

Filed
November 30, 2012
Data Center
Missouri Public
Service Commission

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

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0175

SURREBUTTAL TESTIMONY

OF

SAMUEL C. HADAWAY

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
October 2012**

GMO Exhibit No. 116
Date 10-23-12 Reporter KF
File No. ER-2012-0175

SURREBUTTAL TESTIMONY

OF

SAMUEL C. HADAWAY

Case No. ER-2012-0175

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 A. Yes, it does.

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

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

AFFIDAVIT OF SAMUEL C. HADAWAY

STATE OF TEXAS)
) ss
COUNTY OF TRAVIS)

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

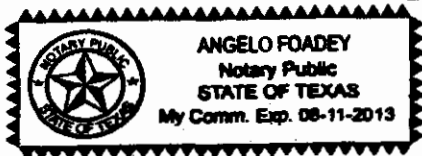
1. My name is Samuel C. Hadaway. I am employed by FINANCO, Inc. in Austin, Texas. I have been retained by Great Plains Energy, Inc., the parent company of KC&PL Greater Missouri Operations Company, to serve as an expert witness on behalf of KC&PL Greater Missouri Operations Company.

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

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

Samuel C. Hadaway
Samuel C. Hadaway

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



Angelo Foadey
Notary Public

My commission expires: 8-11-2013

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

Panel 1

T&D Utilities vs. Vertically-Integrated Utilities

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

Average T&D

| | |
|------------|---------------|
| Min | 9.10% |
| Max | 10.30% |

Vertically-Integrated Utilities

| No | Date | Company | State | ROE |
|----|------------|---------------------------------|-------|--------|
| 1 | 1/8/2008 | Northern States Power | WI | 10.75% |
| 2 | 1/17/2008 | Wisconsin Electric Power | WI | 10.75% |
| 3 | 1/31/2008 | Central Vermont Public Service | VT | 10.21% |
| 4 | 3/12/2008 | PacificCorp | WY | 10.25% |
| 5 | 4/22/2008 | MDU Resources | MT | 10.25% |
| 6 | 4/24/2008 | Public Service Company of NM | NM | 10.10% |
| 7 | 5/1/2008 | Hawaiian Electric Co | HI | 10.70% |
| 8 | 6/10/2008 | Consumers Energy | MI | 10.70% |
| 9 | 6/27/2008 | Appalachian Power | WV | 10.50% |
| 10 | 8/27/2008 | Sierra Pacific Power | NV | 10.60% |
| 11 | 7/10/2008 | Otter Tail Corp | MN | 10.43% |
| 12 | 7/30/2008 | Empire District Electric | CA | 10.80% |
| 13 | 8/11/2008 | PacificCorp | UT | 10.25% |
| 14 | 8/26/2008 | Southwestern Public Service | NM | 10.18% |
| 15 | 9/24/2008 | Central Illinois Light | IL | 10.65% |
| 16 | 9/24/2008 | Central Illinois Public Service | IL | 10.65% |
| 17 | 9/24/2008 | Illinois Power | IL | 10.65% |
| 18 | 9/30/2008 | Avista Corp | IA | 10.20% |
| 19 | 10/8/2008 | Puget Sound Energy | WA | 10.15% |
| 20 | 11/17/2008 | Appalachian Power | VA | 10.20% |
| 21 | 12/12/2008 | Tucson Electric | AZ | 10.26% |
| 22 | 12/23/2008 | Detroit Edison | MI | 11.00% |
| 23 | 12/29/2008 | Portland General | OR | 10.10% |
| 24 | 12/2/2008 | Avista Corp | WA | 10.20% |
| 25 | 12/31/2008 | Northern States Power | ND | 10.75% |

Average Vertically-Integrated

| | |
|------------|---------------|
| Min | 10.10% |
| Max | 11.00% |

Other Cases

| No | Date | Company | State | ROE | Comment |
|----|------------|-------------------------|-------|--------|------------------|
| 1 | 2/16/2008 | Intertale Power & Light | IA | 11.70% | Power plant only |
| 2 | 3/31/2008 | Virginia Electric Power | VA | 12.12% | Power plant only |
| 4 | 8/18/2008 | MidAmerican Energy | IA | 11.70% | Power plant only |
| 5 | 8/27/2008 | MidAmerican Energy | IA | 11.70% | Power plant only |
| 6 | 11/13/2008 | NorthWestern Corp | MT | 10.00% | Power plant only |

