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JOINT REPORT AND APPLICATION
OF ONCOR ELECTRIC DELIVERY
COMPANY LLC, OVATION
ACQUISITION I, L.L.C., OVATION
ACQUISITION II, L.L.C., AND SHARY
HOLDINGS, L.L.C. FOR
REGULATORY APPROVALS
PURSUANT TO PURA §§ 14.101,
37.154, 39.262(l)-(m), AND 39.915

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PUBLIC UTILITY COMMISSION
OF TEXAS

CONFORMED

REBUTTAL TESTIMONY

AND EXHIBIT

OF

MICHAEL J. VILBERT

ON BEHALF OF

OVATION ACQUISITION I, L.L.C.,

OVATION ACQUISITION II, L.L.C.,

AND

SHARY HOLDINGS, L.L.C.

December 21, 2015

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**INDEX TO THE REBUTTAL TESTIMONY AND EXHIBIT OF MICHAEL J.
VILBERT, WITNESS FOR OVATION ACQUISITION I, L.L.C.,
OVATION ACQUISITION II, L.L.C., AND SHARY HOLDINGS, L.L.C.**

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Rebuttal Exhibit

Exhibit R-MJV-1	REIT and Utility Access to Equity Market through Secondary Offerings
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1 **REBUTTAL TESTIMONY OF MICHAEL J. VILBERT**

2 **I. INTRODUCTION**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Michael J. Vilbert. My business address is 201 Mission
5 Street, Suite 2800, San Francisco, CA 94105.

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am a Principal and the San Francisco Office Director for The Brattle
8 Group.

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL QUALIFICATIONS AND**
10 **PROFESSIONAL EXPERIENCE.**

11 A. I received my Ph.D. in Financial Economics from the Wharton School of
12 the University of Pennsylvania, an MBA from the University of Utah, an
13 M.S. from the Fletcher School of Law and Diplomacy, Tufts University,
14 and a B.S. degree from the United States Air Force Academy. I joined
15 The Brattle Group in 1994 after a career as an Air Force officer, where I
16 served as a fighter pilot, intelligence officer, and professor of finance at the
17 United States Air Force Academy.

18 **Q. PLEASE OUTLINE YOUR PROFESSIONAL EXPERIENCE.**

19 A. I joined The Brattle Group in 1994 after my career as an Air Force officer.
20 Appendix A provides further details on my professional qualifications.

21 **Q. WOULD YOU PLEASE DESCRIBE THE BRATTLE GROUP?**

22 A. The Brattle Group is an economic consulting firm with offices in
23 Washington DC, San Francisco, Cambridge, New York City, Toronto,
24 Madrid, Rome, and London. Our experts provide consulting and expert
25 testimony in economics, finance, and regulation to corporations, law firms,
26 and governments around the world, including assisting regulated
27 companies in making strategic, investment, pricing, and financing
28 decisions. Brattle experts work with firms to anticipate how regulators will
29 view the risk and value outcomes of different regulatory programs.

1 Brattle has pioneered the application of economic, finance, and
2 accounting theory and practice to matters in regulatory proceedings. Our
3 economic consultants publish leading texts on corporate finance and
4 frequently advise companies and government officials as well as testify
5 before regulatory agencies worldwide.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

7 A. No.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 A. I am testifying on behalf of Ovation Acquisition I, L.L.C. ("OV1"), Ovation
10 Acquisition II, L.L.C. ("OV2" and together with OV1, "Ovation") and Shary
11 Holdings, L.L.C. ("Shary Holdings") (collectively the "Purchasers").

12 **Q. ARE YOU OFFERING LEGAL OPINIONS IN YOUR TESTIMONY**
13 **BELOW?**

14 A. No. Nothing in my report is intended to provide a legal opinion. My
15 testimony and opinions are offered as an expert in financial and regulatory
16 economics.

17 **II. PURPOSE OF TESTIMONY AND OVERVIEW**

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
19 **PROCEEDING?**

20 A. The purpose of my testimony is to respond to testimony concerning the
21 adequacy of OEDC liquidity, access to capital and financial risk with
22 regard to the proposed restructuring of Oncor Electric Delivery Company
23 LLC ("Oncor"). I respond to testimony submitted by witnesses for
24 Commission Staff, the Steering Committee of Cities ("Cities"), the Texas
25 Industrial Energy Consumers ("TIEC"), the Office of Public Utility Counsel
26 ("OPUC") and Gexa Energy, LP ("Gexa").

1 **Q. DO YOU HAVE ANY GENERAL COMMENTS BEFORE YOU BEGIN**
2 **YOUR REBUTTAL?**

3 A. Yes. Many of the concerns raised in the intervenors' testimonies would
4 also be issues for any regulated company irrespective of its structure. For
5 example, financial market perturbations or extraordinary storm damage
6 would affect Oncor regardless of its corporate structure. In my view, the
7 focus in this proceeding should be on whether the Transaction structure
8 itself adversely affects those concerns or increases the risk or costs to
9 customers. In other words, is the proposed restructuring of Oncor likely to
10 increase the total risk of Oncor?

11 In the discussion that follows, I assume that the relevant
12 comparison is between the proposed restructuring and a traditional
13 structure for Oncor but with the same combined level of debt at the parent
14 company.

15 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY TOTAL RISK.**

16 A. In finance theory, the total risk of an investment can be divided into the
17 portion that affects the cost of capital and the portion that does not. The
18 portion that does not is called diversifiable risk. An investor can eliminate
19 diversifiable risk through holding the investment in a portfolio of
20 investments. The undiversifiable risk, sometimes called market risk or
21 systematic risk, is the risk that affects the cost of capital. Credit rating
22 agencies are generally focused on total risk, whereas cost-of-capital
23 estimates are based upon market risk.

24 **Q. DO YOU EXPECT THE RESTRUCTURING TO AFFECT THE**
25 **SYSTEMATIC RISK OF ONCOR?**

26 A. No. The systematic risk of the electric transmission and distribution
27 assets of Oncor is not likely to be affected by the structure of the
28 Transaction. However, many of the intervenors' concerns focus upon

1 whether the total risk of Oncor has been adversely affected.¹ Specifically,
2 their concerns often center on whether the structure imposes risks that
3 would not affect Oncor as much if it were structured as a C-corp.

4 **Q. DO YOU EXPECT THE RESTRUCTURING TO AFFECT THE TOTAL**
5 **RISK OF ONCOR?**

6 A. No. As I discuss below, although various witnesses have raised a number
7 of issues, Purchasers have implemented numerous mechanisms to deal
8 with any potential increase in total risk from the restructuring.

9 **Q. WILL THERE BE INCREMENTAL COSTS ASSOCIATED WITH THE**
10 **RESTRUCTURING THAT ARE NOT PRESENT IN A TRADITIONAL C-**
11 **CORP STRUCTURE?**

12 A. Yes. As several intervenors² have noted, there will be some incremental
13 costs, but Purchasers have committed not to pass through to customers
14 any of those costs.³ In fact, many of the intervenors' specific concerns
15 seem to focus on whether that commitment is sufficiently specific. The
16 Rebuttal Testimony of Ralph G. Goodlet, Jr. reaffirms the commitment that
17 costs to customers will not increase due to the proposed restructuring
18 including those identified by the intervenors.⁴

19 **Q. WILL THE PROPOSED STRUCTURE INHIBIT THE COMMISSION'S**
20 **ABILITY TO REGULATE ONCOR?**

21 A. No. As explained by Mr. Goodlet, for regulatory purposes, Oncor AssetCo
22 and Oncor Electric Delivery Company ("OEDC") will be treated as one
23 entity, which means that Oncor can be treated as any other regulated
24 electric distribution and transmission company in Texas. For example,
25 there will be no need to estimate the cost of capital separately for Oncor

¹ See, e.g., Direct Testimony of Carol Szerszen at 6-7 (regarding whether investors will consider the proposed structure more risky); Direct Testimony of June M. Dively at 5-9.

² See, e.g., Dively Direct at 4.

³ Direct Testimony of Ralph G. Goodlet, Jr. at 8.

⁴ Rebuttal Testimony of Ralph G. Goodlet, Jr.

1 AssetCo and OEDC. The cost of service, including the cost of capital, will
2 be determined as it is now. In fact, as Mr. Goodlet explains, the current
3 employees of Oncor, the customers, or the Commission will see no
4 change in how the utility operates.⁵ There will be financial transactions
5 between and OEDC, but given Purchasers' commitments, those
6 transactions themselves will not affect the revenue requirement or the
7 quality of service to customers. Moreover, Purchasers propose to
8 implement a separate "ring-fence" for both Oncor AssetCo and OEDC to
9 insure that Oncor's regulated assets and its customers are protected.

10 **Q. ARE YOU OFFERING AN OPINION ON THE ADEQUACY OF THE**
11 **PROPOSED RING FENCES?**

12 A. No. Professor Steven Schwarcz addressed the proposed ring-fences in
13 his direct testimony.⁶ Although the ring-fences are somewhat different
14 from those currently in place, he concludes that the proposal provides the
15 appropriate protection for Oncor under the Transaction.⁷ His rebuttal
16 testimony addresses the additional concerns raised by the intervenors in
17 this proceeding.⁸ The implication is the Transaction conditions evaluated
18 by the rating agencies are different now.

