%
14	1999	10.77%	5.87%	4.90%
15	2000	11.43%	5.94%	5.49%
16	2001	11.09%	5.49%	5.60%
17	2002	11.16%	5.43%	5.73%
18	2003	10.97%	4.96%	6.01%
19	2004	10.75%	5.05%	5.70%
20	2005	10.54%	4.65%	5.89%
21	2006	10.36%	4.91%	5.45%
22	2007	10.36%	4.84%	5.52%
23	2008	10.46%	4.28%	6.18%
24	2009	10.48%	4.08%	6.40%
25	2010[3]	10.34%	4.25%	6.09%
26	Q1 2011[3]	10.35%	4.56%	5.79%
27	**Average**	**11.50%**	**6.31%**	**5.19%**

Sources:
[1] Regulatory Research Associates, Inc., *Regulatory Focus,* Jan. 85 - Dec. 06, and April 5, 2011.
[2] Economic Report of the President 2010: Table 73. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.
[3] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/.

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Electric Equity Risk Premium - Utility Bond

Line	Year	Authorized Electric Returns[1] (1)	Average "A" Rated Utility Bond Yield[2] (2)	Indicated Risk Premium (3)
1	1986	13.93%	9.58%	4.35%
2	1987	12.99%	10.10%	2.89%
3	1988	12.79%	10.49%	2.30%
4	1989	12.97%	9.77%	3.20%
5	1990	12.70%	9.86%	2.84%
6	1991	12.55%	9.36%	3.19%
7	1992	12.09%	8.69%	3.40%
8	1993	11.41%	7.59%	3.82%
9	1994	11.34%	8.31%	3.03%
10	1995	11.55%	7.89%	3.66%
11	1996	11.39%	7.75%	3.64%
12	1997	11.40%	7.60%	3.80%
13	1998	11.66%	7.04%	4.62%
14	1999	10.77%	7.62%	3.15%
15	2000	11.43%	8.24%	3.19%
16	2001	11.09%	7.76%	3.33%
17	2002	11.16%	7.37%	3.79%
18	2003	10.97%	6.58%	4.39%
19	2004	10.75%	6.16%	4.59%
20	2005	10.54%	5.65%	4.89%
21	2006	10.36%	6.07%	4.29%
22	2007	10.36%	6.07%	4.29%
23	2008	10.46%	6.53%	3.93%
24	2009	10.48%	6.04%	4.44%
25	2010[3]	10.34%	5.46%	4.88%
26	Q1 2011[3]	10.35%	5.60%	4.75%
27	**Average**	**11.50%**	**7.74%**	**3.76%**

Sources:
[1] Regulatory Research Associates, Inc., *Regulatory Focus,* Jan. 85 - Dec. 06, and April 5, 2011.
[2] Mergent Public Utility Manual, Mergent Weekly News Reports, 2003. The utility yields for the period 2001-2009 were obtained from the Mergent Bond Record. The utility yields were obtained from http://credittrends.moodys.com/.
[3] www.moodys.com, Bond Yields and Key Indicators.

