BEFORE THE

GEORGIA PUBLIC SERVICE COMMISSION

In Re:	**)**	
Georgia Power Company's	**)**	**Docket No. 44280**
2022 Rate Case	**)**	

Direct Testimony and Exhibits

of

Billie S. LaConte

On Behalf of

Georgia Association of Manufacturers

October 20, 2022

J. POLLOCK
INCORPORATED

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BSL-2	Excerpt from RRA Regulatory Focus, Major Energy Rate Case Decisions in the US January – June 2022
BSL-3	Impact of Reducing ROE to National Average Authorized ROE
BSL-4	Proxy Group Common Equity Ratio
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BSL-6	Impact of Corrected ROE and Common Equity Ratio

GLOSSARY OF ACRONYMS

Term	Definition
ARP	Alternate Rate Plan
CAPM	Capital Asset Pricing Model
DCF	Discounted Cash Flow
GAM	Georgia Association of Manufacturers
GPC or Company	Georgia Power Company
MRP	Market Risk Premium
RRA	Regulatory Research Associates
ROE	Return on Equity

Direct Testimony of Billie S. LaConte

1. INTRODUCTION, QUALIFICATIONS AND SUMMARY

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Billie S. LaConte, 12647 Olive Blvd., Suite 585, St. Louis, MO 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and Associate at J. Pollock, Incorporated.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Arts degree in Mathematics from Boston University and a Master's degree in Business Administration from Washington University. Since graduating in 1995, I have been engaged in a variety of consulting assignments, including energy procurement and regulatory matters in both the United States and several Canadian provinces. More details are provided in **Appendix A**. A list of my appearances is provided in **Appendix B**.

Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A I am testifying on behalf of the Georgia Association of Manufacturers (GAM). The members of GAM are customers of Georgia Power Company (GPC). They consume large quantities of electricity, primarily for manufacturing under a variety of tariffs. GAM members purchase nearly 11% of GPC's retail energy sales.

Q WHAT ISSUES ARE YOU ADDRESSING IN YOUR TESTIMONY?

A I shall discuss GPC's requested return on equity (ROE) and capital structure.

Q ARE ANY OTHER WITNESSES APPEARING ON BEHALF OF GEORGIA ASSOCIATION OF MANUFACTURERS?

A Yes. My colleague, Mr. Jeffry Pollock, will address issues regarding the Alternate Rate Plan (ARP), cost recovery, revenue allocation and other tariff terms and conditions. Dr. Roger Tutterow will address the state of manufacturing in Georgia.

Q ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A Yes. I'm sponsoring **Exhibits BSL-1** through **BSL-6**. These exhibits were prepared by me or under my supervision and direction. In addition, I have prepared **Appendix C** which provides more detailed information on the various ROE methodologies utilized by analysts to estimate the ROE.

Q DOES THE FACT THAT YOU ARE NOT ADDRESSING ALL ISSUES IN THIS PROCEEDING CONSTITUTE AN ENDORSEMENT OF THE POSITIONS OF GEORGIA POWER COMPANY, OR OTHER PARTIES, ON THESE ISSUES?

A No. The fact that I am not addressing every issue should not be interpreted as an endorsement of the proposals in this proceeding.

Summary

Q PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

A My findings and recommendations are as follows:

Return on Equity

- The 11% ROE recommended by GPC's ROE witness, Mr. James M. Coyne, is based on improper application of widely used and accepted methods, as well the Risk Premium and Expected Earnings methods, which are not widely used.
- Correcting Mr. Coyne's ROE analyses reveals that GPC's cost of equity does not exceed 9.83%.
- Mr. Coyne further inflates his derived ROEs by including a flotation cost adjustment. It is unnecessary to include flotation costs because GPC does not directly incur these costs and Mr. Coyne's flotation cost adjustment is not based on the flotation costs incurred by GPC's parent company, Southern Company.
- GPC's proposed 11% cost of equity is excessive relative to the returns authorized by other state regulatory commissions nationwide in rate case decisions in 2021 (9.53%) and 2022 year to date (9.47%) for vertically integrated electric investor-owned utilities. In fact, authorized ROEs have averaged below 10% since 2013.

Capital Structure

- GPC's proposed 56% common equity ratio is clearly excessive. Its proposed cost of common equity of 11% is 747 basis points more expensive than its long-term debt cost (3.53%). The excessive equity ratio results in a higher cost of capital and higher rates than a utility with a more leveraged capital structure.
- On average, the companies in the proxy group with credit ratings similar to Georgia Power's A- credit rating collectively had an average 53% common equity ratio in 2021, which is 300 basis points lower than the equity ratio GPC is proposing in this case.
- GPC's capital structure is inefficient because it fails to employ an appropriate amount of leverage. Accordingly, for ratemaking purposes, the Commission should adjust GPC's common equity ratio so that it is more in line with the average of other vertically integrated electric investor-owned utilities and should not exceed 53%.

2. EVALUATION OF MR. COYNE'S RETURN ON EQUITY ANALYSIS

Q HAVE YOU REVIEWED THE BASIS FOR GEORGIA POWER COMPANY'S PROPOSED 11% RETURN ON EQUITY?

A Yes. Mr. Coyne's proposed ROE of 11% is excessive because it is based on erroneous assumptions, which I discuss in-depth later. Further, he improperly uses a flotation cost adjustment to increase his requested ROE.

Q WHAT METHODS DOES MR. COYNE USE TO SUPPORT HIS RECOMMENDED 11% RETURN ON EQUITY?

A Mr. Coyne based his recommendation on four methodologies: Discounted Cash Flow (DCF), Capital Asset Pricing Model (CAPM), Risk Premium and the Expected Earnings method, using a proxy group of companies that are similar to GPC. **Appendix C** provides a detailed description of the DCF, CAPM, and Risk Premium methodologies.

Q WHAT ARE THE RESULTS OF MR. COYNE'S ANALYSES?

Q Mr. Coyne's analyses result in an estimate of GPC's ROE within the range of 8.99% to 13.55%.[1]

Q DID MR. COYNE MAKE ANY ADJUSTMENTS TO HIS RETURN ON EQUITY ANALYSIS?

A Yes. He made a flotation cost adjustment to the results derived under the various methods, which is discussed more fully later.

[1] Direct Testimony of James M. Coyne at 3.

Q WHAT IS YOUR ASSESSMENT OF MR. COYNE'S RETURN ON EQUITY ANALYSIS?

A Mr. Coyne's ROE estimates are too high for numerous reasons. His CAPM, Risk Premium, and Expected Earnings analyses use unrealistic assumptions and his flotation cost adjustment is unnecessary because it does not reflect the actual flotation costs incurred by GPC.

Proxy Group

Q WHAT IS A PROXY GROUP?

A A proxy group is a group of companies involved in operations similar to the utility being analyzed.

Q WHY IS A PROXY GROUP RELEVANT IN DETERMINING AN APPROPRIATE RETURN ON EQUITY?

A A proxy group is relevant because it provides a group of companies that are comparable in risk to GPC, hence estimating the cost of equity for the proxy group represents the economic opportunity costs that have an impact on the ROE for GPC.

Q DO YOU AGREE WITH THE GROUP OF COMPANIES THAT MR. COYNE INCLUDED IN HIS PROXY GROUP?

A Yes. Mr. Coyne's criteria for inclusion in his proxy group are based on industry standards and the companies in his proxy group are generally comparable to GPC.

Mr. Coyne's DCF Analysis

Q DO YOU HAVE ANY CONCERNS REGARDING MR. COYNE'S DISCOUNTED CASH FLOW ANALYSES?

A No. Mr. Coyne's DCF analyses are based on sound assumptions regarding stock prices, projected dividend yields, and projected growth rates for each company in his proxy group. Therefore, the results of his DCF analyses, which produce a range of ROEs, from 7.99% to 9.99%, are reasonable and representative of the cost of equity for GPC. I have selected the result of Mr. Coyne's 180-day mean average DCF (9.09%) because the time period for the stock price better captures recent conditions in the stock market over a longer term, including the 30-day and 90-day data.

Flaws With Mr. Coyne's CAPM Analysis

Q WHAT IS THE CAPITAL ASSET PRICING MODEL?

A The CAPM is a risk premium method that is used to estimate the ROE. It states that the expected return of a security equals the risk-free rate plus a risk premium. Simply put, investors require a premium over the risk-free rate if they are going to invest in a riskier security.

Q WHAT CAPITAL ASSET PRICING MODEL METHODS DID MR. COYNE USE?

A Mr. Coyne's CAPM analysis uses various estimates of the market risk premium (MRP), based on projected data.

His first CAPM analysis use a projected risk-free rate of 3.4%, and the average of his projected long-term market risk premiums based on expected market returns (15.87%, 14.03% and 15.63%).[2] His average expected market return is 15.18%, which

[2] *Id.* at 33.

produces an 11.78% MRP.[3] His second CAPM method uses the current risk-free rate (2.72%) and the same projected MRP which produced an 12.46% MRP.[4] Mr. Coyne used two beta estimates. The first is based on the average beta as assigned by Value Line for each company in his proxy group, or 0.88.[5] The second is the average beta for the proxy group using Bloomberg data, or 0.85.[6] Using this data, he estimates the return on equity for each company in his proxy group.