19 **Q. IS THE FACT THAT THE LEASE PAYMENTS ARE EXPECTED TO BE**
20 **A LARGE PORTION OF OEDC'S REVENUES A CONCERN?**

21 A. Absent the various commitments made by Purchasers, there would be
22 potential concerns, but the provisions of the proposed leases address this
23 issue. A portion of the lease payment represents interest expense on
24 Oncor AssetCo's debt, and the interest expense is already fixed.
25 Including it in the lease payment does not make it any more fixed. Up to

⁵ Goodlet Direct at 15.

⁶ Direct Testimony of Steven L. Schwarcz at 7.

⁷ Schwarcz Direct at 8.

⁸ Rebuttal Testimony of Steven L. Schwarcz.

1 20 percent of the lease payment is variable so if revenues are less than
2 forecast, the lease payment is reduced.⁹ Moreover, the revenues for an
3 electric distribution and transmission utility are expected to be relatively
4 stable. As Mr. Wilks explains, this is particularly true for electric utilities in
5 ERCOT.¹⁰ It would be unusual for normal variation in revenues to be an
6 issue with regard to the ability of OEDC to make the lease payments.
7 Only unusual events, such as a major storm, could be expected to cause
8 an issue for OEDC,

Stricken pursuant to Order No. 14

⁹ Exhibit DGW-2, Purchasers' Narrative Explanation and Current Projection of Lease Payments at 3 (Oct. 19, 2015).

¹⁰ Rebuttal Testimony of D. Greg Wilks.

¹¹ Direct Testimony of Craig R. Roach at 20.

3 **Stricken pursuant to Order No. 14** If

4 O&M or A&G costs increase prudently and are expected to stay at the
5 new levels, it would be appropriate to seek a rate increase from the
6 Commission because the costs of providing service have increased. This
7 would be true whether Oncor was operating as a traditional C-corporation
8 or restructured as proposed by Purchasers. Although the C-corporation
9 could cut dividends to cover temporary liquidity requirements, it would
10 normally seek a rate increase to address permanent changes in costs.

11 **Q. WHY WOULD A C-CORPORATION BE RELUCTANT TO CUT**
12 **DIVIDENDS?**

13 A. Although C-corporations do have the flexibility to reduce dividend
14 payments, they are extremely reluctant to do so unless there is no other
15 choice. Investors know that dividend cuts are generally a last resort, so
16 the stock price of a company cutting dividends generally falls substantially.
17 This in turn makes raising new equity more costly. So, in the situation
18 envisioned by Dr. Roach, having OEDC borrow in the short term and seek
19 a rate increase to acknowledge the increased level of costs would be
20 preferable to cutting dividends even for a C-corporation.

21 **Q. IS THE COST OF CAPITAL FOR THE RESTRUCTURED ONCOR**
22 **LIKELY TO BE DIFFERENT?**

23 A. Possibly, but whether it does change or not will not affect the revenue
24 requirement because the Commission will expect cost of capital analysts
25 to estimate the cost of capital using the standard models and appropriate
26 proxy groups. The underlying assumption of that approach is that the
27 important factor to consider is the risk of Oncor (as a combined entity) and
28 not the risk of Oncor AssetCo or OEDC separately. Nothing in the

¹² Wilks Rebuttal.

1 proposed restructuring would be expected to affect the risk of the assets.
2 Moreover, the ring-fence provisions are intended, in part, to protect the
3 credit rating of Oncor AssetCo so that the cost of debt would not increase
4 as a direct result of the proposed restructuring. Of course, future debt
5 costs may increase with changes in interest rates in the economy.

6 The financial transactions between Oncor AssetCo and OEDC may
7 affect their relative risk but not in a way that affects the revenue
8 requirement. In particular, I expect the equity in Oncor AssetCo to be less
9 risky, and the equity in OEDC to be more risky than for a C-corporation.

Stricken pursuant to Order No. 14

16 **Q. WHAT DO YOU MEAN BY LIQUIDITY?**

17 A. In this instance, liquidity refers to the possibility that OEDC would have
18 insufficient cash flow to meet its short-term obligations even if it would
19 have sufficient funds in the long term. Absent sufficient liquidity, service
20 quality and reliability could be affected.

21 **Q. PLEASE SUMMARIZE THIS SECTION OF YOUR TESTIMONY.**

22 A. The Commission and intervenors can expect that the Commission will
23 regulate Oncor as a combined entity of Oncor AssetCo and OEDC as it
24 would regulate Oncor if it were structured as a traditional C-corporation.¹⁴
25 Other than any incremental costs associated with the structure, which
26 Purchasers have committed not to pass through to customers, the

¹³ Wilks Rebuttal.

¹⁴ The regulated entity itself may be a limited liability company but within a C-corporation structure.

1 Commission would see no difference in regulating the restructured Oncor
2 compared to any other regulated utility in Texas.

3 **III. COMPARISON TO 2007 TRANSACTION IS MISPLACED**

4 **Q. HOW IS THE COMPARISON TO THE 2007 TRANSACTION**
5 **MISPLACED?**

6 A. Dr. Roach's suggestion that the proposed Transaction bears the same
7 risks as the 2008 Leverage Buyout¹⁵ is unfounded. The current
8 Transaction is very different in risk profile and size from the 2007
9 transaction. The current Transaction is financed with substantially less
10 debt and focuses on the smaller, regulated, and less risky segment of the
11 original set of assets that was purchased in the 2007 transaction.

12 **Q. PLEASE PROVIDE MORE DETAILS ON THE DIFFERENCE BETWEEN**
13 **THE 2007 TRANSACTION AND THE CURRENT TRANSACTION**
14 **PROPOSED BY THE PURCHASERS.**

15 A. The difference can be summarized in the following ways:

16 • The 2007 transaction was a leveraged buyout ("LBO") transaction
17 that involved substantially more leverage than the current
18 transaction.

19 • [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

¹⁵ Roach Direct at 22.

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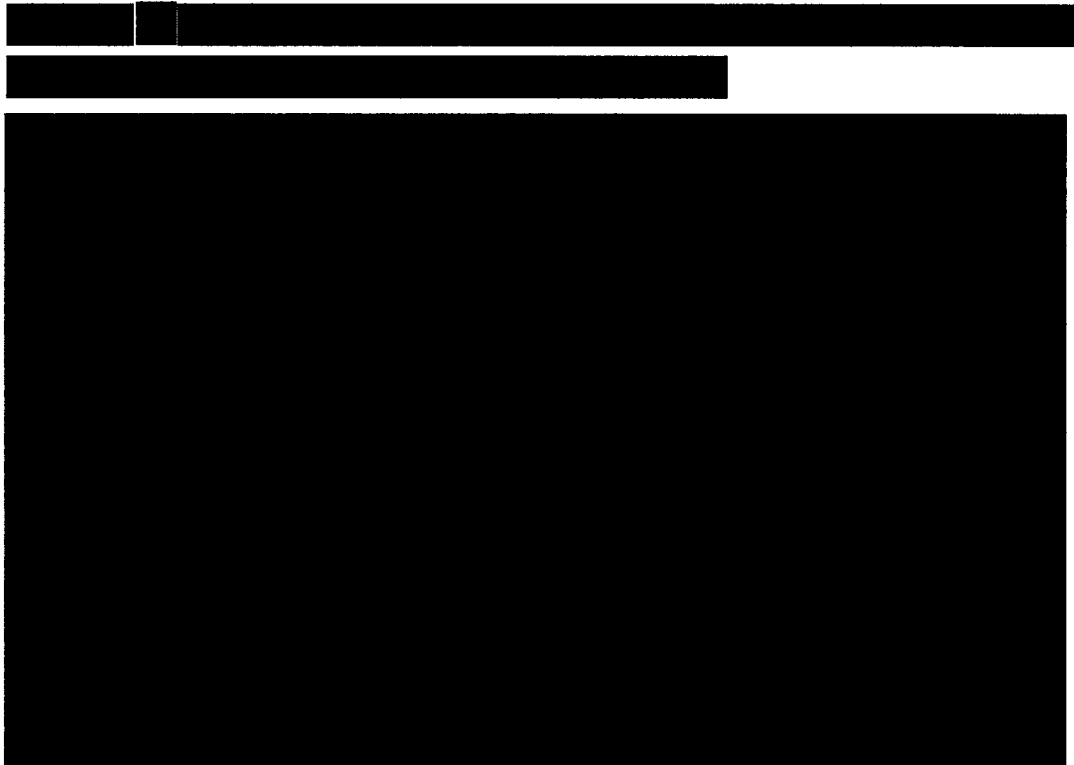
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- The 2007 transaction involved different asset bases than the current Transaction. The 2007 LBO transaction acquired the entirety of EFH, the bulk of which consisted of businesses other than Oncor. Principally these were Luminant and TXU Energy ("TXU"). Luminant and TXU are larger and are the riskier, competitive components of EFH. Luminant and TXU are unregulated and provide electricity at competitive market prices.
- The 2007 transaction involved a view on the evolution of commodity prices by the private equity buyers that depended upon an increase in competitive electricity prices. The private equity buyers hedged their risks against a fall in wholesale electricity price through natural gas derivative contracts, all of which expired in 2014 and prompted the bankruptcy. Oncor does not face exposure to variation in energy prices in the way the previous transaction did.



