

Exhibit No. \_\_\_\_ (SGH-17)  
Docket Nos. UE-060266/UG-060267  
Witness: Stephen G. Hill

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.

Respondent.

DOCKET NO. UE-060266

DOCKET NO. UG-060267

EXHIBIT TO DIRECT TESTIMONY OF

STEPHEN G. HILL

ON BEHALF OF STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

*Market-to-Book Ratio Analysis*

July 25, 2006

**PUGET SOUND ENERGY**

**MARKET-TO-BOOK RATIO ANALYSIS  
ELECTRIC UTILITIES**

$$k = \text{R.O.E.}(1-b)/(M/B) + g$$

[2006]

<u>COMPANY</u>							<u>MARKET-TO-BOOK COST OF EQUITY</u>		
CV	k= NMF	(1-	0.4065	)/	1.22	+	4.00%	=	nmf
FE	k= 12.0%	(1-	0.4800	)/	1.68	+	5.20%	=	8.91%
GMP	k= 09.5%	(1-	0.4909	)/	1.26	+	5.00%	=	8.85%
PGN	k= 10.0%	(1-	0.2492	)/	1.34	+	3.38%	=	9.00%
AEE	k= 09.5%	(1-	0.1937	)/	1.56	+	4.64%	=	9.57%
CNL	k= 08.0%	(1-	0.2800	)/	1.51	+	6.36%	=	10.16%
DPL	k= 24.5%	(1-	0.2857	)/	4.50	+	6.50%	=	10.39%
EDE	k= 06.5%	(1-	-0.2190	)/	1.47	+	4.79%	=	10.16%
ETR	k= 11.5%	(1-	0.5304	)/	1.70	+	5.90%	=	9.07%
HE	k= 10.0%	(1-	0.1733	)/	1.76	+	3.93%	=	8.63%
PNM	k= 08.5%	(1-	0.4788	)/	1.27	+	6.17%	=	9.67%
PNW	k= 08.5%	(1-	0.3233	)/	1.12	+	5.11%	=	10.24%
PSD	k= 08.0%	(1-	0.2857	)/	1.15	+	5.13%	=	10.10%
UNS	k= 09.5%	(1-	0.5333	)/	1.61	+	5.38%	=	<u>8.13%</u>
							<b>AVERAGE</b>		<b>9.45%</b>
							<b>STANDARD DEVIATION</b>		<b>0.64%</b>

Note: Equity returns and retention ratios based on Value Line current year projections.

**PUGET SOUND ENERGY**

**MARKET-TO-BOOK RATIO ANALYSIS  
ELECTRIC UTILITIES**

$$k = R.O.E.(1-b)/(M/B) + g$$

[2009-2011]

<u>COMPANY</u>						<u>MARKET-TO-BOOK COST OF EQUITY</u>
CV	k= 11.0%	(1- 0.5282 )/	1.22	+ 4.00%	=	8.25%
FE	k= 11.0%	(1- 0.4500 )/	1.68	+ 5.20%	=	8.79%
GMP	k= 10.5%	(1- 0.3961 )/	1.26	+ 5.00%	=	10.05%
PGN	k= 10.0%	(1- 0.2514 )/	1.34	+ 3.38%	=	8.98%
AEE	k= 09.5%	(1- 0.2638 )/	1.56	+ 4.64%	=	9.14%
CNL	k= 09.0%	(1- 0.4286 )/	1.51	+ 6.36%	=	9.75%
DPL	k= 21.0%	(1- 0.3371 )/	4.50	+ 6.50%	=	9.59%
EDE	k= 09.5%	(1- 0.1467 )/	1.47	+ 4.79%	=	10.29%
ETR	k= 10.5%	(1- 0.4717 )/	1.70	+ 5.90%	=	9.15%
HE	k= 10.0%	(1- 0.2914 )/	1.76	+ 3.93%	=	7.96%
PNM	k= 08.5%	(1- 0.4211 )/	1.27	+ 6.17%	=	10.06%
PNW	k= 09.0%	(1- 0.3155 )/	1.12	+ 5.11%	=	10.60%
PSD	k= 08.5%	(1- 0.3714 )/	1.15	+ 5.13%	=	9.77%
UNS	k= 08.5%	(1- 0.4051 )/	1.61	+ 5.38%	=	<u>8.52%</u>
AVERAGE						<b>9.35%</b>
STANDARD DEVIATION						<b>0.75%</b>

Note: Equity returns and retention ratios based on Value Line three- to five-year projections.