Q WHAT IS THE ESTIMATED RETURN ON EQUITY USING MR. COYNE'S CAPITAL ASSET PRICING MODEL METHODOLOGY?

A Mr. Coyne's estimated ROE is 13.6% using the projected long-term risk-free rate and 13.5% using the current 30-day average risk-free rate.[7]

Q DO YOU HAVE CONCERNS WITH MR. COYNE'S CAPITAL ASSET PRICING MODEL RETURN ON EQUITY ESTIMATE?

A Yes. Two of his projected MRPs are based on the projected growth of stocks in the S&P 500. However, he includes companies with negative growth and growth above 20% which results in a distorted MRP. Both of those growth estimates are unsustainable and should be removed. Correcting the projected MRP reduces the average MRP to 8.28% (from 11.78%) and lowers the estimated ROE to 10.57%.

While I agree with Mr. Coyne's use of a projected MRP, he failed to estimate the ROE using a historical MRP. Therefore, his estimated CAPM ROE is significantly overstated.

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[3] *Id.*

[4] *Id.*

[5] *Id.* at 33-34.

[6] *Id.*

[7] *Id.*

Q IS IT A COMMON PRACTICE TO ALSO USE THE LONG-TERM HISTORICAL MARKET RISK PREMIUM TO ESTIMATE THE CAPITAL ASSET PRICING MODEL RETURN ON EQUITY?

A Yes. A long-term estimate of the historical MRP is a commonly used method which is based on actual, historical MRPs over several decades and provides a reliable estimate of the expected MRP. Long-term data provides the MRP throughout many economic cycles, providing a reasonable expectation of future performance.

Q WHY DOES LONG-TERM HISTORICAL DATA PROVIDE A GOOD APPROXIMATION OF FUTURE RISK PREMIUMS?

A Dr. Roger A. Morin, whom Mr. Coyne quotes in his testimony, states in *New Regulatory Finance* "it is reasonable to believe that long-run average realized returns provide an unbiased estimate of what were expected returns."[8] Further, Dr. Morin states "a regulatory body should rely on the results of both historical and prospective studies in arriving at an appropriate risk premium..."[9]

Q HAVE YOU CALCULATED THE RETURN ON EQUITY USING THE CAPITAL ASSET PRICING MODEL AND LONG-TERM HISTORICAL MARKET RISK PREMIUM?

A Yes. The historical MRP (1926-2021) is 7.40%, based on Kroll's *2022 SBBI Valuation Yearbook* (formerly published by Duff & Phelps).[10] Using the projected 3.4% long-term risk-free rate, Mr. Coyne's 0.87 average beta and the 7.40% historical MRP, the estimated ROE is 9.84%.

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[8] Public Utility Reports, Inc. *New Regulatory Finance,* Roger Morin PhD at 156 (Jun. 2006).

[9] *Id.* at 163.

[10] *Application of Duke Energy Progress, LLC For Authority to Adjust and Increase its Electric Rates Schedules and Charges*, Docket No. 2022-254-E, Direct Testimony of Roger A. Morin at 44 (Sept. 1, 2022).

Impact of Correcting Mr. Coyne's DCF and CAPM ROE Analysis

Q IF THE VARIOUS FLAWS IN MR. COYNE'S RETURN ON EQUITY ANALYSES ARE CORRECTED, HOW WOULD THIS AFFECT GEORGIA POWER COMPANY'S ESTIMATED RETURN ON EQUITY?

A GPC's ROE would be significantly lower after correcting the errors in Mr. Coyne's analysis and removing his flotation cost adjustment. Based on the results of my revisions, it is clear that GPC's cost of equity should not exceed 9.83%. The derivation of the 9.83% is shown below in Table 1.

BSL Direct Table 1
Revised ROE

Methodology	ROE
DCF 180-day Mean	9.09%
CAPM Projected MRP	10.57%
CAPM Historical MRP	9.84%
Average	9.83%

My revised ROE reflects the inclusion of Mr. Coyne's 180-day DCF analysis, my CAPM results (1) using the corrected projected MRP and (2) using the historical MRP. Additionally, the flotation cost adjustment was excluded because GPC does not issue stock.

Q WHAT IS THE IMPACT ON GEORGIA POWER COMPANY'S REVENUE REQUIREMENT USING YOUR REVISED RETURN ON EQUITY?

A Replacing GPC's requested 11% ROE with the revised 9.83% ROE reduces GPC's revenue requirement by $299 million in 2023. **Exhibit BSL-1** provides the detailed calculations.

Flaws With Mr. Coyne's Risk Premium Analyses

Q DO YOU HAVE ANY COMMENTS REGARDING THE RISK PREMIUM METHOD?

A Yes. The risk premium is not as widely accepted as the DCF and CAPM methodologies when estimating the ROE for a regulated utility. Mr. Coyne's Risk Premium method analyzes the relationship between historical authorized ROEs and the risk-free rate. The Risk Premium method is sometimes used by Commissions as a "check" on the reasonableness of the DCF and CAPM results. Therefore, while the Risk Premium method may not factor in directly when estimating the ROE, it may contribute by measuring the reasonableness of the DCF and CAPM results.

Q IS MR. COYNE'S RISK PREMIUM ANALYSIS VALID?

A No. Mr. Coyne's Risk Premium method estimates the ROE based on the historical relationship between allowed ROEs in electric utility rate cases and the risk-free rate at the time the ROEs were authorized, from 1992 through February 2022. Using this data, Mr. Coyne created a regression analysis to estimate the risk premium.[11] Mr. Coyne's regression analysis purports to demonstrate that there is an inverse relationship between equity risk premium and interest rates. However, his regression analysis does not take into account other factors that can affect the equity risk premium (*e.g.*, different Federal monetary and fiscal policies, and economic risk, such as employment, consumption and growth). These factors can have an impact on authorized ROEs due to their effect on market risk, which may cause regulators to adjust their authorized ROEs. The change in interest rates is one of many factors that may affect a utility's authorized ROE.

[11] Direct Testimony of James M. Coyne at 35.

Q HAVE YOU REVISED MR. COYNE'S RISK PREMIUM ANALYSIS?

A Yes, using data provided by Mr. Coyne, I used the long-term average equity risk premium of 6.06% and long-term risk-free rate of 3.4% to derive an estimated ROE of 9.46%. The long-term risk premium estimate is calculated using authorized ROEs and the long-term risk-free rate at the time the ROE was authorized. The long-term risk premium estimate recognizes that the risk premium can fluctuate depending on market conditions and investor expectations. Therefore, using the average risk premium over this time-period is a reasonable method to estimate GPC's cost of equity.

Q HOW DO THE RESULTS OF YOUR RISK PREMIUM ANALYSIS COMPARE TO YOUR CORRECTED RETURN ON EQUITY?

A While the 9.46% risk premium ROE is slightly below my revised average 9.83% ROE, it provides support that my revised ROE is not too low and provides a reasonable estimate of GPC's ROE.

Flaws with Expected Earnings

Q PLEASE DESCRIBE THE EXPECTED EARNINGS METHODOLOGY.

A The Expected Earnings methodology estimates the cost of equity using projected returns on book equity.

Q WHAT IS MR. COYNE'S ESTIMATED RETURN ON EQUITY USING HIS EXPECTED EARNINGS METHODOLOGY?

A Mr. Coyne's Expected Earnings analysis results in a 11.03% and a 11.08% ROE, based on the mean and median of the results, respectively.

Q WHY DO YOU DISAGREE WITH THE EXPECTED EARNINGS METHODOLOGY?

A The Expected Earnings methodology is not a reliable method to estimate the ROE because it represents a forecast return on book equity and not a required return or cost of equity.

Q WHAT DO YOU MEAN BY THE ESTIMATED EARNINGS METHOD REPRESENTS A FORECAST RETURN ON EQUITY AND NOT A REQUIRED RETURN OR COST OF EQUITY?

A This methodology uses forecasted returns on *book equity*. This is not a reasonable proxy for investors' expected *market* returns. It is a book accounting return and does not reflect investors' market expectations. FERC rejected this methodology in 2019, explaining "Because an investor cannot purchase a utility's common stock at book value and must instead pay the prevailing market price for common equity, the utility's expected earned return on book value is indicative of neither what an investor can expect to earn on an investment in the utility's common stock nor what return an investor requires to invest in the utility's common stock."[12]

As such, Mr. Coyne's Expected Earnings method is not a reliable proxy for the estimated ROE for GPC and should be rejected.

Flotation Costs

Q WHAT ARE FLOTATION COSTS?

A Flotation costs include two components. The first component is the actual cost paid by

[12] *Association of Businesses Advocating Tariff Equity et al. v. Midcontinent Independent System Operator, Inc. et al,* Docket No. EL 14-12-003 and EL 15-45-000, Opinion No. 569 at 104 (Nov. 21, 2019).

a company to the underwriter for issuing stock. The second is indirect and represents the potential dilutive impact due to the issuance of new stock.

