

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 544

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Reference Dr. Morin rebuttal testimony, Exhibit No. RAM-19T, p. 55, ll. 1-3.

- a. Please define "substantive."
- b. What changes did Dr. Morin make in his historical risk premium methodology.
- c. Please provide the theoretical rationale explaining why those changes were made.
- d. What would have been the result of Dr. Morin's historical risk premium analysis is those changes had not been made? Please provide the data supporting your calculation.

Response:

- a. The word "substantive" is defined as "having a firm basis in reality and therefore important, meaningful, or considerable."
- b. The only change made by Dr. Roger A. Morin to the historical risk premium methodology is that the risk premium was computed over the yield on utility bonds rated Baa instead of utility bonds rated single A.
- c. The analysis used the yields on utility bonds rated Baa because the average bond rating in the electric utility industry is Baa.
- d. Using the yield on A-rated bonds instead of Baa bonds, the historical risk premium is 5.1%. Given that A-rated bonds are currently yielding 5.9%, the implied cost of common equity estimate is 11.0%.