

### **PC Data Request 38**

#### **Direct Testimony of Bruce N. Williams, Exhibit No. BNW-1T, p. 12, ll. 1-12.**

- (a) Please provide, in spreadsheet format with cells unlocked, formulas available and original data included, the analysis of historical debt costs discussed by Mr. Williams at the cited portion of his testimony.
- (b) Is it correct to understand that Mr. William's debt cost analysis assumes that in 2006, PacifiCorp's bond rating fell from "A" to "BBB" and all the debt issued after that date carried a cost rate associated with BBB-rated debt, not A-rated debt? If that is an incorrect understanding, please indicate why.
- (c) Please explain in as much detail as possible why it is reasonable to believe that a change in common equity ratio from 51% to 49% for an operation that comprises 7% of PacifiCorp would cause PacifiCorp's bond rating to decline by three bond rating notches.
- (d) Please provide any examples in the electric utility industry of which Mr. Williams is aware in which a 2% change in common equity ratio from for an operation that comprises less than 10% of a utility would cause the utility's bond rating to decline by three bond rating notches. If Mr. Williams is unable to provide any evidence of such an event happening, please affirmatively so state.

### **Response to PC Data Request 38**

- (a) The requested spreadsheet can be found in Mr. Williams's workpapers, provided with the Company's initial filing.
- (b) Yes.
- (c) The question mischaracterizes Mr. Williams's testimony. It is Mr. Williams's testimony that if the Company was capitalized with a 49.1 percent common component credit ratings would be lower. However, PacifiCorp finances all of its regulated utility operations with one capital structure. The Company does not have a separate capital structure and financings for each individual state that it serves.

Mr. Williams discusses an alternative hypothetical capital structure that contains a 49.10 percent common equity level in recognition of the Commission's adoption of a hypothetical capital structure in the Company's past cases. Please see the testimony of Mr. Williams, particularly pages 10 through 21.

(d) Please see Mr. Williams's testimony and the response to PC 38(c), above.

PREPARER: Bruce N. Williams

SPONSOR: Bruce N. Williams