

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Application of Nevada Power Company d/b/a NV)
Energy for authority to adjust its annual revenue)
requirement for general rates charged to all classes)
of electric customers and for relief properly related)
thereto.)

Docket No. 17-06003

Application of Nevada Power Company d/b/a NV)
Energy for approval of new and revised)
depreciation and amortization rates for its electric)
and common accounts)

Docket No. 17-06004

Direct Testimony of

Charles J. Cicchetti, Ph.D.

on behalf of

MGM Resorts International

Submitted

September 12, 2017

HOLLAND & HART LLP
377 S. NEVADA STREET
CARSON CITY, NV 89703

1 **Q30. Did you analyze the Regulatory Research Associates (RRA) Electric Utilities**
2 **Summary Table that Mr. Strunk relied on in his Table 1?**

3 A30. Yes. In the first quarter of 2017, RRA reports the sample utilities had an ROR of
4 6.98%, ROE of 9.89% and a 48.22% equity share.⁴⁴ He did not determine what the
5 Cost of Debt would be for the utilities. I did such a calculation based on the following:

6
$$\text{ROR} = \text{ROE (\% equity)} + \text{COD (\% debt)}$$

7
$$6.89 = 9.891 (0.482) + \text{COD} (0.5178)$$

8
$$\text{COD} = 4.27$$

9
10 This demonstrates that NPC is carrying an unprecedented cost of debt of 6.66%
11 compared to an industry sample with 4.27%. NPC's COD is 239 basis point greater
12 than the 2017, first quarter RRA sample.

13
14 **Q31. How does the NPC Cost of Debt for LTD compare to other electric utilities that**
15 **Berkshire Hathaway owns?**

16 A31. In response to MGM Data Request 2-02, NPC provided a table of Berkshire Hathaway
17 utilities. The filing dates are not very current. Nevertheless, of the electric utilities
18 shown NPC had the highest cost of debt, and because of this the second highest reported
19 Rate of Return.

20
21 **Q32. Does the decrease that Mr. Cole shows for May 31, 2017 represent a significant**
22 **improvement?**

23 A32. No. The decrease from 6.72% on December 31, 2016 to the originally reported COD of
24 6.68% on May 31, 2017 is only 4 basis points. With the recorded revision that NPC
25 made and is shown in Cicchetti Direct Exhibit 3, the difference is 6 basis points. The
26

27
28 ⁴⁴ Regulatory Research Associates, Regulatory Focus; Major Rate Case Decisions – January-March 2017. Average
Equity Returns Authorized January 1990-March 2017, page 4.