

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

DOCKET NOS. UE-190529 and UG-190530 (*Consolidated*)

J. RANDALL WOOLRIDGE ON BEHALF OF PUBLIC COUNSEL UNIT

EXHIBIT JRW-11

Puget Sound Energy's Rate of Return Recommendation

November 22, 2019

Puget Sound Energy Rate of Return Recommendation

Puget Sound Energy Rate of Return Recommendation

| Capital Source | Capitalization Ratios | Cost Rate | Weighted Cost Rate* |
|------------------------|------------------------------|---------------------|----------------------------|
| Short-Term Debt | 2.30% | 4.18% | 0.13% |
| Long-Term Debt | 49.20% | 5.51% | 2.74% |
| Common Equity | <u>48.50%</u> | <u>9.80%</u> | <u>4.75%</u> |
| Total Capital | 100.00% | | 7.62% |

* Weighted short-term debt cost rate includes .03% of commttment and amortization fees

Weighted long-term debt cost rate includes .03% of amortization fees

Summary of Dr. Morin's ROE Results

| Discounted Cash Flow | Mean |
|---|--------------|
| Electric Utilities Value Line Growth | 9.7% |
| Electric Utilities Analysts Growth | 8.5% |
| Traditional CAPM | 8.9% |
| Empirical CAPM | 9.6% |
| Historic Risk Premium Electric | 10.3% |
| Allowed Risk Premium Electric | 10.4% |
| Mean | 9.6% |
| Median | 9.7% |

Dr. Morin's Zacks and Value Line EPS Growth Rates

| | <i>Value Line</i> | <i>Zacks</i> |
|---|-------------------|--------------|
| Alliant Energy Corporation (NYSE-LNT) | 6.5 | 5.4 |
| Ameren Corporation (NYSE-AEE) | 6.5 | 6.3 |
| Avista Corp (NYSE-AVA) | 6.5 | 3.2 |
| Black Hills Corporation (NYSE-BKH) | 6.5 | 4.8 |
| Centerpoint Energy (NYSE-CNP) | 12.5 | 5.3 |
| Chesapeake Utilities (NYSE-CPK) | 9.0 | 6.0 |
| CMS Energy Corporation (NYSE-CMS) | 7.0 | 6.4 |
| Consolidated Edison, Inc. (NYSE-ED) | 3.0 | 2.0 |
| Dominion Energy Inc. (NYSE-D) | 6.5 | 4.9 |
| DTE Energy Company (NYSE-DTE) | 5.0 | 6.0 |
| Duke Energy Corporation (NYSE-DUK) | 5.5 | 5.0 |
| Eversource Energy (NYSE-ES) | 5.5 | 5.5 |
| Exelon Corporation (NYSE-EXC) | 7.5 | 4.0 |
| Fortis (TSE-FTS.TO) | 5.5 | 5.1 |
| MGE Energy, Inc. (NYSE-MGEE) | 7.5 | 7.5 |
| NorthWestern Corporation (NYSE-NWE) | 2.5 | 2.6 |
| Public Service Enterprise Group Inc. (NYSE-PEG) | 4.5 | 6.1 |
| Sempra Energy (NYSE-SRE) | 9.5 | 8.3 |
| WEC Energy Group (NYSE-WEC) | 6.0 | 5.6 |
| Xcel Energy Inc. (NYSE-XEL) | 5.5 | 5.7 |
| Mean | 6.4 | 5.3 |