1

2 **Q. HOW DID THE 2007 TRANSACTION RESULT IN EFH'S**
3 **BANKRUPTCY?**

4 A. The 2007 LBO transaction was essentially a bet that wholesale electric
5 prices would increase, but wholesale electricity prices did not increase as
6 the private equity buyers had expected. Through Luminant and TXU, the
7 private equity buyers were expecting to benefit from the spread on the
8 electricity prices paid by customers (*i.e.*, the competitive market prices
9 generally set by natural gas-fired power plants) and the cost of production
10 for less expensive coal and nuclear power plants. However, demand for
11 electricity declined in the years after 2008 because of the recession. In
12 addition, new technology (*i.e.*, fracking) substantially lowered the cost of
13 natural gas which reduced the cost of electricity from natural gas-fired
14 generation. The result was that wholesale electricity prices declined in
15 years following the 2007 LBO transaction. These events negatively
16 affected the cash flows of EFH which was heavily levered and unable to

1 generate sufficient cash flow to service its debt. This failing performance
2 ultimately led to the EFH bankruptcy. On April 29, 2014, EFH and the
3 substantial majority of its direct and indirect subsidiaries (excluding the
4 Oncor ring-fenced entities) filed voluntary petitions for relief under Chapter
5 11 of the U.S. Bankruptcy Code.¹⁶

6 **Q. HOW DOES THE EFH BANKRUPTCY IMPACT THE BUSINESS**
7 **OPERATION OF ONCOR?**

8 A. Oncor is the regulated delivery segment of EFH, and while it is not directly
9 affected by the commodity risk that resulted in the bankruptcy of EFH, it is
10 affected by the fact that its majority owner is in bankruptcy. For example,
11 Oncor has explained that management resources are diverted to
12 monitoring bankruptcy court developments.¹⁷ Further, Oncor's assets
13 currently are insulated by the ring-fence that protected Oncor during the
14 bankruptcy.

15 **Q. SEVERAL WITNESSES HAVE SUGGESTED THAT THERE WOULD BE**
16 **NO HARM IF ONCOR CONTINUED TO BE OWNED BY A MAJORITY**
17 **OWNER IN BANKRUPTCY. DO YOU AGREE?**

18 A. No. Bankruptcy proceedings are costly. If the bankruptcy proceedings
19 were to resume, the ongoing costs of the bankruptcy would continue to
20 deplete EFH's value to its creditors. Moreover, the ultimate outcome
21 would be uncertain for EFH and Oncor as well.

22 **Q. ARE THESE RISK FACTORS PRESENT IN THE PROPOSED**
23 **TRANSACTION?**

24 A. No, certainly not to the same degree because of the differences between
25 the two transactions as discussed above. To summarize, the current
26 proposed Transaction involved significantly less initial leverage, and OV1
27 continues to seek additional equity infusions to reduce its consolidated

¹⁶ Energy Future Holdings Corp. 2014 Form 10-K.

¹⁷ Response of Oncor Electric Delivery Company LLC to Steering Committee of Cities Served by Oncor's Second Request for Information, Response to Cities RFI 2-03 (Oct. 23, 2015).

1 debt.¹⁸ The current Transaction involves a smaller, less risky, regulated
2 electric transmission and distribution business. Most importantly, the
3 current Transaction does not depend upon the change in wholesale
4 electricity prices.

5 Separately, the proposed Transaction retains some of the benefits
6 of the 2007 transaction. Specifically, the assets are protected by the
7 proposed ring-fence conditions that, as Professor Schwarcz explains, are
8 appropriate for the proposed transaction and in many ways are at least as
9 protective as the existing ring-fence conditions.¹⁹

10 IV. ONCOR ASSETCO WILL BE INVESTMENT GRADE

11 **Q. PLEASE SUMMARIZE CONCERNS RAISED BY INTERVENERS**
12 **ABOUT THE CREDIT IMPLICATIONS OF THE PROPOSED**
13 **TRANSACTION.**

14 A. Various intervenors have objected to the proposed Transaction based on
15 its perceived credit implications and associated consequences for
16 operating performance and cost. In particular, intervenors have argued
17 that the resulting entity should have an investment-grade debt rating and
18 that the proposed Transaction will not support this.

19 The intervenors have articulated their objections as follows:

20 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

¹⁸ As noted in Purchasers' supplemental response to Staff RFI 1-1, Fidelity Management and Research Company and its affiliates have committed an additional \$500 million in equity which reduces the maximum debt at the Reorganized EFIH to \$4.3 billion to \$5 billion, depending on the results of the \$700 million Rights Offering to the Texas Competitive Energy Holdings 1st Lien Creditors.

¹⁹ Schwarcz Direct at 6.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 • On the basis of the above, "OV1 would be regarded as a
8 below investment grade credit at the time it acquired
9 Oncor."²¹
10 • The three consequences of OV1 being below investment
11 grade are "1) higher costs of debt and equity, 2) less access
12 to debt and equity capital markets, and 3) closer to financial
13 distress."²²
14 • "A below investment grade parent company will likely result
15 in the loss of the current investment grade bond rating for
16 Oncor utility operations."²³
17 **Q. ARE THESE INTERVENOR CONCERNS ABOUT ADVERSE CREDIT**
18 **IMPACT VALID?**
19 **A.** No, they are overstated because 1) they are based upon assumptions
20 made at the time that Purchasers requested an indicative rating, 2) they
21 selectively highlight certain assumptions made by Ovation and the rating
22 agencies in the August/September time frame, and 3) [REDACTED]
[REDACTED]
[REDACTED]

²⁰ Exhibit TIEC 2-10 (HSPM) at 16; Rebuttal Testimony of D. Greg Wilks at Rebuttal Exhibit R-DGW-4 (HSPM) at 16.

²¹ Direct Testimony of Bruce H. Fairchild at 13.

²² *Id.* at 14.

²³ Direct Testimony of Michael P. Gorman at 3.

1 Q. IN WHAT SENSE WERE THESE CONCERNS OVERSTATED BASED
2 ON PRIOR ASSUMPTIONS?

3 A. The impression was left that the consequences of a sub-investment grade
4 rating, for OV1/EFIH, if it were imposed, would be severe. In particular,
5 the intervenors suggest that Oncor AssetCo and Oncor ratepayers would
6 be adversely affected.

7 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

²⁴ Exhibit TIEC 2-10 (HSPM) at 16; Wilks Rebuttal at Rebuttal Exhibit R-DGW-4 (HSPM) at 15.

1
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

10 Meanwhile, the purported impact of OV1/EFIH on ratepayers is
11 speculative and unsupported. As Mr. Fairchild notes, "higher costs of debt
12 and equity at OV1 would not translate into higher rates for electric
13 customers because Oncor's authorized rate of return would be based on
14 the regulatory capital structure of OEDC and AssetCo. AssetCo's
15 embedded cost of debt, and an electric industry return on equity."²⁷

16 **Q WHAT HAS CHANGED IN OVATION'S PROPOSED STRUCTURING OF**
17 **THE TRANSACTION?**

18 A. Since the financial forecasts were reviewed by the rating agencies and
19 intervenors, Ovation has received commitments for an additional \$500
20 million in equity capital.²⁸ These funds will be applied to reduce debt at
21 OV1/EFIH.

22 [REDACTED]
[REDACTED]
[REDACTED]

²⁵ Exhibit TIEC 2-10 (HSPM) at 16; Wilks Rebuttal at Rebuttal Exhibit R-DGW-4 (HSPM) at 6.

²⁶ Gorman Direct at 3.

²⁷ Fairchild Direct at 14.

²⁸ Supplemental Response of Purchasers to the Commission Staff's RFI 1-1, 1-3, 1-4, 1-6, 1-7, and 1-21, Second Supplemental Response to Staff 1-3 (Dec. 4, 2015).

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V. OV1 HAS ADEQUATE ACCESS TO CAPITAL

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Q. DO YOU BELIEVE THAT THE RESTRUCTURED ONCOR WILL HAVE SUFFICIENT ACCESS TO CAPITAL?

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A. Yes. OV1 is unique in that it provides investors access to the cash flows solely derived from an electric distribution and transmission company. As a real estate investment trust ("REIT"), this means that OV1 will provide a relatively high and stable dividend yield.

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Q. ARE THE INTERVENORS WRONG TO BE CONCERNED ABOUT OV1'S ACCESS TO CAPITAL?

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A. No. In my opinion, this is the major distinguishing feature of the restructured Oncor from its current situation. In the discussion below, I compare the proposed REIT structure of OV1 to Oncor as it is traditionally structured which I call a C-corporation even though Oncor itself is a limited liability corporation, *i.e.*, an LLC.

²⁹ Fairchild Direct, Exhibit BHF-1 at 39.

1 **Q. WHAT ARE THE INTERVENORS' SPECIFIC CONCERNS?**

2 A. With regard to the access to capital, intervenors note that a REIT is
3 required to distribute at least 90 percent of its taxable income to maintain
4 its status as a REIT.³⁰ The practical implication of this fact is that OV1 will
5 be unable to retain earnings to the same degree that a C-corporation can.
6 They claim that this means that OV1 will be unable to fund capital
7 expenditures ("capex") as much from internally-generated funds (*i.e.*,
8 retained earnings and depreciation) as would a C-corporation. Instead,
9 OV1 will be forced to return to the capital markets to issue new equity
10 more often (probably every 12-18 months) than a comparable C-
11 corporation. Even if issuing equity annually is not normally a problem, it
12 represents a risk not present in a C-corporation because there may be
13 circumstances in which OV1 could not issue equity, but the C-corporation
14 could retain earnings or even cut dividends to get the needed funds.

