

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Robert M. Pickett, Chairman
Stephen McAlpine
Rebecca L. Pauli
Norman Rokeberg
Janis. W. Wilson

In the Matter of the Tariff Revision Designated as)
TA285-4 Filed by ENSTAR NATURAL GAS) U-16-066
COMPANY, A DIVISION OF SEMCO ENERGY,)
INC.)
_____)

**ENSTAR NATURAL GAS COMPANY'S RESPONSE TO THE ATTORNEY
GENERAL'S SECOND REQUEST FOR DISCOVERY**

Pursuant to 3 AAC 48.155 and 3 AAC 48.141-145, ENSTAR Natural
Gas Company ("ENSTAR"), by and through its counsel, responds to the Second
Request for Discovery by the Attorney General ("RAPA"), as follows:

PRELIMINARY STATEMENT

Discovery in this docket is not complete. As discovery proceeds, facts,
information, evidence, documents, and other matters may be discovered which are not
set forth in these responses, but which may be responsive to these discovery requests.
The following responses are complete based on ENSTAR's current knowledge,
information, and belief. Furthermore, these responses were prepared based on
ENSTAR's good faith interpretation of the discovery requests and are subject to
correction for inadvertent errors or omissions, if any.

U-16-066 - ENSTAR's Response to Attorney General's Second Request for
Discovery
September 16, 2016
Page 1 of 52

GENERAL OBJECTIONS

1. ENSTAR objects to requests for documents relating to confidential settlement negotiations. Any and all answers ENSTAR provides in response to these data requests will be provided subject to, and without waiving, this objection.

2. ENSTAR objects to the production of documents, calculations, and analyses that do not exist. A document is not within a party's "possession, custody, or control" if it does not exist.

3. ENSTAR objects to each and every data request insofar as they are vague, ambiguous, overly broad, unduly burdensome, or use terms that are subject to multiple interpretations but are not properly defined or explained for purposes of these data requests. Any and all answers ENSTAR provides in response to these data requests will be provided subject to, and without waiving, this objection.

4. ENSTAR objects to each and every data request insofar as it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding.

5. ENSTAR objects to providing information to the extent such information is already a matter of public record. RAPA is not entitled to require other parties to gather information that is equally available and accessible to it.

6. ENSTAR objects to each and every data request insofar as it seeks documents or information protected by the attorney-client privilege or the work

1 product privilege. Nothing contained in these responses is intended as, or shall in any
2 way be deemed, a waiver of any such privilege or protection, or any other applicable
3 privilege or doctrine.

4 7. ENSTAR objects to the instructions contained in RAPA's Second
5 Discovery Request to ENSTAR Natural Gas Company. In responding to the requests,
6 ENSTAR will abide by the Commission's discovery regulations and where applicable,
7 Alaska Rules of Civil Procedure.

8 8. ENSTAR objects to the requests for identification of answering and
9 hearing witnesses as part of the responses. Witness designation in this matter is not
10 required by the Commission's regulations or the Alaska Rules of Civil Procedure.
11 Further, it is too early in the proceedings to designate witnesses for certain topics and
12 some topics may be addressed by multiple witnesses. In accord with Commission
13 regulations, ENSTAR will identify individuals who supplied information for a
14 particular response where appropriate.
15

16 DISCOVERY RESPONSES

17 AG-ENSTAR-2-1. Please show the current organizational structure that
18 identifies ENSTAR and all of its affiliated and parent companies.

19 Response: Please see ENS00492.

20 Person(s) Who Supplied Information for Response: Jillian Fan.
21

1 As such, ENSTAR may not publicly release said documents.

2 Person(s) Who Supplied Information for Response: Mark A. Moses and Jillian
3 Fan.

4
5 AG-ENSTAR-2-6. Produce a copy of ENSTAR's contract with Mr. Hevert
6 (or with Sussex Economic Advisors) for the testimony Mr. Hevert is providing in this
7 Docket.

