

**EXHIBIT NO. ___(CEO-10T)
DOCKET NOS. UE-111048/UG-111049
2011 PSE GENERAL RATE CASE
WITNESS: DR. CHARLES E. OLSON**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-111048
Docket No. UG-111049**

**PREFILED REBUTTAL TESTIMONY
(NONCONFIDENTIAL) OF
DR. CHARLES E. OLSON
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JANUARY 17, 2012

PUGET SOUND ENERGY, INC.

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF
DR. CHARLES E. OLSON**

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PUGET SOUND ENERGY, INC.

**PREFILED REBUTTAL TESTIMONY
(NONCONFIDENTIAL) OF
DR. CHARLES E. OLSON**

I. INTRODUCTION

Q. Are you the same Dr. Charles E. Olson who provided prefiled direct testimony in these dockets on behalf of Puget Sound Energy, Inc. (“PSE”)?

A. Yes, I filed prefiled direct testimony, Exhibit No. ___(CEO-1T) and eight supporting exhibits (Exhibit No. ___(CEO-2) through Exhibit No. ___(CEO-9)).

Q. What is the purpose of your prefiled rebuttal testimony?

A. My testimony addresses the prefiled response testimonies of Commission Staff witness Kenneth L. Elgin, Exhibit No. ___(KLE-1T), and Industrial Customers of Northwest Utilities (“ICNU”) witness Michael P. Gorman, Exhibit No. ___(MPG-1T). Witnesses Elgin and Gorman conclude that PSE requires a 9.5 percent return on common equity and a 46.0 percent common equity ratio. Without the proposed Conservation Savings Adjustment (“CSA”) mechanism, Mr. Gorman recommends a 9.7 percent return on equity.

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II. DISCUSSION

Q. Do you agree with Mr. Gorman's and Mr. Elgin's findings?

A. No, I do not.

Q. Why not?

A. The probability that PSE will earn its authorized return on common equity in the rate year is almost zero. Indeed, the shortfall is likely to be more than 200 basis points based on the rates decided in this case. The reason for the almost certain shortfall is that the regulatory deck is stacked against WUTC jurisdictional electric utilities. None of them can earn their authorized returns so they have to keep coming back for rate increases in spite of low inflation. Historical test year ratemaking in combination with rapid rate base growth is the culprit.

A return on equity of 9.5 percent is a totally inadequate return for an attrition-plagued electric utility operating in a tough regulatory climate. If I drive down the road from PSE to Microsoft I can find a company with a stock price of \$25.70, current earnings of \$2.75, a dividend yield of 3.10 percent and a 5-year Yahoo Finance growth rate of 9.7 percent. This translates into an earnings-price ratio cost of equity of 10.7 percent (\$2.75 divided by \$25.70) and discounted cost flow ("DCF") cost of 12.80 percent (3.1% plus 9.7%). Why would any rational investor put money into PSE for an authorized return of 9.5 percent and a likely earned

1 return of 7.5 percent? In my view a 9.5 percent return an equity is simply
2 inadequate for PSE, given its risk.

3 **Q. Mr. Elgin says that PSE's comparison of earned and authorized returns does**
4 **not meet the necessary burden to prove and measure attrition. Do you agree?**

5 A. No. Mr. Elgin is fabricating an argument based on perceived rules and precedent.
6 Mr. Elgin argues that form (not providing a specific type of study) is more
7 important than substance (significant prolonged under earning or attrition) when he
8 recognizes himself that attrition is a problem that needs to be addressed. The
9 Seventh Exhibit to the Prefiled Direct of Donald E. Gaines, Exhibit No. ____ (DEG-
10 8) shows a serious historical shortfall relative to other utilities in the United States.
11 This ought to be cause for serious concern on the part of Commission Staff, but
12 instead Commission Staff argues that this evidence is inadequate.

13 **Q. At page 5, lines 1 – 4, of his testimony, Mr. Elgin says that the primary**
14 **principle underlying the Commission's determination of the fair rate of return**
15 **is the opportunity to recover costs, including a fair return on the capital**
16 **provided by investors. Does his proposed return and Commission Staff's case**
17 **accomplish this?**

18 A. No. Reliance on historical test year ratemaking makes it nearly impossible for PSE
19 and other Washington State electric utilities to recover costs and earn their
20 authorized rates of return. The steady parade of electric utilities seeking rate

1 increases at the WUTC is evidence of that fact. The principle that Mr. Elgin says
2 he seeks—the opportunity to recover costs including a fair return on the capital
3 provided by investors—cannot be achieved with Washington’s current construct of
4 historical test year ratemaking.