Average Other

| | |
|------------|---------------|
| Min | 10.00% |
| Max | 12.12% |

Average all Utilities for 2008

| | |
|------------|---------------|
| Min | 9.10% |
| Max | 12.12% |

Panel 2

Summary of Results by Quarter

| By Quarter | T&D Utilities | | | | Total |
|------------|---------------|--------|-------|--------|-------|
| | 1Q | 2Q | 3Q | 4Q | |
| ROE | 9.68% | 10.00% | 9.85% | 10.00% | 9.78% |
| No. Cases | 4 | 1 | 2 | 0 | 7 |

Vertically-Integrated Utilities

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

Other Cases

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

All Utilities

| By Quarter | All Utilities | | | | Total |
|------------|---------------|--------|--------|--------|--------|
| | 1Q | 2Q | 3Q | 4Q | |
| ROE | 10.45% | 10.57% | 10.47% | 10.33% | 10.48% |
| No. Cases | 10 | 8 | 11 | 8 | 37 |

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

Panel 1

T&D Utilities and Vertically-Integrated Utilities

| No. | Date | Company | State | ROE | Comment |
|-----|------------|---------------------------------|-------|--------|---------|
| 1 | 1/21/2009 | Cleveland Electric Illuminating | OH | 10.50% | |
| 2 | 1/21/2009 | Ohio Edison | OH | 10.50% | |
| 3 | 1/21/2009 | Toledo Edison | OH | 10.50% | |
| 4 | 2/4/2009 | United Illuminating | CT | 8.75% | |
| 5 | 4/24/2009 | Consolidated Edison of New York | NY | 10.00% | |
| 6 | 6/22/2009 | Central Hudson Gas & Electric | NY | 10.00% | |
| 7 | 7/18/2009 | Duke Energy Ohio | OH | 10.63% | |
| 8 | 8/31/2009 | Oncor Electric Delivery | TX | 10.25% | |
| 9 | 11/30/2009 | Mass EL/Nantucket El. | MA | 10.35% | |
| 10 | 12/30/2009 | Delmarva Power & Light | MD | 10.00% | |

| | | | | | |
|------------------------|--|--|------------|---------------|--|
| Average T&D | | | | 10.15% | |
| | | | Min | 8.75% | |
| | | | Max | 10.63% | |

Vertically-Integrated Utilities

| No. | Date | Company | State | ROE |
|-----|------------|-----------------------------|-------|--------|
| 1 | 1/14/2009 | Public Service Oklahoma | OK | 10.50% |
| 2 | 1/30/2009 | Ideho Power | ID | 10.50% |
| 3 | 2/10/2009 | Union Electric | MO | 10.78% |
| 4 | 3/4/2009 | Indiana Michigan Power | IN | 10.50% |
| 5 | 4/2/2009 | Energy New Orleans | LA | 11.70% |
| 6 | 4/21/2009 | PacifiCorp | UT | 10.61% |
| 7 | 4/30/2009 | Tampa Electric | FL | 11.25% |
| 8 | 5/4/2009 | Minnesota Power | MN | 10.74% |
| 9 | 5/20/2009 | Oklahoma Gas & Electric | AR | 10.25% |
| 10 | 5/28/2009 | Public Service New Mexico | NM | 10.50% |
| 11 | 6/24/2009 | Nevada Power | NV | 10.80% |
| 12 | 7/17/2009 | Avista Corp. | ID | 10.50% |
| 13 | 10/14/2009 | Cleco Power | LA | 10.70% |
| 14 | 10/23/2009 | Northem States Power-Minn | MN | 10.88% |
| 15 | 11/2/2009 | Consumers Energy | MI | 10.70% |
| 16 | 11/3/2009 | Sierra Pacific Power | CA | 10.70% |
| 17 | 11/24/2009 | Southwestern Electric Power | AR | 10.25% |
| 18 | 11/25/2009 | Oter Tail Power | ND | 10.75% |
| 19 | 12/17/2009 | Duke Energy Carolinas | NC | 10.70% |
| 20 | 12/16/2009 | Arizona Public Service | AZ | 11.00% |
| 21 | 12/16/2009 | Upper Peninsula Power | MI | 10.90% |
| 22 | 12/18/2009 | Wisconsin Electric Power | WI | 10.40% |
| 23 | 12/18/2009 | Wisconsin Electric Power | WI | 10.40% |
| 24 | 12/22/2009 | Avista Corp. | WA | 10.20% |
| 25 | 12/22/2009 | Madison Gas and Electric | WI | 10.40% |
| 26 | 12/22/2009 | Northern States Power-Wisc | WI | 10.40% |
| 27 | 12/24/2009 | Public Service of Colorado | CO | 10.50% |