8 Response: Please see ENS00584-ENS00629.

9 Person(s) Who Supplied Information for Response: Daniel Dieckgraff.

10
11
12 AG-ENSTAR-2-7. Please identify every rate proceeding in all jurisdictions
13 where Mr. Hevert has submitted cost of capital/return on equity testimony since 2006.
14 For each proceeding identified, please provide the following information:

- 15
16 (a) Name of utility;
17 (b) Date of Mr. Hevert's testimony;
18 (c) Identify Mr. Hevert's client;
19 (d) Docket number;
20 (e) Name of jurisdiction;
21 (f) Return on equity Mr. Hevert recommended;
22 (g) Return on equity authorized;
23

1 (h) Whether the return on equity authorized was the result of an approved
2 or accepted settlement or resulted from a commission adjudicatory decision;

3 (i) Overall rate of return Mr. Hevert recommended; and

4 (j) Overall rate of return authorized by the commission.
5

6 **Response:** ENSTAR objects to this request to the extent it seeks publicly
7 available documents equally accessible by any party, including orders of state or
8 federal regulatory commissions or other filings in such proceedings.

9 Subject to and without waiving this objection, ENSTAR responds as
10 follows:

11 Please see ENS00630-ENS00648 and refer to Exhibit RBH-1.
12

13 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.
14

15 **AG-ENSTAR-2-8.** (a) Please admit Mr. Hevert's return on equity
16 recommendations have not been adopted by any regulatory commission.

17 (b) If your response to (a) is anything but an unqualified admission, identify
18 by jurisdiction, docket number, and date all instances where Mr. Hevert's return on
19 equity recommendations have been adopted.
20

21 (c) Produce a copy of any commission orders identified in response to
22 subpart (b) above.
23

1 **Response:** ENSTAR objects to this request to the extent it seeks publicly
2 available documents equally accessible by any party, including orders of state or
3 federal regulatory commissions or other filings in such proceedings.

4 Subject to and without waiving this objection, ENSTAR responds as follows:

5 (a) Please see response to AG-ENSTAR-2-7.

6 (b) Please see response to AG-ENSTAR-2-7.

7 (c) Mr. Hevert does not retain a copy of all Commission orders identified
8 in response to subpart (a). However, Commission orders are publicly available and
9 can be found with the docket numbers provided in response to subpart (a).
10

11 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.

12 **AG-ENSTAR-2-9.** (a) Please admit Mr. Hevert has never submitted cost
13 of capital/return on equity testimony in a public utility or pipeline proceeding on behalf
14 of a commission's staff, public or ratepayer advocate, or an intervenor.
15

16 (b) If your answer to (a) is anything other than an unqualified admission,
17 please identify by jurisdiction, docket number, and the date of Mr. Hevert's testimony
18 any instance in which Mr. Hevert has submitted testimony on behalf of a commission's
19 staff, public or ratepayer advocate, or an intervenor.
20

21 (c) Produce a copy of all testimonies submitted by Mr. Hevert identified in
22 response to subpart (b).
23

1 Person(s) Who Supplied Information for Response: Robert B. Hevert.

2
3 AG-ENSTAR-2-13. Refer to Mr. Hevert's Direct Testimony at 6, lines
4 9 - 10, where Mr. Hevert says, "ENSTAR is not simply a local gas distribution
5 company, but also a pipeline transmission company." Please provide the following
6 information for each year 2011-2015, and 2016 when available, for ENSTAR:
7

8 (a) Percentages of operating income attributable to gas distribution and
9 pipeline transmission.

10 (b) Percentages of operating revenues attributable to gas distribution and
11 pipeline transmission.

12 (c) Percentages of assets attributable to gas distribution and pipeline
13 transmission.

14 (d) Percentages of pipeline transmission that is provided to gas distribution
15 of ENSTAR.

16 Response:

17
18 (a) ENSTAR objects to the request as it is vague and ambiguous such that
19 ENSTAR is unable to determine the information sought with any reasonable degree of
20 certainty. ENSTAR further objects to the production of documents, calculations, and
21 analyses that do not exist. A document is not within a party's "possession, custody, or
22 control" if it does not exist. Assuming that the question is intended to determine annual
23
24

1 operating income earned from operations on ENSTAR's gas distribution plant as
2 compared to on ENSTAR's transmission plant, ENSTAR objects as it does not
3 attribute operating income to "gas distribution and pipeline transmission." Subject to
4 and without waiving these objections, ENSTAR responds as follows: ENSTAR has
5 historically been regulated by the Commission as a single integrated entity, with rates
6 set based upon the combined revenue requirement of its transmission and distribution
7 operations.
8

9 (b) Please see response to AG-2-13(a).