Q HOW DO FLOTATION COSTS AFFECT THE RETURN ON EQUITY DETERMINATION?

A Flotation costs increase the ROE. For example, Mr. Coyne made an upward adjustment of eight basis points.[13]

Q SHOULD GEORGIA POWER COMPANY'S RETURN ON EQUITY INCLUDE A FLOTATION COST ADJUSTMENT?

A No. First, Mr. Coyne's estimate of flotation costs was based on the companies in his proxy group, not on any actual flotation costs incurred by GPC. This is because GPC is a regulated utility that does not issue stock and, therefore, does not incur flotation costs. The flotation costs are incurred by GPC's parent company, the Southern Company. Therefore, a flotation cost adjustment is not necessary.

Q IF GEORGIA POWER COMPANY IS RESPONSIBLE FOR THE SOUTHERN COMPANY'S FLOTATION COSTS, SHOULD THE COMMISSION APPROVE MR. COYNE'S ADJUSTMENT?

A No. As noted above, Mr. Coyne's adjustment is not based on actual flotation costs incurred by GPC and, therefore, is unnecessary and unwarranted. If the Commission allows GPC to recover flotation costs, it should be based on a reasonable projection of flotation costs that GPC's parent company will incur during the ARP period.

[13] Direct Testimony of James M. Coyne at 41-42.

Summary of the Flaws With Mr. Coyne's ROE Analysis

Q PLEASE SUMMARIZE YOUR CRITIQUE OF MR. COYNE'S RETURN ON EQUITY ANALYSES.

A Mr. Coyne's recommended ROE of 11% does not recognize GPC's reduced risk due to the regulatory mechanisms it has in place which reduce regulatory lag and income variability, as discussed more fully in my next section. Further, his reasoning for adjusting GPC's ROE due to flotation costs is inaccurate and should be rejected.

Mr. Coyne relies on four methods to estimate an ROE for GPC. His CAPM analysis includes incorrect estimates of the projected MRP and excludes the historical MRP, which results in overstating the ROE.

The Risk Premium analysis uses a regression analysis that relies solely on the relationship between interest rates and the equity risk premium. It does not include other factors that could impact the risk premium, such as Federal monetary and fiscal policies. Ignoring other factors that affect the equity risk premium produces inaccurate ROE estimates and the results should be rejected.

The Expected Earnings methodology is not a common method used to estimate the cost of equity for a regulated utility. The utility's expected return on book value is indicative of neither what an investor can expect to earn on an investment in the utility's common stock, nor what return an investor requires to invest in the utility's common stock. Therefore, it should be rejected.

Lastly, the flotation cost adjustment is misplaced because GPC does not issue stock.

3. FACTORS IMPACTING THE RETURN ON EQUITY

Q WHAT FACTORS SHOULD THE COMMISSION CONSIDER WHEN DETERMINING AN APPROPRIATE RETURN ON EQUITY FOR GEORGIA POWER COMPANY?

A First and foremost, a fair and reasonable ROE should be based on results derived from accepted methodologies, such as the DCF and CAPM methods, and using the Risk Premium method as a check on the reasonableness of the DCF and CAPM results. Further, the inputs and assumptions used in applying the accepted methodologies should consider current financial and economic realities, such as:

- GPC's financial and business risk; and
- The ROEs authorized by state regulatory commissions.

I discuss each of these considerations in detail below.

Financial Risk

Q WHAT IS FINANCIAL RISK?

A Financial risk represents variability in income. Quantifying financial risk includes an analysis of a utility's financial statements and cash flow/leverage analyses. To the extent such variability is small, or has been reduced by other means, the risk to GPC's shareholders is lower.

Q WHAT FACTORS CAN INFLUENCE THE LEVEL OF FINANCIAL RISK FOR A PARTICULAR UTILITY?

A Financial risk is highly influenced by the regulatory climate. All other things being equal, a utility is less risky if it is regulated by a Commission that:

- authorizes rates for a multi-year period;
- authorizes separate piecemeal cost recovery clauses and revenue decoupling that adjusts rates automatically outside of base rate cases; and
- employs other constructive ratemaking practices.

Q WHAT DO YOU MEAN BY PIECEMEAL COST RECOVERY CLAUSES?

A Piecemeal (or single-issue) ratemaking refers to a utility being allowed to implement adjustment clauses that permit it to change rates outside of a base rate case, while ignoring the utility's earnings. Utilities are able to mitigate risk by implementing an adjustment clause that allows rates to change on an expedited basis, outside the context of a traditional rate case in which all costs and revenues would be considered.

Q DOES GEORGIA POWER COMPANY CURRENTLY HAVE ANY ADJUSTMENT CLAUSES IN PLACE THAT REDUCE ITS VARIABILITY IN INCOME AND LOWER ITS FINANCIAL RISK?

A Yes. GPC has numerous adjustment clauses in place that reduce its financial risk, such as Fuel Cost Recovery, Environmental Compliance Cost Recovery, Demand Side Management rider, the Nuclear Construction Cost Recovery, and an Interim Fuel Rider. GPC's cash flow is improved due to its adjustment clauses and positively affects its credit quality, which reduces its financial risk.

Q HOW DOES LOWER RISK IMPACT GEORGIA POWER COMPANY'S EXPECTED COST OF CAPITAL?

A Lower risk leads to lower financial volatility. GPC has several tools available to reduce its regulatory lag, including the aforementioned adjustment clauses. Therefore, investors' required return for GPC will be lower. Hence, these risk-reducing measures support a reduction to GPC's requested ROE of 11%.

Q DOES THE PROPOSED ALTERNATE RATE PLAN AFFECT GEORGIA POWER COMPANY'S RISK PROFILE?

A Yes. The proposed ARP is a three-year plan in which rates are based on test-year ending July 31, 2023, modified for a levelization adjustment. The ARP provides GPC with rate stability and predictability, reduces regulatory lag by allowing the Company more-timely recovery of costs, and is considered favorable by the credit rating agencies.[14]

Q HOW WILL THE PROPOSED THREE-YEAR ALTERNATE RATE PLAN AFFECT GEORGIA POWER COMPANY'S RISK PROFILE?

A The proposed three-year ARP will lower GPC's risk because it will reduce its business risk (regulatory lag) and its financial risk (revenue volatility). The ARP has lower risk than a traditional ratemaking plan because rates will be adjusted to recover GPC's levelized revenue deficiency over the three-year period. Under normal ratemaking conditions, GPC would file a rate case every year to increase its rates. Having an ARP lowers the risk faced by GPC because it provides predictable and reliable rates, reduces regulatory lag and also reduces revenue volatility.

ROEs Authorized By State Regulatory Commissions

Q WHAT RETURNS ON EQUITY HAVE STATE REGULATORY COMMISSIONS RECENTLY AUTHORIZED FOR REGULATED ELECTRIC INVESTOR-OWNED UTILITIES?

A From roughly 2010 to 2021, average authorized ROEs ranged from 9.53% to 10.42%.

[14] Direct Testimony of Aaron P. Abramovitz, Sarah P. Adams, Adam D. Houston, and Michael B. Robinson at 24-25.

However, in the most recent years this number has been trending downward. The national average authorized ROE for vertically integrated electric utilities was 9.53% in 2021 and 9.47% in the first six months of 2022 as reported by Regulatory Research Associates (RRA), a subsidiary of S&P Global. An excerpt of the RRA Report is provided in **Exhibit BSL-2**. These averages reflect the actual decisions from rate cases in Georgia as well as decisions by other state regulatory commissions in general rate cases. As discussed later, this is a reasonable basis for assessing the trend in authorized ROEs.

Q HOW DOES GEORGIA POWER COMPANY'S REQUESTED RETURN ON EQUITY COMPARE TO THE NATIONAL AVERAGE RETURN ON EQUITY FOR ELECTRIC UTILITIES?

A GPC's requested 11% ROE is 153 basis points higher than the national average authorized ROE for other vertically integrated electric utilities of 9.47% during the first six months of 2022.

Q HOW WOULD GEORGIA POWER COMPANY'S PROJECTED REVENUE DEFICIENCY BE AFFECTED IF THE COMMISSION SET GEORGIA POWER COMPANY'S RETURN ON EQUITY AT THE RRA NATIONAL AVERAGE FOR 2022?

A GPC's projected revenue deficiency would decrease by $391 million. The details of this calculation are shown in **Exhibit BSL-3**.

Q SHOULD THE COMMISSION CONSIDER DETERMINATIONS MADE IN OTHER REGULATORY JURISDICTIONS?

A Yes. This Commission should be informed by the determinations made by other state regulatory commissions. This is because the trend in authorized ROEs indicates that, in general, utilities' financial and credit risks are lower than in the past due, in part, to the implementation of a plethora of cost recovery mechanisms and other enhancements that have reduced regulatory lag. The national authorized average ROE is an important consideration when determining the ROE for GPC, however, as demonstrated previously, my review of Mr. Coyne's quantitative analysis supports a 9.83% ROE.