5 **Q. At page 9, lines 5 – 6, Mr. Elgin says that capital markets have recovered from**
6 **the financial crisis that began in the third quarter of 2008. Do you agree?**

7 A. No. Capital markets are in a terrible state even though interest rates are low.
8 Central banks around the world are propping up government spending by buying up
9 governmental debt and flooding their economies with liquidity. The U.S. Federal
10 Reserve Bank (“Fed”) has purchased a large fraction of the long-term government
11 debt issued during the last two years. Hence, its balance sheet has swelled.
12 Likewise, the Fed has held down short-term interest rates by flooding the economy
13 with money. The inevitable result will be inflation and higher interest rates. The
14 European Central Bank is also purchasing government bonds and flooding the
15 European economy with money. Inflation is picking up there as well. In short, I
16 disagree with Mr. Elgin that capital markets have recovered. They are in bad shape.

17 **Q. At page 11, lines 15 – 19 Mr. Elgin says that S&P rates PSE’s business risk**
18 **profile as “excellent”. Does that mean PSE is a low risk company?**

19 A. No. Most electric utilities have a business risk profile of “Excellent” because they
20 provide essential service under a monopoly franchise. Electric utilities also face

1 regulatory and financial risk. The combination of the three – business risk,
2 regulatory risk and financial risk – results in a bond rating. PSE is rated BBB and
3 Puget Energy is rated BB+. This means that PSE is near the bottom of the
4 investment grade barrel and Puget Energy has a junk rating. Compare these ratings
5 to those of the State of Washington which is rated AA+. Saying PSE is a low risk
6 company with its BBB credit rating ignores reality. It is not so.

7 **Q. At page 10, lines 13 – 17, Mr. Elgin says that the Commission should conclude**
8 **that recent economic circumstances will keep capital costs low. He further**
9 **says that the data indicate that utility stocks are low risk investments and the**
10 **return on equity should reflect this fact. Do you agree?**

11 A. No. The U.S. and the rest of the global economy operate in an unstable economic
12 and financial environment. While some interest rates are low (U.S., U.K.,
13 Germany) others (Italy, Spain, Brazil) are high. The U.S. national debt at 100
14 percent of GDP and rising rapidly is at a tipping point. Concluding that all is well
15 in the current economic environment would not be wise.

16 **Q. On page 14, lines 3 – 19 of his testimony, Mr. Elgin warns of the effects of**
17 **double leverage. Should double leverage be of concern to the Commission in**
18 **setting capital structure and return on common equity in this case?**

19 A. No. The fact the PSE is privately held by owners who want to maximize their
20 return is irrelevant to the ratemaking process. All utility stock is held by owners

1 who want to maximize their returns. If I finance my stock investment with margin
2 debt these investments are double leveraged, once at the operating company and
3 again by me as the investor. PSE is no different in this regard than any other utility.
4 All investors have the opportunity to leverage their utility stocks; they bear the risks
5 and reap the rewards of their actions.

6 **Q. At pages 24 – 25 of his testimony Mr. Elgin discusses his group of comparable**
7 **utilities. He begins with your group, throws out three utilities and adds two.**
8 **Do you agree with what he did in this regard?**

9 A. No; I stand by my group of comparables. Mr. Elgin threw out NV Energy because
10 it has a BB rating. Mr. Elgin should have left it in because Puget Energy is rated
11 BB as well. Mr. Elgin threw out Pinnacle West Capital because Arizona is a “fair
12 value” state.¹ This is a technicality; Arizona regulates in the same way Washington
13 does. Therefore Pinnacle West Capital should not be removed from the list of
14 comparables. Mr. Elgin threw out OGE because it has a substantial amount of
15 unregulated revenue. However, because OGE’s unregulated revenue mostly relates
16 to gas and is not risky, there is no need to remove this utility.

