Technical Conference Questions

Board Staff Follow-up Questions on OPG Responses to Interrogatories

Number 3

Does Ms. McShane know why Allete, Black Hills, Empire District and IDACORP, as discussed in L-T1-S5 (Board Staff IR#5), have among the highest common equity ratios of the utilities in Schedule 28? For example, the CER for Allete is 63% and Black Hills at 50%. Is it likely because they are relatively small utilities in terms of generation at about 10% the size of OPG’s regulated operations?

Response

There is no evidence that the specified utilities’ actual equity ratios are a function of either their overall size or size of their generation portfolios relative to that of OPG. Each utility’s actual capital structure at a particular point in time will be a function of multiple factors, including its specific capital expenditure patterns and how they were financed, the specific mix of assets and management’s appetite for risk.