

Q. WHY DID YOU SELECT THESE EIGHT QUARTERS FOR YOUR CAPITAL-STRUCTURE ANALYSIS?

A. I used two years of data to smooth the effects of any quarter that was an outlier. Using two years of data also mitigated any seasonal effects on the capital structures. The fourth quarter of 2020 is the most recent quarter for which data were available. Therefore, I began my analysis with data from the first quarter of 2019.

Q. DID YOU MAKE ANY ADJUSTMENTS IN YOUR CAPITAL-STRUCTURE ANALYSIS?

A. Yes. I first excluded the results for CMS Energy, Entergy, and Southern Co. These companies have long-term debt ratios that exceed 55 percent. Commissions rarely have approved capital structures with such lopsided, high ratios, so I chose to exclude the companies' capital structures from my analysis.

Q. PLEASE STATE THE AVERAGE CAPITAL-STRUCTURE RATIOS FOUND AT THIS POINT IN YOUR ANALYSIS.

A. My calculations produced average ratios of 48.56 percent long-term debt, 6.43 percent short-term debt, 0.31 percent preferred equity, and 44.71 percent common equity.

Q. DID YOU STOP THERE?

A. No. I continued my analysis, removing American Electric Power and Dominion Energy from the calculations. These companies had common-equity ratios less than 40 percent, which are unreasonably low. This adjustment produced average ratios of 48.02 percent long-term debt, 6.10 percent short-term debt, 0.13 percent preferred equity, and 45.75 percent common equity.

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Exhibit 25 - Prefiled Direct Testimony of Marlon F. Griffing Pages 44-45 & Schedule 2 Corrected

Public Service Commission Advocacy Staff
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Q. WHAT WAS YOUR RECOMMENDED CAPITAL-STRUCTURE RATIOS FOR NSPM?

A. My recommended capital-structure ratios were 50.00 percent long-term debt, 0.50 percent short-term debt, and 49.50 percent common equity.¹ These recommended ratios reflect the ratios I found in my analysis for the Comparison Group and the Company's requested ratios. I adopted 0.50 percent for short-term debt as it is close to NSPM's requested ratio. I increased the long-term debt ratio to 50 percent because that value is close to both the Company's request and the average for the proxy group companies. Those assumptions left 49.50 percent for common equity. The Company's requested 52.50 percent common equity was significantly greater than the 45.75 percent ratio I found for the Comparison Group adjusted for extreme values. Therefore, I recommended reducing the ratio from 52.50 percent to fit better with the mean ratio for the peer companies.

Q. WHAT IS THE OVERALL ROR THAT YOU RECOMMENDED FOR THE COMPANY?

A. When my estimated ROE of 9.50 percent was included with the proposed capital structure and the Company's costs for the other capital-structure elements, the ROR is 6.818 percent.²

¹ NSPM does not have preferred equity, so I removed it from my recommendation. The average ratio for the Comparison Group companies in the analysis is quite small. Further, the great majority of the electric utilities did not have preferred equity in their capital structures.

² Attachment ____ (MFG-20), Schedule 3.

S&P Global
Market Intelligence

S&P Market Intelligence website, downloaded April 15, 2021
In thousands of dollars

