

From: Bromson, Jonathan
Sent: 9/28/2012 11:54:51 AM
To: Jan Reid (janreid@coastecon.com); 'paul.hunt@sce.com' (paul.hunt@sce.com)
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Bcc:
Subject: RE: Exhibit 35A

DRA prefers the PG&E spreadsheet for reasons similar to those expressed by Mr. Hunt, although we would like the ranges parties have recommended to be included rather than an average. We would still prefer an explicit column for adjustments, but having notes at least documents those adjustments. Without any documentation of the adjustments, the summary of the recommendations would be incomplete.

Jonathan Bromson

Principal Counsel

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From: Paul.Hunt@sce.com [mailto:Paul.Hunt@sce.com]
Sent: Friday, September 28, 2012 10:57 AM
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Subject: Re: Exhibit 35A

I respectfully disagree. As I read it, Ms. Hassan's spreadsheet does not allow the presentation of important information about SCE's cost of capital estimates, particularly the leverage adjustments presented in Exhibit 17 (SCE-1) at page 68 through 71 that are summarized in Tables IV-9 and IV-10 in

that exhibit.

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Date: 09/28/2012 10:48 AM
Subject: Re: Exhibit 35A

I do not support the use of PG&E's spreadsheet for submission to Commissioner Ferron because Ms. Hassan's spreadsheet is easier to understand and more importantly, consistent with what Commissioner Ferron has requested.

If a party feels that significant explanation is required, a party can include that information in its opening brief.

Regards,

Jan Reid
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----- Original Message -----

From: [Redacted]
To: Marcel Hawiger ; Bromson, Jonathan ; 'Hassan, Kim' ; 'ek@a-klaw.com' ; Angelica.Morales@sce.com ; Earl, Laura M ; Woo, Shirley A (Law) ; 'janreid@coastecon.com' ; 'paul.hunt@sce.com' ; Mihee.Moon@sce.com ; Manzuk, Chuck (CManzuk@semprautilities.com)
Cc: Oh, Jerry ; [Redacted] Hughes, John (Reg Rel)
Sent: Thursday, September 27, 2012 5:55 PM
Subject: RE: Exhibit 35A

I'm attaching an excel workbook we've been developing to capture and simply summarize the various model inputs of the parties. As we all know, this gets very messy very quickly because very few of the

ROE modelers have just one simple version of a model. We thought the intent of this exhibit is to simply show each of the parties' inputs to the various models. Doing that may mean taking averages of several growth rates, or betas, etc. even though the ROE experts would claim that taking a simple average of their inputs does not represent how they would weigh them.

We've taken a stab at aggregating our ROE model inputs using simple averages, and they're shown in the spreadsheet as an example of how we think this could be done without overly complicating the final product.

Thinking about Jonathan Bromson's comment about showing adjustments, I'm not sure graphing them makes sense. We may want to consider using notes, e.g., a note on the CAPM page that PG&E also employed a size adjustment and state the average of it. And it's not clear how to deal with CAPMs and ECAPMs – whether to just exclude ECAPM (and other models such as PG&E's expected earnings model, Fama-French), add a fourth model (the transcript clearly contemplates just 3 models), somehow roll it into CAPM results using implied betas etc.

I realize people are very busy preparing for hearings next week, but perhaps the utilities' analysts can try and find a common ground for aggregation and presentation and then float those ideas with DRA and intervenors.

From: Marcel Hawiger [<mailto:Marcel@turn.org>]
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Cc: Oh, Jerry
Subject: Re: Exhibit 35A

I believe we need to work a bit more to determine the level of aggregation that provides useful information. A single sheet for CAPM makes sense. However, for the DCF and RP we may need separate sheets for each IOU. I attach a very disaggregated spreadsheet. I think the best course is to fill this in FIRST, then determine whether we can collapse some of the DCF and RP tables without losing relevant information (ie. Perhaps collapse the tables from different data sources into one table with a range). However, TURN cannot participate more on this prior to close of hearings. I suggest we explain to the ALJ and ask for any guidance, and propose that we submit a late-filed exhibit after close of hearings.

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Subject: RE: Exhibit 35A

DRA would suggest that there also be a column for each method for the various adjustments parties make to the results of the models, i.e., flotation adjustments, growth adjustments, etc. The column should be to the right of the inputs and left of the final recommended ROE. Otherwise the results from the models don't equal the recommendations made by the parties.

Jonathan Bromson
Principal Counsel
DRA

From: Hassan, Kim [<mailto:KHassan@semprautilities.com>]

Sent: Thursday, September 27, 2012 1:37 PM

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Subject: Exhibit 35A

Commissioner Ferron asked for an exhibit (Exhibit 35A), which provides the inputs for the various formulas used by the parties. Attached is a spreadsheet for the CAPM, DCF, and RP models. Because there are modeling variations, ranges are used to reflect parties' various growth rates, dividend rates, risk premiums, and resultant ROE estimates. Assuming, parties agree with the template, please insert the relevant data for your party. Thank you.

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