10 (c) ENSTAR objects to providing items that can be computed from data
11 already in the possession of AG-RAPA. For years 2014 and 2015, please see pages
12 26 and 27 of Attachment B to TA 285-4. For years 2011 through 2013, please see
13 ENS00650-ENS00652.
14

15 (d) ENSTAR objects to this request to the extent it seeks publicly available
16 documents equally accessible by any party, including orders of state commissions or
17 other filings in such proceedings. ENSTAR further objects to the request as it is vague
18 and ambiguous as to what is meant by the term "pipeline transmission that is provided
19 to gas distribution of ENSTAR."
20

21 Subject to and without waiving this objection, ENSTAR responds as follows:
22 ENSTAR assumes that, in this question, "pipeline transmission" means total
23 throughput on ENSTAR's transmission pipelines, and that "gas distribution of
24

1 ENSTAR” means the total volume of natural gas sold to ENSTAR’s Gas Sales
2 Customers, please refer to ENS00653.

3 **Person(s) Who Supplied Information for Response:** Dan Dieckgraeff and
4 Chelsea Guintu.
5

6
7 **AG-ENSTAR-2-14.** Refer to Mr. Hevert’s Direct Testimony at 7, lines
8 3 - 4 where Mr. Hevert says, “I believe an ROE in the range of 12.50 percent to 14.00
9 percent is reasonable and appropriate for ENSTAR.” Refer also to Mr. Hevert’s Direct
10 Testimony at 7, lines 9-10 where Mr. Hevert says, “The Company’s previously
11 adjudicated ROE falls within the recommended range. . . .”
12

13 (a) Admit the “previously adjudicated ROE” that Mr. Hevert refers to is
14 12.55 percent ROE.

15 (b) If the answer to (a) is anything other than an unqualified admission,
16 please fully explain the answer given.

17 (c) Admit also that the “previously adjudicated ROE” that Mr. Hevert refers
18 to in his testimony is derived from Order U-00-088(12).
19

20 (d) If the answer to (c) is anything other than an unqualified admission,
21 please fully explain the answer given.

22 **Response:**
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24

25 U-16-066 - ENSTAR’s Response to Attorney General’s Second Request for
26 Discovery
September 16, 2016
Page 16 of 52

1 (a) ENSTAR's most recent adjudicated rate case authorized a 12.55% ROE
2 in Docket U-00-088. See Order U-00-88(12) dated August 8, 2002.
3 Further, Order U-09-069(10)/ U-09-070(10) accepted a stipulated
4 agreement which included the 12.55 percent ROE. The agreement noted
5 that the agreed upon cost of equity "was the allowed equity return in
6 ENSTAR's last rate case."
7

8 (b) Please see response to subpart (a).

9 (c) Please see response to subpart (a).

10 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.
11

12
13 **AG-ENSTAR-2-15.** Refer to Mr. Hevert's Direct Testimony at 7, lines
14 14 - 16, where Mr. Hevert says, "The Company's capital structure, which includes
15 51.68 percent common equity and 48.32 percent long term debt, is consistent with
16 those in place in comparable companies."

17 (a) Identify the "comparable companies" Mr. Hevert refers to in his answer.
18

19 (b) Produce a copy of the documentation Mr. Hevert relies on for his answer
20 that these "comparable companies" have capital structures "consistent" with
21 ENSTAR's 51.68 percent common equity ratio.

22 **Response:**
23

24
25 U-16-066 - ENSTAR's Response to Attorney General's Second Request for
26 Discovery
September 16, 2016
Page 17 of 52

1 **AG-ENSTAR-2-17.** Refer to Mr. Hevert's Direct Testimony at 11, lines
2 1 - 13, where Mr. Hevert describes the "ENSTAR specific risk factors" he considered
3 in selecting his proxy group and performing his Cost of Equity analyses.