15 **Q. ARE THESE CONCERNS VALID?**

16 A. These concerns are exaggerated for the following reasons: First, contrary
17 to Ms. Dively testimony,³¹ most regulated companies pay dividends while
18 simultaneously raising additional equity or debt, so OV1 would not be
19 unusual in that regard. In particular, regulated companies that are
20 structured as a C-corporation do not routinely cut dividends rather than
21 issue new equity or debt. Second, it is unlikely that Oncor structured as a
22 C-corporation could issue equity when OV1 could not. On the contrary, it
23 is likely that OV1 can issue equity more easily than Oncor as a C-
24 corporation. I discuss this point further below. Third, in most economic
25 circumstances, corporations structured as a REIT have been able to

³⁰ See, e.g., Dively Direct at 33.

³¹ Dively Direct at 34.

1 access the capital markets.³² (I discuss the ability of REITs to issue equity
2 in more detail below.) If economic conditions are so bad that a REIT could
3 not issue equity, it is highly likely that there are even larger economic
4 concerns. In other words, the economic conditions under which OV1
5 could not issue equity would be extreme and would adversely affect Oncor
6 whether it was structured as a C-corporation or a REIT. Fourth, as noted
7 above, cutting dividends is not a preferred solution for a C-corporation
8 because doing so will cause the stock price to decline substantially.
9 Cutting dividends is generally only done as a last resort.³³

10 **Q. WHAT EVIDENCE DO YOU HAVE THAT REITS HAVE**
11 **SUCCESSFULLY ISSUED EQUITY EVEN IN POOR ECONOMIC**
12 **TIMES?**

13 A. It is not unusual for utilities to access capital markets on a regular basis
14 even during difficult capital market conditions. For example, from 2008 to
15 2010, both REITs and utilities issued substantial amounts of equity in spite
16 of a severe economic recession.³⁴ During this period, 22 different utilities
17 accessed the equity markets in follow-on offerings and raised
18 approximately \$11.3 billion in follow-on equity, with an average deal size
19 of approximately \$391 million.³⁵ Out of the 22 utilities, six issued equity in

³² Of course, if the corporation is willing to dilute its current shareholders sufficiently, it can nearly always issue equity.

³³ See, e.g., *Brealey, et al., Principles of Corporate Finance Chapter 16* (11th ed., McGraw-Hill Irwin 2014). Also, consider the effect on Kinder Morgan's stock after its announced a 75 percent dividend cut on December 8, 2015 even though the retained earnings was to be used to fund its purchase of a portion of the Natural Gas Pipeline of America. (See *ETF Daily News* (Dec. 16, 2015)).

³⁴ The 2008 financial crisis was the worst economic disaster since the Great Depression of 1929. This was despite aggressive efforts by the Federal Reserve and Treasury Department to prevent the U.S. banking system from collapsing. It led to the Great Recession where housing prices fell 31.8 percent, more than during the Depression. Two years after the recession ended, unemployment was still above 9 percent – and that's not counting discouraged workers who had given up looking for work and were no longer counted among the unemployed, from "2008 Financial Crisis: Causes, Costs and Could It Reoccur?," *About News* (updated Jun. 29, 2015).

³⁵ Statistics in this paragraph are from information provided by Morgan Stanley.

1 more than one year over the period. Additionally, during the period, one of
2 the 22 utilities successfully completed an IPO in which it raised
3 approximately \$90 million of capital. In comparison, 103 different REITs
4 accessed the equity markets in follow-on offerings and raised a total of
5 \$54.7 billion, with an average deal size of approximately \$280 million.
6 Moreover, 34 of the 103 REITs issued equity in more than one year over
7 the period. Additionally, during the period, 19 REITs successfully
8 completed an IPO, which, in aggregate, raised approximately \$5.2 billion
9 of capital. Based on transaction data from 2008 through 2010, REITs'
10 access to equity market did not seem to be impaired during the recession;
11 on the contrary, a larger number of REITs accessed the equity market
12 than utilities during the recession. In total, REITs raised more capital
13 through secondary equity offerings than utilities.

14 Rebuttal Exhibit R-MJV-1 at the end of my rebuttal provides
15 additional information on the equity issuances during this period.
16 Specifically, Rebuttal Exhibit R-MJV-1 shows the discount³⁶ for the follow-
17 on offering (left hand scale), the average deal size for REITs compared to
18 utilities over the period 2008 to 2011. It also shows the S&P 500 index
19 over the period (on the right hand scale). Although the discount widened
20 for REITs during the recession, the discount narrowed such that by 2011,
21 it was equivalent to the discount on utility shares and had returned to its
22 pre-crisis level.

23 **Q. DOES OV1 HAVE ANY MEANS OF RAISING EQUITY OTHER THAN A**
24 **FOLLOW-ON EQUITY OFFERING?**

25 **A.** Yes. OV1 can use a Dividend Reinvestment Plan ("DRIP") which allows
26 an investor to automatically reinvest any cash dividends in additional

³⁶ The offering discount is defined as the (offer price minus the market price on the day of the announcement) divided by the market price on the announcement day.

1 shares of stock at little to no cost. This is a voluntary program selected by
2 individual investors.

3 Alternatively, OV1 could use an at-the-market ("ATM") offering
4 which is a type of follow-on offering of stock utilized by publicly traded
5 companies in order to raise capital over time. In an ATM offering,
6 exchange-listed companies incrementally sell newly-issued shares into the
7 secondary trading market through a designated broker-dealer at prevailing
8 market prices. The broker-dealer sells the issuing company's shares in
9 the open market and receives cash proceeds from the transaction. The
10 broker-dealer then delivers the proceeds to the issuing company where
11 the cash can be used for a variety of purposes. The issuing company is
12 able to raise this kind of capital on an as-needed basis with the option to
13 refrain from offering shares if the available prices on a particular day are
14 unsatisfactory. ATM offerings can be started and stopped at any point,
15 and they can also become more aggressive by selling more shares and
16 raising more money when there is an opportunity in the market or
17 additional need by the issuing company.

18 ATM financing strategies provide control on the timing and amount
19 of capital raised. An at-the-market offering is generally less expensive
20 and less complicated to execute because there is no need for road shows
21 and other public relations events.

22 The first ATM offerings were completed in the early 1980s for utility
23 companies looking to raise capital from time-to-time to meet their financial
24 needs. Since then, at-the-market offerings have been used by large and
25 small capitalization issuers in a wide variety of industries with significant
26 growth occurring after the 2008 financial crisis.

27 **Q. IS A CONSENT DIVIDEND THE SAME AS A DRIP PLAN?**

28 A. Although the effect is similar, a consent dividend is not a DRIP. A consent
29 dividend would be used by OV1 to reduce the need to pay out a full cash
30 dividend. It would apply to all investors in OV1. Investors would receive

1 taxable income as if a cash dividend had been paid but the money is
2 reinvested in OV1. The benefit to OV1 is that the consent dividend would
3 enable it to maintain the required 90 percent payout of taxable income
4 while retaining cash. Consent dividends could be used in combination
5 with a cash dividend so that investors receive some cash to satisfy the
6 income tax liability associated with the dividend payments, or alternatively
7 investors could sell some shares to generate cash to pay taxes. OV1
8 would likely use a consent dividend very rarely if ever because one of the
9 attractive features of a REIT structure to investors is stable dividend
10 payments. Nevertheless, a consent dividend is a way for OV1 to retain
11 cash if extreme economic circumstances preclude it from raising capital
12 otherwise.

13 **Q. IF OV1 WERE NOT INVESTMENT GRADE, COULD IT STILL ISSUE**
14 **EQUITY?**

15 A. Yes. According to the data from Morgan Stanley, REITs were able to
16 issue equity even during the credit crisis from 2008 to 2010. The
17 economic recession during that time was the worst since the Great
18 Recession. During that period, ten non-investment grade REITs accessed
19 the market and two of them issued in more than one year. Issuing equity
20 as a non-investment grade credit is likely to be somewhat more
21 expensive, but OV1 should be able to access the capital markets. In
22 addition, the closer to an investment grade credit rating the issuer may be,
23 the less expensive it will be to issue additional equity all else equal.
24 Moreover, even if it were more expensive to issue equity, the cost of
25 service will not be affected because the revenue requirement will be set
26 based using standard cost of capital models and sample companies.

27 **Q. WHY DO YOU SAY THAT OV1 MAY BE ABLE TO ISSUE EQUITY**
28 **MORE EASILY THAN IF IT WERE A C-CORPORATION?**

29 A. Under the proposed restructuring, OV1's equity is likely to be less risky
30 than its equity would be as a C-corporation in a non-regulated industry.

1 Virtually all of OV1's assets and lease payments stem from regulated
2 transmission and distribution assets, the risk profile for which is
3 substantially lower than most C-corporation's. To a degree, OEDC is
4 bearing a portion of Oncor's systematic risk through the leases. However,
5 through the mechanism of lease supplements, renewals, Percentage Rent
6 and other features, over time the economic returns of OV1 will reflect the
7 underlying risk profile of the transmission and distribution assets that it
8 owns. The combination of the regulated asset base and the lease
9 structure means that there will be much less variation in OV1's net income
10 than for most C-corporations. OV1 is likely to be seen as a relatively low
11 risk investment with stable dividend payments even in challenging
12 economic conditions.

13 **Q. DOES THAT MEAN ITS COST OF CAPITAL WILL BE REDUCED?**

14 A. Possibly. Financial innovation seeks to satisfy clienteles with assets that
15 provide a claim on cash flows not previously available. While it is true that
16 investors have long been able to purchase shares of regulated utilities,
17 they have not had easy access to shares devoted solely to regulated
18 electric transmission and distribution as will the shares of OV1. Moreover,
19 even if there are C-corporations with nearly all of their assets devoted to
20 regulated electric transmission and distribution, those corporations are
21 likely to have more variability in net income than OV1. The financial
22 structure and relationship between Oncor AssetCo and OEDC make
23 Oncor AssetCo's expected cash flow more stable than a traditional C-
24 corporation structure. This means that OV1's equity will be a relatively low
25 risk, high yield investment making it attractive to investors seeking those
26 characteristics.³⁷ Whether there is an unsatisfied clientele sufficiently
27 large with regard to this new type of investment is an empirical question

³⁷ Satisfying investors with those characteristics is one reason that regulated utilities frequently pay dividends and simultaneously raise new equity.