4. CAPITAL STRUCTURE

Q WHAT IS GEORGIA POWER COMPANY'S PROPOSED CAPITAL STRUCTURE?

A GPC's proposed capital structure includes 44% debt and 56% equity, which is an excessive equity ratio.

Q WHAT IS THE BASIS FOR YOUR STATEMENT THAT GEORGIA POWER COMPANY'S PROPOSED EQUITY RATIO IS EXCESSIVE?

A GPC's proposed equity ratio is excessive because it results in unnecessarily higher costs to ratepayers. Table 2 summarizes the average equity ratio of each vertically integrated electric investor-owned utility in the most recent rate cases decided during the period 2016 through 2022 to date.

Table 2
Average Authorized
Financial Equity Ratios
2016 - 2022

Year	Average Common Equity Ratio
2016	50.43%
2017	50.94%
2018	49.83%
2019	51.99%
2020	50.99%
2021	51.23%
2022	51.58%

As shown above, the average common equity ratio in 2022 is 442 basis points lower than GPC's proposed 56% common equity ratio. GPC's proposed equity ratio is excessive, as compared to the national average ratio and considering GPC's requested

11% ROE. For example, in February 2022 Southwestern Public Service Company was authorized a 54.72% common equity ratio; however, the authorized return on equity was 9.35%, or 165 basis points lower than GPC's requested ROE.[15]

Q HOW DOES GEORGIA POWER COMPANY'S PROPOSED COMMON EQUITY RATIO COMPARE TO THE AVERAGE COMMON EQUITY RATIO FOR THE COMPANIES IN THE PROXY GROUP?

A The average common equity ratio for the companies in Mr. Coyne's proxy group is 52.44%.[16] The average common equity ratio includes companies with credit ratings that are lower than GPC's (A-). If we remove companies with a lower credit, the average common equity ratio is 53%, which is significantly below GPC's proposed 56% equity ratio. **Exhibit BSL-4** provides each proxy group company's credit rating and common equity ratio. A company's common equity ratio contributes to its credit score, therefore a company with a credit rating that is similar to GPC's should have a common equity ratio that is supportive of its rating and a good proxy for GPC's common equity ratio. As demonstrated in **Exhibit BSL-4**, GPC's proposed common equity ratio is significantly above the average common equity ratio of its peers and should be rejected.

[15] *In the Matter of Southwestern Public Service Company's Application for: (1) Revision of Its Retail Rates Under Advice Notice No. 292; (2) Authorization and Approval to Abandon Its Plant X Unit 3 Generating Station; and (3) Other Associated Relief*, Docket No. 20-00238-UT, Order Adopting Certification of Stipulation with Modification at 4. (Feb. 2, 2022).

[16] Direct Testimony of James M. Coyne, Exhibit JMC-10 at 1.

Q ARE THERE ANY CONSEQUENCES OF USING MORE EQUITY AND LESS DEBT TO FINANCE THE UTILITY'S RATE BASE?

A Yes. GPC's higher percentage of equity and lower percentage of debt in its capital structure lowers its financial risk. Furthermore, common equity is more expensive than debt. In this case, GPC is proposing a 56% common equity ratio, but the proposed cost of debt is 3.53%, which is 747 basis points lower than the proposed 11% return on equity. A utility with too much equity in its capital structure has a higher cost of capital than a utility with a more balanced common equity ratio. All else being equal, the higher the overall common equity ratio, the greater the benefits to GPC's shareholders and executives and the higher the rates all GPC retail customers will bear. GPC should not be rewarded for its overly conservative use of debt and high equity ratio.

Q WHAT IS THE IMPACT ON GEORGIA POWER COMPANY'S REVENUE REQUIREMENT IF ITS COMMON EQUITY RATIO IS REDUCED TO THE AVERAGE COMMON EQUITY RATIO OF THE COMPANIES IN THE PROXY GROUP WITH THE SAME CREDIT RATING?

A If GPC's financial common equity ratio is reduced to 53%, its revenue requirement would be $108 million lower. The detailed calculations are shown in **Exhibit BSL-5**.

Q WHAT IS THE IMPACT ON GEORGIA POWER COMPANY'S REVENUE REQUIREMENT IF ITS RETURN ON EQUITY IS CORRECTED AND ITS COMMON EQUITY RATIO IS REDUCED TO YOUR CORRECTED AVERAGE COMMON EQUITY RATIO?

A If GPC's ROE is reduced to my corrected ROE of 9.83% and its common equity ratio

is reduced to 53% (which, as explained earlier, is GPC's proxy group, excluding companies with credit rating below A-) its revenue requirement would be $392 million lower in 2023. The detailed calculations are shown in **Exhibit BSL-6**.

Q WHAT DO YOU RECOMMEND REGARDING GEORGIA POWER COMPANY'S COMMON EQUITY RATIO?

A I recommend that GPC's capital structure should be more in line with the average equity ratio for companies in Mr. Coyne's proxy group that have similar credit ratings as GPC. Accordingly, I recommend that GPC's equity ratio not exceed 53%.

5. CONCLUSION

Q WHAT FINDINGS SHOULD THE COMMISSION MAKE BASED ON THE ISSUES ADDRESSED IN YOUR TESTIMONY?

A The Commission should make the following findings:

- GPC's return on equity should be no higher than 9.83%.
- GPC's common equity ratio should be no higher than the average common equity ratio for companies in the proxy group with similar credit ratings as GPC, or 53%.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes.

APPENDIX A

Qualifications of Billie S. LaConte

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Billie S. LaConte. My business mailing address is 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and am currently employed by J. Pollock, Incorporated as Associate Consultant.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Arts Degree in Mathematics from Boston University and a Master's degree in Business Administration from Washington University.

Upon graduation in May 1995, I joined Drazen Consulting Group, Inc. (DCGI). DCGI was incorporated in 1995 assuming the utility rate and economic consulting activities of Drazen Associates, Inc., active since 1937. I joined J.Pollock in May 2015.

During my tenure at DCGI and J.Pollock my work has focused on revenue requirement issues, cost of capital (return on equity and capital structure), cost allocation, rate design, sales and price forecasts, power cost forecasting, electric restructuring issues, integrated resource plans, formula rate plans, asset management agreements and contract interpretation.

I have been engaged in a wide range of consulting assignments including energy and regulatory matters in both the United States and several Canadian provinces. This has included advising clients on economic and strategic issues concerning the natural gas pipeline, oil pipeline, electric, wastewater and water utilities. I have prepared cost allocation and rate design studies to provide timely

support to clients engaged in settlement negotiations in electric and gas utilities, provided power cost forecasting studies to assist clients in project planning and negotiated contracts with electric utilities for standby services and interruptible rates. I have also prepared studies on electric and gas utilities' performance-based rates (PBR) and benchmarking programs to evaluate their success and to provide recommendations on methods to be used. I worked on contract interpretation to resolve contract disputes for several clients. I have provided financial and cost of service analysis for natural gas pipelines certificate approval from the Federal Energy and Regulatory Commission (FERC) and the Canadian National Energy Board (NEB). Additionally, I completed the Corporate Credit Rating Analysis course presented by Moody's Analytics.

I have worked on various projects located in many states and several Canadian provinces including Alberta, British Columbia, Saskatchewan, Nova Scotia and Quebec. I have testified before the state regulatory commissions of Arkansas, Florida, Georgia, Iowa, Louisiana, Michigan, Minnesota, Missouri, New Mexico, Pennsylvania, Texas and South Carolina, and the provincial regulatory boards of Alberta and Nova Scotia. I similarly have appeared before the St. Louis Metropolitan Sewer District Commission.

Q PLEASE DESCRIBE J. POLLOCK, INCORPORATED.

A J. Pollock assists clients to procure and manage energy in both regulated and competitive markets. The J. Pollock team also advises clients on energy and regulatory issues. Our clients include commercial, industrial and institutional energy consumers. J. Pollock is a registered Class I aggregator in the State of Texas.

