EXHIBIT NO. ___(DEG-8CT)
DOCKET NO. UE-072300/UG-072301
2007 PSE GENERAL RATE CASE
WITNESS: DONALD E. GAINES

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY, INC.,** **Respondent.**	**Docket No. UE-072300** **Docket No. UG-072301**

PREFILED REBUTTAL TESTIMONY (CONFIDENTIAL) OF
DONALD E. GAINES
ON BEHALF OF PUGET SOUND ENERGY, INC.

REDACTED

JULY 3, 2008

PUGET SOUND ENERGY, INC.

PREFILED REBUTTAL TESTIMONY (CONFIDENTIAL) OF DONALD E. GAINES

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PUGET SOUND ENERGY, INC.

PREFILED REBUTTAL TESTIMONY (CONFIDENTIAL) OF DONALD E. GAINES

I. INTRODUCTION

Q. Are you the same Donald E. Gaines who provided prefiled direct testimony in this proceeding on December 3, 2007, on behalf of Puget Sound Energy, Inc. ("PSE" or "the Company")?

A. Yes. On December 3, 2007, I filed direct testimony, Exhibit No. ___(DEG-1T), and six exhibits supporting such direct testimony, Exhibit No. ___(DEG-2) through Exhibit No. ___(DEG-7).

Q. Please summarize the purpose of your rebuttal testimony.

A. First, this rebuttal testimony responds to the direct testimony of each of David C. Parcell, Exhibit No. ___(DCP-1T), witness for the Staff of the Washington Utilities and Transportation Commission ("Commission Staff"); Stephen G. Hill, Exhibit No. ___(SGH-1THC), witness for Public Counsel section of the Washington State Attorney General's Office ("Public Counsel"); and Michael P. Gorman, Exhibit No. ___(MPG-1T), witness for the Industrial Customers of Northwest Utilities ("ICNU"), with respect to (i) capital structure, (ii) costs of short-term debt, long-term debt and preferred stock, and (iii) rate of return. This testimony demonstrates that the Commission should accept the capital structure recommended by Commission Staff, ICNU, and PSE and reject the capital structure proposed by Public Counsel.

Second, this rebuttal testimony recommends that the Commission (i) accept the costs of long-term debt and preferred stock all witnesses propose in this proceeding and (ii) reduce the cost of short-term debt from the rate I proposed in my direct testimony because PSE's cost of short-term borrowing has declined since that testimony was filed.

Third, although I am not the witness with respect to PSE's recommended return on equity in this proceeding, this rebuttal testimony demonstrates that certain rationales relied upon by Public Counsel to support its recommended return on equity should be rejected by this Commission because such proposals are flawed, are inconsistent with sound financial theory and, as a result, cause Public Counsel to recommend a return on equity that is (i) substantially below PSE's actual cost of equity and (ii) substantially lower than the average return on equity returns authorized by regulatory bodies across the nation in recent periods.

Finally, this rebuttal testimony demonstrates that the revenue requirements of Commission Staff and Public Counsel, if granted by this Commission, would reverse the improvements PSE has been making to its financial condition and likely degrade its ability to raise the capital needed to carry out its public service obligations at a reasonable cost.

II. CAPITAL STRUCTURE

Q. Please summarize the capital structure recommended by each party to this proceeding.

A. PSE, Commission Staff, and ICNU each recommend the following capital structure in this proceeding:

TABLE I
CAPITAL STRUCTURE RECOMMENDED BY
PSE, COMMISSION STAFF, AND ICNU

Capital Stock	45.00%
Preferred Stock	0.03%
Long-Term Debt	50.04%
Short-Term Debt	4.93%

See Exhibit No. ___(DEG-5C), Schedule 1 of Exhibit No. ___(DCP-2), and Exhibit No. ___(MPG-3); *see also* Exhibit No. ___(MPG-1T), at page 5, lines 9-16, and Exhibit No. ___(DCP-1T), page 26, line 17.

Q. Does Public Counsel agree with the capital structure recommended by each of PSE, Commission Staff, and ICNU?

A. No. Public Counsel recommends the following capital structure in this proceeding:

TABLE II
CAPITAL STRUCTURE RECOMMENDED BY PUBLIC COUNSEL

Capital Stock	43.00%
Preferred Stock	0.03%
Long-Term Debt	52.04%
Short-Term Debt	4.93%

See Exhibit No. ___(SGH-17). Public Counsel attempts to rationalize its recommended capital structure by (i) ignoring the present capital structure of PSE, (ii) using a flawed comparison to the "industry average" capital structure; and (iii) making reference to a hypothetical construct styled as "parent-subsidiary capital structure linkage".

Q. Do you agree with the assertions of Public Counsel to set rates on a capital structure that (i) contains substantially less equity than is presently in place and (ii) is lower than what is expected to be supporting utility operations during the rate year?

A. No. Public Counsel's assertions (i) ignore the present and instead focus primarily on the past, (ii) are based upon a flawed comparison to what Public Counsel considers the "industry average" capital structure, and (iii) are supported by a hypothetical construct that Public Counsel describes as "parent-subsidiary capital structure linkage".

A. PUBLIC COUNSEL'S RECOMMENDED CAPITAL STRUCTURE IGNORES THE ACTUAL EQUITY RATIO OF PSE AND THE EQUITY RATIO EXPECTED TO SUPPORT UTILITY OPERATIONS DURING THE RATE YEAR

Q. Does the capital structure proposed by Commission Staff, ICNU, and PSE reflect the capital structure that is expected to be in place during the rate year for PSE?

A. Yes. Please see Exhibit No. ___(DEG-5C), which demonstrates that the capital structure recommended by Commission Staff, ICNU, and PSE in this proceeding is what is expected to be in place, on average, during the rate year.

Q. What is PSE's current capital structure?

A. At March 31, 2008, PSE's consolidated capital structure was as follows:

TABLE III
CAPITAL STRUCTURE OF PSE AT MARCH 31, 2008

Capital Stock	46.27%
Preferred Stock	0.03%
Long-Term Debt	51.33%
Short-Term Debt	2.36%

Removing the equity from PSE's two non-utility subsidiaries, Puget Western and Hydro Electric Development Corp., yields the following capital structure supporting PSE's utility operations at March 31, 2008:

TABLE IV
CAPITAL STRUCTURE SUPPORTING PSE'S UTILITY OPERATIONS
AT MARCH 31, 2008

Capital Stock	45.97%
Preferred Stock	0.03%
Long-Term Debt	51.62%
Short-Term Debt	2.38%

Thus, contrary to the assertions Public Counsel, each of the recommended capital structures of Commission Staff, ICNU, and PSE sets rates on a capital structure that actually exists.

Q. Has PSE's capital structure contained less equity in the past than it does today?

A. Yes. PSE's equity eroded during the Western power market crisis at a time when PSE had no timely mechanism to recover its power costs. At March 31, 2002, PSE's equity ratio was 31.6%. *See* Exhibit No. ___(DEG-9) at page 4, line 27. Since that time, PSE has focused on rebuilding its balance sheet and financial strength. Puget Energy, Inc. ("Puget Energy"), the parent company of PSE, reduced its common stock dividend by 45.7% (from $1.84 per share to $1.00 per share). Puget Energy also issued over $800 million of common equity over the past six years and invested all of the net proceeds of such issuances into PSE.

Q. Has the Commission been supportive of PSE rebuilding its balance sheet?

A. Yes, very much so. In rate proceedings during the past six years, the Commission has set rates using capital structures that contained more equity than what was in place. The Commission also set equity ratio targets for the utility, all of which PSE exceeded. These actions of the Commission helped provide the retained earnings that, when combined with the equity investments of Puget Energy and the reduction in the common stock dividend of Puget Energy, resulted in the 46.3% consolidated equity ratio in place today and the 46.0% equity ratio supporting utility operations.