Average Long-Term Debt for each quarter

Company Name	2020Q4	2020Q3	2020Q2	2020Q1	2019Q4	2019Q3	2019Q2	2019Q1	Average 2019-2020
Alliant Energy Corporation	6,678,000	6,573,200	6,203,150	5,690,450	5,548,550	5,501,600	5,415,150	5,311,750	5,865,231
Ameren Corporation	10,625,000	10,171,500	9,774,500	9,161,000	8,812,500	8,465,500	8,250,000	8,054,500	9,164,313
American Electric Power Company, Inc.	29,350,900	28,086,100	26,922,750	26,314,950	25,859,600	25,413,650	24,607,250	22,938,750	26,186,744
Consolidated Edison, Inc.	20,581,500	19,988,500	20,092,500	19,780,000	18,846,500	18,337,000	18,038,500	17,627,000	19,161,438
CMS Energy Corporation	13,525,500	13,408,500	13,048,500	12,340,000	12,112,000	11,761,500	11,301,500	10,962,000	12,307,438
Dominion Energy, Inc.	33,809,000	35,145,500	35,880,500	34,440,500	31,720,000	35,540,500	37,165,500	34,211,500	34,739,125
Duke Energy Corporation	57,196,500	57,474,000	57,622,500	57,071,000	56,345,500	56,059,000	55,506,500	53,146,000	56,302,625
Energy Corporation	20,521,104	18,945,511	18,253,443	17,770,953	17,244,524	17,307,785	17,417,153	16,466,544	17,990,877
Evergy, Inc.	9,292,650	9,278,800	9,137,350	8,944,650	8,893,400	8,079,600	7,272,900	7,005,050	8,488,050
Eversource Energy	15,479,655	14,724,751	14,316,689	14,388,724	14,196,369	13,844,197	13,279,332	12,871,033	14,137,594
NextEra Energy, Inc.	42,701,500	42,730,500	41,891,500	39,606,500	37,120,500	35,045,500	31,915,000	28,434,500	37,430,688
OGE Energy Corp.	3,515,300	3,493,650	3,344,500	3,215,200	3,238,150	3,241,450	3,093,750	2,921,500	3,257,938
Pinnacle West Capital Corporation	6,675,256	6,503,346	5,608,152	4,884,476	4,960,949	4,988,676	4,939,848	4,789,022	5,418,716
Portland General Electric Company	2,919,500	2,798,000	2,709,500	2,693,000	2,641,500	2,528,500	2,382,500	2,197,000	2,608,688
The Southern Company	46,917,500	46,950,000	46,297,000	44,629,000	43,556,000	42,541,500	41,780,500	41,456,500	44,266,000
WEC Energy Group, Inc.	11,706,500	11,187,050	10,958,150	11,221,350	11,092,050	10,448,600	10,165,750	10,182,200	10,870,206

Average Short-Term Debt for each quarter

Company Name	2020Q4	2020Q3	2020Q2	2020Q1	2019Q4	2019Q3	2019Q2	2019Q1	Average 2019-2020
Alliant Energy Corporation	418,500	310,900	410,250	816,650	1,007,000	1,057,850	944,750	739,950	713,231
Ameren Corporation	563,500	553,000	724,500	930,500	888,500	1,115,000	1,242,000	1,159,500	897,063
American Electric Power Company, Inc.	4,704,950	4,997,900	6,129,400	5,768,400	4,428,300	3,975,550	3,749,700	3,670,100	4,678,038
Consolidated Edison, Inc.	3,909,500	3,873,500	3,620,000	3,290,500	3,238,000	3,231,000	3,352,000	3,365,500	3,485,000
CMS Energy Corporation	1,657,000	1,771,500	1,732,500	1,475,000	1,156,000	1,085,000	984,500	987,500	1,356,125
Dominion Energy, Inc.	4,182,000	4,331,500	4,259,500	4,620,500	5,333,000	6,136,000	5,262,000	4,792,500	4,864,625
Duke Energy Corporation	7,691,000	8,317,500	8,325,500	7,297,000	6,130,500	6,240,500	6,208,500	6,264,500	7,059,375
Energy Corporation	2,655,325	2,799,727	3,161,533	2,988,831	2,653,730	2,175,082	2,002,789	2,375,504	2,601,565
Eversource Energy	1,059,000	1,050,450	1,265,250	1,300,850	1,131,900	1,831,300	2,513,650	2,133,450	1,535,731
NextEra Energy, Inc.	1,771,059	1,209,783	1,237,370	1,253,888	1,445,341	1,591,288	1,950,129	2,070,355	1,566,151
OGE Energy Corp.	5,824,500	4,689,500	4,983,500	5,565,000	5,341,500	6,706,500	9,050,000	10,630,000	6,598,813
Pinnacle West Capital Corporation	47,500	37,500	225,000	246,600	143,500	188,150	286,950	308,200	185,425
Portland General Electric Company	195,387	261,370	800,556	1,076,374	730,492	638,283	651,227	567,943	615,204
The Southern Company	367,500	353,500	241,000	100,000	49,500	57,000	172,000	302,500	205,375
WEC Energy Group, Inc.	4,570,500	3,900,000	3,382,500	4,511,000	4,678,500	4,429,000	4,283,000	4,952,500	4,338,375
	1,966,650	1,736,850	1,814,000	1,524,950	1,455,900	1,708,450	1,774,400	1,660,200	1,705,175