APPENDIX B
Testimony Filed in Regulatory Proceedings
by Billie S. LaConte

UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Projected Year Feeder Level Investment Plan; Power Through Program	10/5/2022
NORTHERN STATES POWER	Xcel Large Industrials	E002/GR-21-630	Direct	MN	Return on Equity; Incentive Compensation; Pre-Paid Pension Asset	10/3/2022
ONCOR ELECTRIC DELIVERY COMPANY LLC	Texas Industrial Energy Consumers	53601	Direct	TX	Self-Insurance Reserve; Annual Storm Expense; Regulatory Asset Amortization	8/26/2022
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	R-2022-3031672/73	Rebuttal	PA	Revenue Requirement Allocation; Class Cost-of-Service Study	8/19/2022
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	R-2022-3031113	Surrebuttal	PA	Design Day Demand; Rate Differentials	8/4/2022
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	R-2022-3031672/73	Direct	PA	Wasterwater Subsidy and Allocation; Revenue Stabilization Mechanism; Customer Classification; Revenue Requirement Scale Back	7/29/2022
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	R-2022-3031113	Rebuttal	PA	Class Cost-of-Service Study; Scale Back of Rates; Design Day Demand; Rate Differentials; Universal Service Programs	7/21/2022
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	R-2022-3031113	Direct	PA	Class Cost-of-Service Study; Class Revenue Allocation	6/22/2022
AUSTIN ENERGY	Texas Industrial Energy Consumers	None	Direct	TX	Cash Flow Method; Financial Metrics; General Fund Transfer; Internally Generated Funds	6/22/2022
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21148	Rebuttal	MI	Uncollectible Expense; Rate Stability Target	4/29/2022
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-21148	Direct	MI	Return on Equity, Capital Structure; Renewable Natural Gas Plant; Incentive Compensation; Transportation Demand Charge; Gas Curtailment and Requirements for Plant Protection; Unauthorized Gas Usage Charge	4/8/2022
SEMCO ENERGY GAS COMPANY	Association of Businesses Advocating Tariff Equity	U-21169	Direct	MI	Facilities Improvement Demand Surcharge	3/18/2022
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/27/2021
EL PASO ELECTRIC COMPANY	Freeport-McMoRan Copper & Gold, Inc.	52195	Direct	TX	Return on Equity; Nuclear Non-Fuel Operation and Maintenance; Rate Case Expense; Retiring Generating Units	10/22/2021
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Projected Year Capital Additions; Projected Year O&M expense	10/5/2021
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	R-2021-3024601	Surrebuttal	PA	Return on Equity; Post-Test Year Adjustment	8/5/2021
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc.	21-044-U	Direct	AR	Formula Rate Plan Extension; Return on Equity; Class Cost-of-Service Study	7/19/2021
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	R-2021-3024601	Direct	PA	Return on Equity; Post-Test Year Adjustment	6/28/2021
FLORIDA LIGHT & POWER COMPANY	Florida Inudstrial Power Users Group	20210015-EI	Direct	FL	Cost of Capital; Early Plant Retirement; Rate Case Expense Amortization; Income Tax Change Mechanism	6/21/2021

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DTE GAS COMPANY	Association of Businesses Advocating Tariff Equity	U-20940	Direct	MI	Return on Equity; Operation and Maintenance Expenses; Incentive Compensation	6/3/2021
SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Permian Ltd.	20-00238-UT	Direct	NM	Rate Design, Retired Plant, Expense Amortization	5/17/2021
PHILADELPHIA WATER DEPARTMENT	Philadelphia Large Users Group	Fiscal Years 2022-2023	Rebuttal	PA	Class Cost-of-Service Study; Stormwater Incentive Program	4/7/2021
SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	51415	Direct	TX	Early Plant Retirement; Excess Accumulated Deferred Federal Income Taxes; Self-Insurance Reserve; Imputed Capacity	3/31/2021
SHARYLAND UTILITIES, L.L.C.	Texas Industrial Energy Consumers	51611	Direct	TX	Rate-Case Expenses; Operation and Maintenance Expense; Transmission Cost of Service Refund Rider	3/8/2021
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	2020-3018929	Surrebuttal	PA	Revenue Allocation; Rate Design	2/9/2021
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	2020-3018929	Rebuttal	PA	Allocation of Distribution Mains; Revenue Allocation; Rate Design; Universal Service Fund Charge	1/19/2021
PECO ENERGY COMPANY	Philadelphia Area Industrial Energy Users Group	2020-3018929	Direct	PA	Class Cost-of-Service Study; Class Revenue Allocation	12/22/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Surrebuttal (FRP Extension)	AR	FRP Extension; Return on Equity; Capital Structure; Class Cost-of-Service Study; Industrial Rate Design	11/17/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Surrebuttal	PA	Rate Design; Regionalization and Consolidation Surcharge; Return on Equity	10/20/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct (FRP Extension)	AR	FRP Extension; Return on Equity; Capital Structure; Class Cost-of-Service Study; Industrial Rate Design	10/19/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct (2020 Eval. Report)	AR	Historical Year Netting Adjustment; :Long-Term Debt Costs	10/5/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Rebuttal	PA	Rate Design	9/29/2020
PENNSYLVANIA-AMERICAN WATER COMPANY	Pennsylvania-American Large Water Users Group	2020-3019369 2020-3019371	Direct	PA	Regionalization and Consolidation Surcharges; Commercial Rate Design	9/8/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20697	Rebuttal	MI	Financial Compensation Mechanism; Deferred Capital Spending Recovery Mechanism; Karn 1 & 2 Retention and Separation costs, return on equity, storm restoration deferral; PowerMIFleet Pilot Foundational Infrastructure Program; Conservation Voltage Reduction	7/14/2020
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Direct	AR	Projected Year Capital Expenditures; Capitalization Policy; Projected Year Adjustments	7/2/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20697	Direct	MI	Return on Equity; Capital Structure; Debt Cost; Additional Surcharges and Deferred Regulatory Accounts	6/24/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20650	Rebuttal	MI	Return on Equity; Statistical Analysis of Distribution Mains Allocation	5/5/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20650	Direct	MI	Return on Equity; Capital Structure; Long-Term Debt Cost	4/14/2020

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UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
DTE GAS COMPANY	Association of Businesses Advocating Tariff Equity	U-20642	Rebuttal	MI	Return on Equity	4/14/2020
DTE GAS COMPANY	Association of Businesses Advocating Tariff Equity	U-20642	Direct	MI	Return on Equity; Operation and Maintenance Expenses	3/24/2020
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20618	Direct	MI	Certificate of Convenience and Necessity	1/17/2020
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/30/2019
GEORGIA POWER COMPANY	Georgia Association of Manufacturers and Georgia Industrial Group	42516	Direct	GA	Alternate Rate Plan; Coal Combustion Residual Cost Recovery; Amortization of Retired Plant	10/17/2019
ENTERGY ARKANSAS, LLC	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Tax Cuts and Jobs Act Impact; Projected Year Revenues; Projected Year BRORB; Grid Modernization; Advanced Metering Infrastructure Expense	10/4/2019
SOUTHWESTERN ELECTRIC POWER COMPANY	Western Arkansas Large Energy Consumers	19-008-U	Surrebuttal	AR	SWEPCO's Formula Rate Review; Energy Cost Recovery Rider; Distribution Reliability Rider	9/24/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Settlement Support	AR	Support of Settlement	7/31/2019
SOUTHWESTERN ELECTRIC POWER COMPANY	Western Arkansas Large Energy Consumers	19-008-U	Direct	AR	SWEPCO's Formula Rate Review; Capital Structure; Distribution Reliability Rider; Arkansas Formula Rate Plans	7/16/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Direct	AR	Formula Rate Plan, Capital Additions, Operation and Maintenance Expenses	7/2/2019
ENTERGY LOUISIANA, LLC	Occidential Chemical Corporation	U-35130	Cross-Answering	LA	Fuel Tracking Mechanism	7/1/2019
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	49421	Direct	TX	Unprotected Excess Deferred Income Tax Rider; Incentive Compensation	6/6/2019
ENTERGY LOUISIANA, LLC	Occidential Chemical Corporation	U-35130	Direct	LA	Fuel Tracking Mechanism	5/10/2019
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20322	Rebuttal	MI	Return on Equity	4/29/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	18-057	Supplemental Surrebuttal	AR	Gas Distribution Uprstream Services Contracting Process	4/23/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	18-057	Surrebuttal	AR	Gas Distribution Uprstream Services Contracting Process	4/12/2019
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20322	Direct	MI	Return on Equity; Capital Structure; Project vs. Historical Test Year; Earnings Sharing Mechanism	4/5/2019
DUKE ENERGY PROGRESS, LLC	Nucor Steel - South Carolina	2018-318-E	Direct	SC	Excess Deferred Income Tax Rider; Post-Test Year Adjustments; Coal Ash Pond Closure Expense; End-of-Life Nuclear Costs; Regulatory Assets; Return on Equity and Equity Ratio	3/4/2019
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	18-057	Direct	AR	Gas Distribution Uprstream Services Contracting Process	2/12/2019
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/30/2018