¹ Under the fair value approach, a company is entitled to ask a fair return upon the value of that which it employs for the public convenience. Washington is a historical cost state, in which a company’s known and measurable historical costs are the basis for determining rates.

1 **Q. At pages 31 – 32 of his testimony Mr. Elgin discusses indicators of long-term**
2 **dividend growth. At page 32, lines 4–5, he says that the most significant**
3 **factors for investors are growth in book value and internal growth. Is he**
4 **correct?**

5 A. No. Current thinking does not support Mr. Elgin’s position, and this is borne out by
6 the testimony of ICNU witness Michael Gorman. Citing Myron J. Gordon, Mr.
7 Gorman notes at page 18, lines 13–14 of his testimony that in terms of predicting
8 future returns, “security analysts’ growth estimates have been shown to be more
9 accurate than growth rates derived from historical data.” This is important in the
10 context of Mr. Elgin’s testimony because Gordon was an original advocate of book
11 value and retention growth in the 1970s before his later research led him to
12 conclude otherwise. Mr. Elgin is more than 20 years behind current opinion
13 regarding growth rates.

14 **Q. Does FERC base its electric utility rate of return analysis exclusively on**
15 **security analysts’ consensus estimates as you have done?**

16 A. Yes, FERC bases its electric utility rate of return analysis exclusively on security
17 analysts’ consensus estimates and has been doing so consistently for many years.

1 **Q. At page 56 of his testimony Mr. Elgin says that analysts' estimates are not**
2 **reliable indicators on long-term sustainable growth in dividends. Is his**
3 **position supported by evidence?**

4 A. No. He does not mention the paper by Gordon that was cited by Mr. Gorman or
5 any of the other well-known studies that address this issue. As an expert witness on
6 the topic, Mr. Elgin must be aware of the studies that support security analysts'
7 projections as being superior to book value and internal growth. Being unaware of,
8 or refusing to recognize, the validity of analyst projections brings Mr. Elgin's
9 testimony into serious question.

10 Mr. Elgin also concludes that analysts' earnings estimates tend to overstate what
11 investors can reasonably expect, as they are provided by persons with an interest in
12 selling securities. That unsupported opinion brushes aside the importance to
13 analysts of providing objective and accurate estimates which reflect upon them
14 personally and upon their firms. Not only do institutional and other investors place
15 high value on the quality of such estimates but they are a reflection upon the
16 analysts' work product with potential significant bearings on personal careers.

17 I would further note that at page 57, lines 13 – 14, Mr. Elgin says that I failed to
18 evaluate the analysts' estimate in the context of historical performance. He is not
19 correct. In arriving at their estimates, security analysts consider past performance
20 in combination with future expectations. Therefore historical results are embedded
21 in the five-year estimates that analysts develop. Since I used analysts' estimates,

1 historical data are a part of my DCF. To consider them again would result in
2 double counting.

3 **Q. In Mr. Elgin's testimony at page 6, he states that the Commission has been**
4 **using the DCF method for the last 40 plus years. Is this your understanding as**
5 **well?**

6 A. Yes. I first testified in Washington in the mid-1970s, and it was already a DCF
7 state. At that time Commission Staff relied primarily on David Kosh for rate of
8 return evidence, and he had used DCF since at least 1970. I was told at that time
9 that in the 1950s and 1960s the earnings-price ratio approach was used. This is
10 consistent with my knowledge of rate of return history. DCF was just getting its
11 start in the mid-1960s when I was a student of a professor who used it in rate cases.
12 The Commission was an early adopter of DCF and a consistent user thereafter.
13 I go into the history because I agree with Mr. Elgin that the Commission should
14 rely on the DCF approach in its rate of return determination. CAPM and risk
15 premium methods are not commonly used and should not be given significant
16 weight, if they are considered at all. Finally, I agree with Mr. Elgin in his answer at
17 page 61, line 21 and following that the Commission has never said how a risk
18 premium study should be done. There have been vague references to it and some
19 interest in the information as a check. However I am not aware of any serious
20 discussion of risk premium or CAPM methodology in any Commission opinion.

1 **Q. Why does it matter that the Commission has used DCF for more than 40**
2 **years?**

3 A. It supports the premise that the Commission should continue to use it. FERC began
4 using DCF more than 30 years ago, as did most state commissions.

