

1 **Q. Vander Weide Evidence - Would Dr. Vander Weide please indicate what the**
2 **impacts would be to his results if:**

- 3
4 **a. only Value Line Safety Rank 1 and 2 companies were used, and**
5 **b. if only Safety Rank 2 companies were used and please provide a copy of the**
6 **applicable Exhibit(s) as re-stated using these assumptions.**
7

8 A. a. Dr. Vander Weide finds a cost of equity for his proxy companies equal to
9 10.4 percent in his written evidence. The effect of including only the companies
10 with a Safety Rank equal to 1 or 2 in Dr. Vander Weide's Exhibit 6 and Exhibit 7
11 would be approximately ten basis points on the estimated cost of equity, as shown
12 in the following table.
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Model	Model Result
Discounted Cash Flow	9.9%
Ex Post Risk Premium	9.9%
Ex Ante Risk Premium	11.1%
Average	10.3%

- 15
16
17 b. Dr. Vander Weide finds a cost of equity for his proxy companies equal to
18 10.4 percent in his written evidence. There would be no effect of including only
19 the companies with a Value Line Safety Rank equal to 2 in Dr. Vander Weide's
20 Exhibit 6 and Exhibit 7 on the estimated cost of equity, as shown in the following
21 table. The re-stated exhibits follow.
22
23

Model	Model Result
Discounted Cash Flow	10.1%
Ex Post Risk Premium	9.93%
Ex Ante Risk Premium	11.10%
Average	10.4%

EXHIBIT 6 RE-STATED
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS FOR
COMPREHENSIVE GROUP OF U.S. UTILITIES
REVISED TO INCLUDE ONLY THOSE
COMPANIES WITH VALUE LINE SAFETY RANK EQUAL TO 1 OR 2

Line No.	Company	d ₀	P ₀	Growth	Model Result	Safety Rank
1	AGL Resources	0.460	38.403	3.57%	8.6%	1
2	Alliant Energy	0.450	44.199	6.35%	10.7%	2
3	Atmos Energy	0.345	32.962	4.37%	8.9%	2
4	Consol. Edison	0.605	59.853	3.15%	7.4%	1
5	Dominion Resources	0.528	52.065	5.40%	9.7%	2
6	Duke Energy	0.750	65.155	3.50%	8.4%	2
7	Exelon Corp.	0.525	37.993	2.40%	8.2%	2
8	FirstEnergy Corp.	0.550	47.017	3.15%	8.1%	2
9	NextEra Energy	0.600	64.657	5.24%	9.1%	2
10	Northeast Utilities	0.343	36.610	6.17%	9.7%	2
11	Piedmont Natural Gas	0.300	30.502	4.55%	8.7%	2
12	Pinnacle West Capital	0.525	48.697	6.22%	11.0%	2
13	Portland General	0.270	25.348	3.77%	8.3%	2
14	Public Serv. Enterprise	0.355	31.027	3.60%	8.4%	2
15	SCANA Corp.	0.495	46.095	4.50%	9.1%	2
16	Sempra Energy	0.600	64.373	7.05%	10.8%	2
17	Southern Co.	0.490	45.923	5.58%	10.1%	1
18	TECO Energy	0.220	17.623	4.11%	9.4%	2
19	Vectren Corp.	0.350	29.103	5.00%	10.2%	2
20	Westar Energy	0.330	28.375	5.80%	10.8%	2
21	WGL Holdings Inc.	0.400	39.522	4.80%	9.1%	1
22	Wisconsin Energy	0.300	37.158	5.35%	8.6%	1
23	Xcel Energy Inc.	0.270	27.438	5.27%	9.4%	2
24	Average				9.3%	
25	Add Financial Flexibility				0.5%	
26	Result				9.8%	

EXHIBIT 7 RE-STATED
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS
FOR U.S. UTILITIES WITH MOSTLY REGULATED ASSETS
AND S&P BOND RATING EQUAL TO OR GREATER THAN BBB
REVISED TO INCLUDE ONLY THOSE
COMPANIES WITH VALUE LINE SAFETY RANK EQUAL TO 1 OR 2

