

1 **Q. Reference: Page 27, Lines 569-571**

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3 **In Mr. Cicchetti's expert opinion, if the Board retains an automatic**
4 **adjustment formula, should the allowed ROE vary by 80% of the change in**
5 **the forecast long-term risk free rate or by some other percentage? Please**
6 **provide support for the response.**
7

8 **A.** Mr. Cicchetti's risk premium analysis indicates a 100 basis point change in the
9 risk free results in a 44 basis point change in the required return which is
10 substantially less than that inherent in the current formula. Consequently, Mr.
11 Cicchetti believes the formula ROE should vary less than 80% in the current
12 formula.