Q. Does Public Counsel recognize PSE's efforts to rebuild its capital structure?

A. Public Counsel does recognize PSE's efforts to rebuild its capital structure but proposes to undo much of this progress by requesting that rates be set in the current proceeding on an equity ratio that is lower than what is presently in place simply because PSE's equity ratio was lower in the past. With over $2.5 billion in regulated equity in place today, Public Counsel's proposal to set rates on a 43% equity ratio, when applied to Public Counsel's $4,613.2 million of rate base, would penalize equity investors by requiring them to accept a debt return on $561.6 million of their investment.

Q. Would you please explain your calculation?

A. Yes. Public Counsel suggests electric and gas rate base totals of $3,253.5 billion and $1,359.7 billion, respectively. *See* Exhibit No. ___(MJM-4). The sum of these two numbers is a $4,613.2 million total rate base. The product of this total rate base and Public Counsel's recommended equity ratio of 43% would set rates on $1,983.7 million of equity. At March 31, 2008, PSE's regulated equity was

$2,545.3 million. *See* Exhibit No. ___(DEG-9) at page 6, column (Z), line 21. The difference of PSE's regulated equity of $2,545.3 million and Public Counsel's recommended regulated equity of $1,983.7 million is $561.6 million.

B. PUBLIC COUNSEL'S COMPARISON OF THE EQUITY RATIOS SUPPORTING UTILITY OPERATIONS TO THE EQUITY RATIOS OF HOLDING COMPANIES IS FLAWED

Q. Why is Public Counsel's comparison to what it considers the "industry average" capital structure flawed?

A. Page 4 of Exhibit No. ___(SGH-7) contains what Public Counsel considers to be PSE's comparable companies for equity ratio comparison purposes. Public Counsel labels these companies as "Combination Gas & Electric Companies," but nearly all of them are utility holding companies that contain results of unregulated operations as well as utility operations. Two companies on this list (AES Corporation at line 1 and Centerpoint Energy at line 7) contain consolidated equity ratios of 14% and 15%, respectively. These are included in the derivation of the "industry average" equity ratio of 44%. Simply removing these two companies results in an average equity ratio of 46%.

A more accurate comparison would be to examine the capital structures commissions across the country have been using to set rates in recent proceedings. Exhibit No. ___(DEG-10) contains a listing of such orders from January 2006 through February 2008, the most recent period for which such data is available. As can be seen in that exhibit, commissions have set rates on equity ratios that have averaged 48.5% during this period.

Q. Do the equity ratios reported by Public Counsel reflect the authorized capital structure on which rates are set for the utilities?

A. No. A comparison of the equity ratios supporting utility operations to the equity ratios of holding companies is a flawed apples-to-oranges comparison and this Commission should reject it. For example, Public Counsel reports an equity ratio of 15% for Centerpoint Energy, but Centerpoint Gas, a Centerpoint Energy utility subsidiary, had rates set on equity ratios of 46.14% and 33.73% in rate proceedings in Minnesota and Arkansas, respectively. *See* Exhibit No. ___(DEG-10) at lines 84 and 110. These equity ratios are two to three times the equity ratio for the holding company.

C. PUBLIC COUNSEL'S "PARENT-SUBSIDIARY CAPITAL STRUCTURE LINKAGE" IS A HYPOTHETICAL CONSTRUCT

Q. Why is Public Counsel's "parent-subsidiary capital structure linkage" a hypothetical construct?

A. Public Counsel's "parent-subsidiary capital structure linkage" is a hypothetical construct because it describes what "could" happen rather than what "has" happened to date. Public Counsel states that "this Commission should look beyond the capital structure on the books of the subsidiary, PSE, to the actual mix of capital on the books for the parent company, Puget Energy, in order to know how the assets of the regulated entity are actually capitalized." Exhibit No. ___

(SGH-1THC) at page 26, line 11, through page 27, line 2.

An examination of Puget Energy's financial statements shows that PSE's parent has no outstanding debt of its own. As discussed above in Section II.A., Puget Energy has invested all of the net proceeds from its more than $800 million in equity issues into PSE. For all intents and purposes, Puget Energy's capital structure is the same as PSE's capital structure.

Public Counsel describes not what has happened but what theoretically might or could happen. Public Counsel references the proposed merger transaction under review in Docket No. U-072375 but fails to mention the commitment of Puget Holdings LLC and PSE (the joint applicants in that proceeding) that the common equity ratio for PSE will be not less than 50% at closing or shortly thereafter, and not less than 44% thereafter except to the extent a lower equity ratio is established for ratemaking purposes by the Commission. *See* Appendix C to the Joint Application in Docket No. U-072375; *see also* Exhibit No. ___ (CJL-1T) at page 35, lines 10-13 in Docket No. U-072375.

Public Counsel also fails to recognize the Commission's rejection of such "parent-subsidiary capital structure linkage" for rate-setting purposes, when ring-fencing measures are in place to insulate the utility and its customers from the financial activities of the holding company. Puget Holdings LLC and PSE have offered several ring-fencing commitments in Docket No. U-072375 intended to insulate PSE and its customers from the financial activities at Puget Energy and from any impact of the financial activities of its corporate affiliates.

Puget Energy has no public debt of its own, and Puget Energy has invested all of the net proceeds of its $800 million in equity issues into PSE. PSE's regulated equity ratio is presently 46.0%, and PSE is requesting an equity ratio of 45% in this proceeding, both of which are below the 48.5% equity ratio upon which regulatory bodies have set rates, on average, in recent proceedings. *See* Exhibit No. ___(DEG-10) at page 5.

Moreover, the potential effects of the proposed transaction are a topic appropriate for Docket No. U-072375, not this general rate proceeding, and the separation of Puget Energy from PSE has been addressed through the ring-fencing provisions discussed in that proceeding. In sum, the Commission has yet to approve or deny the proposed merger transaction.

D. PUBLIC COUNSEL SELECTIVELY RECOGNIZES SOME CAPITAL STRUCTURE ADJUSTMENTS USED BY RATINGS AGENCIES BUT IGNORES OTHERS

Q. Have you found any other flaws in Public Counsel's analysis of PSE's capital structure?

A. Yes. Public Counsel states that, because $250 million of junior subordinated notes issued by PSE in 2007 receive 50 percent equity credit from the credit rating agencies, Public Counsel's 43% equity ratio would become approximately 45% for bond rating purposes. *See* Exhibit No. ___ (SGH-7) at page 5 for this calculation.

Although Public Counsel is correct in that this security currently receives 50 percent equity credit from the rating agencies, Public Counsel singles out this one item and ignores other adjustments the rating agencies make to PSE's capital structure. For example, Public Counsel selectively ignores (i) the amount of imputed debt related to PSE's purchased power contacts, (ii) the additional imputed debt related to PSE's operating leases, and (iii) the debt adjustment for asset retirement obligations. Please see Exhibit No. ___(DEG-11), which is a copy of Attachment A to PSE's First Supplemental Response to Public Counsel Data Request No. 024 and provides these adjustments.

Q. What are the magnitudes of the capital structure adjustments used by ratings agencies that Public Counsel selectively ignores?

A. Standard & Poor's adds (i) $362.9 million for imputed debt related to purchased power, (ii) $97.9 million for imputed debt related to PSE's operating leases, and (iii) $19.2 million for asset retirement obligations to PSE's year-end 2007 capital structure. These three items total $480 million. If one were to correct Public Counsel's calculations to include this additional $480 million of debt, PSE's equity ratio would be 41.7%, not the 45% Public Counsel calculates. Please see Exhibit No. ___(DEG-12) for this calculation.