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UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Formula Rate Plan Tariff; Long-Term Debt Cost and Preferred Equity; Projeced Year Capital Additions; Historical Year Capital Additions	10/4/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20134	Rebuttal	MI	Return on Equity	10/1/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-20134	Direct	MI	Return on Equity, Capital Structure and Long-Term Debt Cost, Investment Recovery Mechanism Excess Sharing Mechanism	9/10/2018
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Opposition	AR	Opposition to Settlement Agreement	8/3/2018
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Direct	AR	Impact of Tax Cuts and Jobs Act of 2017; Forecast Revenues; Uncollectible Expense; Pipeline Integrity Assessment and Remediation Expense	7/2/2018
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	17-052	Surrebuttal	AR	Utility Restructuring Costs and Tax Effects	5/31/2018
PUBLIC SERVICE COMPANY OF NEW MEXICO	City of Farmington, New Mexico; Board of County Commissioners for San Juan County	17-00174	Direct	NM	Integrated Resource Plan; Future of San Juan Generation Station	5/4/2018
ENTERGY ARKANSAS, INC. and CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Electric Energy Consumers, Inc. and Arkansas Gas Consumers, Inc.	18-006	Direct	AR	Effect on Revenue Requirement due to 2017 Tax Cuts and Jobs Act	3/29/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U18424	Rebuttal	MI	Rate of Return	3/21/2018
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	18-014-TF	Direct	AR	Impact of Tax Cuts and Jobs Act of 2017 and Tax Adjustment Rider	3/19/2018
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18424	Direct	MI	Rate of Return, Capital Structure	2/28/2018
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc.	17-050-U	Surrebuttal	AR	Asset Management Agreement Proposal	1/12/2018
CENTERPOINT ENERGY ARKANSAS GAS	Arkansas Gas Consumers, Inc.	17-050-U	Direct	AR	Asset Management Agreement Proposal	12/8/2017
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/31/2017
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Forecast Revenues, Cost of Debt, Revenue Requirement and Capital Additions	10/4/2017
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18322	Rebuttal	MI	Return on Equity	9/7/2017
CONSUMERS ENERGY COMPANY	Association of Businesses Advocating Tariff Equity	U-18322	Direct	MI	Return on Equity, Capital Structure	8/10/2017
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Settlement Support	AR	Support of Settlement	7/31/2017
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Gas Consumers, Inc.	17-010-FR	Direct	AR	Rate of Return, Capital Structure, Labor Expense	7/3/2017
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Settlement Support	AR	Support of Settlement	10/24/2016

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UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	16-036-FR	Direct	AR	Rate of Return, Forecast Revenue, Capitalization	9/30/2016
METROPOLITAN EDISON COMPANY; PENNSYLVANIA ELECTRIC COMPANY AND WEST PENN POWER	MEIUG, PICA and WPPII	2016-2537349, 2016-2537352, 2016-2537359	Surrebuttal	PA	Return on Equity	8/31/2016
METROPOLITAN EDISON COMPANY; PENNSYLVANIA ELECTRIC COMPANY AND WEST PENN POWER	MEIUG, PICA and WPPII	2016-2537349, 2016-2537352, 2016-2537359	Direct	PA	Return on Equity	7/22/2016
NORTHERN STATES POWER	Xcel Large Industrials	15-826	Direct	MN	Return on Equity, Multi-Year Rate Plan	6/14/2016
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Electric Energy Consumers, Inc.	15-098-U	Surrebuttal	AR	Return on Equity, Formula Rate Plan, Capital Structure	6/7/2016
CENTERPOINT ENERGY RESOURCES CORP	Arkansas Electric Energy Consumers, Inc.	15-098-U	Direct	AR	Return on Equity, Captial Structure	4/14/2016
MISSOURI-AMERICAN WATER COMPANY	BJC Healthcare	WR-2011-0337	Rebuttal	MO	Return on Equity	1/19/2012
MISSOURI-AMERICAN WATER COMPANY	BJC Healthcare	WR-2011-0337	Direct	MO	Return on Equity	11/17/2011
METROPOLITAN ST. LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Supplemental	MO	Rate Model	9/16/2011
METROPOLITAN ST. LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Surrebuttal	MO	Rate Increase, CIRP, Consent Decree	8/19/2011
METROPOLITAN ST. LOUIS SEWER DISTRICT	Barnes-Jewish Hospital	N/A	Rebuttal	MO	Rate Increase, CIRP, Consent Decree	7/18/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Surrebuttal	MO	Return on Equity, Energy Efficiency Cost Recovery	4/15/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Rebuttal	MO	Return on Equity, Energy Efficiency Cost Recovery	3/25/2011
AMEREN UE	Missouri Energy Group	ER-2011-0028	Direct	MO	Return on Equity	2/8/2011
AMEREN UE	Missouri Energy Group	EO-2010-0255	Direct	MO	Prudence Audit of FAC Periods 1 and 2	11/22/2010
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	09-084-U	Direct - In Support	AR	Supporting the Proposed Settlement Agreement	5/11/2010
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	09-084-U	Surrebuttal	AR	Return on Equity	4/14/2010
ENTERGY ARKANSAS, INC.	Arkansas Electric Energy Consumers, Inc.	09-084-U	Direct	AR	Return on Equity	2/26/2010
AMEREN UE	Missouri Energy Group	ER-2010-0036	Direct	MO	Energy Efficiency Costs	12/18/2009
AMEREN UE	Missouri Energy Group	ER-2008-0318	Surrebuttal	MO	Return on Equity	11/5/2008
AMEREN UE	Missouri Energy Group	ER-2008-0318	Direct	MO	Return on Equity, Off-System Sales	8/28/2008
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Rebuttal	MO	Long-Term Financial Plan, Capital Financing	5/2/2007

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UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
AMEREN UE	Missouri Energy Group	ER-2007-0002	Surrebuttal	MO	Return on Equity, Interruptible Demand, Response Pilot	2/27/2007
AMEREN UE	Missouri Energy Group	ER-2007-0002	Direct	MO	Interruptible Rate	12/29/2006
AMEREN UE	Missouri Energy Group	ER-2007-0002	Direct	MO	Return on Equity, Off-System Sales, Sharing Mechanism, 10% Cap on Residentials	12/15/2006
AMEREN UE	Missouri Energy Group	EA-2005-0180	Rebuttal	MO	Economic Analysis	1/31/2005
NOVA SCOTIA POWER INC.	Avon Valley Greenhouses	NSUARB-P-881	Direct	NS	Cost of Capital	10/12/2004
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Surrebuttal	MO	Working Capital, Return on Equity, Cost Allocation	12/5/2003
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Rebuttal	MO	Rate Design	11/10/2003
MISSOURI-AMERICAN WATER COMPANY	Missouri Energy Group	WR-2003-0500	Direct	MO	Return on Equity, Acquisition Adjustment, Cash Working Capital	10/3/2003
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Direct	MO	Revenue Requirement, Financial Planning	4/22/2003
INTERSTATE POWER AND LIGHT COMPANY	Lee County Energy Users Group- Direct	RPU-02-3	Surrebuttal	IA	Revenue Requirement, Return on Equity	9/19/2002
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Surrebuttal	MO	Revenue Requirement, Capital Financing	8/13/2002
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Surrebuttal	MO	Revenue Requirement, Captial Financiaing, Cost Allocation	7/28/2002
INTERSTATE POWER AND LIGHT COMPANY	Lee County Energy Users Group- Direct	RPU-02-3	Direct	IA	Revenue Requirement, Return on Equity	7/26/2002
METROPOLITAN ST. LOUIS SEWER DISTRICT	Missouri Energy Group	N/A	Rebuttal	MO	Revenue Requirement, Capital Financing	7/10/2002

APPENDIX C

Return on Equity Methodologies

Single Stage Discounted Cash Flow

The discounted cash flow model is used by investors to determine the present value of a stock, based on future cash flows (dividends), which are discounted by the stock's known return and its forecast growth.

The formula is:

$$P = \frac{\mathrm{D}}{\mathrm{r-g}}$$

Where:

P = current stock price

D = dividend yield

r = rate of return

g = growth rate

We can re-arrange the formula thus:

$$r = \frac{\mathrm{D}}{\mathrm{P}} + g$$

In other words, the expected return equals (1) the current dividend rate, plus (2) the expected growth in dividends. The expected growth in dividends is also measured by the expected growth in earnings.

The stock prices are based on the average closing prices for the past 30 days. The 30-day average is used to ensure that the results reflect stock prices over a period of time that is not overly reliant on any particular events affecting stock prices on a given day and that represent capital market conditions over the past month.

The growth rates are the forecast earnings per share growth rates for the next five years from Value Line, Yahoo! Finance, and Zacks. The dividends are forecast figures, also from Value Line. These have been adjusted to reflect any quarterly adjustments during the year.

Multi-Stage Discounted Cash Flow Methodology

A multi-stage DCF analysis uses three separate growth estimates or stages. The first stage measures the near-term growth rate based on the analysts' forecast earnings growth used in my constant growth DCF analysis. The second stage (intermediate-term) growth rates are linear interpolations of the first and third stage growth rates. The third stage (long term) is the forecast of the long-term growth rate of gross domestic product (GDP). Using these inputs, the model calculates the required internal rate of return to meet these dividend growth rates, or the ROE. I calculated three multi-stage ROE analyses using a low, mean, and high first year growth rate that is based on the analysts' forecast estimates of growth, similar to the constant growth DCF analysis.

The multi-stage method is used because analysts' growth rates for the first stage may not be sustainable over the long term. The multi-stage model recognizes short-term growth (whether it be higher or lower than the long term), but also accounts for a more realistic, long-term growth rate. Analysts' growth rates should be viewed in conjunction with other growth estimates to achieve a reasonable forecast of expected earnings.

The long-term growth in GDP is used because the underlying assumption is that mature, established companies can grow at a rate that is similar to, or lower than, the GDP growth rate. While some companies in the economy will grow faster than GDP for a while, this cannot happen consistently over a long period.