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

Other Cases

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

| | | | | |
|---------------------------------------|--|--|--|---------------|
| Average Other | | | | 10.18% |
| Average All Utilities for 2009 | | | | 10.45% |

Panel 2

Summary of Results by Quarter

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

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

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

| By Quarter | All Utilities | | | | Total |
|------------|---------------|--------|--------|--------|--------|
| | 1Q | 2Q | 3Q | 4Q | |
| Avg. ROE | 10.25% | 10.55% | 10.46% | 10.54% | 10.48% |
| No. Cases | 9 | 10 | 3 | 17 | 39 |

Source: Regulatory Research Associates, "Major Rate Case Decisions, January 2009-December 2009," January 6, 2010.

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

Panel 1

| T&D Utilities and Vertically-Integrated Utilities | | | | | |
|---------------------------------------------------|-----------|---------------------------------|-------|--------------|---------------|
| No | Date | Company | State | ROE | Comment |
| 1 | 2/6/2010 | Narragansett Electric | RI | 9.80% | |
| 2 | 3/2/2010 | Protonic Electric Power | DC | 9.63% | |
| 3 | 4/26/2010 | Consolidated Edison of NY | NY | 10.15% | |
| 4 | 4/26/2010 | Central Illinois Light | IL | 9.80% | |
| 5 | 4/29/2010 | Central Illinois Public Service | IL | 10.06% | |
| 6 | 4/29/2010 | Illinois Power | IL | 10.26% | |
| 7 | 5/12/2010 | Atlantic City Electric | NJ | 10.30% | |
| 8 | 5/12/2010 | Rockland Electric | NJ | 10.30% | |
| 9 | 6/7/2010 | Public Service Electric & Gas | NJ | 10.00% | |
| 10 | 6/16/2010 | Central Hudson Gas & Electric | NY | 10.00% | |
| 11 | 6/28/2010 | Public Service of New Hampshire | NH | 9.81% | |
| 12 | 6/28/2010 | Connecticut Light & Power | CT | 9.81% | |
| 13 | 6/28/2010 | New York State Electric & Gas | NY | 10.00% | |
| 14 | 6/16/2010 | Rocky Mountain Electric | CO | 10.00% | |
| 15 | 12/9/2010 | NorthWestern Corp. | MT | 10.00% | |
| Average T&D | | | | 9.58% | |
| | | | | Min | 9.45% |
| | | | | Max | 10.30% |

Panel 2

| Summary of Results by Quarter | | | | | | | | | | | |
|-------------------------------|--------|---------------|--------|--------|--------|---------------------------------|--------|--------|--------|-------------|--------|
| By Quarter | | T&D Utilities | | | | Vertically-Integrated Utilities | | | | Other Cases | |
| 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q |
| Avg. ROE | 9.86% | 10.07% | 10.00% | 10.00% | 10.00% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% |
| No. Cases | 3 | 9 | 2 | 1 | 15 | 0 | 0 | 0 | 0 | 0 | 0 |
| By Quarter | | All Utilities | | | | Other Cases | | | | Total | |
| Avg. ROE | 10.59% | 10.16% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% |
| No. Cases | 12 | 5 | 9 | 16 | 42 | 2 | 0 | 0 | 0 | 2 | 2 |
| By Quarter | | All Utilities | | | | Other Cases | | | | Total | |
| ROE | 12.30% | 10.08% | 10.26% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% | 10.32% |
| No. Cases | 2 | 0 | 0 | 0 | 0 | 17 | 14 | 11 | 17 | 59 | 59 |