Average Common Equity for each quarter

Company Name	2020Q4	2020Q3	2020Q2	2020Q1	2019Q4	2019Q3	2019Q2	2019Q1	Average 2019-2020
Alliant Energy Corporation	5,698,500	5,628,650	5,525,350	5,353,750	5,087,150	4,834,400	4,691,000	4,634,050	5,181,606
Ameren Corporation	8,713,500	8,358,000	8,156,000	8,072,000	8,060,500	7,926,500	7,748,000	7,668,000	8,087,813
American Electric Power Company, Inc.	20,458,400	20,186,650	19,867,900	19,680,300	19,674,300	19,488,000	19,227,950	19,112,350	19,711,981
Consolidated Edison, Inc.	18,670,500	18,359,500	18,243,000	18,141,500	17,990,500	17,834,000	17,539,000	17,047,500	17,978,188
CMS Energy Corporation	5,408,000	5,267,000	5,199,500	5,101,500	4,987,500	4,904,000	4,854,500	4,806,500	5,066,063
Dominion Energy, Inc.	23,839,500	25,216,500	27,411,500	28,973,000	28,648,500	26,895,500	26,505,000	23,508,000	26,374,688
Duke Energy Corporation	45,023,000	43,783,000	44,240,500	44,909,500	44,667,500	44,357,500	44,148,000	43,936,500	44,383,188
Energy Corporation	10,848,991	10,598,914	10,324,978	10,223,821	10,129,368	9,916,282	9,383,935	8,907,336	10,041,703
Eversource Energy	8,767,750	8,674,950	8,538,500	8,550,550	8,595,600	8,751,200	9,153,000	9,725,550	8,844,638
NextEra Energy, Inc.	14,021,792	13,892,638	13,507,607	12,919,975	12,375,804	12,038,104	11,796,014	11,562,126	12,764,257
OGE Energy Corp.	36,900,000	37,180,000	36,738,000	36,704,000	36,798,500	35,751,000	34,568,000	34,185,000	36,103,063
Pinnacle West Capital Corporation	3,646,250	3,612,450	3,558,450	3,846,100	4,162,850	4,096,700	3,991,700	3,990,650	3,863,144
Portland General Electric Company	5,737,445	5,665,474	5,479,490	5,450,033	5,491,657	5,392,872	5,242,070	5,236,989	5,462,004
The Southern Company	2,604,000	2,620,500	2,642,000	2,614,500	2,577,500	2,553,000	2,545,000	2,527,000	2,585,438
WEC Energy Group, Inc.	28,130,500	27,979,500	27,697,500	27,615,000	27,509,000	27,205,500	26,667,500	25,580,000	27,298,063
	10,460,200	10,417,200	10,363,900	10,228,750	10,082,200	10,033,600	10,000,350	9,886,700	10,184,113

**ROE and ROR Analysis NSPM
Capital Structure Analysis**

Company Name	Average Total Capital 2019- 2020	Long-Term Debt %	Short-Term Debt %	Preferred Equity %	Common Equity %	Total %
Alliant Energy Corporation	11,760,069	49.87%	6.06%	0.00%	44.06%	100.00%
Ameren Corporation	18,149,188	50.49%	4.94%	0.00%	44.56%	100.00%
American Electric Power Company, Inc.	50,576,763	51.78%	9.25%	0.00%	38.97%	100.00%
Consolidated Edison, Inc.	40,624,625	47.17%	8.58%	0.00%	44.25%	100.00%
CMS Energy Corporation	18,729,625	65.71%	7.24%	0.00%	27.05%	100.00%
Dominion Energy, Inc.	67,720,125	51.30%	7.18%	2.57%	38.95%	100.00%
Duke Energy Corporation	109,337,563	51.49%	6.46%	1.46%	40.59%	100.00%
Energy Corporation	30,634,145	58.73%	8.49%	0.00%	32.78%	100.00%
Evergy, Inc.	18,868,419	44.99%	8.14%	0.00%	46.88%	100.00%
Eversource Energy	28,468,002	49.66%	5.50%	0.00%	44.84%	100.00%
NextEra Energy, Inc.	80,132,563	46.71%	8.23%	0.00%	45.05%	100.00%
OGE Energy Corp.	7,306,506	44.59%	2.54%	0.00%	52.87%	100.00%
Pinnacle West Capital Corporation	11,495,923	47.14%	5.35%	0.00%	47.51%	100.00%
Portland General Electric Company	5,399,500	48.31%	3.80%	0.00%	47.88%	100.00%
The Southern Company	75,902,438	58.32%	5.72%	0.00%	35.96%	100.00%
WEC Energy Group, Inc.	22,759,494	47.76%	7.49%	0.00%	44.75%	100.00%
	Average %	50.88%	6.56%	0.25%	42.31%	100.00%
	Excluding CMS, Energy.	48.56%	6.43%	0.31%	44.71%	100.00%
	Also excluding AEP,	48.02%	6.10%	0.13%	45.75%	100.00%