1 that cannot now be answered definitively at this time.³⁸ If there is a large,
2 unsatisfied clientele, OV1 will create value and have a lower cost of capital
3 than a traditional C-corporation. In the current low interest rate
4 environment, investments with relatively low risk and relatively high yield
5 are in high demand.³⁹

6 **Q. HOW HAVE REITS PERFORMED THIS YEAR?**

7 A. REITs have performed poorly in 2015 compared to their performance in
8 2014.⁴⁰ However, Zack's attributes the lackluster performance to
9 uncertainty associated with the potential for interest increase by the Fed,
10 but believes that the outlook for REITs remains favorable.

11 **Q. WHAT IF THE COST OF EQUITY CAPITAL IS NOT REDUCED?**

12 A. If the cost of equity is not reduced or even if it were increased, it will not
13 affect the revenue requirement for customers because the cost of equity
14 will be estimated in the standard manner as if Oncor were a traditional C-
15 corporation.

16 **Q. DO YOU BELIEVE THAT OV1 CAN RAISE CAPITAL IN ANY**
17 **ECONOMIC ENVIRONMENT?**

18 A. No, but there is no investment that can currently guarantee to be able to
19 raise capital no matter the economic conditions with the possible

³⁸ The term "clientele" refers to a set of investors seeking a particular pattern of cash flows in different states of the economy. If there is a pattern investors cannot currently chose, then offering a security with the desired characteristics will create value.

³⁹ "Retirement strategies with low risk, high return," *CNN Money* (Sept. 4, 2015) (suggests that such investments are an oxymoron, but investments like OV1 are likely to be closer to this ideal than most).

⁴⁰ The total return from the FTSE NAREIT All REIT Index decreased 1.45 percent as of Oct 5, 2015 as against a 27.15 percent positive return in 2014, *REIT Industry Stock Outlook* (Oct. 9, 2015). See <http://www.zacks.com/commentary/58811/reit-industry-stock-outlook>. See also The FTSE NAREIT All REITs Index is a market capitalization-weighted index that includes all tax-qualified real estate investment trusts (REITs) that are listed on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

1 exception of U.S. government debt. However, I believe that OV1 may be
2 able to raise capital more easily than a traditional C-corporation.

3 **Q. PLEASE EXPLAIN HOW OV1 COULD HAVE ACCESS TO CAPITAL**
4 **MARKETS ON BETTER TERMS THAN A COMPARABLE C-**
5 **CORPORATION.**

6 A. Investors know that OV1 has an incentive to distribute at least 90 percent
7 of its taxable income so as to maintain its status as a REIT. A C-
8 corporation has the option of reducing its dividend to retain earnings. The
9 result is that OV1 will be viewed as providing a more reliable and
10 consistent dividend yield than a traditional C-corporation. However, as
11 noted above, REITs like OV1 also have the legal ability to offset 80
12 percent of their distribution requirements through non-cash consent
13 dividends, though in practice this feature would likely be used only in truly
14 exceptional circumstances.

15 **Q. ISN'T THE FACT THAT A C-CORPORATION CAN RETAIN EARNINGS,**
16 **A BENEFIT RELATIVE TO A REIT FOR CAPITAL ACCESS**
17 **PURPOSES?**

18 A. Yes and no. It is a benefit in that a C-corporation does not have to issue
19 new equity as frequently as a REIT which can retain at most 10 percent of
20 its taxable income while maintaining its status as a REIT. On the other
21 hand, the higher and relatively more stable dividend payments make OV1
22 more desirable for those investors seeking current income. In particular, it
23 is the ability of the C-corporation to reduce dividends that makes OV1 less
24 risky and more desirable.

25 **Q. WHAT ABOUT AN ENVIRONMENT LIKE 2008-2009 WHEN THERE**
26 **WAS LITTLE TO NO ACCESS TO CAPITAL MARKETS?**

27 A. If we return to such an environment, it will not matter much whether there
28 is a REIT structure in place or not. Many companies will be shut out of the
29 capital markets. As noted above, OV1 may actually have an advantage in
30 such a market (if any company can access capital markets) because it
31 promises to distribute income when other companies are cutting dividends

1 to retain earnings. Companies that can be depended upon to distribute
2 income during hard economic times are highly desirable during such
3 times. It is also likely that the need for capital investment will be
4 substantially curtailed during such extreme economic times because
5 demand for electricity is likely to be much lower.

6 **Q. ARE YOU SAYING THAT THERE IS NO ADVANTAGE TO THE**
7 **ABILITY TO RETAIN EARNINGS?**

8 A. No, of course not. The ability to retain earnings reduces the frequency
9 with which a company must issue new equity. Issuing new equity is
10 expensive due in part because of the fees associated with an equity
11 issuance particularly for issuances of small dollar magnitude. However,
12 any extra costs associated with OV1's need to issue equity more
13 frequently will not be passed on to customers. Moreover, the potential
14 enhanced desirability of the OV1 type of investment may offset any
15 additional issuance costs.

16 **Q. ARE THERE CIRCUMSTANCES IN WHICH ONCOR COULD ACCESS**
17 **CAPITAL AS A C-CORPORATION BUT NOT AS A REIT?**

18 A. There are two aspects to this question. First, I doubt that there would be
19 economic conditions that OV1 could not access capital when Oncor as a
20 C-corporation could issue new equity. If Oncor as a C-corporation could
21 issue equity, it is highly likely that OV1 could as well. Second, retaining
22 earnings is less costly than issuing new equity for OV1, but under the
23 proposed restructuring, OV1 is highly likely to be able to access the capital
24 markets. The REIT structure provides OV1 some advantages that Oncor
25 as a C-corporation would not have. Specifically, OV1's equity is
26 marginally lower risk and will provide a more stable dividend than if
27 structured as C-corporation. In addition, OV1 would have more cash flow
28 to distribute and thus be more valuable than the equity of Oncor as a C-
29 corporation. (Keep in mind that I am comparing Oncor with a C-

1 corporation structure to Oncor with a REIT structure. In particular, this
2 means that the revenue requirement under either structure is the same.)

3 **Q. IF OV1 HAD A NON-INVESTMENT GRADE CREDIT RATING, WOULD**
4 **THAT LIMIT ITS ACCESS TO CAPITAL?**

5 A. Access to capital is always easier if the company is investment grade, but
6 as noted above, even non-investment grade REITs were able to access
7 the capital markets during the credit crisis. Moreover, the Purchasers
8 have committed to reducing the debt at OV1's level to \$3.5 billion with the
9 objective of achieving an investment grade credit rating if OV1 were not
10 initially judged to be investment grade. As noted above, the recent
11 announcement of a further reduction in debt at the OV1 level by \$500
12 million increases the possibility that OV1 will begin with an investment
13 grade credit rating. On November 12, 2015, Fidelity settled its claims
14 against EFH and committed \$500 million of equity to the Transaction.
15 Purchasers updated its financial statements and the financial models
16 provided in response to Staff's 1st RFI to reflect this additional \$500
17 million of equity.

18 **VI. CONCLUSION**

19 **Q. WOULD YOU PLEASE SUMMARIZE YOUR REBUTTAL?**

20 A. Yes. The main points of my rebuttal are as follows:
21 1. Although the structure of Oncor will be changed, the Commission
22 will not see any substantial difference in the way Oncor is
23 regulated. In particular, the cost of equity can be estimated as if
24 there were no change in the structure of Oncor.
25 2. As noted in the rebuttal testimony of Mr. Wilks, OEDC will have
26 sufficient liquidity to be able to weather any reasonably foreseeable
27 conditions.

- 1 3. AssetCo will have an investment grade credit rating and will be
2 protected by ring-fence provisions designed to protect AssetCo and
3 customers.
- 4 4. The Purchasers have committed to protect customers fully against
5 paying for any costs associated with the difference in the proposed
6 structure.
- 7 5. Although OV1 as a REIT will not be able to retain earnings as a C-
8 corporation can, it will have adequate access to capital to fund
9 AssetCo's capex requirements.
- 10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**
- 11 **A. Yes, it does.**

STATE OF CALIFORNIA §
COUNTY OF San Francisco §

BEFORE ME, the undersigned authority, on this day personally appeared Michael Vilbert who, having been placed under oath by me, did depose as follows:

My name is Michael Vilbert. I am of legal age and a resident of the State of California. The foregoing rebuttal testimony offered by me is true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.

Michael J. Vilbert
Michael Vilbert

SUBSCRIBED AND SWORN TO BEFORE ME by the said _____ this _____ day of _____, 2015.

Notary Public, State of California

See attached document.

CALIFORNIA JURAT WITH AFFIANT STATEMENT

GOVERNMENT CODE § 8202

- ☒ See Attached Document (Notary to cross out lines 1-6 below)
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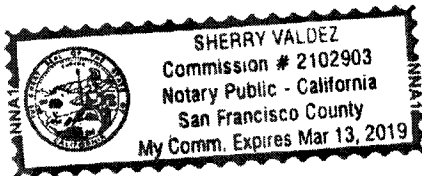
Signature of Document Signer No. 1

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of SAN FRANCISCO



Subscribed and sworn to (or affirmed) before me

on this 18 day of December, 2015.
by _____
Date Month Year

(1) Michael Vilbert
(and (2) _____),
Name(s) of Signer(s)

proved to me on the basis of satisfactory evidence
to be the person(s) who appeared before me.