4 Identify all utilities that Mr. Hevert has performed Cost of Equity analyses in
5 which he described the utility as having below-average risk and recommended a lower
6 Cost of Equity as a result of the lower risk.

7
8 **Response:** Mr. Hevert has provided testimony in more than 150 proceedings
9 and provided a listing of his testimony as Exhibit RBH-1 to his Direct Testimony. Mr.
10 Hevert has not compiled the information requested from these proceedings. Please see
11 Exhibit RBH-1 and an updated listing of Mr. Hevert's previously filed testimonies at
12 ENS00630-ENS00648.

13
14 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.

15
16 **AG-ENSTAR-2-18.** Refer to Mr. Hevert's Direct Testimony at 28-29
17 addressing "gas supply risk."

18 (a) Admit Mr. Hevert has never testified in any docket (other than dockets
19 involving ENSTAR) before any state or federal commission that a utility or pipeline
20 faces "gas supply risk" because it was dependent on "producers in a single supply
21 region" which should be accounted for by the Commission in evaluating the utility or
22 pipeline's cost of equity.
23

1 (b) If the answer to (a) is anything but an unqualified admission, please
2 identify each and every instance by jurisdiction, docket number, and name of the utility
3 or pipeline involved in which Mr. Hevert has testified that a utility or pipeline faces
4 "gas supply risk" because it was dependent on "producers in a single supply region."
5

6 (c) Please produce a copy of any orders resulting from the proceedings
7 identified in (b).

8 **Response:**

9 ENSTAR objects to this request to the extent it seeks an analysis of publicly
10 available documents equally accessible by any party, including orders of state or
11 federal regulatory commissions or other filings in such proceedings. ENSTAR also
12 objects to this request to the extent it seeks a legal conclusion.
13

14 Subject to and without waiving these objections, ENSTAR responds as follows:

15 (a) Mr. Hevert has provided testimony in more than 150 proceedings and
16 provided a listing of his testimony as Exhibit RBH-1 to his Direct Testimony.
17 However, his testimony is publicly available at each of the dockets listed in Exhibit
18 RBH-1 and updated in ENS00630-ENS00648. Mr. Hevert has not compiled the
19 information requested from these proceedings, and does not recall whether or not he
20 has ever identified "gas supply risk" due to "producers in a single supply region" as a
21 factor to be considered in the cost of equity analysis. In his direct testimony beginning
22
23
24

1 at p. 25, line 20, Mr. Hevert describes the unique nature of the risks ENSTAR faces,
2 which include the identified "gas supply risk."

3 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.
4

5
6 **AG-ENSTAR-2-19.** Refer to Mr. Hevert's Direct Testimony at 29 - 30
7 addressing "risks associated with the lack of geographic diversity in a utility's supply
8 portfolio."

9 (a) Admit Mr. Hevert has never testified in any other docket before any state
10 or federal commission that a utility or pipeline faces "risks associated with the lack of
11 geographic diversity in a utility's supply portfolio" which should be accounted for by
12 the commission in evaluating the utility or pipeline's cost of equity.
13

14 (b) If the answer to (a) is anything but an unqualified admission, please
15 identify by jurisdiction, docket number, and name of the utility or pipeline involved
16 each and every instance in which Mr. Hevert testified that a utility or pipeline faces
17 "risks associated with the lack of geographic diversity in a utility's supply portfolio"
18 which should be accounted for by the commission in evaluating the utility or pipeline's
19 cost of equity.
20

21 (c) If the answer to (a) is anything but an unqualified admission, please
22 identify each and every instance where the commission has agreed or disagreed with
23 Mr. Hevert's recommendation, and produce a copy of the orders relied on.
24

25 U-16-066 - ENSTAR's Response to Attorney General's Second Request for
26 Discovery
September 16, 2016
Page 21 of 52

1 (c) Please see response to subpart (a). With respect to Mr. Hevert's Direct
2 Testimony filed on behalf of FPL, the case is ongoing and still pending with the Florida
3 PSC. Consequently, the Florida PSC has not ruled on FPL's application.

4 Person(s) Who Supplied Information for Response: Robert B. Hevert.
5

6
7 AG-ENSTAR-2-21. Refer to Mr. Hevert's Direct Testimony at 25, lines
8 20 - 23 discussing ENSTAR's "operating environment."

