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20-06003

Public Utilities Commission of Nevada  
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Reference:

Filed For: Wynn Las Vegas LLC Smart Energy Alliance and Circus Circus Las Vegas LLC

In accordance with NRS Chapter 719,  
this filing has been electronically signed and filed  
by: /s Corinne Milinovich

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This filing has been electronically filed and deemed to be signed by an authorized  
agent or  
representative of the signer(s) and  
Wynn Las Vegas LLC Smart Energy Alliance and Circus Circus Las Vegas LLC

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5795-B Rogers St.  
Las Vegas, NV 89118

August 17, 2020

Trisha Osborne  
Assistant Commission Secretary  
Public Utilities Commission of Nevada  
1150 E. William Street  
Carson City, NV 89701

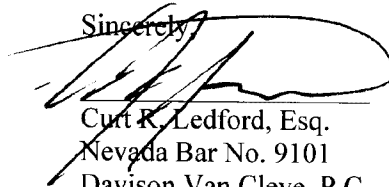
Re: Application of Nevada Power Company d/b/a NV Energy for Authority to  
Adjust its Annual Revenue Requirement for General Rates Charged to all  
Classes of Electric Customers.  
**Docket No. 20-06003**

Dear Ms. Osborne:

Please find enclosed for filing the testimony of David J. Garrett on behalf of Wynn Las Vegas, LLC, Circus Circus Las Vegas, LLC, and Smart Energy Alliance in the above-referenced docket.

Thank you for your assistance. If you have any questions regarding this filing, please do not hesitate to contact me.

Sincerely,



Curt R. Ledford, Esq.  
Nevada Bar No. 9101  
Davison Van Cleve, P.C.  
5795-B Rogers Street  
Las Vegas, Nevada 89118  
Tel: (503) 241-7242  
[crl@dvclaw.com](mailto:crl@dvclaw.com)

*Of Attorneys for Wynn Las Vegas, LLC,  
Circus Circus Las Vegas, LLC, and  
Smart Energy Alliance*

**BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

**Nevada Power Company  
d/b/a NV Energy**

**Docket No. 20-06003**

**Testimony of  
David J. Garrett**

**on behalf of  
Wynn Las Vegas, LLC, Smart Energy Alliance, and Circus Circus Las Vegas, LLC**

**August 17, 2020**

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## **LIST OF EXHIBITS**

|               |  |
|---------------|--|
| Exhibit DJG-1 | Curriculum Vitae   |
| Exhibit DJG-2 | 2018 Earnings Sharing Adjustment                             |
| Exhibit DJG-3 | 2019 Earnings Sharing Adjustment                             |
| Exhibit DJG-4 | Interest Charge Calculation – With Adjusted Earnings Sharing |
| Exhibit DJG-5 | Interest Charge Calculation – With NPC’s Earnings Sharing    |
| Exhibit DJG-6 | NPC’s 2018 Earnings Sharing Calculation                      |
| Exhibit DJG-7 | NPC’s 2019 Earnings Sharing Calculation                      |

1 **I. INTRODUCTION**

2 **Q1. State your name and occupation.**

3 A. My name is David J. Garrett. I am a consultant specializing in public utility regulation. I  
4 am the managing member of Resolve Utility Consulting. I focus my practice on the  
5 primary capital recovery mechanisms for public utility companies: cost of capital and  
6 depreciation.

7 **Q2. Summarize your educational background and professional experience.**

8 A. I received a B.B.A. degree with a major in Finance, an M.B.A. degree, and a Juris Doctor  
9 degree from the University of Oklahoma. I worked in private legal practice for several  
10 years before accepting a position as assistant general counsel at the Oklahoma Corporation  
11 Commission in 2011. At the Commission, I worked in the Office of General Counsel in  
12 regulatory proceedings. In 2012, I began working for the Public Utility Division as a  
13 regulatory analyst providing testimony in regulatory proceedings. I am a Certified  
14 Depreciation Professional with the Society of Depreciation Professionals. I am also a  
15 Certified Rate of Return Analyst with the Society of Utility and Regulatory Financial  
16 Analysts. I have testified in many regulatory proceedings regarding cost of capital and  
17 depreciation. A more complete description of my qualifications and regulatory experience  
18 is included in my curriculum vitae.<sup>1</sup>

19 **Q3. Have you previously testified before the Public Utilities Commission of Nevada (the**  
20 **“Commission”)?**

21 A. Yes.

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<sup>1</sup> Exhibit DJG-1.