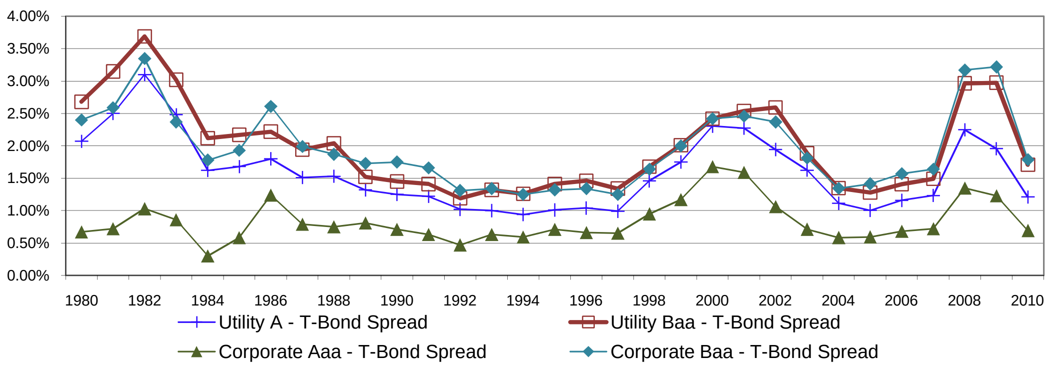
Ameren Missouri

Utility Bond Yield Spreads

			Public Utility Bond Yields				Corporate Bond Yields				
Line	Year	T-Bond Yield[1] (1)	A[2] (2)	Baa[2] (3)	A-T-Bond Spread (4)	Baa-T-Bond Spread (5)	Aaa[1] (6)	Baa[1] (7)	Aaa-T-Bond Spread (8)	Baa-T-Bond Spread (9)	Baa Utility - Corporate (10)
1	1980	11.27%	13.34%	13.95%	2.07%	2.68%	11.94%	13.67%	0.67%	2.40%	0.28%
2	1981	13.45%	15.95%	16.60%	2.50%	3.15%	14.17%	16.04%	0.72%	2.59%	0.56%
3	1982	12.76%	15.86%	16.45%	3.10%	3.69%	13.79%	16.11%	1.03%	3.35%	0.34%
4	1983	11.18%	13.66%	14.20%	2.48%	3.02%	12.04%	13.55%	0.86%	2.37%	0.65%
5	1984	12.41%	14.03%	14.53%	1.62%	2.12%	12.71%	14.19%	0.30%	1.78%	0.34%
6	1985	10.79%	12.47%	12.96%	1.68%	2.17%	11.37%	12.72%	0.58%	1.93%	0.24%
7	1986	7.78%	9.58%	10.00%	1.80%	2.22%	9.02%	10.39%	1.24%	2.61%	-0.39%
8	1987	8.59%	10.10%	10.53%	1.51%	1.94%	9.38%	10.58%	0.79%	1.99%	-0.05%
9	1988	8.96%	10.49%	11.00%	1.53%	2.04%	9.71%	10.83%	0.75%	1.87%	0.17%
10	1989	8.45%	9.77%	9.97%	1.32%	1.52%	9.26%	10.18%	0.81%	1.73%	-0.21%
11	1990	8.61%	9.86%	10.06%	1.25%	1.45%	9.32%	10.36%	0.71%	1.75%	-0.30%
12	1991	8.14%	9.36%	9.55%	1.22%	1.41%	8.77%	9.80%	0.63%	1.66%	-0.25%
13	1992	7.67%	8.69%	8.86%	1.02%	1.19%	8.14%	8.98%	0.47%	1.31%	-0.12%
14	1993	6.59%	7.59%	7.91%	1.00%	1.32%	7.22%	7.93%	0.63%	1.34%	-0.02%
15	1994	7.37%	8.31%	8.63%	0.94%	1.26%	7.96%	8.62%	0.59%	1.25%	0.01%
16	1995	6.88%	7.89%	8.29%	1.01%	1.41%	7.59%	8.20%	0.71%	1.32%	0.09%
17	1996	6.71%	7.75%	8.17%	1.04%	1.46%	7.37%	8.05%	0.66%	1.34%	0.12%
18	1997	6.61%	7.60%	7.95%	0.99%	1.34%	7.26%	7.86%	0.65%	1.25%	0.09%
19	1998	5.58%	7.04%	7.26%	1.46%	1.68%	6.53%	7.22%	0.95%	1.64%	0.04%
20	1999	5.87%	7.62%	7.88%	1.75%	2.01%	7.04%	7.87%	1.17%	2.00%	0.01%
21	2000	5.94%	8.24%	8.36%	2.30%	2.42%	7.62%	8.36%	1.68%	2.42%	0.00%
22	2001	5.49%	7.76%	8.03%	2.27%	2.54%	7.08%	7.95%	1.59%	2.46%	0.08%
23	2002	5.43%	7.37%	8.02%	1.94%	2.59%	6.49%	7.80%	1.06%	2.37%	0.22%
24	2003	4.96%	6.58%	6.84%	1.62%	1.89%	5.67%	6.77%	0.71%	1.81%	0.07%
25	2004	5.05%	6.16%	6.40%	1.11%	1.35%	5.63%	6.39%	0.58%	1.34%	0.00%
26	2005	4.65%	5.65%	5.93%	1.00%	1.28%	5.24%	6.06%	0.59%	1.41%	-0.14%
27	2006	4.91%	6.07%	6.32%	1.16%	1.41%	5.59%	6.48%	0.68%	1.57%	-0.16%
28	2007	4.84%	6.07%	6.33%	1.23%	1.49%	5.56%	6.48%	0.72%	1.64%	-0.15%
29	2008	4.28%	6.53%	7.25%	2.25%	2.97%	5.63%	7.45%	1.35%	3.17%	-0.20%
30	2009	4.08%	6.04%	7.06%	1.96%	2.98%	5.31%	7.30%	1.23%	3.22%	-0.24%
31	2010	4.25%	5.46%	5.96%	1.21%	1.71%	4.94%	6.04%	0.69%	1.79%	-0.08%
32	**Average**	**7.40%**	**9.00%**	**9.39%**	**1.59%**	**1.99%**	**8.24%**	**9.36%**	**0.83%**	**1.96%**	**0.03%**

Yield Spreads

Treasury Vs. Corporate & Treasury Vs. Utility



Sources:

[1] Economic Report of the President 2008: Table 73 at 316. The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

[2] *Mergent Public Utility Manual* 2003. Moody's Daily News Reports.

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Utility and Treasury Bond Yields

Line	Date	Treasury Bond Yield[1] (1)	"A" Rated Utility Bond Yield[2] (2)	"Baa" Rated Utility Bond Yield[2] (3)
1	04/08/11	4.57%	5.68%	6.11%
2	04/01/11	4.51%	5.55%	5.98%
3	03/25/11	4.46%	5.57%	5.98%
4	03/18/11	4.44%	5.50%	5.91%
5	03/11/11	4.59%	5.57%	5.96%
6	03/04/11	4.55%	5.63%	6.03%
7	02/25/11	4.56%	5.55%	5.96%
8	02/18/11	4.67%	5.71%	6.13%
9	02/11/11	4.73%	5.75%	6.17%
10	02/04/11	4.65%	5.77%	6.21%
11	01/28/11	4.54%	5.56%	6.01%
12	01/21/11	4.57%	5.60%	6.09%
13	01/14/11	4.50%	5.56%	6.06%
14	**13-Wk Average**	**4.56%**	**5.62%**	**6.05%**
15	**Spread**		**1.06%**	**1.49%**

Sources:
[1] St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org.
[2] www.moodys.com, Bond Yields and Key Indicators.