E. PUBLIC COUNSEL'S WITNESS HAS PREVIOUSLY TESTIFIED THAT AN ACTUAL CAPITAL STRUCTURE WITH A 45% EQUITY RATIO IS REASONABLE

Q. Has Public Counsel's witness, Mr. Hill, previously testified that an actual capital structure with a 45% equity ratio is reasonable?

A. Yes. Public Counsel witness, Mr. Hill, recommends a capital structure of 43% equity citing his source as the "43 percent common equity ratio selected as reasonable by the Commission in the Company's 2004 rate proceeding." Exhibit No. ___(SGH-1THC) at page 32, lines 10-11.

In PSE's 2004 general rate proceeding, Mr. Hill testified as a witness for public counsel that PSE had been rebuilding its capital structure and increasing the equity ratio:

> They've gotten to -- they've gotten from a very serious equity deficit in the capital structure three or four years ago, down around 30 percent, now to 40 percent. They're in a position to improve their capital structure, and if they do, we could consider a higher equity ratio in the future.

Exhibit No. ___(DEG-13) at page 39, lines 16-21. In that proceeding, Mr. Hill also testified that "[c]ertainly a range between 40 percent and 45 percent is reasonable…" then went on to state that his recommendation was a 40% equity ratio at that time. *See* Exhibit No. ___(DEG-13) at page 39, lines 23-25. Now, at a time when PSE's equity ratio is actually above the 45% equity ratio it is requesting in this proceeding, Mr. Hill recommends an equity ratio that is less than PSE's actual capital structure.

F. THE COMMISSION SHOULD SET RATES IN THIS PROCEEDING USING THE CAPITAL STRUCTURE RECOMMENDED BY COMMISSION STAFF, ICNU, AND PSE

Q. On what capital structure should the Commission set rates in this proceeding?

A. The Commission should reject the capital structure recommended by Public Counsel because of the flawed premises on which Public Counsel bases such capital structure. Instead, the Commission should set rates in this proceeding using the capital structure recommended by Commission Staff, ICNU, and PSE. Exhibit No. ___(DEG-5C) to my direct testimony depicts this recommended capital structure, as does the following Table V:

TABLE V
REBUTTAL REQUESTED CAPITAL STRUCTURE

Capital Component	Rate Year Average Capital Structure Ratio
Short-term Debt	4.93%
Long-term Debt	50.04%
Preferred Stock	0.03%
Common Equity	45.00%
Total	**100.0%**

Q. Does your rebuttal testimony address the calculation of the appropriate return on equity for PSE?

A. No. Dr. Roger Morin addresses the appropriate return on equity for PSE in his prefiled direct and rebuttal testimonies, Exhibit No. ___(RAM-1T) and Exhibit No. ___(RAM-20T), respectively. However, this rebuttal testimony uses the low end (10.8%) of Dr. Morin's recommended return on equity range (10.8% – 11.2%) to calculate PSE's appropriate authorized rate of return.

III. COST OF DEBT AND PREFERRED STOCK

A. COST OF PREFERRED STOCK

Q. What cost rate did PSE recommend in its direct filing in this proceeding with respect to its cost of preferred stock?

A. In its direct filing in this proceeding, PSE recommended a cost of preferred stock of 8.61%. *See* Exhibit No. ___(DEG-1T) at page 23, lines 1-18; *see also* Exhibit No. ___(DEG-5C) at page 8, line 9.

Q. Do other parties to this proceeding agree with PSE's recommended cost of preferred stock of 8.61%?

A. Yes. Each of Commission Staff, Public Counsel, and ICNU agree with PSE's recommended cost of preferred stock of 8.61%. *See* Exhibit No. ___T(DCP-1T) at page 26, line 21, through page 27, line 7; Exhibit No. ___(DCP-2) at Schedule 1; Exhibit No. ___(SGH-1THC) at page 33, lines 6-17; Exhibit No. ___(SGH-17) at page 1; and Exhibit No. ___(MPG-3) at page 1, line 3.

Q. What cost rate does PSE now recommend in its rebuttal filing in this proceeding with respect to its cost of preferred stock?

A. PSE's recommended cost of preferred stock remains 8.61%.

B. COST OF LONG-TERM DEBT

Q. What cost rate did PSE recommend in its direct filing in this proceeding with respect to its cost of long-term debt?

A. In its direct filing in this proceeding, PSE recommended a cost of long-term debt of 6.90%. *See* Exhibit No. ___(DEG-1T) at page 21, line 1, through page 22, line 9; *see also* Exhibit No. ___(DEG-5C) at page 6, line 35.

Q. Do other parties to this proceeding agree with PSE's recommended cost of long-term debt of 6.90%?

A. Yes. Each of Commission Staff, Public Counsel, and ICNU agree with PSE's recommended cost of long-term debt of 6.90%. *See* Exhibit No. ___T(DCP-1T) at page 26, line 21, through page 27, line 7; Exhibit No. ___(DCP-2) at Schedule 1; Exhibit No. ___(SGH-1THC) at page 33, lines 6-17; Exhibit No. ___(SGH-17) at page 1; and Exhibit No. ___(MPG-3) at page 1, line 2.

Q. What cost rate does PSE now recommend in its rebuttal filing in this proceeding with respect to its cost of long-term debt?

A. PSE's recommended cost of long-term debt remains 6.90%.

C. **COST OF SHORT-TERM DEBT**

Q. What cost rate did PSE recommend in its direct filing in this proceeding with respect to its cost of short-term debt?

A. In my direct filing in this proceeding, I recommended a cost of short-term debt of 5.92%. *See* Exhibit No. ___(DEG-1T) at page 15, line 8, through page 20, line 19; *see also* Exhibit No. ___(DEG-5C) at page 3, line 16.

Q. Do other parties to this proceeding agree with PSE's recommended cost of short-term debt of 5.92%?

A. Yes. Each of Commission Staff and Public Counsel agree with PSE's recommended cost of short-term debt of 5.92%. *See* Exhibit No. ___T(DCP-1T) at page 26, line 21, through page 27, line 7; Exhibit No. ___(DCP-2) at Schedule 1; Exhibit No. ___(SGH-1THC) at page 33, lines 6-17; and Exhibit No. ___(SGH-17) at page 1. Public Counsel suggests that the Company's "short-term debt cost rate projections be updated prior to the close of the record in this proceeding." *See* Exhibit ___ (SGH-ITHC), page 33, lines 15-17.

ICNU, however, recommends a cost of short-term debt of 2.89%. *See* Exhibit No. ___(MPG-1T) at page 26, line 21, through page 27, line 7; Exhibit No. ___(MGP-3) at page 1, line 2.

Q. How does ICNU calculate its recommended cost of short-term debt of 2.89%?

A. ICNU provides its recommended cost of capital in Exhibit No. ___(MPG-3). In that exhibit, ICNU uses PSE's recommended cost rates of short-term debt, long-term debt and preferred stock from Exhibit No. ___(DEG-5C). ICNU notes, however, that projected short-term debt rates have declined since PSE's original filing and calculates a revised short-term rate of 2.89% using more current London Interbank Offered Rate ("LIBOR") rates from Blue Chip Financial Forecast. *See* Exhibit No. ___(MPG-1T) at page 6, lines 1-13. Similarly, Public Counsel suggests that forward-looking short-term debt rates are currently lower than the level projected by PSE in its original filing and should be updated. *See* Exhibit No. ___(SGH-1THC) at page 33, lines 13-17. Unlike ICNU, however, Public Counsel does not propose a specific short-term debt cost rate.