Signature

[Signature]
Signature of Notary Public

Seal
Place Notary Seal Above

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Appendix A to the Direct Testimony of Michael J. Vilbert

APPENDIX A:

QUALIFICATIONS OF MICHAEL J. VILBERT

Dr. Michael J. Vilbert is Office Director of The Brattle Group's San Francisco office and has 20 years of experience as an economic consultant. He is an expert in cost of capital, financial planning and valuation who has advised clients on these matters in the context of a wide variety of investment and regulatory decisions. In the area of regulatory economics, he has testified or submitted testimony on the cost of capital for regulated companies in the water, electric, natural gas and petroleum industries in the U.S. and Canada. His testimony has addressed the effect of regulatory policies such as decoupling or must-run generation on a regulated company's cost of capital and the appropriate way to estimate the cost of capital for companies organized as Master Limited Partnerships. He analyzed issues associated with situations imposing asymmetric risk on utilities, the prudence of purchased power contracts, the economics of energy conservation programs, the appropriate incentives for investment in electric transmission assets and the effect of long-term purchased power agreements on the financial risk of a company. He has served as a neutral arbitrator in a contract dispute and analyzed the effectiveness of a company's electric power supply auction. He has also estimated economic damages and analyzed the business purpose and economic substance of tax related transactions, valued assets in arbitration for purchase at the end of the contract, estimated the stranded costs of resulting from the deregulation of electric generation and from the municipalization of an electric utility's distribution assets and addressed the appropriate regulatory accounting for depreciation and goodwill.

He received his Ph.D. in Financial Economics from the Wharton School of the University of Pennsylvania, an MBA from the University of Utah, an M.S. from the Fletcher School of Law and Diplomacy, Tufts University, and a B.S. degree from the United States Air Force Academy. He joined The Brattle Group in 1994 after a career as an Air Force officer, where he served as a fighter pilot, intelligence officer, and professor of finance at the Air Force Academy.

REPRESENTATIVE CONSULTING EXPERIENCE

- ◆ Dr. Vilbert served as the consulting expert in several cases for the U.S. Department of Justice and the Internal Revenue Service regarding the business purpose and economic substance of a series of tax related transactions. These projects required the analysis of a complex series of financial transactions including the review of voluminous documentary evidence and required expertise in financial theory, financial market as well as accounting and financial statement analysis.
- ◆ In a securities fraud case, Dr. Vilbert designed and created a model to value the private

Appendix A to the Direct Testimony of Michael J. Vilbert

placement stock of a drug store chain as if there had been full disclosure of the actual financial condition of the firm. He analyzed key financial data and security analysts' reports regarding the future of the industry in order to recreate pro forma balance sheet and income statements under a variety of scenarios designed to establish the value of the firm.

- ◆ For pharmaceutical companies rebutting price-fixing claims in antitrust litigation, Dr. Vilbert was a member of a team that prepared a comprehensive analysis of industry profitability. The analysis replicated, tested and critiqued the major recent analyses of drug costs, risks and returns. The analyses helped develop expert witness testimony to rebut allegations of excess profits.
- ◆ For an independent electric power producer, Dr. Vilbert created a model that analyzed the reasonableness of rates and costs filed by a natural gas pipeline. The model not only duplicated the pipeline's rates, but it also allowed simulation of a variety of "what if" scenarios associated with cost recovery under alternative time patterns and joint cost allocations. Results of the analysis were adopted by the intervenor group for negotiation with the pipeline.
- ◆ For the CFO of an electric utility, Dr. Vilbert developed the valuation model used to support a stranded cost estimation filing. The case involved a conflict between two utilities over the responsibility for out-of-market costs associated with a power purchase contract between them. In addition, he advised and analyzed cost recovery mechanisms that would allow full recovery of the stranded costs while providing a rate reduction for the company's rate payers.
- ◆ Dr. Vilbert has testified as well as assisted in the preparation of testimony and the development of estimation models in numerous cost-of-capital cases for natural gas pipeline, water utility and electric utility clients before the Federal Energy Regulatory Commission ("FERC") and state regulatory commissions. These have spanned standard estimation techniques (e.g., Discounted Cash Flow and Risk Positioning models). He has also developed and applied more advanced models specific to the industries or lines of business in question, e.g., based on the structure and risk characteristics of cash flows, or based on multi-factor models that better characterize regulated industries.
- ◆ Dr. Vilbert has valued several large, residual oil-fired generating stations to evaluate the possible conversion to natural gas or other fuels. In these analyses, the expected pre- and post-conversion station values were computed using a range of market electricity and fuel cost conditions.
- ◆ For a major western electric utility, Dr. Vilbert helped prepare testimony that analyzed the prudence of QF contract enforcement. The testimony demonstrated that the utility had not been compensated in its allowed cost of capital for major disallowances stemming from QF contract management.
- ◆ Dr. Vilbert analyzed the economic need for a major natural gas pipeline expansion to the

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Midwest. This involved evaluating forecasts of natural gas use in various regions of the United States and the effect of additional supplies on the pattern of natural gas pipeline use. The analysis was used to justify the expansion before the FERC and the National Energy Board of Canada.

- ◆ For a Public Utility Commission in the Northeast, Dr. Vilbert analyzed the auction of an electric utility's purchase power agreements to determine whether the outcome of the auction was in the ratepayers' interest. The work involved the analysis of the auction procedures as well as the benefits to ratepayers of transferring risk of the PPA payments to the buyer.
- ◆ Dr. Vilbert led a team tasked to determine whether bridge tolls were "just and reasonable" for a non-profit port authority. Determination of the cost of service for the authority required estimation of the value of the authority's assets using the trended original cost methodology as well as evaluation of the operations and maintenance budgets. Investment costs, bridge traffic information and inflation indices covering a 75 year period were utilized to estimate the value of four bridges and a passenger transit line valued in excess of \$1 billion.
- ◆ Dr. Vilbert helped a recently privatized railroad in Brazil develop an estimate of its revenue requirements, including a determination of the railroad's cost of capital. He also helped evaluate alternative rate structures designed to provide economic incentives to shippers as well as to the railroad for improved service. This involved the explanation and analysis of the contribution margin of numerous shipper products, improved cost analysis and evaluation of bottlenecks in the system.
- ◆ For a utility in the Southeast, Dr. Vilbert quantified the company's stranded costs under several legislative electric restructuring scenarios. This involved the evaluation of all of the company's fossil and nuclear generating units, its contracts with Qualifying Facilities and the prudence of those QF contracts. He provided analysis concerning the impact of securitizing the company's stranded costs as a means of reducing the cost to the ratepayers and several alternative designs for recovering stranded costs.
- ◆ For a recently privatized electric utility in Australia, Dr. Vilbert evaluated the proposed regulatory scheme of the Australian Competition and Consumer Commission for the company's electric transmission system. The evaluation highlighted the elements of the proposed regulation which would impose uncompensated asymmetric risks on the company and the need to either eliminate the asymmetry in risk or provide additional compensation so that the company could expect to earn its cost of capital.
- ◆ For an electric utility in the Southwest, Dr. Vilbert helped design and create a model to estimate the stranded costs of the company's portfolio of Qualifying Facilities and Power Purchase contracts. This exercise was complicated by the many variations in the provisions of the contracts that required modeling in order to capture the effect of changes in either the performance of the plants or in the estimated market price of electricity.

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- ◆ Dr. Vilbert helped prepare the testimony responding to a FERC request for further comments on the appropriate return on equity for electric transmission facilities. In addition, Dr. Vilbert was a member of the team that made a presentation to the FERC staff on the expected risks of the unbundled electric transmission line of business.
- ◆ Dr. Vilbert and Mr. Frank C. Graves, also of The Brattle Group, prepared testimony evaluating an innovative Canadian stranded cost recovery procedure involving the auctioning of the output of the province's electric generation plants instead of the plants themselves. The evaluation required the analysis of the terms and conditions of the long-term contracts specifying the revenue requirements of the plants for their entire forecasted remaining economic life and required an estimate of the cost of capital for the plant owners under this new stranded cost recovery concept.
- ◆ Dr. Vilbert served as the neutral arbitrator for the valuation of a petroleum products tanker. The valuation required analysis of the Jones Act tanker market and the supply and demand balance of the available U.S. constructed tanker fleet.
- ◆ Dr. Vilbert evaluated the appropriate "bareboat" charter rate for an oil drilling platform for the renewal period following the end of a long-term lease. The evaluation required analysis of the market for oil drilling platforms around the world including trends in construction and labor costs and the demand for platforms in varying geographical environments.
- ◆ Dr. Vilbert and Dr. Villadsen, also of The Brattle Group, evaluated the offer to purchase the assets of Pentex Alaska Natural Gas Company, LLC on behalf of the Western Finance Group for presentation to the Board of the Alaska Industrial Development and Export Authority. The report compared the proposed purchase price with selected trading and transaction multiples of comparable companies.

PRESENTATIONS

"Utility Distribution Cost of Capital," *EEI Electric Rates Advanced Course*, Bloomington, IN, 2002, 2003.

"Issues for Cost of Capital Estimation," with Bente Villadsen, *Edison Electric Institute Cost of Capital Conference*, Chicago, IL, February 2004.