5 The second reason the DCF history matters is that I feel it is unnecessary to rebut
6 Mr. Elgin relative to his CAPM and risk premium testimony. There is no point in
7 debating a methodology that is clearly of secondary importance and in which Mr.
8 Elgin does not believe.

9 **Q. At page 74, lines 14 – 21, Mr. Elgin says the evidence presented in this case is**
10 **not enough to demonstrate attrition. Do you agree?**

11 A. No. An earnings shortfall that occurs a few months after a final order in a rate case
12 is evidence of attrition. Part of the problem is that Staff narrowly defines attrition.
13 For the entire 40-plus year period I have been a consultant, an earnings shortfall has
14 been called attrition. Mr. Elgin's testimony set forth at pages 74 and 75 continues
15 the theme that if there is a problem with actual returns, it is PSE's fault for not
16 presenting it clearly. It ought to be clear to everyone that the ratemaking
17 mechanism in Washington is not working as it should due to the historical test year
18 approach.

19 A number of jurisdictions such as New York, California and FERC adapted to
20 attrition with future test years decades ago. Others such as Texas and Maryland

1 process their rate cases in seven months. Washington lags behind these other
2 jurisdictions in terms of modern test year ratemaking along with comprehensive
3 adjustment clauses. It is clearly time to adopt a ratemaking approach that will
4 provide a realistic opportunity to earn the authorized rate of return for at least two
5 years after the rate effective date. Long-term, such an approach will save ratepayer
6 dollars through fewer rate cases and more accurate price signals.

7 **Q. At page 76, lines 18 – 22, Mr. Elgin makes reference to a quarterly report filed**
8 **by PSE for the period ending September 30, 2011. He says the overall returns**
9 **of 7.03 and 7.31 for electric and gas are not so bad. Do you agree?**

10 A. No, I don't. The electric return on equity falls about 200 basis points short and the
11 interest coverage is terrible. The gas shortfall is less, but non-commodity natural
12 gas rates were increased only a few months ago. Further, during the next seven or
13 eight months, until the new rates from this case go into effect, the results will be far
14 worse as new plant is added to rate base. The attrition is clearly bad and should be
15 addressed.

1 **Q. Mr. Elgin takes issue with your interpretation of the language in *Federal***
2 ***Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1942) and**
3 ***Bluefield Water Works and Improvement Co. v. Public Service Commission of***
4 ***West Virginia*, 262 U.S. 679, 692 (1923). How do you respond to Mr. Elgin’s**
5 **claim that your interpretation of those cases suggests that regulation should**
6 **guarantee a specific ROE?**

7 A. It is unclear how Mr. Elgin could interpret my testimony as suggesting that
8 ratemaking regulation should guarantee a specific ROE. Mr. Elgin appears to pick
9 one word from Mr. Gaines’ testimony (“entitled”) and one word from my
10 testimony, (“authorized”) and ignore the rest of the testimonies. My testimony
11 actually states that the goal in ratemaking should be to provide the utility with an
12 *opportunity* to earn its authorized rate of return. This is consistent with the findings
13 in *Hope* and *Bluefield*.

14 **Q. Finally, Dr. Olson, with respect to Mr. Elgin’s conclusion at page 78, lines 4**
15 **through 7, do you agree that the Commission treats its utilities consistently and**
16 **fairly over time?**

17 A. I agree that the treatment has been consistent as between electric utilities and that
18 each one is treated about the same as the other. However, the results have been
19 poor in terms of financial integrity and therefore have not balanced consumer and
20 investor interests.

1 **Q. Please turn now to the testimony of Mr. Michael P. Gorman. What common**
2 **equity ratio does he recommend and what is his recommended return on**
3 **common equity?**

4 A. Mr. Gorman recommends a common equity ratio of 46.0 percent and a return on
5 common equity of 9.5 percent.

6 **Q. Do you have any disagreement with Mr. Gorman relative to the selection of a**
7 **proxy group?**

8 A. No. He used the same group of companies I did.

9 **Q. Do you agree with the results Mr. Gorman obtained using his constant growth**
10 **DCF analysis?**

11 A. I agree Mr. Gorman used a reasonable approach and made accurate computations
12 on his constant growth DCF analysis. To be sure, there were things we did
13 differently. He used a thirteen week measurement period to estimate the dividend
14 yield; I used six months. My study was performed earlier than his. His study used
15 consensus growth rates from three sources and averaged them; mine relied on
16 Yahoo Finance. Mr. Gorman's study used the average and mine relied on the
17 median. We both used the same comparable companies. These differences are
18 subjective. However what he has is clearly reasonable and I am willing to accept
19 his average figure of 10.75 percent.