Capital Asset Pricing Model

The CAPM is a Risk Premium method that is used to estimate the ROE. It states that the expected return of a security equals the risk-free rate plus a risk premium. Simply put, investors require a premium over the risk-free rate if they are going to invest in a riskier security. The formula for the CAPM is:

*Expected ROE = Risk-Free Rate + β*Market Risk Premium*

The equity risk premium for a particular stock is the MRP times the stock's beta (β). The MRP is the difference between the return on the market on average (*i.e*., the S&P 500) and the risk-free rate. Thus, it is the premium that reflects the risk on an average stock. Beta is the price volatility of that stock relative to the market as a whole. Thus, the risk premium for a *specific* stock equals the *average MRP* times the beta. Since utility stocks are lower risk than the average stock, the risk premium for a utility stock is lower than the average MRP. Multiplying the beta times the MRP gives the appropriate risk premium for the company (or group of comparable companies) being studied.

The risk-free rate is the projected yield on 30-year U.S. Treasury bonds. This rate is considered to be risk-free because the return is guaranteed by the U.S. government.

Two MRP estimates may be used, including the historical MRP estimate and a projected MRP. The historical MRP is based on historical data dating back to 1996. The projected MRP is based on the projected median three-to-five year price appreciation of the 1,700 stocks from Value Line and the projected median dividend yield over the next 12 months for all dividend paying stocks. The forecast annual return is based on the forecast annual growth rate of the stocks plus the forecast median dividend produces a projected annual return. The projected risk-free rate is deducted from the projected annual return to determine the projected MRP.

Beta measures the volatility of a security in comparison to the market as a whole. A beta equal to 1.00 means that a stock's price fluctuates exactly as the market as a whole. A beta higher than 1.00 implies that the stock's price is more volatile than the market; a beta less than 1.00 implies the stock's price is less volatile than the market. The standard formula for estimating beta is the covariance between a security's return and the return of the market divided by the variance of the market returns over a specified period. Beta is based on the betas provided in Value Line. Beta measures the amount of compensation an investor needs to take on additional risk, as compared to the risk-free rate. Value Line's method to estimate beta is based on "a regression analysis of the relationship between weekly percentage changes in the price of a stock and weekly percentage changes in the NYSE Composite Index over a period of five years. Value Line then adjusts these Betas to account for their long-term tendency to converge toward 1.00."[17]

The risk-free rate is based on the projected return on long-term treasuries. This rate is considered risk-free because the security is backed by the U.S. government.

Risk Premium Method

The Risk Premium method estimates the ROE for a utility as the sum of a bond yield plus a risk premium yield. The bond yield is the projected return on the long-term government bond plus the historical risk premium. The risk premium is a measure of the additional return an investor requires due to the additional risk of the security. The risk premium is the measure of the difference between the historical authorized return on equity regulated electric, natural gas or water utilities and the historical yield on 30-year Treasury bonds.

[17] Value Line Publishing, Using Beta, Andrew J. Cueter, (Oct. 2, 2012).

GEORGIA POWER COMPANY

Impact of Corrected ROE

	Proposed Rate of Return for 12 Months Ending July 31, 2023					Revised Rate of Return for 12 Months Ending July 31, 2023				
Line	**Description**	**Ratio**	**Cost Rate**	**Weighted Cost**	**Pre-Tax**	**Description**	**Ratio**	**Cost Rate**	**Weighted Cost**	**Pre-Tax**
1	Long-term Debt	44.18%	3.53%	1.56%	1.56%	Long-term Debt	44.18%	3.53%	1.56%	1.56%
2	Common Equity	55.82%	11.00%	6.14%	8.22%	Common Equity	55.82%	**9.83%**	5.49%	7.35%
3	Total	100.00%		7.70%	9.78%	Total	100.00%		7.05%	8.90%
4	Tax multiplier			1.33861						
5	Rate Base			$34,236,918						($299,312)

SOURCES:
APA-SPA-ADH-MBR-3, Sch 1, WP 1
APA-SPA-ADH-MBR-3, Sch 2, WP 1

RRA Regulatory Focus

Major Rate Case Decisions

July 27, 2022

Major energy rate case decisions in the US –

January-June 2022

Lisa Fontanella, CFA Research Director

The average electric and gas authorized returns on equity remain at all-time lows as per averages calculated for the first half of 2022.

For detailed data

Access RRA's electric and gas rate cases as of the first half of 2022 data tables.

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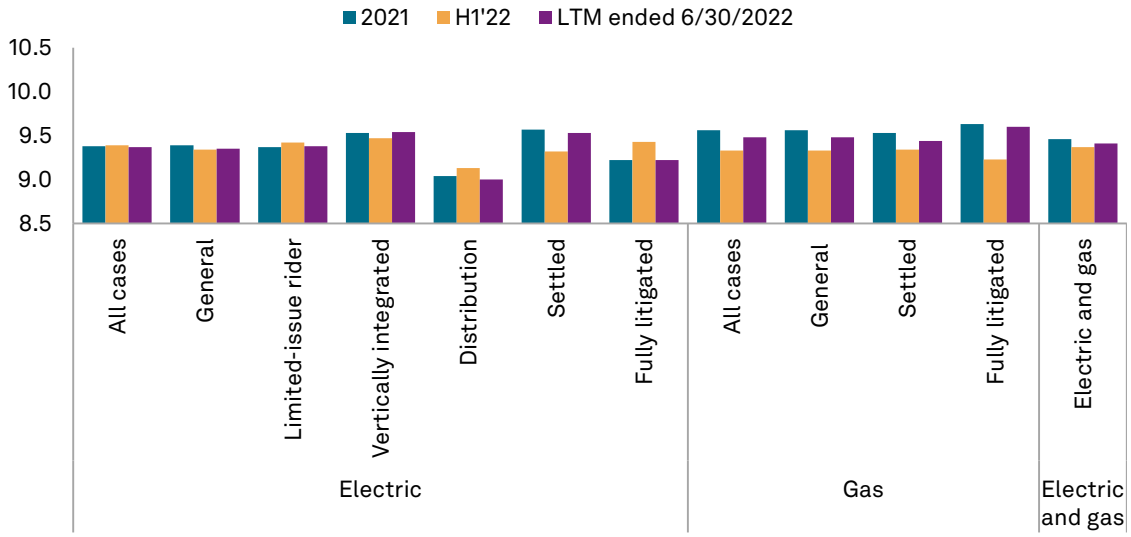
Executive Summary

Introduction

The average electric and gas authorized returns on equity remain at all-time lows as per averages calculated for the first half of 2022.

The average authorized return on equity for electric utilities was 9.39% in rate cases decided in the first half of 2022 — in line with the 9.38% average for full-year 2021. There were 19 electric ROE authorizations in the first half of 2022 versus 55 in full-year 2021.

Average authorized return on equity (%)



Electric averages	2021	H1'22	LTM ended 6/30/2022
All cases	9.38	9.39	9.37
General rate cases	9.39	9.34	9.35
Limited-issue rider cases	9.37	9.42	9.38
Vertically integrated cases	9.53	9.47	9.54
Distribution cases	9.04	9.13	9.00
Settled cases	9.57	9.32	9.53
Fully litigated cases	9.22	9.43	9.22
Gas averages			
All cases	9.56	9.33	9.48
General rate cases	9.56	9.33	9.48
Settled cases	9.53	9.34	9.44
Fully litigated cases	9.63	9.23	9.60
Composite electric and gas averages			
Electric and gas	9.46	9.37	9.41
U.S. Treasury			
30-year bond yield	2.06	2.65	2.29

Data compiled July 22, 2022.
LTM = Last 12 months.
Sources: Regulatory Research Associates, a group within S&P Global Commodity Insights; U.S. Department of the Treasury

GEORGIA POWER COMPANY

Impact of Reducing ROE to National Average Authorized ROE ($000)

	Proposed Rate of Return for 12 Months Ending July 31, 2023					Revised Rate of Return for 12 Months Ending July 31, 2023				
Line	Description	Ratio	Cost Rate	Weighted Cost	Pre-Tax	Description	Ratio	Cost Rate	Weighted Cost	Pre-Tax
1	Long-term Debt	44.18%	3.53%	1.56%	1.56%	Long-term Debt	44.18%	3.53%	1.56%	1.56%
2	Common Equity	55.82%	11.00%	6.14%	8.22%	Common Equity	55.82%	**9.47%**	5.29%	7.08%
3	Total	100.00%		7.70%	9.78%	Total	100.00%		6.85%	8.64%
4	Tax multiplier			1.33861						
5	Rate Base			$34,236,918						($391,408)

