

ROE Based on Alternatives Noted by ALJs

- Reject Staff’s financial risk adjustment. “The PEPO holds back and changes nothing. But the ALJs believe a change is warranted.” (ALJ Memo at 13-14)
- Average Staff’s CAPM using spot data with Staff CAPM using forecast. “If the Commission agrees that spot day is unreliable in these times, it might want to consider averaging these estimates for a fuller and more reliable Staff CAPM result.” (ALJ Memo at 12-13)
- Reject Staff’s non-constant DCF result. “If the Commission were to accept the constant growth DCF model [as] better for its purposes ..., there is un-contradicted record evidence showing that the application of a Staff constant growth model results in a 11.76% estimate.” (ALJ Memo at 10-12)
- Result:

Utility and Staff constant DCF	11.215%
Average Staff CAPM results	<u>10.24%</u>
Average	10.73%
Staff VBA adjustment	(0.10)
Staff UEA adjustment	<u>(0.10)</u>
	10.53%