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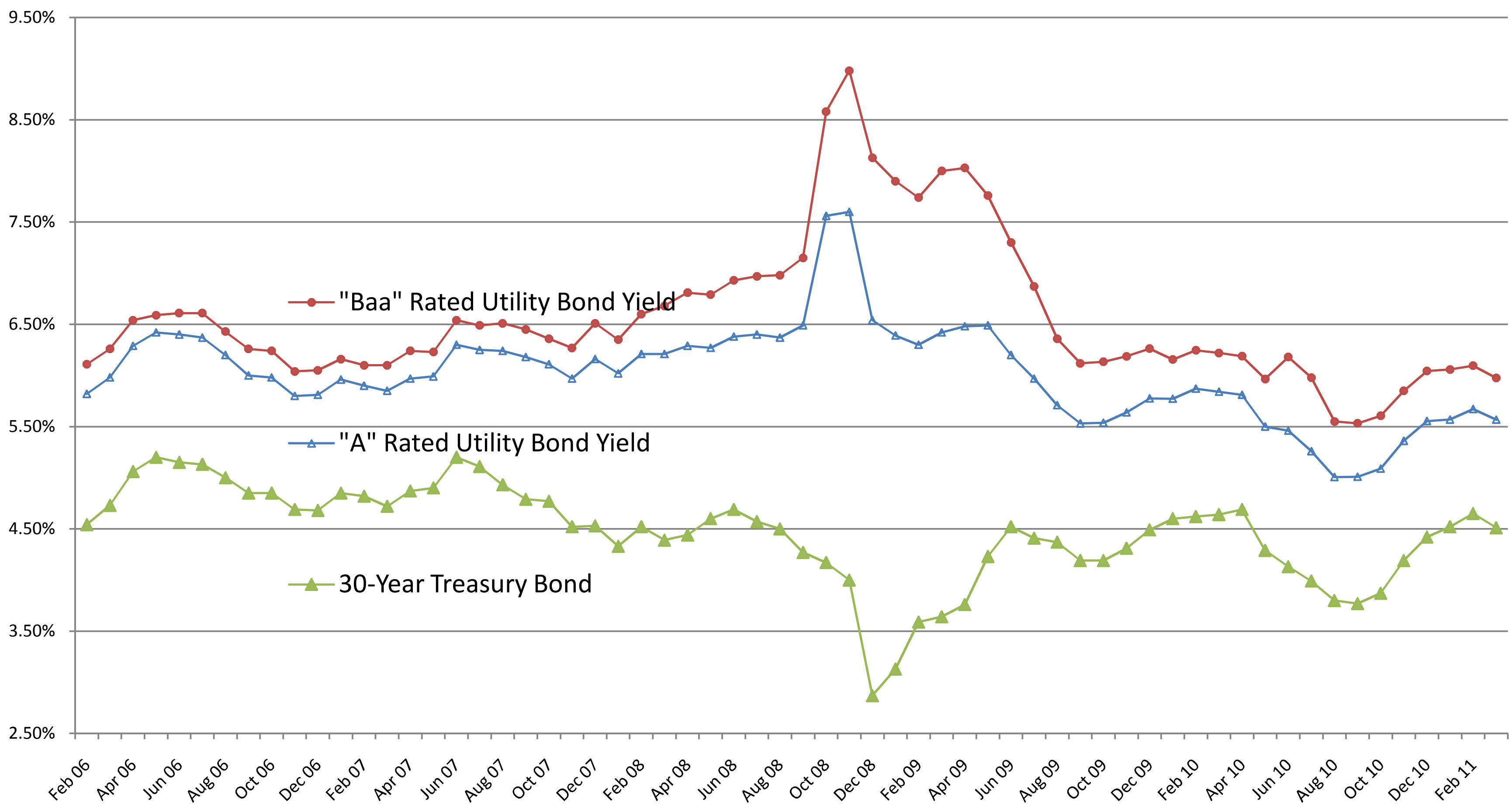
Trends in Utility Bond Yields



Sources:
Merchant Bond Record.
www.moodys.com, Bond Yields and Key Indicators.
St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/

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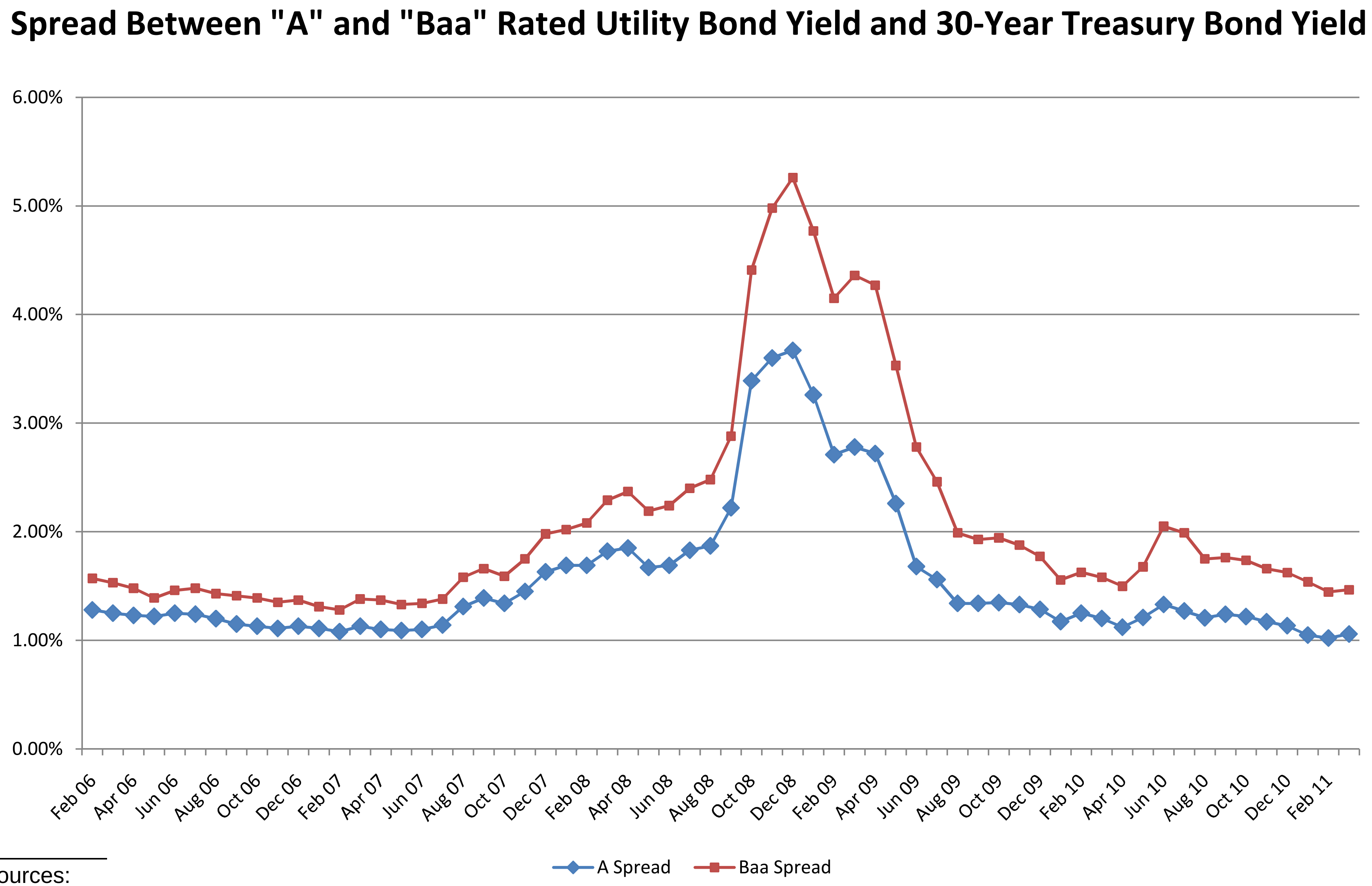

