

1 **Q. Evidence of Ms. McShane, Fair ROE conceptual foundations, page 36-44: Ms.**
2 **McShane refers to regulators using a variety of cost of equity tests, please indicate**
3 **for each of the US utilities in her US tests how their allowed ROE was last set and**
4 **the weights that the regulator applied to each cost of equity test.**
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6 A. The cost of equity tests used in the most recent ROE decisions (non-settlement cases) for
7 each of the U.S. utilities in Ms. McShane's proxy sample are presented in "CA NP 84
8 Attachment.xlsx". In most instances the regulator did not specify explicit weights
9 applied to the results of particular cost of equity tests.

Cost of Equity Tests in Recent ROE Decisions

Company	Utility	State	Date of Decision	Docket	Equity Test Used ^{1/}	Weight	Note
AGL Resources Inc.	Atlanta Gas Light Co.	GA	11/3/2010	D-31647	CAPM Risk Premium Constant Growth DCF Multi-Stage DCF Comparable Earnings	NA NA NA NA NA	No explicit weight was given to the various tests results.
ALLETE Inc.	Minnesota Power	MN	5/4/2009	D-E-015/GR-08-415	Multi-Stage DCF CAPM	100% 0%	
Alliant Energy Corp.	Interstate Power & Light Co	MN	8/12/2011	D-E-001/GR-10-276	Multi-Stage DCF CAPM	NA NA	The Commission has typically placed heaviest reliance on the DCF while the CAPM has been a "secondary" resource.
Atmos Energy Corp.	Atmos Energy Georgia	GA	3/31/2010	D-30442	DCF Ex Ante Risk Premium Ex Post Risk Premium Historical CAPM DCF CAPM	NA NA NA NA NA	No explicit weight was given to the various test results.
Consolidated Edison	Orange & Rockland Utilities	NY	6/16/2011	C-10-E-0362	Multi-Stage DCF CAPM	67% 23%	
Integrus Energy Group Inc.	Peoples Gas Light & Coke	IL	1/10/2012	D-11-0281	DCF Risk Premium CAPM	100% NA NA	The Commission stated that it did not "believe the imperfections in the models presented in this case are so flawed as to warrant an outright dismissal of the models for purposes of determining a reasonable rate of return." However, the recommended cost of equity was set equal to the average DCF calculation of the witnesses.
Northwest Natural Gas							Has not had a litigated decision since 2003.
Piedmont Natural Gas							Has not had a litigated decision since 2000.
Southern Company	Gulf Power Co	FL	4/3/2012	D-110138-EI	Constant Growth DCF Multi-Stage DCF Risk Premium CAPM	NA NA NA 0%	All three witnesses relied primarily on their DCF results. All three recommended giving "little or no" weight to the CAPM. The commission used an independent assessment based on the witness results, and stated CAPM should be given no weight in this case but did not recommend "rejecting the use of the CAPM as a generally accepted method to estimate the ROE".
Vectren Corp.	Southern Indiana Gas & Electric	IN	4/27/2011	Ca-43839	DCF CAPM Risk Premium Expected Earnings	NA NA NA NA	While no explicit weight was given to the results of the various tests, the Commission stated that "the cost of common equity cannot be precisely calculated and estimating it requires the use of judgment. Due to this lack of precision, the use of multiple methods is desirable because no single method will produce the most reasonable result under all conditions and circumstances."
WGL Holdings Inc.	Washington Gas Light Co	MD	11/14/2011	C-9267	DCF CAPM ECAPM Risk Premium	100% 0% 0% 0%	Commission has historically preferred the "classic DCF analysis" and has deemed it the most reliable basis for estimating return on equity. ROE set at level equal to that obtained using the "classic DCF analysis" by Staff.
Wisconsin Energy Corp.	Wisconsin Electric Power Co	WI	12/18/2009	D-5-UR-104 (WEP-EL)	DCF Comparable Earnings CAPM	NA NA NA	While no explicit weight was given the various test results, the Commission approved an ROE that was within the range of recommendations of the intervenor (low) and Company (high).
Xcel Energy Inc.	Northern States Power Co-WI	WI	12/22/2011	D-4220-UR-117 (Elec)	Constant Growth DCF Multi-Stage DCF Risk Premium	NA NA NA	No explicit weight was given to the results of the various tests.

^{1/} Not all tests listed were used by all witnesses in a proceeding.