**PUGET SOUND ENERGY**

**MARKET-TO-BOOK RATIO ANALYSIS  
GAS DISTRIBUTORS**

$$k = \text{R.O.E.}(1-b)/(M/B) + g$$

[2006]

<u>COMPANY</u>							<u>MARKET-TO-BOOK COST OF EQUITY</u>	
ATG	k= 12.5%	(1-	0.4118 )/	1.73	+	5.42%	=	9.67%
ATO	k= 09.0%	(1-	0.3189 )/	1.27	+	5.31%	=	10.14%
CGC	k= 08.0%	(1-	0.0400 )/	1.60	+	4.38%	=	9.16%
LG	k= 13.0%	(1-	0.4043 )/	1.87	+	5.66%	=	9.81%
NJR	k= 16.5%	(1-	0.4786 )/	2.56	+	6.50%	=	9.86%
GAS	k= 12.5%	(1-	0.2250 )/	2.11	+	3.75%	=	8.35%
NWN	k= 10.0%	(1-	0.3867 )/	1.58	+	4.87%	=	8.75%
PGL	k= 11.0%	(1-	0.0311 )/	1.75	+	3.86%	=	9.95%
PNY	k= 11.0%	(1-	0.2615 )/	2.07	+	5.26%	=	9.19%
SJI	k= 12.5%	(1-	0.4973 )/	1.86	+	6.69%	=	10.07%
SWX	k= 08.0%	(1-	0.4710 )/	1.45	+	6.44%	=	9.35%
WGL	k= 10.0%	(1-	0.2703 )/	1.66	+	4.20%	=	<u>8.58%</u>
							AVERAGE	<b>9.41%</b>
							STANDARD DEVIATION	<b>0.61%</b>

Note: Equity returns and retention ratios based on Value Line current year projections.

**PUGET SOUND ENERGY**

**MARKET-TO-BOOK RATIO ANALYSIS  
GAS DISTRIBUTORS**

$$k = R.O.E.(1-b)/(M/B) + g$$

[2009-2011]

<u>COMPANY</u>						<u>MARKET-TO-BOOK COST OF EQUITY</u>
ATG	k= 12.0%	(1- 0.3966 )/	1.73	+	5.42%	= 9.60%
ATO	k= 10.5%	(1- 0.4600 )/	1.27	+	5.31%	= 9.78%
CGC	k= 08.5%	(1- 0.3677 )/	1.60	+	4.38%	= 7.73%
LG	k= 13.0%	(1- 0.4643 )/	1.87	+	5.66%	= 9.39%
NJR	k= 14.5%	(1- 0.4848 )/	2.56	+	6.50%	= 9.42%
GAS	k= 13.0%	(1- 0.2786 )/	2.11	+	3.75%	= 8.20%
NWN	k= 10.5%	(1- 0.4035 )/	1.58	+	4.87%	= 8.83%
PGL	k= 13.5%	(1- 0.1704 )/	1.75	+	3.86%	= 10.26%
PNY	k= 12.5%	(1- 0.3314 )/	2.07	+	5.26%	= 9.30%
SJI	k= 13.0%	(1- 0.5000 )/	1.86	+	6.69%	= 10.19%
SWX	k= 10.5%	(1- 0.6435 )/	1.45	+	6.44%	= 9.01%
WGL	k= 11.0%	(1- 0.3958 )/	1.66	+	4.20%	= <u>8.19%</u>
						AVERAGE <b>9.16%</b>
						STANDARD DEVIATION <b>0.80%</b>

Note: Equity returns and retention ratios based on Value Line three- to five-year projections.