

STAFF RESPONSES TO AMERENUE DATA REQUESTS NOS. 29 - 41

**AmerenUE DR 29**

Q. Please confirm that the Staff return on equity witness in the most recent Missouri rate case of The Empire District Electric Company, Case No. ER-2008-0093 was Matthew J. Barnes.

**Response.** Yes. The Staff return on equity witness in the most recent Missouri rate case of The Empire District Electric Company, Case No. ER-2008-0093 was Matthew J. Barnes.

**AmerenUE DR 30**

Q. Please confirm that the return on equity recommended by Mr. Barnes in Case No. ER-2008-0093 was a range from 9.72% to 10.80%, with a mid-point of 10.26%. (See Barnes, surrebuttal testimony, p. 8). If not, what was the return on equity recommended by Mr. Barnes?

**Response.** Yes. The return on equity recommended by Mr. Barnes in Case No. ER-2008-0093 was a range from 9.72% to 10.80%, with a mid-point of 10.26%.

**AmerenUE DR 31**

Q. Please confirm that the growth rates Mr. Barnes used for his discounted cash flow analysis in Case No. ER-2008-0093 were 5.55%-6.63% (see Barnes, surrebuttal testimony, p. 6, lines 8-14, and Schedule 15). If not, what growth rates did Mr. Barnes use? Please confirm that these growth rates were calculated based on the projected growth rates of the proxy group chosen by Mr. Barnes. (Staff Report, Cost of Service, p. 14, last line to p. 15, line 2). If not, on what were those growth rates based?

**Response.** Yes. The growth rates Mr. Barnes used for his discounted cash flow analysis in Case No. ER-2008-0093 was 5.55%-6.63% with a mid-point of 6.09 percent. Mr. Barnes relied primarily on projected growth rates, but still considered historic growth rates.

**AmerenUE DR 32**

Q. Please confirm that the dividend yield Mr. Barnes used for his discounted cash flow analysis in Case No. ER-2008-0093 was 4.05% (See Revised Schedule 17 attached to Mr. Barnes' surrebuttal testimony). If not, what dividend yield did Mr. Barnes use? Please confirm that this dividend yield was based on the projected dividend yield for Mr. Barnes' proxy group. If not, on what was the dividend yield based?

UE Exhibit No. 65  
Case No(s) ER-2008-0318  
Date 11-21-08 Rptr XF

**Response.** Yes. The dividend yield Mr. Barnes used for his discounted cash flow analysis in Case No. ER-2008-0093 was 4.05%. Yes, the dividend yield is based on a projected dividend.

### **AmerenUE DR 33**

Q. Please confirm that the Empire District Electric Company's credit rating from Moody's at the time the Staff Report on Cost of Service in Case No. ER-2008-0093 was filed was BBB-. If not, what was Empire's credit rating at that time? Please confirm that the average Moody's credit rating of the comparable companies used by Mr. Barnes in his discounted cash flow analysis was BBB. Please confirm that Mr. Barnes adjusted the proxy group cost of common equity up by 12 basis points to account for the difference in credit rating between the Empire District Electric Company and his proxy group. Please confirm that this adjustment was based on a pro-ration of the spread between A-rated utility bonds and BBB-rated utility bonds. (See Barnes surrebuttal testimony, p. 16).

**Response.** Staff cannot confirm Moody's credit rating at the time of the Staff Report on Cost of Service in Case No. ER-2008-0093 because the Staff does not subscribe to Moody's credit rating services. Staff can confirm that at the time testimony was filed the Standard & Poor's (S&P) credit rating for The Empire District Electric Company was BBB- and the average S&P credit rating for the comparable companies used by Mr. Barnes was BBB. Staff confirms that Mr. Barnes adjusted the proxy group cost of common equity up by 12 basis points to account for the difference in credit rating between The Empire District Electric Company and his proxy group. This adjustment was based on a pro-ration of the spread between A-rated utility bonds and BBB-rated utility bonds.

### **AmerenUE DR 34**

Q. What is the average credit rating for both Moody's and Standard & Poor's of the proxy group used by Mr. Hill in his discounted cash flow analysis in AmerenUE's current rate case, Case No. ER-2008-0318?

**Response.** The average bond rating for the companies in Mr. Hill's sample group for both Standard & Poor's and Moody's is between mid-level triple-B ("BBB" for S&P; "Baa2" for Moody's) and upper-level triple-B ("BBB+" for S&P; "Baa1" for Moody's). S&P: "BBB/BBB+", Moody's: "Baa2/Baa1". The numerical support for this assessment is provided in the electronic copy of Mr. Hill's Schedule 3 attached to his Direct Testimony.