Panel 1

| T&D Utilities and Vertically-Integrated Utilities | | | | | |
|---------------------------------------------------|------------|-------------------------------|-------|---------------|------------------|
| No | Date | Company | State | ROE | Comment |
| 1 | 1/11/2010 | Dominion Edison | VA | 11.00% | |
| 2 | 1/19/2010 | Interrate Power & Light | IA | 10.00% | |
| 3 | 1/26/2010 | Piedmont | OR | 10.15% | |
| 4 | 1/27/2010 | Western Energy | KS | 10.40% | |
| 5 | 1/27/2010 | Midwest Energy | KS | 10.40% | |
| 6 | 1/27/2010 | Duke Energy Carolinas | NC | 10.70% | |
| 7 | 2/18/2010 | PacificCorp | UT | 10.60% | |
| 8 | 2/24/2010 | Idaho Power | OR | 10.18% | |
| 9 | 3/4/2010 | Kentucky Utilities | VA | 10.50% | |
| 10 | 3/6/2010 | Florida Power | FL | 10.50% | |
| 11 | 3/11/2010 | Virginia Electric and Power | VA | 11.80% | |
| 12 | 3/17/2010 | Florida Power & Light | FL | 10.00% | |
| 13 | 4/22/2010 | Puget Sound Energy | WA | 10.10% | |
| 14 | 4/22/2010 | NorthWestern | WA | 10.10% | |
| 15 | 5/26/2010 | Union Electric | MO | 10.10% | |
| 16 | 6/29/2010 | Entergy Arkansas | AR | 10.20% | |
| 17 | 6/29/2010 | Kentucky Power | KY | 10.50% | |
| 18 | 7/17/2010 | Wisconsin Electric Power | MI | 10.25% | |
| 19 | 7/18/2010 | South Carolina Electric & Gas | SC | 10.70% | |
| 20 | 7/18/2010 | Appalachian Power | VA | 10.53% | |
| 21 | 7/30/2010 | Midwest Electric | HI | 10.70% | |
| 22 | 8/4/2010 | Black Hills Colorado Electric | CO | 10.30% | |
| 23 | 8/27/2010 | Alabama Electric Power | AL | 9.80% | |
| 24 | 8/27/2010 | Florida Public Service | FL | 9.80% | |
| 25 | 9/14/2010 | Hawaiian Electric | HI | 10.70% | |
| 26 | 9/30/2010 | UNS Electric | AZ | 9.75% | |
| 27 | 10/14/2010 | Indiana Michigan Power | MI | 10.35% | |
| 28 | 10/23/2010 | Hawaiian Electric Light | HI | 10.70% | |
| 29 | 11/2/2010 | Minnesota Power | MN | 10.38% | |
| 30 | 11/4/2010 | Consumers Energy | MI | 10.70% | |
| 31 | 11/9/2010 | Avesta Corp. | WA | 10.20% | |
| 32 | 11/22/2010 | Juventus City Power & Light | IS | 10.00% | |
| 33 | 11/22/2010 | Energy Gas & Electric | TX | 10.15% | |
| 34 | 11/22/2010 | Suburban Gas & Electric | MD | 9.85% | |
| 35 | 12/15/2010 | Interrate Power & Light | IA | 10.00% | |
| 36 | 12/16/2010 | Dominion North Carolina Power | NC | 10.70% | |
| 37 | 12/14/2010 | PacificCorp | OR | 10.13% | |
| 38 | 12/17/2010 | Portland General Electric | OR | 10.00% | |
| 39 | 12/20/2010 | Sierra Pacific Power | NY | 10.05% | |
| 40 | 12/21/2010 | Upper Peninsula Power | MI | 10.30% | |
| 41 | 12/27/2010 | PacificCorp | ID | 9.80% | |
| 42 | 12/29/2010 | Georgia Power | GA | 11.15% | |
| Average Vertically-Integrated | | | | 10.33% | |
| | | | | Min | 9.75% |
| | | | | Max | 11.80% |
| Other Cases | | | | | |
| No | Date | Company | State | ROE | Comment |
| 1 | 3/11/2010 | Virginia Electric and Power | VA | 12.30% | Power plant only |
| 2 | 3/11/2010 | Virginia Electric and Power | VA | 12.30% | Power plant only |
| Average Other | | | | 12.30% | |
| Average All Utilities for 2010 | | | | 10.34% | |

Source: Regulatory Research Associates, "Major Rate Case Decisions, Calendar 2010", January 7, 2011.