Sources:
Merchant Bond Record.
www.moodys.com, Bond Yields and Key Indicators.
St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/

Ameren Missouri

Value Line Beta

Line	Company	Beta
1	American Electric Power	0.70
2	Cleco Corp.	0.65
3	DPL, Inc.	0.60
4	Empire District Electric	0.70
5	Great Plains Energy Inc.	0.75
6	IDACORP, Inc.	0.70
7	Pinnacle West Capital	0.70
8	Portland General	0.75
9	Southern Co.	0.55
10	Westar Energy	0.75
11	**Average**	**0.69**

Source:
The Value Line Investment Survey,
February 4, February 25 and March 25, 2011.

Ameren Missouri

CAPM Return

Line	Description	Gorman CAPM Range Low (1)	Gorman CAPM Range High (2)	Morningstar (3)
1	Risk-Free Rate[1]	5.20%	5.20%	5.20%
2	Risk Premium[2]	5.90%	6.00%	6.70%
3	Beta[3]	0.69	0.69	0.69
4	CAPM	9.24%	9.31%	9.79%

Sources:
[1] *Blue Chip Financial Forecasts;* April 1, 2011, at 2.
[2] Morningstar, Inc. *Ibbotson SBBI 2011 Classic Yearbook,* at 86, and Morningstar, Inc. *Ibbotson SBBI 2011 Valuation Yearbook* at 54 and 66.
[3] *The Value Line Investment Survey,* February 4, February 25 and March 25, 2011.

Ameren Missouri

Standard & Poor's Credit Metrics

Line	Description		Retail Cost of Service Amount (000) (1)	S&P Benchmark[1/2] Intermediate (2)	Significant (3)	Aggressive (4)	Reference (5)
1	Rate Base	$	6,810,054				Weiss Workpapers, GSW-WP-E1.
2	Weighted Common Return		5.04%				Page 2, Line 4, Col. 4.
3	Pre-Tax Rate of Return		11.04%				Page 2, Line 5, Col. 5.
4	Income to Common	$	343,291				Line 1 x Line 2.
5	EBIT	$	751,733				Line 1 x Line 3.
6	Depreciation & Amortization	$	426,931				Weiss Workpapers, GSW-WP-E4.
7	Imputed Amortization	$	9,706				Page 4, Line 9, Col. 1.
8	CWIP Interest	$	18,337				Page 5, Line 3, Col. 1.
9	Deferred Income Taxes & ITC	$	152,706				Weiss Workpapers, GSW-WP-E4.
10	Funds from Operations (FFO)	$	950,972				Sum of Line 4 and Lines 6 through 8.
11	Imputed Interest Expense	$	7,291				Page 4, Line 8, Col. 1.
12	EBITDA	$	1,213,999				Sum of Lines 5 through 8 and Line 11.
13	Total Debt Ratio		50%	35% - 45%	45% - 50%	50% - 60%	Page 3, Line 5, Col. 2.
14	Debt to EBITDA		2.8x	2.0x - 3.0x	3.0x - 4.0x	4.0x - 5.0x	(Line 1 x Line 13) / Line 12.
15	FFO to Total Debt		28%	30% - 45%	20% - 30%	12% - 20%	Line 10 / (Line 1 x Line 13).

Sources:
[1] Standard & Poor's: "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009.
[2] *S&P RatingsDirect:* "U.S. Regulated Electric Utilities, Strongest to Weakest," October 6, 2010.

Note:
Based on the May 2009 S&P metrics, Ameren Missouri has an "Excellent" business profile and a "Significant" financial profile.

Ameren Missouri

Standard & Poor's Credit Metrics
(Pre-Tax Rate of Return)

Line	Description	Amount (000) (1)	Weight (2)	Cost (3)	Weighted Cost (4)	Pre-Tax Weighted Cost (5)
1	Long-Term Debt	$ 3,657,492	47.59%	5.94%	2.83%	2.83%
2	Short-Term Debt	-	0.00%	0.00%	0.00%	0.00%
3	Preferred Stock	114,502	1.49%	5.19%	0.08%	0.08%
4	Common Equity	3,913,191	50.92%	**9.90%**	5.04%	8.13%
5	**Total**	**$ 7,685,186**	**100.00%**		**7.95%**	**11.04%**
6	Tax Conversion Factor*					1.6133

Sources:
Schedule MGO-E1.
* Schedule GSW-E14.