In response to PSE's Data Request No. 11, ICNU clarified its position regarding recommended cost of short-term debt and provided a revised version of Exhibit No. ___(MPG-3), which shows the use of 2.89% as the recommended cost of short-term debt and revises ICNU's recommended overall rate of return to 8.15%. However, ICNU's 2.89% recommended cost of short-term debt reflects only revised LIBOR rates and does not include annual commitment fees and amortizations of up-front structuring costs related to PSE's credit facilities. As a result, ICNU's recommended cost of short-term debt is incomplete, and the Commission should reject such recommendation.

Q. Have projected short-term rates declined since PSE filed its direct case?

A. Yes. As Public Counsel and ICNU suggest, short-term interest rates have declined since PSE filed its direct case on December 3, 2007. In its direct filing, PSE included a forecast of three-month LIBOR rates from Global Insight dated October 2007 to support its cost of short-term debt calculation. Since October 2007, the Federal Reserve has cut the Federal Funds rate several times and LIBOR rates have declined as well.

Global Insight's projections dated June 2008, the most recent projections available, contain projected three-month LIBOR rates during the rate year that are substantially below those included in the projections PSE used for its direct case. Table VI below provides a comparison of the three-month LIBOR rates from Global Insight's October 2007 forecast and the three-month LIBOR rates from Global Insight's June 2008 forecast, for the quarters during the rate year.

TABLE VI
GLOBAL INSIGHT PROJECTED THREE-MONTH LIBOR RATES

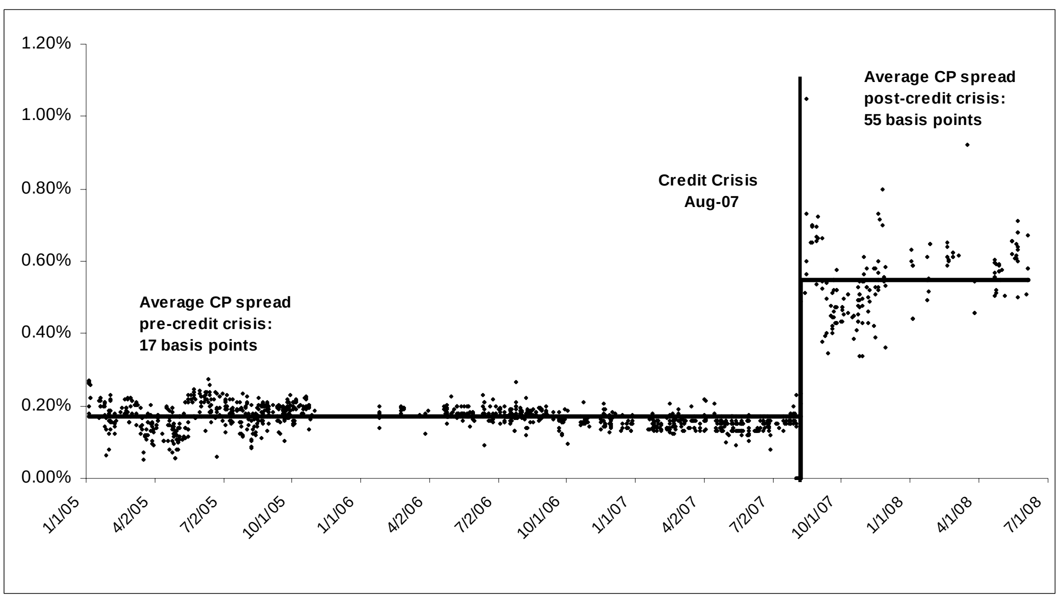
	Exhibit No. ___(DEG-1T)	**Exhibit No. ___(DEG-8T)**
	Global Insight Forecast (October 2007)	**Global Insight Forecast (June 2008)**
4th Qtr 2008	5.03%	2.77%
1st Qtr 2009	5.04%	2.72%
2nd Qtr 2009	5.11%	2.76%
3rd Qtr 2009	5.27%	3.24%
4th Qtr 2009	5.29%	3.86%
Average	**5.15%**	**3.07%**

Q. As short-term rates have declined, how have credit spreads responded?

A. As noted in my direct testimony, Exhibit No. ___(DEG-1T), short-term risk-free interest rates have declined, and investors have started to reprice risk by demanding increased risk premiums, or credit spreads, for borrowings.

Chart I below shows the daily spreads between LIBOR rates and PSE's commercial paper borrowing rates from January 2005 through June 6, 2008, the most recent period for which we have the data.

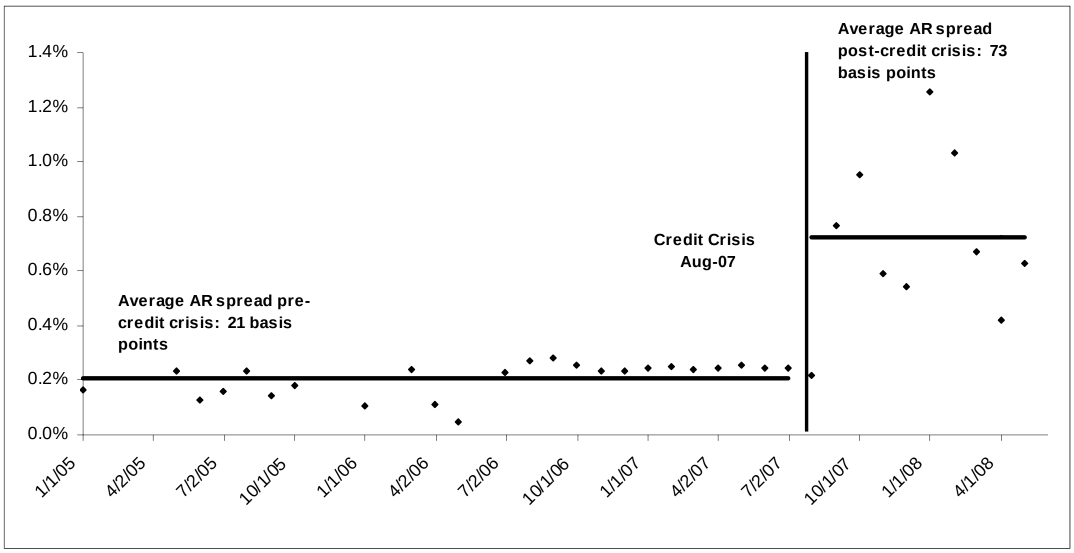
CHART I
CREDIT SPREADS FOR COMMERCIAL PAPER
(PSE's Commercial Paper Rates less LIBOR)



As can be seen from Chart I above, while LIBOR rates have decreased, the credit spread investors have been demanding for PSE's commercial paper has increased from an average of 17 basis points pre-credit crisis to an average of 55 basis points since that time.

Chart II below shows the monthly spreads between LIBOR rates and PSE's borrowing rates from PSE's accounts receivable securitization facility.

CHART II
CREDIT SPREADS FOR AR SECURITIZATION BORROWINGS
(PSE's AR Securitization Rates less LIBOR)



Credit spreads under PSE's accounts receivable securitization facility have increased from 21 basis points to 73 basis points. Please see Exhibit No. ___(DEG-14) for the data used to calculate each of the above charts.

In my direct testimony, Exhibit No. ___(DEG-1T), I assumed credit spreads of 35 basis points and 22 basis points for PSE's commercial paper and accounts receivable securitization borrowings, respectively, in calculating the cost of short-term debt. *See* Exhibit No. ___(DEG-5C) at page 4, lines 30-34, columns (C) and (E). Chart I demonstrates that the spread of PSE's commercial paper rates over LIBOR have averaged 55 basis points since August 9, 2007. Chart II demonstrates that spread of PSE's accounts receivable securitization borrowings over LIBOR have averaged 73 basis points since August 9, 2007. Spreads have both widened and become more volatile.

