

Boise Data Request 17.1

REQUESTED BY: Michael Gorman
REQUESTS DIRECTED TO: Kurt G. Strunk
Re: Rebuttal Testimony filed November 14, 2014

Referring to the Rebuttal Testimony of Kurt G. Strunk, Exhibit No. KGS-17T, page 10, lines 2-4, Mr. Strunk states that, “[o]n June 19, 2014, the FERC authorized a base ROE of 10.57 percent for the New England Transmission Owners, which is comparable and, in several cases, above prior base ROE decisions over the past several years.” Please respond to the following:

- a. Please confirm that the above-referenced 10.57% awarded base ROE for the New England Transmission Owners was a reduction in the base ROE for the New England Transmission Owners previously awarded.
- b. Please acknowledge that in setting the 10.57% base ROE on June 19, 2014, FERC relied on a DCF analysis that was based on data over the October 2012 through March 2013 time period.
- c. Please confirm that FERC adopted a new methodology in setting the base ROE for electric utilities in the aforementioned New England Transmission Owners’ case.
- d. Please confirm that FERC utilized a long-term GDP growth rate of 4.39% in its analysis when determining the base ROE for the New England Transmission Owners. If Mr. Strunk cannot confirm, please explain.

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- a. Yes. The 10.57 percent base ROE is a decrease from the prior base ROE (11.14 percent) awarded by FERC to the Transmission Owners in 2006. However, the 10.57 percent represents an increase compared to more recent FERC awards. For example, it is 27 basis points greater than the average base electric transmission ROE awarded by FERC in 2011 and six basis points greater than the average electric ROE awarded in 2012. Mr. Strunk’s review of FERC decisions turned up no transmission ROE decisions in 2013.
- b. Acknowledged.
- c. The methodology is not new since FERC has previously applied it to pipelines. To the extent “new” refers to its application to the electric power sector, the statement is confirmed.

UE-140762/Pacific Power & Light Company
December 4, 2014
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Referring to pages 7 and 8 of Mr. Strunk's rebuttal testimony, is it his understanding that the Virginia decisions concerning returns on equity for generation investments relate to market-required returns for generation investments, or legislative-mandated return on equity additions for generation-related investments? Please explain the answer.

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Mr. Strunk can confirm that it is his understanding that the returns on equity authorized for certain generation-related riders in Virginia include legislatively mandated incentives. However, Mr. Strunk has no reason to suspect that the total return available to those generation facilities is different from the market-required return for that type of investment.

PREPARER: Kurt G. Strunk

SPONSOR: Kurt G. Strunk