BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-121697 and UG-121705
Puget Sound Energy, Inc. and NW Energy Coalition
Joint Petition for Approval of a Decoupling Mechanism

Docket Nos. UE-130137 and UG-130138
Puget Sound Energy, Inc. Expedited Rate Filing

PUBLIC COUNSEL DATA REQUEST NO. 085

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Re: Dr. Roger A. Morin Rebuttal Testimony, p. 33.

Please cite to any studies of which Dr. Morin is aware that show analysts' earnings growth projections are the *only* growth rate on which investors rely.

Response:

Dr. Morin is unaware of such a study. Dr. Morin, however, notes that the Federal Energy Regulatory Commission (FERC) relies strictly on analyst growth projections in its recently modified two-stage discounted cash flow (DCF) model for electric utilities. For example, the FERC stated as follows in a recent opinion:

> The growth rate used in the DCF model should be the growth rate expected by the market. That growth rate may not necessarily prove to be the correct growth forecast, but the cost of common equity to a regulated enterprise depends upon what the market expects, not upon what ultimately happens. Accordingly, it is appropriate to look to the most recent record evidence of the growth rates actually expected by the investment community.

Martha Coakley, Massachusetts Attorney General v. Bangor Hydro-Electric Co., Opinion No. 531, 147 FERC ¶ 61,234 at P 88 (2014) (citing *Kern River Transmission Co.*, 126 FERC ¶ 61,034 at P 120 (2009); *Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity*, 123 FERC ¶ 61,048, at P 73 (2008); and *Transcon. Gas Pipe Line Corp*., Opinion No. 414-B, 85 FERC ¶ 61,323, at 61,268-69 (1998)).