Q. Has PSE updated its projected cost of short-term debt in its rebuttal filing?

A. Yes. To accurately update the cost of short-term debt, PSE has updated (i) projected three-month LIBOR rates using Global Insight's current June 2008 forecast shown in Table IV above; (ii) commercial paper spreads using the 55 basis point average shown in Chart I above; and (iii) accounts receivable spreads using the 73 basis point average shown in Chart II above.

Updating the cost of short-term debt with the lower projected three-month LIBOR rates and the recent average credit spreads, the resulting cost of short-term debt is 4.09%. This calculation accurately reflects the updates requested by Public Counsel and ICNU and is the short-term debt cost rate PSE recommends the Commission use for rate-setting purposes in this proceeding.

Q. In calculating PSE's revised recommended cost of short-term debt, has PSE made any changes other than updating the projected three-month LIBOR rates and revising the credit spreads as described above?

A. Yes. In recalculating the cost of short-term debt, PSE found a cell reference error in Exhibit No. ___(DEG-5C) at page 4, line 27. The accounts receivable securitization rate for the last month of each quarter in such exhibit incorrectly references the accounts receivable securitization rate for the following quarter. Correcting that reference error would change the short-term debt cost rate recommended by PSE in its direct case from 5.92% to 5.90% but would not change the recommended overall rate of return of 8.60%.

Other than correcting that cell reference error and including the updated LIBOR rates and credit spreads, PSE has made no other changes. The calculation remains as it was performed in my direct testimony and is consistent with calculations performed in prior rate proceedings.

IV. COMMENTS ON THE RECOMMENDED RETURNS ON EQUITY OF COMMISSION STAFF, PUBLIC COUNSEL AND ICNU

Q. Does your testimony address the calculation of the appropriate return on equity for PSE?

A. No. Dr. Roger Morin addresses the appropriate return on equity for PSE in his direct and rebuttal testimonies, Exhibit No. ___(RAM-1T) and Exhibit No. ___(RAM-20T), respectively. Although Dr. Morin addresses the calculation of the appropriate return on equity for PSE, this rebuttal testimony provides some comment on certain aspects of the recommended returns on equity of Commission Staff, Public Counsel, and ICNU. Additionally, this rebuttal testimony uses the low end (10.8%) of Dr. Morin's recommended return on equity range (10.8% to 11.2%) to calculate PSE's recommended authorized rate of return.

Q. On what aspects of the return on equity recommendations does this rebuttal testimony comment?

A. This rebuttal testimony addresses (i) recent changes in long-term interest rates and credit spreads, (ii) the comparison to the "competitive return" of [redacted]% in the PSE's 2006 10-year financial forecast, and (iii) the use of assumed pension plan returns as a valid comparator to the authorized return on equity for rate setting purposes.

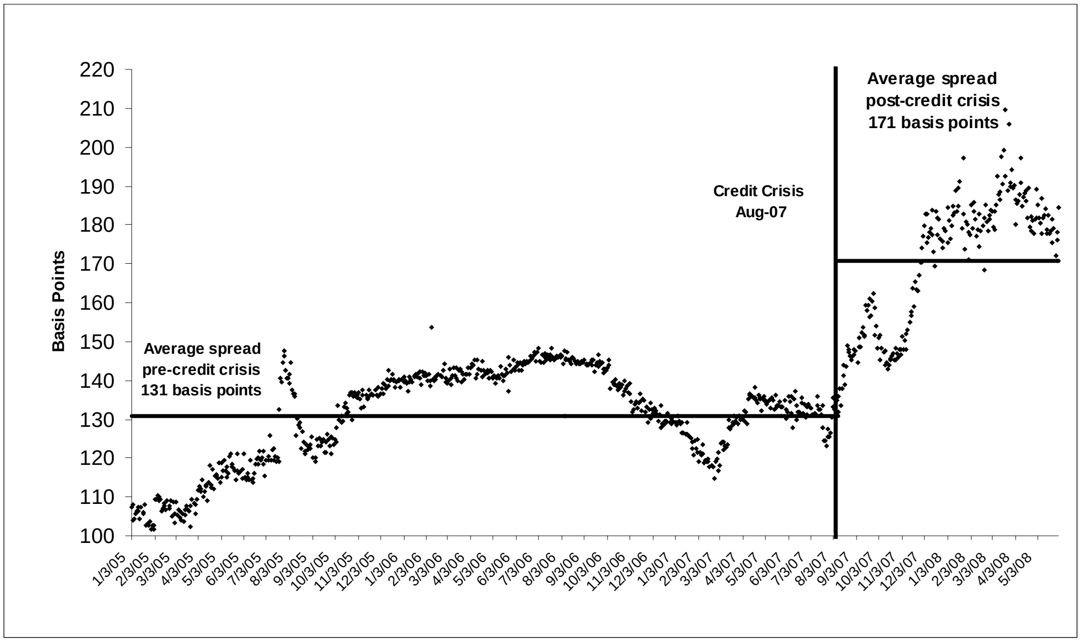
A. <u>OTHER PARTIES IGNORE THE FACT THAT RISK PREMIUMS HAVE INCREASED WHILE TREASURY RATES HAVE DECLINED</u>

Q. Please comment on recent changes in long-term interest rates.

A. Commission Staff and Public Counsel each discusses changes in interest rates over various time periods and shows that long-term interest rates have recently declined. My direct testimony provided a chart of the U.S. Treasury interest rates (yields) in my prefiled direct testimony and commented that risk premiums had increased while interest rates had declined. *See* Exhibit No. ___(DEG-1T) at page 12, lines 12-13.

Although U.S. Treasury rates have declined, credit spreads have widened. Chart III below shows the spread between the "BBB" rated 30-year utility bond and the yield on the 30-year Treasury bond.

CHART III
SPREAD BETWEEN THE
"BBB" 30-YEAR BOND RATE AND 30-YEAR TREASURY YIELD



As can be seen in Chart III above, spreads have widened since August 2007, the time of the sub-prime crisis and credit crunch. Please see Exhibit ___ (DEG-15) for the data that supports Chart III. As Dr. Morin testifies, overall, long-term utility bond yields have increased.

Since August 2007, spreads, or risk premiums, have become much wider and more volatile. In fact, the average spread prior from January 2005 to August 2007 was 131 basis points. The average spread from August 2007 to present is 171 basis points, a 40 basis point or about a 30% increase from the prior average. Presumably, risk premiums for common stock returns have increased by at least this much.

REDACTED

When Public Counsel suggests that one can simply add the current risk free rate to the risk premium from the last general rate case (see Exhibit No. ___(SGH-1THC) at page 11, lines 2-6), Public Counsel ignores any change in risk premium.

B. <u>"COMPETITIVE RETURNS" FOR PLANNING PURPOSES ARE INVALID AS A COMPARATOR TO ALLOWED EQUITY RETURNS</u>

Q. Is the "competitive return" included in PSE's 2006 10-year financial forecast relevant to this proceeding?

A. No. The "competitive return" referenced in PSE's 2006 10-year financial forecast was intended to reflect the average annual return to investors. Because PSE has been making substantial capital investments, particularly to replace aging infrastructure, its capital expenditures exceed the amount of depreciation recovered through rates. These investments are recovered through rates though historic rate base. As a result, PSE experiences a significant amount of "regulatory lag"—the lag between when an investment is placed in service and when recovery of and on the investment is reflected in rates. The [redacted]% competitive return assumed in those projections was <u>not</u> what was expected to be allowed in rates, but what PSE was expected to earn, reflecting, among other things, regulatory lag. To result in an earned return of [redacted]%, the allowed return would have to be higher.

