

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**

PUBLIC COUNSEL DATA REQUEST NO. 049

PUBLIC COUNSEL DATA REQUEST NO. 049:

Re: Testimony of Dr. Michael J. Vilbert, Exhibit No. MJV-1T, p. 1, ll. 19-20.

- a) In what year did Dr. Vilbert begin testifying on the subject of the cost of equity capital in utility rate proceedings?
- b) Please provide a complete copy of Dr. Vilbert's earliest testimony on behalf of a regulated electric utility in the U.S.
- c) Please provide a complete copy of Dr. Vilbert's 2013 Power Point presentation before the Alabama Public Service Commission on behalf of Alabama Power.

Response:

- a) Dr. Vilbert begin testifying on the subject of the cost of equity capital in utility rate proceedings in 1998.
- b) Dr. Vilbert submitted testimony on behalf of Central Maine Power before the FERC in December 1999. Attached as Attachment A to Puget Sound Energy, Inc.'s Response to Public Counsel Data Request No. 049 is a copy of the testimony, labeled Vilbert Direct Testimony CMP Docket No ER00-982.
- c) Attached as Attachment B to Puget Sound Energy, Inc.'s Response to Public Counsel Data Request No. 049 is a copy of Dr. Vilbert's 2013 Power Point presentation before the Alabama Public Service Commission on behalf of Alabama Power.

**ATTACHMENT B to PSE's Response to
PUBLIC COUNSEL Data Request No. 049**

The Brattle Group

The Cost of Capital
for
Alabama Power Company
PSC Meeting

by

Dr. Michael J. Vilbert

July 17, 2013

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Antitrust/Competition Commercial Damages Environmental Litigation and Regulation Forensic Economics Intellectual Property International Arbitration
International Trade Product Liability Regulatory Finance and Accounting Risk Management Securities Tax Utility Regulatory Policy and Rate-making Valuation
Electric Power Financial Institutions Natural Gas Petroleum Pharmaceuticals, Medical Devices, and Biotechnology Telecommunications and Media Transportation

Estimation of Cost of Capital

Purpose of analysis

- ◆ Compare APC's overall return on capital inherent in the Rate Stabilization and Equalization (RSE) Plan to average estimated returns of companies with comparable business risk.
- ◆ Assess reasonableness of 13% to 14.5% ROE for APC which requires consideration of differences in
 - Capital structures
 - Business and financial risk
 - Performance and customer satisfaction.
- ◆ Review Mr. Blake's analysis of APC's weighted cost of equity compared with comparable utilities.

Industries Included in Group

Industries	
Electric Utility (Central)	15
Electric Utility (East)	9
Electric Utility (West)	8
Natural Gas Utility	10
Water Utility	6
Oil and Gas Distribution	2
Pipeline MLP	7
Railroad	3
Telecommunications Services	3
Environmental	3
Cable TV	2
Total	68

CONCLUSION

Alabama Power's current RSE range is
fair and reasonable