9 (a) Admit that Mr. Hevert did not analyze any natural gas utilities located
10 elsewhere in the United States in support of his conclusion on page 25, lines 20 - 23
11 that "ENSTAR's geographically isolated location in a comparatively harsh climate
12 represents an incremental risk relative to natural gas utilities located elsewhere in the
13 United States."
14

15 (b) If the response to subpart (a) is anything other than an unqualified
16 admission, identify the natural gas utilities analyzed by Mr. Hevert.

17 (c) Admit Mr. Hevert has not quantified any amount of "incremental risk"
18 associated with ENSTAR's "geographically isolated location."
19

20 (d) If your response to this request is anything but an unqualified admission,
21 produce a copy of the workpapers used for this calculation and a copy of the documents
22 Mr. Hevert relied on to reach his conclusion.
23

1 (e) Admit Mr. Hevert has not quantified any amount of “incremental risk”
2 associated with the “comparatively harsh climate” of ENSTAR’s service area.

3 (f) If your response to this request is anything but an unqualified admission,
4 produce a copy of the workpapers used for this calculation and a copy of the documents
5 Mr. Hevert relied on to reach his conclusion.
6

7 (g) Explain the basis for Mr. Hevert’s statement that the climate in
8 ENSTAR’s service area is “comparatively harsh,” identify the geographic areas he
9 used for comparison purposes, identify the time periods he selected for this
10 comparison, and produce a copy of the records or documents Mr. Hevert relied on to
11 provide his answers.
12

13 **Response:**

14 (a) Mr. Hevert’s analyses compare ENSTAR to his proxy group of
15 comparable companies that includes seven natural gas utilities and seven transmission
16 companies, all of which operate in the “Lower 48” states. Mr. Hevert’s statement
17 regarding ENSTAR’s comparatively harsh climate is regarding Alaska’s climate
18 relative to the “Lower 48” states.
19

20 (b) Please see response to subpart (a).

21 (c) Mr. Hevert has not performed the requested calculation.

22 (d) Please see response to subpart (c).

23 (e) Mr. Hevert has not performed the requested calculation.
24

1 (f) Please see response to subpart (e).

2 (g) Please see response to subpart (a).

3 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.

4
5 **AG-ENSTAR-2-22.** Refer to Mr. Hevert's Direct Testimony at 25, lines
6 22 - 24 discussing ENSTAR's "operating environment."

7
8 (a) Admit ENSTAR's service area does not suffer from "uncertain weather"
9 any more than the service area of any other gas utility in the rest of the United States.

10 (b) If your answer to (a) is anything but an unqualified admission, state in
11 detail the facts supporting your response.

12 (c) Admit "uncertain weather" has never caused ENSTAR to be unable to
13 provide safe and reliable utility service since ENSTAR's last adjudicated rate case.

14 (d) If your answer to (c) is anything but an unqualified admission, state in
15 detail the facts supporting your response.

16 (e) Identify what "supplies" of ENSTAR's "are more limited," and identify
17 each and every instance since ENSTAR's last adjudicated rate case where limited
18 supplies caused ENSTAR to be unable to provide safe and reliable utility service.

19 (f) Identify all supply procurement delays ENSTAR experienced since its
20 last adjudicated rate case, and explain in detail how each and every identified

1 ENSTAR's "supplies" also include natural gas, which it procures from natural
2 gas producers in Cook Inlet. Several of its suppliers have gone bankrupt or have left
3 the Inlet in recent years.

4 Despite these challenges, ENSTAR has provided safe, reliable utility service.
5 ENSTAR does not believe it would be appropriate to undercut its ability to earn a fair
6 return on its investment as a result of its provision of safe, reliable utility service to its
7 customers.
8

9 (f) See AG-2-22(e).

10 (g) See AG-2-22(e).

11 (h) No responsive documents exist at this time.
12

13 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.
14

15 **AG-ENSTAR-2-23.** Refer to Mr. Hevert's Direct Testimony at 26.