Ameren Missouri

Standard & Poor's Credit Metrics
(Financial Capital Structure)

Line	Description		Amount (000) (1)	Weight (2)
1	Long-Term Debt	$	3,657,492	46.93%
2	Short-Term Debt		-	0.00%
3	Preferred Stock		114,502	1.47%
4	Off Balance Sheet Debt[1]		108,826	1.40%
5	**Total Long-Term Debt**	**$**	**3,880,821**	**49.79%**
6	Common Equity		3,913,191	50.21%
7	**Total**	**$**	**7,794,012**	**100.00%**

Sources:
Schedule MGO-E1.
[1] Page 4, Line 7, Col. 1.

Ameren Missouri

Standard & Poor's Credit Metrics
(Operating Leases)

Line	Description		Amount (000) (1)	Reference (2)
	Ameren Missouri Allocator			
1	Ameren Missouri Operating Leases	$	157,000	Form 10-K, 12/31/09.
2	Ameren Corp. Operating Leases	$	351,000	Form 10-K, 12/31/09.
3	**Ameren Missouri Allocation Factor**		**0.45**	**Line 1 / Line 2**
	Total Company[1]			
4	Operating Leases	$	243,300	
5	Imputed Interest Expense	$	16,300	
6	Imputed Amortization Expense	$	21,700	
	Ameren Missouri Allocation			
7	Total Off Balance Sheet Debt	$	108,826	Line 3 * Line 4
8	Imputed Interest Expense	$	7,291	Line 3 * Line 5
9	Imputed Amortization Expense	$	9,706	Line 3 * Line 6

Source:
[1] *Standard & Poor's RatingsDirect,* "Ameren Missouri," December 29, 2010 at 6.

Ameren Missouri

Standard & Poor's Credit Metrics
(CWIP Interest)

Line	Description		Amount
1	Debt Supporting CWIP[1]	$	308,500
2	Interest Rate[2]		5.9440%
3	CWIP Interest	$	18,337

Sources:
[1] Hevert Rebuttal at 84.
[2] Schedule MGO-E1.

Ameren Missouri

Hevert Constant Growth DCF Analysis
(30-Day Stock Price)

Line	Company	Low EPS Growth Rate (1)	Expected Dividend (2)	Expected Dividend Yield (3)	Low DCF ROE (4)	Average EPS Growth Rate (5)	Expected Dividend (6)	Expected Dividend Yield (7)	Average DCF ROE (8)	High EPS Growth Rate (9)	Expected Dividend (10)	Expected Dividend Yield (11)	High DCF ROE (12)
1	American Electric Power	3.00%	$1.87	5.20%	8.20%	3.63%	$1.87	5.22%	8.85%	4.00%	$1.88	5.23%	9.23%
2	Cleco Corp.	3.00%	$1.02	3.22%	6.22%	6.50%	$1.03	3.27%	9.77%	9.50%	$1.05	3.32%	12.82%
3	DPL, Inc.	3.93%	$1.36	5.15%	9.08%	5.47%	$1.37	5.19%	10.65%	7.00%	$1.38	5.22%	12.22%
4	Empire District Electric	6.00%	$1.32	6.09%	12.09%	6.75%	$1.32	6.11%	12.86%	7.50%	$1.33	6.13%	13.63%
5	Great Plains Energy Inc.	4.50%	$0.85	4.29%	8.79%	7.47%	$0.86	4.35%	11.82%	9.00%	$0.87	4.39%	13.39%
6	IDACORP, Inc.	4.67%	$1.23	3.23%	7.90%	4.96%	$1.23	3.24%	8.19%	5.50%	$1.23	3.25%	8.75%
7	Pinnacle West Capital	5.80%	$2.16	5.20%	11.00%	6.06%	$2.16	5.21%	11.27%	6.38%	$2.17	5.21%	11.59%
8	Portland General	3.00%	$1.06	4.68%	7.68%	4.53%	$1.06	4.71%	9.24%	5.60%	$1.07	4.74%	10.34%
9	Southern Co.	5.00%	$1.87	4.92%	9.92%	5.08%	$1.87	4.92%	10.00%	5.24%	$1.87	4.92%	10.16%
10	Westar Energy	4.70%	$1.31	5.05%	9.75%	6.44%	$1.32	5.10%	11.54%	8.50%	$1.33	5.15%	13.65%
11	**Average**	**4.36%**	**$1.40**	**4.70%**	**9.06%**	**5.69%**	**$1.41**	**4.73%**	**10.42%**	**6.82%**	**$1.42**	**4.70%**	**11.58%**

Notes:
Col. (1) is the lowest estimated EPS Growth Rate from Zacks, *Value Line,* & First Call.
Col. (5) is the average of the estimated EPS Growth Rates from Zacks, *Value Line,* & First Call.
Col. (9) is the highest estimated EPS Growth Rate from Zacks, *Value Line,* & First Call.
The Expected Dividend is the Annualized Dividend multiplied by 1 plus half the growth rate.
The Expected Dividend Yield is the Expected Dividend divided by the Stock Price.
The ROE is the growth rate plus the Expected Dividend Yield.
All data comes from Schedule RBH-ER8, pages 1-3.