### **AmerenUE DR 35**

Q. What is the source of data used by Mr. Barnes to calculate the spread between A-rated utility bonds and BBB-rated utility bonds in Case No. ER-2008-0093? (See Staff Report, Cost of Service, p. 16, lines 4-5)? Using the same source, what is/was the spread between A-rated and BBB-rated (or A and Baa-rated in Moody's terminology) utility bond

yields (a) currently, (b) in August, 2008, and (c) in June, 2008? If the same source is unavailable, please provide these spreads from the best available source.

**Response.** Staff uses the Mergent Bond Record to evaluate average utility bond yields. The most current data provided by this source was for October 2008. The average difference in A and Baa yields for the most current information was 102 basis points (8.58 – 7.56) for October 2008, 61 basis points (6.98 – 6.37) for August 2008 and 55 basis points (6.93 – 6.38) for June 2008.

**AmerenUE DR 36**

Q. Please confirm that Mr. Barnes used the 30-year T-bond yield in his CAPM analysis for Empire District Electric Company. (See Barnes Surrebuttal Revised Schedule 18). If not, what yield did Mr. Barnes use?

**Response.** Yes. Mr. Barnes used the 30-year T-bond yield for the first variable in his CAPM analysis for The Empire District Electric Company.

**AmerenUE DR 37**

Q. Please confirm that the Staff return on equity witness in the most recent Missouri rate case of Kansas City Power & Light Company, Case No. ER-2007-0291, was Matthew J. Barnes.

**Response.** Yes. The Staff return on equity witness in the most recent Missouri rate case of Kansas City Power & Light Company, Case No. ER-2007-0291 was Matthew J. Barnes.

**AmerenUE DR 38**

Q. Please confirm that the return on equity recommended by Mr. Barnes in Case No. ER-2007-0291 was a range from 9.14% to 10.30%. (See Barnes direct testimony, p. 20). If not, what was the return on equity recommended by Mr. Barnes?

**Response.** Yes. The return on equity recommended by Mr. Barnes in Case No. ER-2007-0291 was a range from 9.14% to 10.30%.

**AmerenUE DR 39**

Q. Please confirm that the growth rates Mr. Barnes used for his discounted cash flow analysis in Case No. ER-2007-0291 were 5.34% to 6.50%. (See Barnes direct testimony, p. 18.). If not, what growth rate did Mr. Barnes use? Please confirm that Mr. Barnes gave complete weight to projected, rather than historic growth rates in performing his discounted cash flow analysis in Case No. ER-2007-0291. (See Barnes direct testimony, p. 18, line 19-p. 19, line 2.) If not, what were those growth rates based on?

**Response.** Yes. The growth rates Mr. Barnes used for his discounted cash flow analysis in Case No. ER-2007-0291 were 5.34% to 6.50%. Due to the volatility of historic growth rates at the time Mr. Barnes performed his analysis in Case No. ER-2007-0291, he relied primarily on projected growth rates, but still considered historic growth rates.

**AmerenUE DR 40**

**Q.** Please confirm that the dividend yield Mr. Barnes used for his discounted cash flow analysis in Case No. ER-2008-0291 was 3.80%. If not, what dividend yield did Mr. Barnes use? Please confirm that this dividend yield was based on the projected dividend yield of Mr. Barnes' proxy group. (See Barnes direct testimony, p. 18.)

**Response.** Assuming the case in question should be Case No. ER-2007-0291, yes. The dividend yield Mr. Barnes used for his discounted cash flow analysis in Case No. ER-2007-0291 was 3.80%. Yes, the dividend yield is based on a projected dividend.

**AmerenUE DR 41**

**Q.** Please confirm that Mr. Barnes used the yield on 30-year Government bonds in his CAPM analysis in case No. ER-2008-0291. (See Barnes Direct Schedule 18). If not, what yield did Mr. Barnes use?

**Response.** Assuming the case in question should be Case No. ER-2007-0291, yes. Mr. Barnes used the yield on 30-year Treasury bonds for the first variable in his CAPM analysis in case No. ER-2007-0291.

Staff Responses to AmerenUE Data Request Nos. 29-33 and 35-41 were prepared by David Murray, Acting Utility Regulatory Manager, Utility Services Division, Staff.

Staff Response to AmerenUE Data Request No. 34 was prepared by Stephen Hill, Hill Associates.

Responses submitted to AmerenUE November 19, 2008.