1 **Q. What parts of his return on equity analysis do you disagree with?**

2 A. I disagree with his sustainable growth and multi-stage DCF growth models. I also
3 disagree with his risk premium and CAPM models.

4 **Q. Please explain why you disagree with Mr. Gorman's sustainable growth and**
5 **multi-stage growth models.**

6 A. Certainly. Here is what Mr. Gorman says regarding security analysts' growth
7 estimates at page 18, lines 13 - 22:

8 As predictors of future returns, security analysts' growth
9 estimates have been shown to be more accurate than growth
10 rates derived from historical data. That is, assuming the
11 market generally makes rational investment decisions,
12 analysts' growth projections are more likely to influence
13 observable stock prices than growth rates derived only from
14 historical data.

15 For my constant growth DCF analysis, I have relied on a
16 consensus, or mean, of professional security analysts'
17 earnings growth estimates as a proxy for investor consensus
18 dividend growth rate expectations. I used the average of
19 analysts' growth rate estimates from three sources: Zacks,
20 SNL Financial and Reuters. All such projections were
21 available on November 23, 2011, and all were reported
22 online."

23 (Footnote reference omitted.)

24 Mr. Gorman cites Myron Gordon and others in support of the statement that
25 security analysts' estimates are more accurate than growth rates derived from
26 historical data. I would add that I used the same rationale as Mr. Gorman in basing
27 my DCF analysis on analysts' estimates. Mr. Gorman then goes on to derive his

1 DCF estimate that averages out to 10.75 percent as shown at page 19, lines 15 – 16.
2 However, Mr. Gorman then contradicts himself and comes up with a lower
3 recommendation using faulty logic.

4 He begins his faulty analysis at page 19, lines 19 – 20 by noting that security
5 analysts' estimates for growth exceed a long-term sustainable growth rate which he
6 says is required by the DCF model. This statement is simply not true. The truth is,
7 as Gordon stated in the article Mr. Gorman cited, that security analysts' estimates
8 drive share prices. The person who originally said that growth rates must be
9 sustainable was the same Gordon who later changed his mind in the article cited by
10 Mr. Gorman.

11 **Q. Why does Mr. Gorman say that the average security analysts' projected**
12 **growth rate of 6.43 percent (p. 19, l. 11) is unsustainable?**

13 A. He notes that projections for the economy's GDP growth rate are in the 4.7 to 5.0
14 range and that investors therefore cannot be expecting higher growth. See page 19,
15 line 24 and following. He goes on to say that utilities cannot sustain indefinitely a
16 growth rate that exceeds the economy. I admit that 'forever' is a long time but
17 growth rates can exceed GDP growth rates for a time frame that is long enough to
18 be valid in a DCF context. Companies like Microsoft have exceeded GDP growth
19 in earnings per share by a wide margin for decades and are likely to continue to do
20 so for a long time.

1 **Q. Why can an electric utility's growth in earnings per share rate exceed its GDP**
2 **growth for a long time?**

3 A. Electric utilities are in the beginning stage of substituting renewable energy for
4 coal-based generation. Along with this development, new transmission and smart
5 meters will also become substitutes for fossil fuels in the utility production process.
6 The changeover period will probably be 25 or 30 years, well beyond the present
7 value time frame in the DCF model. Over this period investment will rise relative
8 to rates. Mr. Gorman may not understand the dynamics that are changing the
9 electric utility industry. However, investors do.

10 **Q. At page 20, line 19 and following, Mr. Gorman says there is research that**
11 **supports his position that over the long term a company's earnings and**
12 **dividends cannot grow at a rate greater than GDP. Does he support his**
13 **position?**

14 A. No, plus there are two flaws in his analysis. First, he does not define "long term".
15 For a period over 50 years, what he says is true, but it would not impact a DCF rate
16 of return calculation. Second, he does not cite research articles for support of his
17 claim but rather refers to a textbook. While research articles are critiqued and peer-
18 reviewed, textbooks do not undergo the same rigorous review process.