1 **Q4. On whose behalf are you submitting this testimony?**

2 A. I am submitting this testimony on behalf of Wynn Las Vegas, LLC, Smart Energy Alliance,  
3 and Circus Circus Las Vegas, LLC (collectively, the “DOS Customers”).

4 **Q5. What is the purpose of your testimony?**

5 A. The purpose of my testimony is to present the position of the DOS Customers regarding  
6 the treatment of the earnings sharing regulatory liability presented in the application of  
7 Nevada Power Company d/b/a NV Energy (“NV Energy” or the “Company”).<sup>2</sup>

8 **Q6. Please summarize your understanding of this issue.**

9 A. Pursuant to prior orders of the Commission, the Company created a regulatory liability to  
10 refund to ratepayers 50% of the earnings above a 9.7% return on equity beginning calendar  
11 year 2018.<sup>3</sup> The Company calculated an amount of \$59.7 million as the earnings sharing  
12 regulatory liability, which includes \$43.3 million for 2018 and \$16.4 million for 2019.<sup>4</sup>  
13 The Staff of the Public Utilities Commission of Nevada (“Staff”) and the Attorney  
14 General’s Bureau of Consumer Protection (“BCP”) filed a motion to return the earnings  
15 sharing regulatory liability funds in the form of an immediate one-time bill credit.<sup>5</sup> In  
16 response, the DOS Customers did not object to the relief requested in the motion,  
17 conditioned upon the Commission’s clarification that approval of the immediate return of

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<sup>2</sup> See Vol. 22, Schedule H-CERT 36.

<sup>3</sup> See Commission Order in Docket Nos. 17-06003 & 17-06004, dated December 29, 2017; see also Direct Testimony of Michael Cole, p. 25, lines 1-12.

<sup>4</sup> Vol. 22, Schedule H-CERT 36.

<sup>5</sup> Joint Motion for Immediate Return of Earnings Sharing Funds to Ratepayers and for Order Shortening Time, filed July 21, 2020.

1 the regulatory liability would limit any party's ability to contest the accuracy of the  
2 Company's calculation of the regulatory liability.

3 **Q7. Please summarize the recommendations in your testimony.**

4 A. In this testimony I present two issues that could have a material impact on the Company's  
5 calculation of the regulatory liability. These issues include the proper equity ratio used to  
6 calculate the amount of the over earnings for 2018 and 2019, as well as the carrying charges  
7 that should be applied to the over earnings amounts for 2018 and 2019. I discuss these  
8 issues further in my testimony. The table below summarizes the impact of these  
9 adjustments to NPC's earnings sharing liability.

**Figure 1:  
Depreciation Rate Comparison by Plant Function**

|                                   |                      |
|-----------------------------------|----------------------|
| Earnings Sharing Liability - 2018 | \$ 47,703,446        |
| Earnings Sharing Liability - 2019 | 25,904,762           |
| Total 2018-2019 ESL Principal     | 73,608,208           |
| 1/1/19 - 9/1/20 Carrying Charge   | 9,504,713            |
| Total Liability                   | <b>\$ 83,112,922</b> |

10 As shown in this table, I calculate NPC's total earnings sharing liability to be \$83.1 million.

11 **Q8. How should the Commission order NPC to refund the earnings sharing liability?**

12 A. As Staff and BCP initially requested, the DOS Customers recommend that this amount be  
13 refunded immediately through a one-time bill credit. The DOS Customers support the bill  
14 crediting mechanism recommended in the testimony of Kevin Higgins for MGM and  
15 Caesars.