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

Panel 1

| T&D Utilities and Vertically-Integrated Utilities | | | | | |
|---------------------------------------------------|------------|--------------------------------|-------|--------|---------|
| No | Date | Company | State | ROE | Comment |
| 1 | 1/19/2011 | Delmarva Power & Light Co. | DE | 10.00% | |
| 2 | 1/20/2011 | Niagara Mohawk Power Corp. | NY | 9.30% | |
| 3 | 1/20/2011 | Texas-New Mexico Power Co. | TX | 10.13% | |
| 4 | 1/31/2011 | Western Massachusetts Electric | MA | 9.60% | |
| 5 | 2/3/2011 | CenterPoint Energy Houston | TX | 10.00% | |
| 6 | 4/29/2011 | Uniti Energy Systems | IL | 9.67% | |
| 7 | 5/24/2011 | Commonwealth Edison | NH | 10.50% | |
| 8 | 6/19/2011 | Orange and Rockland Utilities | NY | 9.20% | |
| 9 | 8/1/2011 | Fitchburg Gas & Electric | MA | 9.20% | |
| 10 | 8/19/2011 | Oncor Electric Delivery | TX | 10.25% | |
| 11 | 12/14/2011 | Columbus Southern Power | OH | 10.00% | |
| 12 | 12/14/2011 | Ohio Power | OH | 10.30% | |

Average T&D

| | |
|------------|---------------|
| Min | 9.85% |
| Max | 10.50% |

Vertically-Integrated Utilities

| No | Date | Company | State | ROE |
|----|------------|----------------------------------------|-------|--------|
| 1 | 1/5/2011 | Public Service Co. of OK | OK | 10.15% |
| 2 | 1/12/2011 | Madison Gas and Electric Co. | WI | 10.30% |
| 3 | 1/13/2011 | Wisconsin Public Service Corp. | WI | 10.30% |
| 4 | 2/25/2011 | Hawaiian Electric Co. | HI | 10.00% |
| 5 | 3/25/2011 | PacificCorp | WA | 9.40% |
| 6 | 3/30/2011 | Appalachian Pwr/Wheeling Pwr | WV | 10.00% |
| 7 | 4/12/2011 | Kansas City Power & Light | MO | 10.00% |
| 8 | 4/25/2011 | Ottaw Valley Power Co. | ON | 10.74% |
| 9 | 4/27/2011 | Southern Indiana Gas & Electric | IN | 10.40% |
| 10 | 5/4/2011 | KCP&L Greater Missouri Op. (MFS) | MO | 10.00% |
| 11 | 5/4/2011 | KCP&L Greater Missouri Op. (LAP) | MO | 10.00% |
| 12 | 6/8/2011 | MDU Resources | ND | 10.75% |
| 13 | 6/17/2011 | Oklahoma Gas & Electric | AR | 9.95% |
| 14 | 7/13/2011 | Union Electric | MO | 10.20% |
| 15 | 8/8/2011 | Public Service Co. of New Mexico | NM | 10.00% |
| 16 | 8/11/2011 | PacificCorp | UT | 10.00% |
| 17 | 8/12/2011 | Interstate Power and Light | WY | 10.35% |
| 18 | 9/22/2011 | PacificCorp | WY | 10.00% |
| 19 | 10/12/2011 | Kentucky Utilities | VA | 10.30% |
| 20 | 10/20/2011 | Detroit Edison | MI | 10.50% |
| 21 | 11/30/2011 | Appalachian Power | VA | 10.90% |
| 22 | 11/30/2011 | Virginia Electric and Power | VA | 10.90% |
| 23 | 12/20/2011 | Upper Peninsula Power | MI | 10.20% |
| 24 | 12/21/2011 | Northern Indiana Public Service | IN | 10.20% |
| 25 | 12/22/2011 | Black Hills Colorado Elec. Utility Co. | CO | 9.90% |
| 26 | 12/22/2011 | Northern States Power-Wisconsin | WI | 10.40% |
| 27 | 12/23/2011 | Nevada Power | NV | 10.19% |