16 (a) Produce a copy of 2010 U.S. Census Bureau Cost of Living study relied
17 on by Mr. Hevert in footnote 19.

18 (b) Produce a copy of the Mario Lewis article "*The record on small*
19 *companies: A review of the evidence*" relied on by Mr. Hevert at footnote 20.
20

21 (c) Produce a copy of the Michael Annin article, *Equity and the Small-Stock*
22 *Effect*, relied on by Mr. Hevert at footnote 21.
23

24 **Response:**

25 U-16-066 - ENSTAR's Response to Attorney General's Second Request for
26 Discovery
September 16, 2016
Page 30 of 52

1 Please see ENS00654, ENS00655-ENS00684, and ENS00684-00686.

2 Person(s) Who Supplied Information for Response: Robert B. Hevert.

3
4 AG-ENSTAR-2-24. Refer to Mr. Hevert's Direct Testimony at 26,
5 lines 5 - 12.
6

7 (a) At lines 5-6, Mr. Hevert says "both the financial and academic
8 communities have long accepted the proposition that the Cost of Equity for small firms
9 is subject to a 'size effect.'" Other than the reference given at footnote 20, identify
10 each and every authority Mr. Hevert relies on for this conclusion, and produce a copy
11 of each.
12

13 (b) At lines 7-12, Mr. Hevert refers to "utility analysts [who] have noted the
14 risks associated with small market capitalizations." Other than the reference to
15 Ibbottson Associates addressed at line 9, identify each and every other "utility analyst"
16 Mr. Hevert relies on for this statement.

17 Response:

18 (a) As described in Dr. Roger A. Morin's New Regulatory Finance (and
19 included in ENS00687-ENS00690:
20

21 Investment risk increases as company size diminishes, all
22 else remaining constant. Small companies have very different
23 returns than large ones, and on average they have been higher. The
24 greater risk of small stocks does not fully account for their higher
25 returns over many historical periods. The size phenomenon is
26 well-documented in the finance literature. Empirical studies by

1 *Focus Alternative Regulation Plans A State-by-State Overview* is the most recent such
2 report.

3 (c) Please see ENS00859 – ENS00863.

4 Person(s) Who Supplied Information for Response: Robert B. Hevert.

5
6
7 AG-ENSTAR-2-32. Refer to Mr. Hevert's Direct Testimony at -18-19.
8 Produce a complete copy of the Moody's June 2006 Special Report relied on by
9 Mr. Hevert beginning on line 10, and identified in footnotes 14 and 15.

10 Response: Please see ENS00864-ENS00870.

11 Person(s) Who Supplied Information for Response: Robert B. Hevert.

12
13
14 AG-ENSTAR-2-33. Refer to Mr. Hevert's Direct Testimony at 19, lines
15 11 - 22 and at 20, lines 1 - 11.

16 (a) Other than the source authority cited for Exhibit RBH-9, identify and
17 produce a copy of all other authority Mr. Hevert relies on for his claims that revenue
18 stabilization mechanisms are common in the industry.

19
20 (b) Identify and produce a copy of the authority Mr. Hevert relies on in
21 stating at page 19, lines 14 – 15 that: "Gas distribution utilities lacking such structures
22 are exposed to a comparatively higher level of risk."

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25 U-16-066 - ENSTAR's Response to Attorney General's Second Request for
26 Discovery
September 16, 2016
Page 41 of 52

1 (c) Is it Mr. Hevert's testimony that regulatory commissions evaluating the
2 ROE for gas distribution utilities having such "structures" should reduce awarded
3 ROEs to address lower levels of utility risk? If not, why not?

4 (d) Is the source data Mr. Hevert uses in computing his "79 percent" figure
5 at page 19, line 19 and the "95 percent" figure at line 22 the same source used for
6 Exhibit RBH-9? If not, produce a copy of the source data used for these computations.
7

8 **Response:**

9 (a) Please see Mr. Hevert's Direct Testimony at 18, lines 13-18.

10 (b) Please see Mr. Hevert's Direct Testimony at 18 line 19 to 19 line 9.