As can be seen in Chart IV below, PSE actually earned returns between 8.0% and 8.7% during the last four years when PSE's allowed return on equity was 10.3%

and 10.4%.

CHART IV
PSE EARNED RETURN ON EQUITY

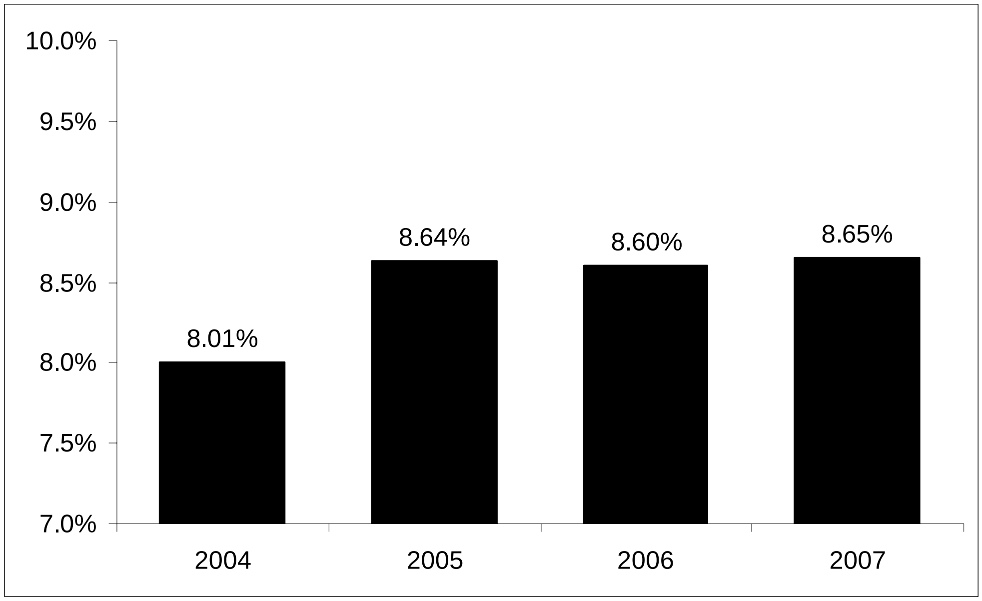


Chart IV above demonstrates that the assumed "competitive" earned return is not a valid proxy to use when determining the authorized return on equity for rate setting purposes.

Q. How did PSE calculate the earned returns shown in Chart IV above?

A. To calculate the earned equity returns shown in Chart IV, PSE used (i) PSE's income available for common equity for each year as reported in PSE's income statement for the numerator and (ii) the average of the five quarter-ending total common equity values from PSE's balance sheet (add December of the prior year, March, June, September and December of the current year, then divide by five) for the denominator. Please see Exhibit No. ___(DEG-16) for the results of this calculation.

C. ASSUMED PENSION PLAN EQUITY RETURNS ARE NOT AN APPROPRIATE COMPARATOR TO THE RETURN OF EQUITY FOR RATE SETTING PURPOSES

Q. Are assumed pension plan equity returns an appropriate comparator to the return of equity for rate setting purposes?

A. No. Public Counsel discusses pension plan assumed equity returns at length in its direct case. *See* Exhibit No. ___(SGH-1THC) at page 15, line ___, through page 18, line ____. Public Counsel states the following with respect to assumed equity returns: "that investor-expected return is the parameter we seek to estimate in regulated rate proceedings in order to determine an appropriate level of profit to be included in rates." Exhibit No. ___(SGH-1THC) at page 16, lines 11-13.

In making such statements, Public Counsel relies on the pension return data provided in PSE's Response to Public Counsel Data Request No. 012. Attachment C to PSE's Response to Public Counsel Data Request No. 012 contains historical average annual returns for various periods. Please see Exhibit No. ___(DEG-17) for a copy of Attachment E to PSE's Response to Public Counsel Data Request No. 012. The average annual return of large cap U.S. equities over the last fifty years was 10.98%. The average annual return over the last five years was 15.45%. When pension plan assets have earned more recently than they have on average over the long run, it is reasonable to assume a reversion to the mean, which suggests that assumed future returns should be conservative relative to historic earned returns. In other words, Exhibit No. ___(DEG-17) simply reflects conservative assumed future returns for PSE's pension plans.

More importantly, the assumed pension plan returns are applied to the *market value* of retirement plan investments, not the *book value* of investments, on which authorized returns on equity are based in utility rate proceedings. It may be appropriate to review assumed pension returns if Public Counsel were proposing to apply such returns to the market value of PSE's equity, but Public Counsel's capital structure is a book value measure.

Exhibit No. ___(DEG-18) recalculates PSE's proposed capital structure using the market value of its common equity rather than the book value. According to Puget Energy's Form 10-Q for the first quarter of 2008, Puget Energy had 129,678,489 common shares outstanding. The year-to-date average closing price of Puget Energy's common stock (January 2, 2008 through June 6, 2008) is $26.80 per share. The product of (i) the number of shares and (ii) the average per share closing price is $3,475.7 million (i.e., the market value of the common equity). Substituting the market value of equity in place of the book value of equity results in an equity ratio of 51.3%, compared to the 45% PSE is requesting in this proceeding. Public Counsel, however, is not recommending a 51.3% equity ratio but recommends a 43% equity ratio that will not provide a return on equity on all shareholder capital, even at book value.

Although the assumed pension returns may be part of "a broader body of evidence", they are irrelevant as a proxy or comparable for determining allowed equity returns in utility rate proceedings. As Dr. Morin points out in his rebuttal testimony, Exhibit No. ___(RAM-20T), the California Public Utilities Commission recently came to the same conclusion, finding that pension return assumptions are not comparable to the return on equity used in utility ratemaking. As a result, the Commission should disregard Public Counsel's testimony regarding assumed pension returns.

V. FINANCIAL RESULTS OF OTHERS' PROPOSALS

A. ANALYSIS OF THE LIKELY IMPACT ON PSE'S CREDIT METRICS OF THE RECOMMENDED RATE RELIEF OF COMMISSION STAFF, PUBLIC COUNSEL, AND ICNU

Q. What is the likely impact on PSE's credit metrics if the Commission were to grant PSE's requested rate increase, as filed?

A. The financial impacts of PSE's requested rate increase, as filed, on selected credit metrics of PSE's request is provided in my direct testimony, Exhibit No. ___(DEG-1T) at page 29, Table 7.

Around the time of PSE's direct filing in this proceeding, Standard & Poor's ("S&P") published revised ratings criteria. Under the new criteria, both Puget Energy and PSE are classified as having a Business Profile of "Excellent" and a Financial Profile of "Aggressive". In its report dated November 30, 2007, S&P published the following table:

TABLE VII
S&P FINANCIAL RISK INDICATIVE RATIOS - US UTILITIES

	FFO to Debt	FFO Interest Coverage	Debt Ratio
Modest	40% - 60%	4.0x to 6.0x	25% to 40%
Intermediate	25% to 40%	3.0x to 4.5x	35% to 50%
Aggressive	10% to 30%	2.0x to 3.5x	45% to 60%
Highly Leveraged	Below 15%	2.5% or less	Over 50%

Both Puget Energy and PSE fall into the "Aggressive" row in Table VII. The new ranges are broader than the old benchmarks -- for a company with a Financial Profile of "Aggressive", the new range is nearly wide enough to encompass the former ranges for both "BBB" and "A" ratings.

Q. Has PSE examined the financial impact on those same ratios if the proposals by other parties to this proceeding were granted?