Average Vertically-integrated

| | |
|------------|---------------|
| Min | 10.24% |
| Max | 10.90% |

Other Cases

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

Average Other

| | |
|------------|---------------|
| Min | 12.30% |
| Max | 12.30% |

Average All Utilities for 2011

| | |
|------------|---------------|
| Min | 10.22% |
| Max | 10.22% |

Panel 2

Summary of Results by Quarter

| | | T&D Utilities | | | | Vertically-Integrated Utilities | | | | Other Cases | | | | All Utilities | | | | |
|------------|--|---------------|-------|-------|--------|---------------------------------|--------|--------|--------|-------------|--------|--------|--------|---------------|--------|--------|--------|--------|
| By Quarter | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | Total |
| Avg. ROE | | 9.81% | 9.79% | 9.73% | 10.15% | 10.09% | 10.26% | 10.11% | 10.39% | 10.32% | 10.12% | 10.00% | 10.34% | 10.22% | 10.24% | 10.22% | 10.24% | 10.22% |
| No. Cases | | 5 | 3 | 2 | 2 | 6 | 7 | 5 | 9 | 13 | 10 | 7 | 11 | 13 | 10 | 7 | 11 | 41 |

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

Panel 1

T&D Utilities and Vertically-Integrated Utilities

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

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

| Vertically-Integrated Utilities | | | | | |
|---------------------------------|-----------|---------------------------------|-------|--------|---------|
| No | Date | Company | State | ROE | Comment |
| 1 | 1/25/2012 | Duke Energy Carolinas | SC | 10.50% | |
| 2 | 1/27/2012 | Duke Energy Carolinas | NC | 10.50% | |
| 3 | 2/15/2012 | Indiana Michigan Power | MI | 10.20% | |
| 4 | 2/23/2012 | Idaho Power | OR | 9.90% | |
| 5 | 2/27/2012 | Gulf Power | FL | 10.25% | |
| 6 | 2/29/2012 | Northern States Power-Minnesota | ND | 10.40% | |
| 7 | 3/29/2012 | Northern States Power-Minnesota | MN | 10.37% | |
| 8 | 4/4/2012 | Hawaii Electric Light | HI | 10.00% | |
| 9 | 4/28/2012 | Public Service Co. of Colorado | CO | 10.00% | |
| 10 | 5/2/2012 | Maui Electric Company | HI | 10.00% | |
| 11 | 5/7/2012 | Puget Sound Energy | WA | 9.80% | |
| 12 | 5/15/2012 | Arizona Public Service | AZ | 10.00% | |
| 13 | 6/7/2012 | Consumers Energy | MI | 10.30% | |
| 14 | 6/15/2012 | Wisconsin Power and Light | WI | 10.40% | |
| 15 | 6/18/2012 | Cheyenne Light, Fuel and Power | WY | 9.80% | |
| 16 | 6/19/2012 | Northern States Power-Minnesota | SD | 9.25% | |
| 17 | 6/26/2012 | Wisconsin Electric Power | MI | 10.10% | |
| 18 | 6/29/2012 | Hawaiian Electric Company | HI | 10.00% | |
| 19 | 7/9/2012 | Oklahoma Gas & Electric | OK | 10.20% | |
| 20 | 7/16/2012 | PacifiCorp | WY | 9.80% | |
| 21 | 9/13/2012 | Entergy Texas | TX | 9.80% | |
| 22 | 9/19/2012 | PacifiCorp | UT | 9.80% | |

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

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

| | |
|----------------------|---------------|
| Average Other | 11.60% |
|----------------------|---------------|

| | |
|---------------------------------------|---------------|
| Average All Utilities for 2012 | 10.22% |
|---------------------------------------|---------------|

Source: SNL Regulatory Research Associates, "Major Rate Case Decisions" October 4, 2012.

Panel 2

Summary of Results by Quarter

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

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

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

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

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