11 (c) Estimating the Cost of Equity for a regulated utility is a comparative
12 exercise. While it may be the case that a company has revenue stabilization
13 mechanisms, the relevant analytical issue is whether that structures are so risk
14 mitigating relative to structures in place at the proxy companies that investors would
15 knowing and measurably reduce their return requirements for the given company. It
16 is important, therefore, to review other utilities' use of such ratemaking structures in
17 evaluating the Cost of Equity. Without knowing the specific nature of a particular
18 revenue stabilization mechanism, and whether that mechanism is common amongst
19 similarly situated companies, it is not possible to make a determination as to the
20 absolute level of risk, or Cost of Equity for a given company. In addition, a utility may
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1 by subject to other risk factors that are not addressed by regulatory stabilization
2 mechanisms, but affect the company's Cost of Equity.

3 (d) Mr. Hevert relied on Exhibit RBH-9 in computing his "79.00 percent"
4 and "95.00 percent" calculations.

5 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.

6
7
8 **AG-ENSTAR-2-34.** Refer to Mr. Hevert's Direct Testimony at 56, lines 1-
9 2 and Exhibit RBH-10. Produce a copy of the documents referenced by Mr. Hevert,
10 and relied on by him in computing his flotation adjustment.

11 **Response:** Please see Exhibit RBR-9 for the calculation of flotation costs.
12 Please see ENS00871-ENS02058 for each prospectus relied upon in developing the
13 flotation cost calculation. Lastly, please note that Mr. Hevert did not propose a specific
14 flotation cost "adjustment" to his ROE estimates. Instead, he took flotation costs,
15 along with other factors, into consideration when determining where the Company's
16 Cost of Equity falls within the range of results.

17 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.

18
19
20
21 **AG-ENSTAR-2-35.** Refer to Mr. Hevert's Direct Testimony at 54 – 56,
22 concluding flotation costs should be considered in evaluating ENSTAR's ROE.

23 (a) Admit that ENSTAR does not issue stock.

Response:

(a) Please see ENS02059 and ENS02060-ENS02857.

(b) Please see the response to AG-1-8.

Person(s) Who Supplied Information for Response: Robert B. Hevert.

AG-ENSTAR-2-37. Refer to Mr. Hevert's Direct Testimony. Please produce complete copies of all documents referred to in the following:

- (a) Footnote 4 on page 10;
- (b) Footnote 18 on page 24;
- (c) Footnote 25 on page 32;
- (d) Footnote 45-48 on page 58;
- (e) Footnote 49 on page 59; and
- (f) Footnote 52 on page 63.

Response:

(a) Please see ENS02858-ENS02861.

(b) Please see ENS02862-ENS02924.

(c) Please see Excel file titled "Hevert Direct Workpapers", specifically the worksheet titled "Chart 5-Rate Case" provided as ENS02059 in AG-2-36.

1 (d) Please see ENS02925-ENS2971 and the file in Folder AG-2-36 titled
2 ENS02059, the Excel file titled "Hevert Direct Workpapers"; specifically the
3 worksheet titled "Chart 7-FED Balance Sheet".

4 (e) Please see Excel file titled "Hevert Direct Workpapers", specifically the
5 worksheet titled "Chart 7-FED Balance Sheet" provided as ENS02059 in AG-2-36.
6

7 (f) Please see ENS02972-ENS02990.

8 **Person(s) Who Supplied Information for Response:** Robert B. Hevert.

9
10 **AG-ENSTAR-2-38.** Refer to Mr. Hevert's Direct Testimony at page 19,
11 line 22 and page 20, lines 1-2, where Mr. Hevert states that: "95 percent of investor-
12 owned natural gas utilities have in place at least one revenue stabilization mechanism,
13 whereas ENSTAR has none."
14

15 (a) Please identify and produce a copy of all documents and work papers
16 relied upon in making this statement.

17 (b) Please identify each individual state that Mr. Hevert is aware of where a
18 natural gas utility revenue stabilization mechanism is in effect and identify the
19 stabilization mechanism.
20

21 (c) Please identify the elements and purpose Mr. Hevert believes should be
22 included in a revenue stabilization mechanism.

23 **Response:**
24

25 U-16-066 - ENSTAR's Response to Attorney General's Second Request for
26 Discovery
September 16, 2016
Page 46 of 52