A. Yes. PSE's financial planning and analysis group ran PSE's financial model using the revenue requirement and certain other adjustments to determine the impact on PSE if the Commission were to adopt the proposals of Commission Staff or Public Counsel. Table VIII shows the credit metric results of such modeling for the rate year of this proceeding, November 2008 through October 2009:

TABLE VIII
RATE YEAR FINANCIAL IMPACT OF INTERVENOR PROPOSALS

	PSE	Commission Staff	Public Counsel
FFO to Interest	**4.1x**	**3.9x**	**3.3x**
Old range "A" rating	3.5x-4.2x	3.5x-4.2x	3.5x-4.2x
Old range "BBB" rating	2.5x-3.5x	2.5x-3.5x	2.5x-3.5x
New range "Aggressive"	2.0x-3.5x	2.0x-3.5x	2.0x-3.5x
FFO to Debt	**20.3%**	**18.9%**	**14.7%**
Old range "A" rating	20%-28%	20%-28%	20%-28%
Old range "BBB" rating	12%-20%	12%-20%	12%-20%
New range "Aggressive"	10%-30%	10%-30%	10%-30%
Debt Ratio	**55.7%**	**56.5%**	**60.0%**
Old range "A" rating	45%-52%	45%-52%	45%-52%
Old range "BBB" rating	52%-62%	52%-62%	52%-62%
New range "Aggressive"	45%-60%	45%-60%	45%-60%

Because S&P modified their criteria, I have shown the results compared to the old and new criteria.

Q. Please summarize the results shown in Table VIII above.

A. In short, looking at the credit metrics in isolation, PSE's proposal produces results that are more consistent with a strong "BBB" rating, such as a "BBB+". Commission Staff's proposal, for the most part, produces results consistent with a "BBB" rating (at the middle of the range) and Public Counsel's results produce the lowest results that are clearly at the low end of the "BBB" range, such as a "BBB-".

Q. Are you able to state with certainty that PSE would receive an increased credit rating if the Commission were to accept PSE's requested rate relief, as filed?

A. No. Credit ratings are based on both quantitative and qualitative aspects. Therefore, the determination of a credit rating is "part art and part science". The quantitative aspect includes looking at various financial metrics, such as those above for which S&P publishes guidelines. The qualitative aspects of a rating are less precise, with no published facts against which results of the various proposals can be compared. This is where such an analysis becomes more challenging, particularly when looking at the results of Public Counsel's proposal. While one cannot predict with certainty the reaction of the rating agencies, it is reasonable to assume, were the Commission to approve Public Counsel's recommended rate relief, that PSE's credit ratings would be negatively affected.

An assessment of "regulation" is a large component of the qualitative aspect of a credit rating. If the Commission were to adopt Public Counsel's recommended proposal, it may be indicative to the rating agencies of (i) lack of support for PSE's improvement in credit quality by signaling a willingness to turn back the clock on rebuilding PSE's equity capitalization and (ii) a willingness to base rates on a return on equity (9.25%) that is substantially below not only what other commissions have been granting on average (10.31%) across the nation, but also well below what this Commission has recently granted for other utilities in the State of Washington. As a result, Public Counsel's recommended rate relief may result in a much worse credit picture than what the statistics contained in Table VIII alone might indicate.

Beyond the likely impact on credit ratings, the overall financial result of Public Counsel's proposal is dismal. Public Counsel's proposal would result in projected earnings during the rate year of $0.67 per share. In addition, after recognizing the effects of regulatory lag during the rate year, Public Counsel's proposal would likely result in an earned return on equity of 3.5%. Such results would not leave PSE in a position to attract the capital needed to carry out its public service obligations.

Q. What assumptions were made to model Commission Staff's and Public Counsel's proposals?

A. To model Commission Staff's proposal, PSE used its projections as a base case, including an update to short-term debt rates and power costs that PSE proposes in these proceedings, and then reflected Commission Staff's electric and gas lower revenue requirements in the model. PSE then adjusted Commission Staff's proposed revenue requirements for the change in the electric and gas loads from test year to rate year levels. PSE also adjusted the amortization of storm damage restoration costs according to Commission Staff's proposal. Finally, PSE used Commission Staff's rate of return recommendation (including PSE's proposed change to short-term debt costs) to calculate Allowance for Funds Used During Construction ("AFUDC").

PSE modeled Public Counsel's proposal in a similar manner, utilizing Public Counsel's electric and gas revenue requirements (adjusting each for change in electric and gas loads between test year and rate year levels), which exclude recovery of catastrophic storm damage costs. Despite the potential that PSE may need to write off storm damage restoration cost under Public Counsel's proposal if granted by the Commission, PSE has modeled them as remaining in a deferred account. Public Counsel also made a recommendation to reduce depreciation expense, which PSE has included in the projections as well. PSE also removed the projected equity issue planned in September 2008 because Public Counsel's proposal includes a 43% equity ratio. As in modeling Commission Staff's proposal, PSE set AFUDC rates based on Public Counsel's proposed rate of return inclusive of PSE's proposed reduction in short-term debt costs.

Both Commission Staff's and Public Counsel's revenue requirements are lower than PSE's, with Public Counsel's proposal being lower than Commission Staff's. Lower revenue requirements result in reduced cash flows, resulting in more borrowing. As a result, Commission Staff's and Public Counsel's cash flow metrics are lower and debt leverage is higher than those resulting from PSE's proposal, with Public Counsel's proposal having substantially more debt.

Q. Have you reviewed the ratio analysis prepared by ICNU?

A. Yes. ICNU's analysis includes costs and rate base during the test year. As a result, ICNU's projections do not reflect the costs PSE will incur during the rate year and thus do not include the impact of regulatory lag. Furthermore, ICNU's analysis seems based solely on a rate of return recommendation, not the full collective impact of ICNU's revenue requirement proposal. With no specific revenue requirement proposal, PSE was unable to model the full impact of the ICNU proposal, were it adopted.

B. PUBLIC COUNSEL'S PURPORTED 2.58 PRE-TAX INTEREST COVERAGE RATIO FAILS TO REFLECT PUBLIC COUNSEL'S FULL REVENUE REQUIREMENT PROPOSAL AND IGNORES RATE YEAR COSTS

Q. Have you reviewed the 2.58 pre-tax interest coverage ratio posited by Public Counsel as being the result of its recommendation?

A. Yes, I have, but I have found numerous problems with it. First, the purported 2.58 pre-tax interest coverage ratio is based solely on its recommended rate of return and does not include the lower revenue requirements of Public Counsel's overall proposal. Second, the purported 2.58 pre-tax interest coverage ratio does not reflect costs that will be incurred in the rate year; in other words, it presumes regulatory lag does not exist. Given PSE's projected capital spending needs, that presumption ignores reality. Finally, pre-tax interest coverage is a statistic that the rating agencies no longer use as a key metric measuring credit quality. For example, there are no rating agency benchmarks for pre-tax interest coverage, which presumably is why Public Counsel only compares it to historical results, during a time when, as mentioned earlier, PSE was rebuilding its balance sheet.