Ameren Missouri

Hevert Constant Growth DCF Analysis
(90-Day Stock Price)

Line	Company	Low EPS Growth Rate (1)	Expected Dividend (2)	Expected Dividend Yield (3)	Low DCF ROE (4)	Average EPS Growth Rate (5)	Expected Dividend (6)	Expected Dividend Yield (7)	Average DCF ROE (8)	High EPS Growth Rate (9)	Expected Dividend (10)	Expected Dividend Yield (11)	High DCF ROE (12)
1	American Electric Power	3.00%	$1.87	5.17%	8.17%	3.63%	$1.87	5.19%	8.82%	4.00%	$1.88	5.20%	9.20%
2	Cleco Corp.	3.00%	$1.02	3.26%	6.26%	6.50%	$1.03	3.32%	9.82%	9.50%	$1.05	3.37%	12.87%
3	DPL, Inc.	3.93%	$1.36	5.19%	9.12%	5.47%	$1.37	5.23%	10.70%	7.00%	$1.38	5.27%	12.27%
4	Empire District Electric	6.00%	$1.32	6.07%	12.07%	6.75%	$1.32	6.10%	12.85%	7.50%	$1.33	6.12%	13.62%
5	Great Plains Energy Inc.	4.50%	$0.85	4.38%	8.88%	7.47%	$0.86	4.44%	11.91%	9.00%	$0.87	4.47%	13.47%
6	IDACORP, Inc.	4.67%	$1.23	3.29%	7.96%	4.96%	$1.23	3.30%	8.25%	5.50%	$1.23	3.31%	8.81%
7	Pinnacle West Capital	5.80%	$2.16	5.22%	11.02%	6.06%	$2.16	5.23%	11.29%	6.38%	$2.17	5.23%	11.61%
8	Portland General	3.00%	$1.06	4.82%	7.82%	4.53%	$1.06	4.86%	9.39%	5.60%	$1.07	4.89%	10.49%
9	Southern Co.	5.00%	$1.87	4.91%	9.91%	5.08%	$1.87	4.91%	9.99%	5.24%	$1.87	4.91%	10.15%
10	Westar Energy	4.70%	$1.31	5.15%	9.85%	6.44%	$1.32	5.19%	11.64%	8.50%	$1.33	5.24%	13.74%
11	**Average**	**4.36%**	**$1.40**	**4.75%**	**9.11%**	**5.69%**	**$1.41**	**4.78%**	**10.46%**	**6.82%**	**$1.42**	**4.75%**	**11.62%**

Notes:
Col. (1) is the lowest estimated EPS Growth Rate from Zacks, *Value Line,* & First Call.
Col. (5) is the average of the estimated EPS Growth Rates from Zacks, *Value Line,* & First Call.
Col. (9) is the highest estimated EPS Growth Rate from Zacks, *Value Line,* & First Call.
The Expected Dividend is the Annualized Dividend multiplied by 1 plus half the growth rate.
The Expected Dividend Yield is the Expected Dividend divided by the Stock Price.
The ROE is the growth rate plus the Expected Dividend Yield.
All data comes from Schedule RBH-ER8, pages 1-3.

Ameren Missouri

Hevert Constant Growth DCF Analysis
(180-Day Stock Price)

Line	Company	Low EPS Growth Rate (1)	Expected Dividend (2)	Expected Dividend Yield (3)	Low DCF ROE (4)	Average EPS Growth Rate (5)	Expected Dividend (6)	Expected Dividend Yield (7)	Average DCF ROE (8)	High EPS Growth Rate (9)	Expected Dividend (10)	Expected Dividend Yield (11)	High DCF ROE (12)
1	American Electric Power	3.00%	$1.87	5.23%	8.23%	3.63%	$1.87	5.24%	8.88%	4.00%	$1.88	5.25%	9.25%
2	Cleco Corp.	3.00%	$1.02	3.40%	6.40%	6.50%	$1.03	3.46%	9.96%	9.50%	$1.05	3.51%	13.01%
3	DPL, Inc.	3.93%	$1.36	5.24%	9.17%	5.47%	$1.37	5.28%	10.74%	7.00%	$1.38	5.32%	12.32%
4	Empire District Electric	6.00%	$1.32	6.36%	12.36%	6.75%	$1.32	6.39%	13.14%	7.50%	$1.33	6.41%	13.91%
5	Great Plains Energy Inc.	4.50%	$0.85	4.50%	9.00%	7.47%	$0.86	4.57%	12.04%	9.00%	$0.87	4.60%	13.60%
6	IDACORP, Inc.	4.67%	$1.23	3.38%	8.05%	4.96%	$1.23	3.39%	8.35%	5.50%	$1.23	3.40%	8.90%
7	Pinnacle West Capital	5.80%	$2.16	5.35%	11.15%	6.06%	$2.16	5.35%	11.41%	6.38%	$2.17	5.36%	11.74%
8	Portland General	3.00%	$1.06	5.08%	8.08%	4.53%	$1.06	5.12%	9.65%	5.60%	$1.07	5.15%	10.75%
9	Southern Co.	5.00%	$1.87	5.04%	10.04%	5.08%	$1.87	5.04%	10.12%	5.24%	$1.87	5.05%	10.29%
10	Westar Energy	4.70%	$1.31	5.34%	10.04%	6.44%	$1.32	5.38%	11.83%	8.50%	$1.33	5.44%	13.94%
11	**Average**	**4.36%**	**$1.40**	**4.89%**	**9.25%**	**5.69%**	**$1.41**	**4.92%**	**10.61%**	**6.82%**	**$1.42**	**4.88%**	**11.77%**

Notes:
Col. (1) is the lowest estimated EPS Growth Rate from Zacks, *Value Line,* & First Call.
Col. (5) is the average of the estimated EPS Growth Rates from Zacks, *Value Line,* & First Call.
Col. (9) is the highest estimated EPS Growth Rate from Zacks, *Value Line,* & First Call.
The Expected Dividend is the Annualized Dividend multiplied by 1 plus half the growth rate.
The Expected Dividend Yield is the Expected Dividend divided by the Stock Price.
The ROE is the growth rate plus the Expected Dividend Yield.
All data comes from Schedule RBH-ER8, pages 1-3.