"Not Your Father's Rate of Return Methodology," *Utility Commissioners/Wall Street Dialogue*, NY, May 2004.

"Utility Distribution Cost of Capital," *EEI Electric Rates Advanced Course*, Madison, WI, July 2004.

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"Cost of Capital Estimation: Issues and Answers," *MidAmerican Regulatory Finance Conference*, Des Moines, IA, April 7, 2005.

"Cost of Capital - Explaining to the Commission - Different ROEs for Different Parts of the Business," *EEI Economic Regulation & Competition Analysts Meeting*, May 2, 2005.

"Current Issues in Cost of Capital," with Bente Villadsen, *EEI Electric Rates Advanced Course*, Madison, WI, 2005.

"Current Issues in Estimating the Cost of Capital," *EEI Electric Rates Advanced Course*, Madison, WI, 2006, 2007, 2008, 2009, 2010 and 2011.

"Revisiting the Development of Proxy Groups and Relative Risk Analysis," Society of Utility and Regulatory Financial Analysts: 39th Financial Forum, April 2007.

"Current Issues in Explaining the Cost of Capital to Utility Commissions" Cost of Capital Seminar, Philadelphia, PA, 2008.

"Impact of the Ongoing Economic Crisis on the Cost of Capital of the U.S. Utility Sector", New York Public Service Commission, Albany, NY, April 20, 2009.

"Impact of the Ongoing Economic Crisis on the Cost of Capital of the U.S. Utility Sector", National Association of Water Companies: New York Chapter, Albany, NY, May 21, 2009.

"Introduction to Retail Rates," presented to California Water Services Company, 18-19 November 2010.

"Point – Counterpoint: The Regulatory Compact and Pipeline Competition," with (Jonathan Lesser, Continental Economics), Energy Bar Association, Western Meeting, February 22, 2013

"An Empirical Study of the Impact of Decoupling on the Cost of Capital," Center for Research in Regulated Industries, Shawnee on Delaware, PA, May 17, 2013.

"The Cost of Capital for Alabama Power Company," Public Service Commission public meeting, July 17, 2013.

ARTICLES

"Flaws in the Proposed IRS Rule to Reinstate Amortization of Deferred Tax Balances Associated with Generation Assets Reorganized in Industry Restructuring," by Frank C. Graves and Michael J. Vilbert, white paper for *Edison Electric Institute* (EEI) to the IRS, July 25, 2003.

"The Effect of Debt on the Cost of Equity in a Regulatory Setting," by A. Lawrence Kolbe, Michael J. Vilbert, Bente Villadsen and The Brattle Group, *Edison Electric Institute*, April 2005.

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"Measuring Return on Equity Correctly: Why current estimation models set allowed ROE too low," by A. Lawrence Kolbe, Michael J. Vilbert and Bente Villadsen, *Public Utilities Fortnightly*, August 2005.

"Understanding Debt Imputation Issues," by Michael J. Vilbert, Bente Villadsen and Joseph B. Wharton, *Edison Electric Institute*, August 2008.

"Review of Regulatory Cost of Capital Methodologies," (with Bente Villadsen and Matthew Aharonian), Canadian Transportation Agency, September 2010.

"The Impact of Decoupling on the Cost of Capital – An Empirical Study," Joseph B. Wharton, Michael J. Vilbert, Richard E. Goldberg, and Toby Brown, Discussion Paper, *The Brattle Group*, March 2011.

"Economic Impact on City of Portland of Allocation of Remediation Costs of Portland Harbor Superfund Site," with Professor David Sunding, March 2012.

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Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER07-46-000, on behalf of Northwestern Corporation on the Cost of Capital for Transmission Assets, October 2006.

Direct and rebuttal testimony before the Tennessee Regulatory Authority, Case No. 06-00290, on behalf of Tennessee American Water Company, on the Cost of Capital, November, 2006 and April 2007.

Direct and rebuttal testimony before the Public Service Commission of Wisconsin, Docket No. 5-UR-103, on behalf of Wisconsin Energy Corporation, on the Cost of Capital for Wisconsin Electric Power Company and Wisconsin Gas LLC, May 2007 and October 2007.

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Direct testimony before the Public Service Commission of West Virginia, Case No. 07-0998-W-42T, on behalf of West Virginia American Water Company on cost of capital, July 2007.

Direct and rebuttal testimony before the State Corporation Commission of Virginia, Case No. PUE-2007-00066, on behalf of Virginia Electric and Power Company on the cost of capital for its southwest Virginia coal plant, July 2007 and December 2007.

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Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER08-92-000 to Docket No. ER08-92-003, on behalf of Virginia Electric and Power Company, on the Cost of Capital for Transmission Assets, October 2007.

Direct and rebuttal testimony before the California Public Utilities Commission, Docket No. A. 07-01-022, on behalf of California-American Water Company, on the Effect of a Water Revenue Adjustment Mechanism on the Cost of Capital, October 2007 and November 2007.

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Comments in support of The Interstate Natural Gas Association of America's Additional Initial Comments on the FERC's Proposed Policy Statement with regard to the Composition of Proxy Companies for Determining Gas and Oil Pipeline Return on Equity, Docket No. PL07-2-000, December, 2007.

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Direct and rebuttal testimony before the Federal Energy Regulatory Commission, Docket No. RP08-426-000, on behalf of El Paso Natural Gas Company, on the Cost of Capital for Natural Gas Transmission Assets, June 2008 and August 2009.

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Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER08-1233-000, on behalf of Public Service Electric and Gas Company, on the Cost of Capital for Electric Transmission Assets, July 2008.

Direct and rebuttal testimony before the Public Service Commission of West Virginia, Case No. 08-0900-W-42t, on behalf of West Virginia-American Water Company concerning the Cost of Capital for Water Utility assets, July 2008 and November 2008.

Direct and rebuttal testimony before the Public Utilities Commission of Ohio, Case No. 08-935-EL-SSO, on behalf of Ohio Edison Company, The Toledo Edison Company, and The Cleveland Electric Illuminating Company, with regard to the test to determine Significantly Excessive Earnings within the context of Senate Bill No. 221, September 2008 and October 2008.

Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER09-249-000, on behalf of Public Service Electric and Gas Company, on the incentive Cost of Capital for Mid-Atlantic Power Pathway Electric Transmission Assets, November 2008.

Direct and rebuttal testimony before the Public Service Commission of West Virginia, Case No. 08-1783-G-PC, on behalf of Dominion Hope Gas Company concerning the Cost of Capital for Gas Local Distribution Company assets, November 2008 and May 2009.

Written Evidence before the Alberta Utilities Commission in the matter of the Alberta Utilities Commission Act, S.A. 2007, c. A-37.2, as amended, and the regulations made thereunder; and IN THE MATTER OF the Gas Utilities Act, R.S.A. 2000, c. G-5, as amended, and the regulations made thereunder; and IN THE MATTER OF the Public Utilities Act, R.S.A. 2000, c. P-45, as amended, and the regulations made thereunder; and IN THE MATTER OF Alberta Utilities Commission 2009 Generic Cost of Capital Hearing, Application No. 1578571/Proceeding No. 85. 2009 Generic Cost of Capital Proceeding on behalf of NGTL, November 2008.

Written and Reply Evidence before the Alberta Utilities Commission in the matter of the Alberta Utilities Commission Act, S.A. 2007, c. A-37.2, as amended, and the regulations made thereunder; and IN THE MATTER OF the Gas Utilities Act, R.S.A. 2000, c. G-5, as amended, and the regulations made thereunder; and IN THE MATTER OF the Public Utilities Act, R.S.A. 2000, c. P-45, as amended, and the regulations made thereunder; and IN THE MATTER OF

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Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER09-548-000, on behalf of ITC Great Plains, LLC, on the Cost of Capital for Electric Transmission Assets, January 2009.

Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER09-681-000, on behalf of Green Power Express, LLP, on the Cost of Capital for Electric Transmission Assets, February 2009.

Written evidence before the Régie de l'Énergie on behalf of Gaz Métro Limited Partnership, Cause Tarifaire 2010, R-3690-2009, on the Cost of Capital for natural gas transmission assets, May 2009.

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Direct and rebuttal testimony before the State of New Jersey Board of Public Utilities in the Matter of the Petition of Public Service Electric and Gas Company for Approval of an Increase in Electric and Gas Rates and for Changes in the Tariffs for Electric and Gas Service, B.P.U.N.J. No. 14 Electric and B.P.U.N.J. No. 14 Gas Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 and for Approval of a Gas Weather Normalization Clause; a Pension Expense Tracker and for other Appropriate Relief BPU Docket No. GR09050422, June 2009 and December 2009.

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Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER10-159-000, on behalf of Public Service Electric and Gas Company, on the incentive Cost of Capital for the Branchburg-Roseland-Hudson 500 kV Line electric transmission project ("BRH Project"), October 2009.

Direct and Rebuttal Testimony before the California Public Utilities Commission regarding cost of service for San Joaquin Valley crude oil pipeline on behalf of Chevron Products Company, Docket Nos. A.08-09-024, C.08-03-021, C.09-02-007 and C.09-03-027, December 2009 and April 2010.

Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER10-516-000, on behalf of South Carolina Gas and Electric Company, on the Cost of Capital for Electric Transmission Assets, December 2009.

Direct testimony before the Oklahoma Corporation Commission, Cause No. PUD 201000050, on behalf of Public Service Company of Oklahoma, regarding cost of service for a regulated electric utility, June 2010.

