

PUGET SOUND ENERGY**MARKET-TO-BOOK RATIO ANALYSIS****ELECTRIC UTILITIES**

$$k = R.O.E.(1-b)/(M/B) + g$$

[2013]

| <u>COMPANY</u> | | | | | | <u>MARKET-TO-BOOK COST OF EQUITY</u> | | |
|---------------------------|----|-------|-----|-----------|------|--|---|--------------|
| SO | k= | 13.0% | (1- | 0.2655)/ | 2.06 | + 5.02% | = | 9.65% |
| ALE | k= | 8.0% | (1- | 0.3091)/ | 1.55 | + 5.57% | = | 9.13% |
| LNT | k= | 11.5% | (1- | 0.4303)/ | 1.73 | + 4.71% | = | 8.50% |
| AEP | k= | 9.5% | (1- | 0.3742)/ | 1.44 | + 4.46% | = | 8.59% |
| CNL | k= | 9.5% | (1- | 0.4280)/ | 1.78 | + 6.11% | = | 9.16% |
| ETR | k= | 9.0% | (1- | 0.3011)/ | 1.29 | + 4.00% | = | 8.86% |
| WR | k= | 9.0% | (1- | 0.3956)/ | 1.29 | + 4.94% | = | 9.18% |
| WEC | k= | 13.0% | (1- | 0.4333)/ | 2.23 | + 5.25% | = | 8.56% |
| EIX | k= | 11.5% | (1- | 0.6114)/ | 1.53 | + 6.00% | = | 8.93% |
| IDA | k= | 9.0% | (1- | 0.5273)/ | 1.32 | + 4.58% | = | 7.80% |
| NWE | k= | 9.5% | (1- | 0.3796)/ | 1.56 | + 4.36% | = | 8.15% |
| PCG | k= | 6.0% | (1- | 0.0667)/ | 1.46 | + 4.28% | = | 8.13% |
| PNW | k= | 9.5% | (1- | 0.3771)/ | 1.57 | + 4.54% | = | 8.32% |
| POR | k= | 8.0% | (1- | 0.4158)/ | 1.32 | + 3.99% | = | 7.54% |
| XEL | k= | 10.0% | (1- | 0.4158)/ | 1.53 | + 5.18% | = | <u>9.01%</u> |
| OVERALL AVERAGE | | | | | | | | 8.63% |
| STANDARD DEVIATION | | | | | | | | 0.52% |

Note: Equity returns and retention ratios based on Value Line current year projections.

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$$k = \text{R.O.E.} \cdot (1 - b) / (M/B) + g$$

[2016-2018]

COMPANYMARKET-TO-BOOK
COST OF EQUITY

| | | | | | | | |
|-----|----------|---------------|------|---|-------|---|--------------|
| SO | k= 12.5% | (1- 0.2769)/ | 2.06 | + | 5.02% | = | 9.41% |
| ALE | k= 9.5% | (1- 0.4133)/ | 1.55 | + | 5.57% | = | 9.16% |
| LNT | k= 11.0% | (1- 0.4211)/ | 1.73 | + | 4.71% | = | 8.39% |
| AEP | k= 10.0% | (1- 0.3867)/ | 1.44 | + | 4.46% | = | 8.72% |
| CNL | k= 11.0% | (1- 0.4286)/ | 1.78 | + | 6.11% | = | 9.64% |
| ETR | k= 9.5% | (1- 0.3818)/ | 1.29 | + | 4.00% | = | 8.54% |
| WR | k= 9.5% | (1- 0.4473)/ | 1.29 | + | 4.94% | = | 9.03% |
| WEC | k= 14.0% | (1- 0.3333)/ | 2.23 | + | 5.25% | = | 9.44% |
| EIX | k= 11.0% | (1- 0.5765)/ | 1.53 | + | 6.00% | = | 9.05% |
| IDA | k= 8.5% | (1- 0.4795)/ | 1.32 | + | 4.58% | = | 7.93% |
| NWE | k= 9.5% | (1- 0.3455)/ | 1.56 | + | 4.36% | = | 8.35% |
| PCG | k= 9.0% | (1- 0.3538)/ | 1.46 | + | 4.28% | = | 8.28% |
| PNW | k= 10.0% | (1- 0.3882)/ | 1.57 | + | 4.54% | = | 8.45% |
| POR | k= 8.0% | (1- 0.4222)/ | 1.32 | + | 3.99% | = | 7.50% |
| XEL | k= 10.0% | (1- 0.4000)/ | 1.53 | + | 5.18% | = | <u>9.11%</u> |

OVERALL AVERAGE **8.73%**

STANDARD DEVIATION **0.53%**

Note: Equity returns and retention ratios based on Value Line three- to five-year projections.