

1 A. I relied on the *ex-ante* Market Risk Premia discussed above, together with the
2 current and near-term projected 30-year Treasury yields as inputs to my CAPM analyses.

3 Q. What Beta coefficient did you use in your CAPM model?

4 A. As shown in Schedule RBH-12, I considered the Beta coefficients reported by
5 two sources: Bloomberg and Value Line. For each source, I employed the average of the
6 reported Beta coefficient for each proxy group company. While both of those services adjust
7 their calculated (or "raw") Beta coefficients to reflect the tendency of the Beta coefficient to
8 regress to the market mean of 1.00, Value Line calculates the Beta coefficient over a five-year
9 period, while Bloomberg's calculation is based on two years of data.

10 Q. What are the results of your CAPM analysis?

11 A. As shown in Table 9 the CAPM analyses suggest an ROE range of ~~10.27%~~10.31%
12 percent to ~~12.08%~~12.13% percent (see also Schedule RBH-13).

13 Table 9: Summary of CAPM Results

	<i>Bloomberg Derived Market Risk Premium</i>	<i>Value Line Derived Market Risk Premium</i>
<i>Average Bloomberg Beta Coefficient</i>		
Current 30-Year Treasury (3.60%)	11.50% <u>11.55%</u>	10.27% <u>10.31%</u>
Near Term Projected 30-Year Treasury (4.15%)	12.05% <u>12.10%</u>	10.82% <u>10.86%</u>
<i>Average Value Line Beta Coefficient</i>		
Current 30-Year Treasury (3.60%)	11.53% <u>11.57%</u>	10.29% <u>10.33%</u>
Near Term Projected 30-Year Treasury (4.15%)	12.08% <u>12.13%</u>	10.84% <u>10.88%</u>

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Table 10b: Summary of Risk Premium and Other Analytical Results

CAPM Results		<i>Bloomberg Derived Market Risk Premium</i>	<i>Value Line Derived Market Risk Premium</i>
<i>Average Bloomberg Beta Coefficient</i>			
Current 30-Year Treasury (3.60%)		11.50% <u>11.55%</u>	10.27% <u>10.31%</u>
Near Term Projected 30-Year Treasury (4.15%)		12.05% <u>12.10%</u>	10.82% <u>10.86%</u>
<i>Average Value Line Beta Coefficient</i>			
Current 30-Year Treasury (3.60%)		11.53% <u>11.57%</u>	10.29% <u>10.33%</u>
Near Term Projected 30-Year Treasury (4.15%)		12.08% <u>12.13%</u>	10.84% <u>10.88%</u>
	<i>Low</i>	<i>Mid</i>	<i>High</i>
Bond Yield Plus Risk Premium	10.20%	10.34%	10.77%

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3 **Q. Does this conclude your Rebuttal Testimony?**

4 **A. Yes, it does.**

Bloomberg, Value Line, and Calculated Beta Coefficients

Company	Ticker	[1]	[2]
		Bloomberg	Value Line
American Electric Power Company, Inc.	AEP	0.755	0.70
Cleco Corporation	CNL	0.761	0.70
Duke Energy Corporation	DUK	0.642	0.70
Empire District Electric Company	EDE	0.720	0.75
Great Plains Energy Inc.	GXP	0.843	0.90
Hawaiian Electric Industries, Inc.	HE	0.782	0.80
IDACORP, Inc.	IDA	0.880	0.75
NextEra Energy, Inc.	NEE	0.717	0.75
Northeast Utilities	NU	0.736	0.75
Otter Tail Corporation	OTTR	0.898	0.95
Pinnacle West Capital Corporation	PNW	0.815	0.75
PNM Resources, Inc.	PNM	0.826	0.95
Portland General Electric Company	POR	0.830	0.75
Southern Company	SO	0.612	0.60
Westar Energy, Inc.	WR	0.749	0.80
Mean		0.771	0.77

Notes:

[1] Source: Bloomberg Professional Service

[2] Source: Value Line

Capital Asset Pricing Model Results
Bloomberg and Value Line Derived Market Risk Premium

	[1]	[2]	[3]	[4]	[5]	[6]
			Ex-Ante Market Risk Premium		CAPM Result	
	Risk-Free Rate	Average Beta Coefficient	Bloomberg Market DCF Derived	Value Line Market DCF Derived	Bloomberg Market DCF Derived	Value Line Market DCF Derived
PROXY GROUP BLOOMBERG BETA COEFFICIENT						
Current 30-Year Treasury (30-day average) [7]	3.60%	0.771	10.31%	8.71%	11.55%	10.31%
Near-Term Projected 30-Year Treasury [8]	4.15%	0.771	10.31%	8.71%	12.10%	10.86%
Mean					11.82%	10.59%
PROXY GROUP VALUE LINE AVERAGE BETA COEFFICIENT						
Current 30-Year Treasury (30-day average) [7]	3.60%	0.773	10.31%	8.71%	11.57%	10.33%
Near-Term Projected 30-Year Treasury [8]	4.15%	0.773	10.31%	8.71%	12.13%	10.88%
Mean					11.85%	10.61%

Notes:

- [1] See Notes [9] and [10]
 [2] Source: Schedule RBH-12
 [3] Source: Schedule RBH-13
 [4] Source: Schedule RBH-13
 [5] Equals Col. [1] + (Col. [2] x Col. [3])
 [6] Equals Col. [1] + (Col. [2] x Col. [4])
 [7] Source: Bloomberg Professional
 [8] Source: Blue Chip Financial Forecasts, Vol. 33, No. 4, April 1, 2014, at 2