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Revised Hevert Multi-Stage Growth DCF Model
(Summary)

Line	Description	Hevert[1] (1)	Adjusted[2] (2)
	Gordon Model		
1	30-Day Stock Price	10.47%	9.84%
2	90-Day Stock Price	10.51%	9.88%
3	180-Day Stock Price	10.66%	10.03%
4	**Average**	**10.55%**	**9.92%**
	Long-Term Projected P/E Ratio		
5	30-Day Stock Price	9.90%	9.52%
6	90-Day Stock Price	10.00%	9.62%
7	180-Day Stock Price	10.32%	9.93%
8	**Average**	**10.07%**	**9.69%**
	Mean		
9	30-Day Stock Price	10.18%	9.68%
10	90-Day Stock Price	10.26%	9.75%
11	180-Day Stock Price	10.49%	9.98%
12	**Average**	**10.31%**	**9.80%**

Sources:
[1] Hevert Rebuttal at 114.
[2] Pages 2 to 7.

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Revised Hevert Multi-Stage Growth DCF Model
(Gordon Model - 30-Day Stock Prices)

Line	Company	Stock Price (1)	Analyst Growth (2)	Long-Term Growth* (3)	Payout Ratio 2010 (4)	Payout Ratio 2014 (5)	Payout Ratio 2024 (6)	Multi-Stage Growth DCF (7)
1	American Electric Power	$35.89	3.63%	4.90%	59.00%	57.00%	67.50%	10.62%
2	Cleco Corp.	$31.53	6.50%	4.90%	46.00%	54.00%	67.50%	9.52%
3	DPL, Inc.	$26.35	5.47%	4.90%	50.00%	50.00%	67.50%	10.67%
4	Empire District Electric	$21.65	6.75%	4.90%	91.00%	77.00%	67.50%	10.12%
5	Great Plains Energy Inc.	$19.77	7.47%	4.90%	60.00%	67.00%	67.50%	9.77%
6	IDACORP, Inc.	$37.98	4.96%	4.90%	41.00%	46.00%	67.50%	9.86%
7	Pinnacle West Capital	$41.57	6.06%	4.90%	67.00%	67.00%	67.50%	9.55%
8	Portland General	$22.57	4.53%	4.90%	64.00%	60.00%	67.50%	9.24%
9	Southern Co.	$37.94	5.08%	4.90%	75.00%	69.00%	67.50%	9.87%
10	Westar Energy	$25.92	6.44%	4.90%	66.00%	57.00%	67.50%	9.13%
11	**Average**	**$30.12**	**5.69%**	**4.90%**	**61.90%**	**60.40%**	**67.50%**	**9.84%**

Sources:
Schedule RBH-ER9, page 1.
* *Blue Chip Economic Indicators,* March 10, 2011 at 15.

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Revised Hevert Multi-Stage Growth DCF Model
(Gordon Model - 90-Day Stock Prices)

Line	Company	Stock Price (1)	Analyst Growth (2)	Long-Term Growth* (3)	Payout Ratio 2010 (4)	Payout Ratio 2014 (5)	Payout Ratio 2024 (6)	Multi-Stage Growth DCF (7)
1	American Electric Power	$36.12	3.63%	4.90%	59.00%	57.00%	67.50%	10.59%
2	Cleco Corp.	$31.12	6.50%	4.90%	46.00%	54.00%	67.50%	9.58%
3	DPL, Inc.	$26.12	5.47%	4.90%	50.00%	50.00%	67.50%	10.72%
4	Empire District Electric	$21.70	6.75%	4.90%	91.00%	77.00%	67.50%	10.10%
5	Great Plains Energy Inc.	$19.39	7.47%	4.90%	60.00%	67.00%	67.50%	9.87%
6	IDACORP, Inc.	$37.29	4.96%	4.90%	41.00%	46.00%	67.50%	9.95%
7	Pinnacle West Capital	$41.40	6.06%	4.90%	67.00%	67.00%	67.50%	9.57%
8	Portland General	$21.88	4.53%	4.90%	64.00%	60.00%	67.50%	9.38%
9	Southern Co.	$38.03	5.08%	4.90%	75.00%	69.00%	67.50%	9.86%
10	Westar Energy	$25.44	6.44%	4.90%	66.00%	57.00%	67.50%	9.20%
11	**Average**	**$29.85**	**5.69%**	**4.90%**	**61.90%**	**60.40%**	**67.50%**	**9.88%**

Sources:
Schedule RBH-ER9, page 2.
* *Blue Chip Economic Indicators,* March 10, 2011 at 15.

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Revised Hevert Multi-Stage Growth DCF Model
(Gordon Model - 180-Day Stock Prices)

Line	Company	Stock Price (1)	Analyst Growth (2)	Long-Term Growth* (3)	Payout Ratio 2010 (4)	Payout Ratio 2014 (5)	Payout Ratio 2024 (6)	Multi-Stage Growth DCF (7)
1	American Electric Power	$35.74	3.63%	4.90%	59.00%	57.00%	67.50%	10.65%
2	Cleco Corp.	$29.83	6.50%	4.90%	46.00%	54.00%	67.50%	9.77%
3	DPL, Inc.	$25.88	5.47%	4.90%	50.00%	50.00%	67.50%	10.77%
4	Empire District Electric	$20.72	6.75%	4.90%	91.00%	77.00%	67.50%	10.37%
5	Great Plains Energy Inc.	$18.84	7.47%	4.90%	60.00%	67.00%	67.50%	10.01%
6	IDACORP, Inc.	$36.28	4.96%	4.90%	41.00%	46.00%	67.50%	10.08%
7	Pinnacle West Capital	$40.42	6.06%	4.90%	67.00%	67.00%	67.50%	9.68%
8	Portland General	$20.77	4.53%	4.90%	64.00%	60.00%	67.50%	9.62%
9	Southern Co.	$37.00	5.08%	4.90%	75.00%	69.00%	67.50%	10.00%
10	Westar Energy	$24.54	6.44%	4.90%	66.00%	57.00%	67.50%	9.36%
11	**Average**	**$29.00**	**5.69%**	**4.90%**	**61.90%**	**60.40%**	**67.50%**	**10.03%**

Sources:
Schedule RBH-ER9, page 3.
* *Blue Chip Economic Indicators,* March 10, 2011 at 15.