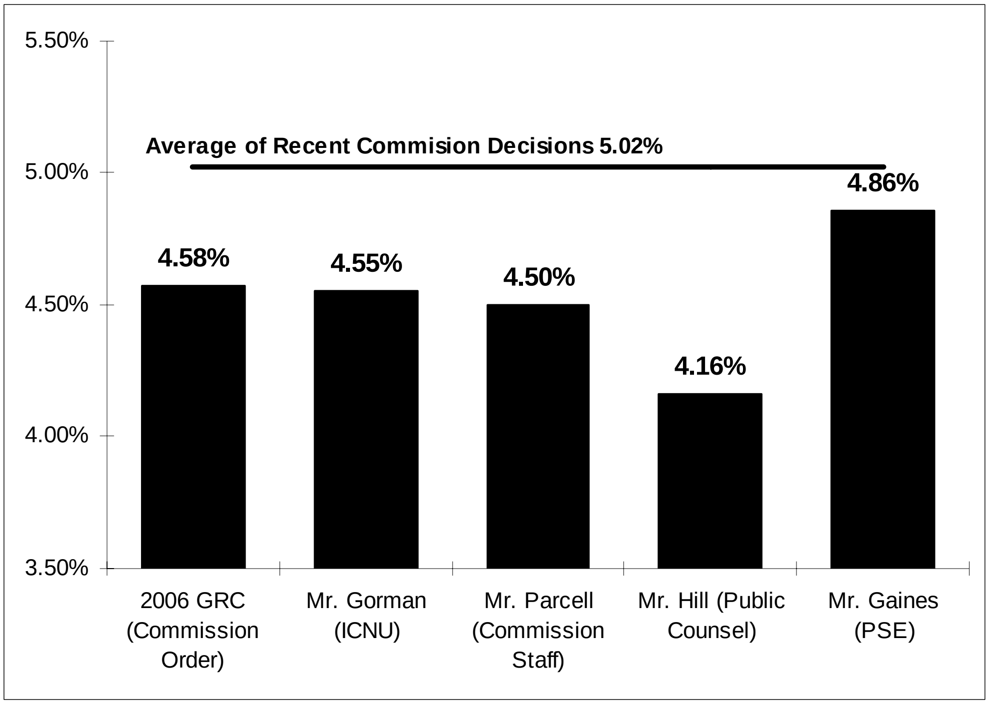
In short, Public Counsel's purported 2.58 pre-tax interest coverage ratio fails to reflect Public Counsel's full revenue requirement proposal and ignores rate year costs. Therefore, such pre-tax interest coverage ratio does not accurately reflect the results of Public Counsel's proposal were it granted by this Commission, as the analysis in Table VIII above does. As a result, the Commission should place no reliance on such purported interest coverage ratio.

C. THE RECOMMENDED WEIGHTED AVERAGE COST OF EQUITY OF EACH PARTY TO THIS PROCEEDING IS BELOW THE AVERAGE WEIGHTED AVERAGE COST OF EQUITY AUTHORIZED BY REGULATORY BODIES SINCE JANUARY 1, 2006

Q. How do the weighted cost of equity proposed by the various parties to this proceeding compare to those recently granted, on average, across the nation?

A. Chart V below compares the weighted cost of equity that was granted in PSE's last rate proceeding with the weighted costs proposed by Commission Staff, Public Counsel, and ICNU is this proceeding.

CHART V
WEIGHTED COST OF EQUITY



To calculate the weighted cost of equity reflected in Chart V above, PSE multiplied the recommended returns of equity of Commission Staff, Public Counsel, and ICNU by the recommended equity ratio of each such party. For example, in PSE's last general rate proceeding, the Commission granted a 10.4% return on equity and an equity ratio of 44%. PSE's current weighted cost of equity, established in that proceeding, is thus 4.58% (the product of 10.4% and 44%). For purposes of comparison, Chart V above also includes the 5.02% average weighted cost of equity (the product of an average return on equity of 10.31% and an average authorized capital structure with a 48.51% equity ratio) that has been granted by various regulatory bodies from January 2006 through February 2008, the most recent period for which such data is available. Please see Exhibit No. ___(DEG-10) for the data that support Chart V above.

Q. Do you have any comments with respect to Chart V above?

A. Yes. Chart V demonstrates that the weighted cost of equity recommended by PSE in this proceeding comes closest to average weighted cost of equity of recent decisions (industry average), although it remains below such industry average. Each of Commission Staff's and ICNU's recommendations are also below the industry average and are slightly lower than PSE's current weighted cost of equity established by this Commission in PSE's last general rate proceeding. Public Counsel's recommendations, however, fall well below (i) the industry average and (ii) PSE's current weighted cost of equity. The wide spread between Public Counsel's proposal and that of the other witnesses results from Public Counsel's artificially low recommended equity ratio of 43% (all other parties recommend a 45% equity ratio) and the lowest recommended return on equity (9.25%, as compared to PSE's recommended return on equity of 10.8%, ICNU's recommended return on equity of 10.12%, and Commission Staff's recommended return on equity of 10.0%).

Q. Should the Commission base its decision regarding capital structure and return of equity on the average of what has been granted in recent decisions across the nation?

A. No. PSE does not advocate that the Commission simply adopt the average return on equity and average capital structure adopted by regulatory bodies since

January 1, 2006. Such industry averages, however, do comprise part of a broader body of evidence that is worthy of consideration by the Commission. PSE must compete for capital with these other utilities in the industry. Succeeding in that competition depends, at least in part, on the opportunity for PSE to earn a return commensurate with other utilities of comparable risk.

VI. OVERALL RATE OF RETURN

Q. What is PSE's recommended capital structure and overall rate of return in this proceeding?

A. PSE is requesting the capital structure included in my prefiled direct testimony, Exhibit No. ___(DEG-1T), which was supported by Commission Staff and ICNU. No party challenges the costs of long-term debt and preferred stock recommended by PSE in its direct filing, and those costs remain unchanged. PSE has updated the cost of short-term debt with current projected three-month LIBOR rates, as suggested by each of Public Counsel and ICNU, and updated credit spreads on short-term borrowings. PSE continues to recommend the low end (10.8%) of Dr. Morin's recommended return on equity range (10.8% – 11.2%) to calculate PSE's appropriate authorized rate of return. The resulting recommended overall rate of return of 8.51% is set forth in Table IX below. The specific calculations are included as Exhibit No. ___(DEG-19C).

TABLE IX
CAPITAL STRUCTURE AND
OVERALL RATE OF RETURN

Capital Component	Capital Structure	Cost Rate	Weighted Cost
Short-term debt	4.93%	4.09%	0.20%
Long-term debt	50.04%	6.90%	3.45%
Preferred stock	0.03%	8.61%	0.00%
Common equity	45.00%	10.80%	4.86%
Overall Rate of Return	**100%**		**8.51%**

Q. Do PSE's recommended capital structure and overall rate of return of 8.51% support PSE's efforts to improve its credit quality and credit ratings gradually?

A. Yes. As described in the Prefiled Direct Testimony of Mr. Eric M. Markell, Exhibit No. ___(EMM-1CT), PSE is facing a significant level of capital spending and seeks to gradually improve its corporate credit rating. This Commission has been supportive of PSE's past efforts to strengthen its financial condition. With interest rates at attractive levels from a historical standpoint, improvements to PSE's credit quality will enable the utility to finance capital spending at rates that will be beneficial to customers for years to come.

In this proceeding, PSE requests that rates be based on an equity level that is presently in place and that is expected to be in place, on average, during the rate year. PSE has reduced its overall rate of return to reflect lower projected short-term borrowing costs. Furthermore, PSE is being conservative in its request by proposing that rates be set using a return on equity that is at the low end of the range recommended in the Prefiled Direct Testimony of Dr. Roger A. Morin, Exhibit No. ___(RAM-1T). Finally, PSE's requested weighted cost of equity is below the average of such weighted costs from recent rate decisions across the nation.

In sum, PSE's recommended overall rate of return, if granted, will further PSE's efforts to gradually improve its credit quality and ultimately its credit ratings. This will help PSE finance future investments at a lower cost than it may otherwise be able to achieve.

Q. Does that conclude your prefiled rebuttal testimony?

A. Yes.