1 **Q. Do Mr. Gorman's multi-stage growth calculations appear to be accurate?**

2 A. No. His calculations give almost no weight to first and second stage growth. If the
3 4.9 percent third stage growth rate shown on Exhibit No. ____ (MPG-12) was
4 substituted into his analysts' model on his Exhibit No. ____ (MPG-7), the result
5 would be a DCF estimate of 9.21 percent (4.31% plus 4.9%). Thus, his result of
6 9.54 percent, shown on Exhibit No. ____ (MPG-12) gives almost no weight to the
7 first five years of the calculation.

8 **Q. Even if there were support for Mr. Gorman's multi-stage growth model based**
9 **on the notion that GDP growth eventually puts a limit on investor**
10 **expectations, does this justify the sustainable or historic growth rate**
11 **calculation he presented at page 21 and 22 of his testimony?**

12 A. No. A GDP cap on growth is not a basis for doing a sustainable, historic or
13 retention growth calculation. The GDP cap argues for a multi-stage model, not a
14 sustainable growth calculation. The Gordon article cited by Mr. Gorman found that
15 analysts' estimates were superior to sustainable retention growth.

16 **Q. Does Mr. Gorman discuss the merits of the CAPM and risk premium models**
17 **relative to that of the DCF model for purposes of estimating the cost of capital**
18 **to a public utility?**

19 A. No. He implicitly assumes that the three are equally valid models. I have already
20 indicated that I disagree with this thinking and pointed out that Mr. Elgin does as

1 well. I would further note that FERC does not rely on the risk premium or CAPM
2 models. In short, these models are viewed with suspicion by most analysts and
3 commissions because there is nothing very utility-specific about them; this
4 suspicion is especially pronounced for the risk premium model. Like Mr. Elgin, I
5 do not believe these model results should be averaged to obtain a return on equity.
6 If the Commission wants to use these model results as a check, that is an acceptable
7 use of the models. I do not believe they help reliably estimate the cost of capital for
8 a utility.

9 **Q. Is there a relationship between the CAPM and the risk premium models?**

10 A. Yes. The risk premium result is simply the addition of the risk-free rate and the risk
11 premium. The CAPM adjusts the risk premium based on the magnitude of beta, a
12 measure of volatility. Thus if the risk free rate was 4 percent, the risk premium 8
13 percent and the beta 0.8, the CAPM returns would be 10.4 percent (4% plus 8%
14 times 0.8). The risk premium return is 12 percent (4% plus 8%).

15 **Q. Is this relationship present with Mr. Gorman's CAPM and risk premium**
16 **models?**

17 A. No. If we turn to his Exhibit No. ____ (MPG-19), the risk-free rate is 3.80 percent
18 and the risk premium is 6.70 percent; they total 10.5 percent. Yet at page 30, lines
19 22-23, Mr. Gorman says his risk premium result is 9.50 percent. Clearly there is an

1 inconsistency with Mr. Gorman's risk premium. Properly done, his risk premium
2 result is 10.5 percent.

3 **Q. How would you summarize your testimony?**

4 A. The testimonies concerning ROE by Commission Staff witness Elgin and ICNU
5 witness Gorman contain numerous flaws and should either be rejected or given very
6 little weight.

7 I agree with Mr. Elgin's belief and this Commission's practice that DCF is the most
8 appropriate measure to determine the Company's ROE. However, Mr. Gorman
9 ignores the validity of analysts' estimates to project growth rates and instead biases
10 his results to the downside.

11 Mr. Gorman's constant growth DCF estimate using analyst estimates is reasonable
12 and I am willing to accept his average of 10.75%. However, there are significant
13 flaws with the other methodologies he uses to estimate an appropriate ROE. Even
14 Mr. Gorman puts minimal weight on the CAPM result; plus, his Risk Premium
15 result, which serves as the low end of his ROE range, is well understated.

16 **III. CONCLUSION**

17 **Q. Does that conclude your prefiled rebuttal testimony?**

18 A. Yes, it does.