

Table No. 3 – Earned Returns Incorporating Parties’ Positions

<u>"End Result" of Proposed Refund - ROE Impact Washington System</u>			
	2016	2017	2018 ²
Authorized ROE	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Actual Commission Basis ROE¹	<u>9.60%</u>	<u>9.60%</u>	<u>9.29%</u>
<u>ROE After Application of Refund:</u>			
WA Commission Staff	<u>8.24%</u>	7.98% <u>8.18%</u>	8.45% <u>8.75%</u>
Public Counsel	<u>8.37%</u>	8.04% <u>8.23%</u>	8.41% <u>8.71%</u>
AWEC	<u>6.98%</u>	6.99% <u>7.16%</u>	8.13% <u>8.42%</u>
¹ Includes impact of actual 50/50 Earnings Sharing			
² 2018 new rates effective May 1, 2018.			

The Parties refund scenarios in 2018 were affected by the May 1, 2018 general rate increase approved by the Commission. As shown above, even the highest return of ~~8.75%~~ ~~45%~~ return on equity is a full ~~105.75~~ basis points below the authorized 9.5% return on equity approved in 2015.

Q. Do you believe that any of those returns showing in Table No. 3 above produce a reasonable “end result”?

A. No, I do not, nor are they consistent with what the Commission has already determined to be an “unreasonable” return in its earlier determination in this docket. In Order 05 in this proceeding, at ¶132, the Commission stated:

Were we to reject an attrition adjustment for electric revenue requirement in this case, the result under Staff’s modified historical test year pro forma analysis would be a reduction in electric revenue requirement of more than \$20 million. Public Counsel and the intervenors recommend even more severe reductions based solely on a modified test year analysis with known and measurable pro forma adjustments. We cannot reasonably conclude such an end result would be appropriate under the standards in *Hope* and *Bluefield*. The Commission’s responsibility to set rates that are fair, just, reasonable, and sufficient turns not on the particular rate making methodology it selects, *i.e.*, modified historical test year or attrition, but on its outcome, or “end results.” Indeed, the Supreme Court in *Hope* determined that the

1 of what they recommend doesn't matter. In fact, a reasonable "end result" should be the
 2 primary objective of this Commission. As previously stated, the Commission already found,
 3 in this proceeding, that an end result of 8.22% would not result in a reasonable end result. The
 4 retrospective lookback provided in Table No. 3 (and graphically shown in Illustration No. 1
 5 below) demonstrates that the Parties refunds would result in ROEs near or well below 8.22%,
 6 and nowhere near the authorized 9.5% - i.e., not a reasonable "end result".

7 **Illustration No. 1 - Earned Returns Incorporating Parties' Positions**