SOURCES:
APA-SPA-ADH-MBR-3, Sch 1, WP 1
APA-SPA-ADH-MBR-3, Sch 2, WP 1

GEORGIA POWER COMPANY

Proxy Group Common Equity Ratio

Company Name	Ticker	COMMON EQUITY RATIO - UTILITY OPERATING COMPANIES 2021Q4	2021Q3	2021Q2	2021Q1	2020Q4	2020Q3	2020Q2	2020Q1	2019Q4	Credit Rating S&P	
Minnesota Power Enterprises, Inc.	ALE	56.08%	55.99%	55.76%	56.68%	58.12%	54.30%	55.80%	58.32%	56.38%	BBB	
Superior Water, Light and Power Company	ALE	58.29%	57.51%	57.58%	60.29%	59.27%	58.94%	58.68%	59.14%	58.71%		
Interstate Power and Light Company	LNT	50.22%	52.76%	52.39%	52.14%	52.34%	52.10%	50.30%	51.26%	51.69%	A-	50.22%
Wisconsin Power and Light Company	LNT	52.86%	52.76%	55.10%	54.34%	52.78%	52.78%	52.47%	54.64%	53.47%	A	52.86%
Ameren Illinois Company	AEE	55.78%	54.75%	54.03%	56.11%	55.18%	56.56%	56.16%	54.31%	55.36%	BBB+	
Union Electric Company	AEE	51.87%	51.94%	50.28%	51.99%	51.22%	52.05%	50.42%	49.55%	51.17%	BBB+	
AEP Texas Inc.	AEP	42.81%	41.68%	40.97%	42.77%	42.41%	42.06%	45.04%	44.16%	42.74%	BBB+	
Appalachian Power Company	AEP	48.34%	100.00%	47.55%	47.17%	47.19%	47.10%	46.65%	49.16%	54.15%	A-	48.34%
Indiana Michigan Power Company	AEP	47.38%	47.48%	47.22%	49.09%	48.67%	48.35%	47.83%	47.42%	47.93%	A-	47.38%
Kentucky Power Company	AEP	44.17%	44.00%	43.40%	45.69%	45.28%	44.88%	44.57%	44.60%	44.57%	BBB+	
Kingsport Power Company	AEP	54.18%	53.66%	53.51%	53.68%	53.42%	55.42%	54.98%	55.04%	54.24%	NA	
Ohio Power Company	AEP	48.76%	44.68%	49.10%	48.63%	52.42%	52.10%	51.75%	51.18%	49.82%	A-	48.76%
Public Service Company of Oklahoma	AEP	54.36%	54.31%	57.53%	54.73%	52.88%	51.95%	50.57%	49.51%	53.23%	A-	54.36%
Southwestern Electric Power Company	AEP	48.70%	50.55%	48.78%	47.80%	50.78%	50.57%	49.71%	48.97%	49.48%	A-	48.70%
Wheeling Power Company	AEP	54.01%	54.00%	53.71%	53.94%	54.10%	53.86%	53.55%	53.89%	53.88%	A-	54.01%
Duke Energy Carolinas, LLC	DUK	52.05%	51.64%	51.40%	52.69%	52.33%	51.93%	51.56%	50.26%	51.73%	BBB+	
Duke Energy Florida, LLC	DUK	52.65%	55.67%	53.66%	52.98%	52.59%	52.10%	51.12%	51.30%	52.76%	BBB+	
Duke Energy Indiana, LLC	DUK	53.56%	55.08%	54.84%	54.32%	53.74%	53.08%	50.12%	50.22%	53.12%	BBB+	
Duke Energy Kentucky, Inc.	DUK	52.90%	52.62%	52.21%	50.30%	49.54%	49.28%	51.35%	50.07%	51.03%	BBB+	
Duke Energy Ohio, Inc.	DUK	64.40%	63.53%	63.20%	62.99%	62.46%	62.16%	61.73%	65.61%	63.26%	BBB+	
Duke Energy Progress, LLC	DUK	51.76%	49.33%	51.81%	51.03%	50.69%	51.10%	52.23%	51.82%	51.22%	BBB+	
Southern California Edison Company	EIX	45.52%	45.60%	47.32%	49.78%	49.10%	48.89%	48.94%	48.15%	47.91%	BBB	
Entergy Arkansas, LLC	ETR	47.84%	47.97%	47.04%	46.62%	45.94%	44.42%	47.93%	47.46%	46.90%	A-	47.84%
Entergy Louisiana, LLC	ETR	43.08%	45.02%	44.51%	43.54%	45.62%	48.23%	46.62%	46.00%	45.33%	BBB+	
Entergy Mississippi, LLC	ETR	45.53%	47.53%	46.65%	45.91%	48.19%	47.91%	47.09%	48.92%	47.22%	A-	45.53%
Entergy New Orleans, LLC	ETR	45.52%	49.94%	50.31%	50.12%	50.04%	45.74%	44.82%	44.58%	47.63%	BB	
Entergy Texas, Inc.	ETR	51.32%	50.82%	50.41%	47.62%	47.05%	52.27%	51.16%	50.53%	50.15%	BBB+	
Evergy Kansas South, Inc.	EVRG	83.11%	83.27%	82.90%	82.73%	82.66%	82.55%	82.18%	82.03%	82.68%	A-	83.11%
Evergy Metro, Inc.	EVRG	51.36%	51.20%	49.86%	49.05%	48.69%	48.77%	47.12%	49.97%	49.50%	A	51.36%
Evergy Missouri West, Inc.	EVRG	52.01%	50.37%	49.01%	51.85%	51.97%	52.91%	51.74%	50.52%	51.30%	A-	52.01%
Westar Energy (KPL)	EVRG	58.52%	58.65%	58.47%	58.00%	57.03%	56.97%	55.81%	57.92%	57.67%	N/A	
Hawaiian Electric Company, Inc.	HE	57.06%	57.43%	56.69%	56.44%	56.28%	57.84%	57.28%	56.67%	56.96%	BBB	
Idaho Power Company	IDA	55.00%	55.06%	54.41%	53.01%	53.96%	54.04%	51.25%	55.18%	53.99%	BBB	
Oklahoma Gas and Electric Company	OGE	53.38%	53.16%	53.14%	56.20%	53.04%	52.78%	53.09%	55.28%	53.76%	A-	53.38%
Portland General Electric Company	POR	45.09%	44.79%	47.69%	47.82%	46.07%	47.85%	48.33%	50.09%	47.22%	BBB+	
Northern States Power Company - MN	XEL	52.65%	52.62%	52.07%	51.37%	53.19%	52.20%	50.13%	52.55%	52.10%	A-	52.65%
Northern States Power Company - WI	XEL	52.53%	52.07%	54.87%	54.83%	53.85%	53.13%	52.61%	54.90%	53.60%	A-	52.53%
Public Service Company of Colorado	XEL	56.44%	56.05%	55.42%	54.94%	56.82%	56.56%	54.60%	56.58%	55.93%	A-	56.44%
Southwestern Public Service Company	XEL	54.23%	54.25%	54.19%	54.27%	54.17%	54.15%	54.22%	54.13%	54.20%	A-	54.23%
Average		52.44%	83.11%				Average equity ratio w/credit ratin A- or higher:					53.00%

[1] Ratios are weighted by actual common equity capital and long-term debt of Operating Subsidiaries.

Source: Exhibit JMC-10

GEORGIA POWER COMPANY

Impact of Reducing Common Equity Ratio to Proxy Group Average* ($000)

	Proposed Rate of Return for 12 Months Ending July 31, 2023					Revised Rate of Return for 12 Months Ending July 31, 2023				
Line	Description	Ratio	Cost Rate	Weighted Cost	Pre-Tax	Description	Ratio	Cost Rate	Weighted Cost	Pre-Tax
1	Long-term Debt	44.18%	3.53%	1.56%	1.56%	Long-term Debt	47.00%	3.53%	1.66%	1.66%
2	Common Equity	55.82%	11.00%	6.14%	8.22%	Common Equity	**53.00%**	11.00%	5.83%	7.80%
3	Total	100.00%		7.70%	9.78%	Total	100.00%		7.49%	9.46%
4	Tax multiplier			1.33861						
5	Rate Base			$34,236,918						($108,083)

* Proxy group average for companies with A- credit rating or higher.

SOURCES:
APA-SPA-ADH-MBR-3, Sch 1, WP 1
APA-SPA-ADH-MBR-3, Sch 2, WP 1

GEORGIA POWER COMPANY

Impact of Reducing ROE and Common Equity Ratio

	Proposed Rate of Return for 12 Months Ending July 31, 2023					Revised Rate of Return for 12 Months Ending July 31, 2023				
Line	**Description**	**Ratio**	**Cost Rate**	**Weighted Cost**	**Pre-Tax**	**Description**	**Ratio**	**Cost Rate**	**Weighted Cost**	**Pre-Tax**
1	Long-term Debt	44.18%	3.53%	1.56%	1.56%	Long-term Debt	47.00%	3.53%	1.66%	1.66%
2	Common Equity	55.82%	11.00%	6.14%	8.22%	Common Equity	**53.00%**	**9.83%**	5.21%	6.97%
3	Total	100.00%		7.70%	9.78%	Total	100.00%		6.87%	8.63%
4	Tax multiplier			1.33861						
5	Rate Base			$34,236,918						($392,273)

SOURCES:
APA-SPA-ADH-MBR-3, Sch 1, WP 1
APA-SPA-ADH-MBR-3, Sch 2, WP 1