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Direct testimony before the Michigan Public Service Commission, Case No. U-16400, on behalf of Michigan Consolidated Gas Company, regarding cost of service for natural gas distribution assets, July 15, 2010

Direct testimony before the Public Utilities Commission of Ohio, Case No. 10-1265-EL-UNC, In the Matter of the Determination of the Existence of Significantly Excessive Earnings for 2009 Under the Electric Security Plan of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, September 2010.

Direct and rebuttal testimony before the Federal Energy Regulatory Commission, Docket No. RP10-1398-000, on behalf of El Paso Natural Gas Company, on the Cost of Capital for Natural Gas Transmission Assets, September 2010 and September 2011.

Direct and rebuttal testimony before the Michigan Public Service Commission, In the matter of the application of The Detroit Edison Company, for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for miscellaneous accounting authority, Case No. U-16472, October 2010 and April 2011.

Direct testimony before the Federal Energy Regulatory Commission, Docket No. RP11-1566-000, on behalf Tennessee Gas Pipeline Company, on the Cost of Capital for Natural Gas Transmission Assets, November 2010.

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Direct and rebuttal testimony before the Public Utilities Commission of the State of California, Docket No. A.11-05-001, on behalf of California Water Service Company, on the Cost of Capital for Water Distribution Assets, April 2011 and September 2011.

Rebuttal testimony before the Public Utilities Commission of the State of California, Docket No. A.10-09-018, on behalf of California American Water Company, on Application of California American Water Company (U210W) for Authorization to Implement the Carmel River Reroute and San Clemente Dam Removal Project and to Recover the Costs Associated with the Project in Rates, June 2011.

Initial testimony before the Public Utilities Commission of Ohio, Case No. 11-4553-EL-UNC, In the Matter of the Determination of the Existence of Significantly Excessive Earnings for 2010 Under the Electric Security Plan of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, July 2011.

Direct testimony before the Federal Energy Regulatory Commission, Docket No. PA10-13-000, on behalf of ITC Holdings Corp. in response to FERC Staff, Office of Enforcement, Division of Audits, Draft Report on the appropriate accounting for goodwill for the acquisition of ITC Midwest assets from Interstate Power and Light Company, July 2011.

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Report before the Arbitrator on behalf of Canadian National Railway Company in the matter of a Submission by Tolko Marketing and Sales LTD for Final Offer Arbitration of the Freight Rates and Conditions Associated with Respect to the Movement of Lumber by Canadian National Railway Company from High Level, Alberta to Various Destinations in the Vancouver, British Columbia Area, October, 2011.

Rebuttal Evidence before the National Energy Board in the matter of AltaGas Utilities Inc., 2010-2012 GRA Phase I, Application No. 1606694; Proceeding I.D. 904, October, 2011.

Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER12-296-000, on behalf of Public Service Electric and Gas Company on the Cost of Capital and for Incentive Rate Treatment for the Northeast Grid Reliability Transmission Project, October 2011.

Rebuttal testimony before the Florida Public Service Commission, Docket No. 110138-EL, on behalf of Gulf Power, a Southern Company, on the method to adjust the return on equity for differences in financial risk, November 2011.

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Direct and rebuttal testimony before the Michigan Public Service Commission, Case No. U-16999, on behalf of Michigan Consolidated Gas Company, regarding cost of service for natural gas distribution assets, April 2012 and October 2012.

Deposition testimony in *Primex Farms, LLC, Plaintiff, v. Roll International Corporation, Westside Mutual Water Company, LLC, Paramount Farming Company, LLC, Defendants*, April 2012.

Deposition testimony in *Tahoe City Public Utility District, Plaintiff vs. Case No. SCV 27283 Tahoe Park Water Company, Lake Forest Water Company, Defendants*, May 2012.

Direct testimony before the Public Utilities Commission of Ohio, In the Matter of the Determination of the Existence of Significantly Excessive Earnings for 2011 Under the Electric Security Plan of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, Case No. 12-1544-EL-UNC, May 2012.

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Joint Rebuttal Testimony before the California Public Utility Commission on behalf of California American Water Company, regarding Application of California-American Water Company (U210W) for Authorization to increase its Revenues for Water Service, Application 10-07-007, and In the Matter of the Application of California-American Water Company (U210W) for an Order Authorizing and Imposing a Moratorium on New Water Service Connections in its Larkfield District, Application 11-09-016, August 2012.

Direct testimony and supporting exhibits on behalf of Transcontinental Gas Pipeline Company, LLC, before the Federal Energy Regulatory Commission, on the Cost of Capital for Interstate Natural Gas Pipeline assets, Docket No. RP12-993-000, August 2012.

Direct Testimony before the North Carolina Utilities Commission on behalf of Cardinal Pipeline Company LLC, regarding the cost of capital for an intrastate natural gas pipeline, Docket G-39, Sub 28, August 2012.

Rebuttal Testimony before the Public Utilities Commission of the State of California on behalf of Southern California Edison regarding Application 12-04-015 of Southern California Edison Company (U 338-E) For Authority to Establish Its Authorized Cost of Capital for Utility Operations for 2013 and to Reset the Annual Cost of Capital Adjustment Mechanism , August 2012.

Direct and Rebuttal testimony before the Public Utilities Commission of the State of Colorado on behalf of Rocky Mountain Natural Gas LLC regarding the cost of capital for an intrastate natural gas pipeline, Docket No. 13AL-143G, with Advice Letter No. 77, January 2013 and October 2013.

Expert Report, with A. Lawrence Kolbe and Bente Villadsen, on cost of equity, non-recovery of operating cost and asset retirement obligations on behalf of the behalf of oil pipeline in arbitration, April 2013.

Direct testimony before the Public Utilities Commission of Ohio in the Matter of the Determination of the Existence of Significantly Excessive Earnings for 2012 Under the Electric Security Plans of Ohio on behalf of the Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, Case No. 13-1147-EL-UNC, May 2013.

Presentation on behalf of Alabama Power Company with regard to the appropriate cost of capital for the Rate Stabilization and Equalization mechanism, Dockets 18117 and 18416, July 2013.

Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER13-2412-000, on behalf of Trans Bay Cable LLC, regarding the appropriate ROE to include in the Submission of Revisions to Appendix I of the Trans Bay Transmission Owner Tariff to be Effective 11/23/2013, September 2013.

Direct testimony, rebuttal testimony and sur-surrebuttal testimony before the Arkansas Public Service Commission regarding the appropriate ROE to allow In the Matter of the Application of SourceGas Arkansas Inc., Docket No. 13-079-U for Approval of a General Change in Rates, and Tariffs, September 2013, March 2014, and April 2014.

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Direct testimony before the Federal Energy Regulatory Commission, Docket No. ER14-1332-000, on behalf of DATC Path 15, LLC, regarding the appropriate ROE to include in the Submission of Revisions to Appendix I in TO Tariff Reflecting Updated TRR to be Effective February, 2014.

Direct testimony before the Public Utilities Commission of Ohio in the Matter of the Determination of the Existence of Significantly Excessive Earnings for 2012 Under the Electric Security Plans of Ohio on behalf of the Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, Case No. 14-0828-EL-UNC, May 2014.

Direct and rebuttal testimony before the Public Service Commission of West Virginia in the Matter of the Application of Monongahela Power Company and The Potomac Edison Company, Case No. 14-0702-E-42T for approval of a general change in rates and tariffs, June 2014 and October 2014.

Direct and rebuttal testimony before the Pennsylvania Public Utility Commission on behalf of Metropolitan Edison Company (Docket No. R-2014-2428745), Pennsylvania Electric Company (Docket No. R-2014-2428743), Pennsylvania Power Company (Docket No. R-2014-2428744), and West Penn Power Company (Docket No. R-2014-2428742) regarding the appropriate cost of common equity for the companies, September 2014 and December 2014.

Initial and Reply Statement of Position before the Public Utilities Commission of Hawaii In the Matter of Instituting an Investigation to Reexamine the Existing Decoupling Mechanisms for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited, Docket No. 2013-0141, with Dr. Toby Brown and Dr. Joseph B. Wharton, May 2014 and September 2014.

Direct and rebuttal testimony before the Washington Utilities and Transportation Commission on behalf of Puget Sound Energy, Inc. Docket Nos. UE-130137 and UG-130138 (consolidated) remand proceeding with regard to the effect of decoupling on the cost of capital, November 2014 and December 2014.

Direct testimony before the Michigan Public Service Commission on behalf of the Detroit Edison Electric Company (Case No. U-17767) on the cost of capital for DTE's electric utility assets, December 2014.

Direct and reply testimony before the Regulatory Commission of Alaska on behalf of Cook Inlet Natural Gas Storage Alaska, LLC, Docket No. U-15-016 on the appropriate allocation of the proceeds from the sale of excess Found Native Gas discovered incidental to the construction of the storage facility, April 2015 and July 2015.

"Report on Gas LDC multiples," with Bente Villadsen, *Alaska Industrial Development and Export Authority*, May 2015.

Prepared direct testimony before the Federal Energy Regulatory Commission, Docket No. ER15-____-000, on behalf of South Central MCN, LLC, regarding the appropriate ROE to include in the transmission rate formula (Formula Rate) to establish an annual transmission revenue

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requirement (ATRR) for transmission service over facilities that SCMCN will own in the Southwest Power Pool, Inc. (SPP) region, September 2015.

REBUTTAL EXHIBIT R-MJV-1: REIT and Utility Access to Equity Market through Secondary Offerings

REIT and Utility Access to Equity Market through Secondary Offerings

