

1 **Q. Vander Weide Evidence – Does Dr. Vander Weide accept Moody’s comment from**
2 **its July 19, 2011 Credit Opinion:**

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4 **“The T&D segment is regarded as a relatively lower risk segment of the electric**
5 **utility industry since it is typically not exposed to commodity price and volume risks**
6 **or the operational, financial, and environmental risks associated with electricity**
7 **generation.”**

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9 **If not, why not?**

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11 A. Dr. Vander Weide accepts that utilities that engage only in transmission and distribution
12 operations are less risky than utilities that engage only in competitive generation
13 operations, which are not subject to cost of service regulation. However, Dr. Vander
14 Weide does not agree that the T&D-only utilities are less risky than integrated utilities
15 whose jointly-operated generation, transmission, and distribution operations are subject
16 to cost of service regulation and whose retail generation operations are not open to
17 competition. For such integrated utilities, the regulatory obligation to allow equity
18 investors an opportunity to earn a fair return on their investment in the utility is the same
19 as the regulatory obligation to allow equity investors an opportunity to earn a fair return
20 on their investment in T&D utilities. Thus, integrated electric utilities and T&D-only
21 electric utilities are subject to the risk that regulators will not allow investors an
22 opportunity to earn a fair rate of return on investment.