

1 **Q. Are you the same Bruce N. Williams who has previously testified in this**
2 **proceeding?**

3 A. Yes I am.

4 **Purpose of Testimony**

5 **Q. What is the purpose of your supplemental direct testimony?**

6 A. I am providing updated testimony concerning capital structure, cost of debt,
7 preferred stock and overall cost of capital. I am doing so consistent with the
8 Commission's order of February 14th, 2008 in this docket.

9 **Capital Structure**

10 **Q. What capital structure are you proposing in this proceeding?**

11 A. The Commission has ruled that the test period in this proceeding is the twelve
12 months ending December 31, 2008. To appropriately match the Company's costs
13 with customers' rates, the capital structure is the average of the December 31,
14 2007 and December 31, 2008 capital structures.

15 **Q. Has the capital structure changed as a result of the modification to the test**
16 **year?**

17 A. Yes. The common equity level of total capitalization has decreased from 51.7
18 percent to 50.4 percent. As the beginning of the test period is January 1, 2008, it
19 includes the impact of the Company's October 2007 long term debt issuance. The
20 result is a temporary increase in the percentage of long term debt in the December
21 31, 2007 capital structure. Over time the Company will add new equity through
22 retained earnings and capital contributions. This produces a capital structure at
23 the end of the new test period (December 31, 2008) nearly identical to the capital

24 structure at the end of the Company's original forecast test period (June 30, 2009)
25 with common equity levels of approximately 51.4 percent of total capitalization.

26 **Cost of Debt and Preferred Stock**

27 **Q. Have you updated the cost of debt?**

28 A. Yes. I have calculated the updated cost of debt using the methodology consistent
29 with my filed direct testimony. The cost of debt is 6.30 percent, which is the
30 weighted average of the costs at December 31, 2007 and December 31, 2008 as
31 shown in Exhibit RMP__(BNW-1S). In addition, this exhibit also shows how
32 the Company projected the cost of variable rate debt at each of those dates. This
33 methodology is also consistent with my filed direct testimony.

34 **Q. What is the cost of preferred stock for the new test period?**

35 A. There is no change in the cost of preferred stock from my earlier testimony. The
36 cost of preferred stock remains at 5.41 percent as shown in Exhibit
37 RMP__(BNW-2S).

38 **Q. What is the overall cost of capital that you are proposing in this proceeding?**

39 A. Rocky Mountain Power is proposing an overall cost of capital of 8.54 percent.
40 This cost includes the Return on Equity recommendation from Dr. Hadaway and
41 the following capital structure and costs:

42

43

Rocky Mountain Power

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Overall Cost of Capital

45

Percent of % Weighted

46

Component Total Cost Average

47

Long Term Debt 49.2% 6.30% 3.10%

48

Preferred Stock 0.4% 5.41% 0.02%

49

Common Stock Equity 50.4% 10.75% 5.42%

50

Total 100.0% 8.54%

51

Q. Does this conclude your supplemental direct testimony?

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A. Yes.