Line No.	Company	d ₀	P ₀	Growth	Model Result	Safety Rank
1	AGL Resources	0.460	38.403	3.57%	8.6%	1
2	Alliant Energy	0.450	44.199	6.35%	10.7%	2
3	Atmos Energy	0.345	32.962	4.37%	8.9%	2
4	Consol. Edison	0.605	59.853	3.15%	7.4%	1
5	Northeast Utilities	0.343	36.610	6.17%	9.7%	2
6	Piedmont Natural Gas	0.300	30.502	4.55%	8.7%	2
7	Pinnacle West Capital	0.525	48.697	6.22%	11.0%	2
8	Portland General	0.270	25.348	3.77%	8.3%	2
9	Southern Co.	0.490	45.923	5.58%	10.1%	1
10	TECO Energy	0.220	17.623	4.11%	9.4%	2
11	Vectren Corp.	0.350	29.103	5.00%	10.2%	2
12	Westar Energy	0.330	28.375	5.80%	10.8%	2
13	WGL Holdings Inc.	0.400	39.522	4.80%	9.1%	1
14	Wisconsin Energy	0.300	37.158	5.35%	8.6%	1
15	Xcel Energy Inc.	0.270	27.438	5.27%	9.4%	2
16	Average				9.4%	
17	Add Financial Flexibility				0.5%	
18	Result				9.9%	

EXHIBIT 6 RE-STATED
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS FOR
COMPREHENSIVE GROUP OF U.S. UTILITIES
REVISED TO INCLUDE ONLY THOSE
COMPANIES WITH VALUE LINE SAFETY RANK EQUAL TO 2

Line No.	Company	d ₀	P ₀	Growth	Model Result	Safety Rank
1	Alliant Energy	0.450	44.199	6.35%	10.7%	2
2	Atmos Energy	0.345	32.962	4.37%	8.9%	2
3	Dominion Resources	0.528	52.065	5.40%	9.7%	2
4	Duke Energy	0.750	65.155	3.50%	8.4%	2
5	Exelon Corp.	0.525	37.993	2.40%	8.2%	2
6	FirstEnergy Corp.	0.550	47.017	3.15%	8.1%	2
7	NextEra Energy	0.600	64.657	5.24%	9.1%	2
8	Northeast Utilities	0.343	36.610	6.17%	9.7%	2
9	Piedmont Natural Gas	0.300	30.502	4.55%	8.7%	2
10	Pinnacle West Capital	0.525	48.697	6.22%	11.0%	2
11	Portland General	0.270	25.348	3.77%	8.3%	2
12	Public Serv. Enterprise	0.355	31.027	3.60%	8.4%	2
13	SCANA Corp.	0.495	46.095	4.50%	9.1%	2
14	Sempra Energy	0.600	64.373	7.05%	10.8%	2
15	TECO Energy	0.220	17.623	4.11%	9.4%	2
16	Vectren Corp.	0.350	29.103	5.00%	10.2%	2
17	Westar Energy	0.330	28.375	5.80%	10.8%	2
18	Xcel Energy Inc.	0.270	27.438	5.27%	9.4%	2
19	Average				9.4%	
20	Add Financial Flexibility				0.5%	
21	Result				9.9%	

EXHIBIT 7 RE-STATED
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS
FOR U.S. UTILITIES WITH MOSTLY REGULATED ASSETS
AND S&P BOND RATING EQUAL TO OR GREATER THAN BBB
REVISED TO INCLUDE ONLY THOSE
COMPANIES WITH VALUE LINE SAFETY RANK EQUAL TO 2

Line No.	Company	d_0	P_0	Growth	Model Result	Safety Rank
1	Alliant Energy	0.450	44.199	6.35%	10.7%	2
2	Atmos Energy	0.345	32.962	4.37%	8.9%	2
3	Northeast Utilities	0.343	36.610	6.17%	9.7%	2
4	Piedmont Natural Gas	0.300	30.502	4.55%	8.7%	2
5	Pinnacle West Capital	0.525	48.697	6.22%	11.0%	2
6	Portland General	0.270	25.348	3.77%	8.3%	2
7	TECO Energy	0.220	17.623	4.11%	9.4%	2
8	Vectren Corp.	0.350	29.103	5.00%	10.2%	2
9	Westar Energy	0.330	28.375	5.80%	10.8%	2
10	Xcel Energy Inc.	0.270	27.438	5.27%	9.4%	2
11	Average				9.7%	
12	Add Financial Flexibility				0.5%	
13	Result				10.2%	