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Revised Hevert Multi-Stage Growth DCF Model
(Long-Term Projected P/E Ratio - 30-Day Stock Prices)

Line	Company	Stock Price (1)	Analyst Growth (2)	Long-Term Growth* (3)	Payout Ratio 2010 (4)	Payout Ratio 2014 (5)	Payout Ratio 2024 (6)	Multi-Stage Growth DCF (7)
1	American Electric Power	$35.89	3.63%	4.90%	59.00%	57.00%	67.50%	10.94%
2	Cleco Corp.	$31.53	6.50%	4.90%	46.00%	54.00%	67.50%	8.86%
3	DPL, Inc.	$26.35	5.47%	4.90%	50.00%	50.00%	67.50%	11.45%
4	Empire District Electric	$21.65	6.75%	4.90%	91.00%	77.00%	67.50%	11.19%
5	Great Plains Energy Inc.	$19.77	7.47%	4.90%	60.00%	67.00%	67.50%	9.64%
6	IDACORP, Inc.	$37.98	4.96%	4.90%	41.00%	46.00%	67.50%	9.72%
7	Pinnacle West Capital	$41.57	6.06%	4.90%	67.00%	67.00%	67.50%	8.72%
8	Portland General	$22.57	4.53%	4.90%	64.00%	60.00%	67.50%	8.16%
9	Southern Co.	$37.94	5.08%	4.90%	75.00%	69.00%	67.50%	8.45%
10	Westar Energy	$25.92	6.44%	4.90%	66.00%	57.00%	67.50%	8.07%
11	**Average**	**$30.12**	**5.69%**	**4.90%**	**61.90%**	**60.40%**	**67.50%**	**9.52%**

Sources:
Schedule RBH-ER9, page 4.
* *Blue Chip Economic Indicators,* March 10, 2011 at 15.

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Revised Hevert Multi-Stage Growth DCF Model

(Long-Term Projected P/E Ratio - 90-Day Stock Prices)

Line	Company	Stock Price (1)	Analyst Growth (2)	Long-Term Growth* (3)	Payout Ratio 2010 (4)	Payout Ratio 2014 (5)	Payout Ratio 2024 (6)	Multi-Stage Growth DCF (7)
1	American Electric Power	$36.12	3.63%	4.90%	59.00%	57.00%	67.50%	10.87%
2	Cleco Corp.	$31.12	6.50%	4.90%	46.00%	54.00%	67.50%	8.98%
3	DPL, Inc.	$26.12	5.47%	4.90%	50.00%	50.00%	67.50%	11.54%
4	Empire District Electric	$21.70	6.75%	4.90%	91.00%	77.00%	67.50%	11.16%
5	Great Plains Energy Inc.	$19.39	7.47%	4.90%	60.00%	67.00%	67.50%	9.84%
6	IDACORP, Inc.	$37.29	4.96%	4.90%	41.00%	46.00%	67.50%	9.90%
7	Pinnacle West Capital	$41.40	6.06%	4.90%	67.00%	67.00%	67.50%	8.76%
8	Portland General	$21.88	4.53%	4.90%	64.00%	60.00%	67.50%	8.47%
9	Southern Co.	$38.03	5.08%	4.90%	75.00%	69.00%	67.50%	8.42%
10	Westar Energy	$25.44	6.44%	4.90%	66.00%	57.00%	67.50%	8.25%
11	**Average**	**$29.85**	**5.69%**	**4.90%**	**61.90%**	**60.40%**	**67.50%**	**9.62%**

Sources:
Schedule RBH-ER9, page 5.
* *Blue Chip Economic Indicators,* March 10, 2011 at 15.

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Revised Hevert Multi-Stage Growth DCF Model
(Long-Term Projected P/E Ratio - 180-Day Stock Prices)

Line	Company	Stock Price (1)	Analyst Growth (2)	Long-Term Growth* (3)	Payout Ratio 2010 (4)	Payout Ratio 2014 (5)	Payout Ratio 2024 (6)	Multi-Stage Growth DCF (7)
1	American Electric Power	$35.74	3.63%	4.90%	59.00%	57.00%	67.50%	10.98%
2	Cleco Corp.	$29.83	6.50%	4.90%	46.00%	54.00%	67.50%	9.40%
3	DPL, Inc.	$25.88	5.47%	4.90%	50.00%	50.00%	67.50%	11.64%
4	Empire District Electric	$20.72	6.75%	4.90%	91.00%	77.00%	67.50%	11.67%
5	Great Plains Energy Inc.	$18.84	7.47%	4.90%	60.00%	67.00%	67.50%	10.14%
6	IDACORP, Inc.	$36.28	4.96%	4.90%	41.00%	46.00%	67.50%	10.18%
7	Pinnacle West Capital	$40.42	6.06%	4.90%	67.00%	67.00%	67.50%	9.00%
8	Portland General	$20.77	4.53%	4.90%	64.00%	60.00%	67.50%	9.00%
9	Southern Co.	$37.00	5.08%	4.90%	75.00%	69.00%	67.50%	8.72%
10	Westar Energy	$24.54	6.44%	4.90%	66.00%	57.00%	67.50%	8.61%
11	**Average**	**$29.00**	**5.69%**	**4.90%**	**61.90%**	**60.40%**	**67.50%**	**9.93%**

Sources:
Schedule RBH-ER9, page 6.
* *Blue Chip Economic Indicators,* March 10, 2011 at 15.