1 **II. CAPITAL STRUCTURE ADJUSTMENT**

2 **Q9. Please describe how the Company calculated the amount of its shared earnings for**  
3 **2018 and 2019.**

4 A. In NV Energy’s 2018 and 2019 Annual Deferred Energy Accounting Adjustment  
5 Applications, the Company presented its regulatory return on equity and earnings sharing  
6 calculations.<sup>6</sup> The Company determined the shared earnings by comparing the adjusted  
7 operating income to an imputed allowed operating income based on the shared earnings  
8 threshold of a 9.7% allowed return on equity (“ROE”).<sup>7</sup> The imputed allowed operating  
9 income based on a 9.7% allowed ROE was calculated based on what appears to be NPC’s  
10 actual common equity percentage for 2018 and 2019, which was 51.37% and 54.24%  
11 respectively.<sup>8</sup>

12 **Q10. Do you agree with the Company’s use of its actual equity ratio in calculating the**  
13 **earnings sharing amounts for 2018 and 2019?**

14 A. No. The Company should have used its authorized equity ratio of 49.99% for both its 2018  
15 and 2019 earnings sharing calculations. In its order establishing the earning sharing  
16 mechanism, the Commission stated:

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<sup>6</sup> See Annual Deferred Energy Accounting Adjustment Application of Nevada Power Company d/b/a NV Energy for the 12-month period ending December 31, 2018, Docket No. 19-03001, Volume 2 of 9, Application, Draft Note and Exhibits, Exhibit M (this exhibit also attached hereto as Exhibit DJG-6); *see also* Annual Deferred Energy Accounting Adjustment Application of Nevada Power Company d/b/a NV Energy for the 12-month period ending December 31, 2019, Docket No. 20-02026, Volume 2 of 12, Application, Draft Notice and Exhibits, Exhibit M (this exhibit also attached hereto as Exhibit DJG-7).

<sup>7</sup> See Direct Testimony of Blake Groen, Docket No. 20-02026, pp. 3-6.

<sup>8</sup> See Exhibits DJG-6 and DJG-7.



1 To balance and temper the possibility of over-earning by Nevada Power,  
2 the PUCN establishes in this Order a first-of-its-kind in Nevada earnings-  
3 sharing mechanism between Nevada Power and its customers. Any return  
4 on equity received by Nevada Power in excess of 9.7 percent shall be  
5 thereafter split equally (50/50) between Nevada Power and ratepayers. This  
6 new earnings sharing mechanism will help rein in any over-earning that may  
7 occur.<sup>9</sup>

8 Because the amount of equity in a utility's capital structure directly impacts the return to  
9 the equity holder, if NPC had requested a capital structure with 54.24% equity in its 2017  
10 rate case, the Commission may have ordered a lower ROE and, thus, a lower earnings  
11 sharing threshold. Thus, it is not appropriate for NPC to inflate its authorized equity return  
12 for purposes of calculating the earnings sharing amounts by using a higher level of capital  
13 structure equity than the Commission allowed.

14 Furthermore, the earnings sharing mechanism should be a fixed benchmark, rather  
15 than a moving target. Clearly, the threshold ROE level for the earning sharing mechanism  
16 is fixed at 9.7%. In my opinion, this also necessitates the use of a fixed capital structure,  
17 rather than a moving target. NPC's authorized equity ratio for 2018 and 2019 was  
18 49.99%.<sup>10</sup> Unlike competitive firms, which have a natural financial incentive to minimize  
19 capital costs by operating with sufficient amounts of low-cost debt, utilities are not  
20 naturally incentivized to operate with sufficient amounts of debt in their capital structures.  
21 Instead, under the rate-base rate of return model, utilities can increase their revenue  
22 requirements to a level specifically approved by regulators. Similarly, with regard to the  
23 earning sharing mechanism, the amount of the earnings sharing decreases as the equity

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<sup>9</sup> See Docket Nos. 17-06003 & 17-06004, Order Granting in Part and Denying in Part General Rate Application by Nevada Power Company (12/29/17) at p. 3.

<sup>10</sup> Docket Nos. 17-06003 & 17-06004, Order Granting in Part and Denying in Part General Rate Application by Nevada Power Company (12/29/17) at ¶ 50.

1 ratio increases. The Commission did not direct NPC to use its actual equity ratio rather  
2 than the authorized ratio, likely because doing so would actually give NPC yet another  
3 incentive to not operate with sufficient amounts of low-cost debt (particularly during a time  
4 of historically-low interest rates). Moreover, this arrangement would be antithetical to the  
5 Commission's stated purpose to "balance and temper the possibility of over-earnings" and  
6 to "rein in any over-earnings that may occur."<sup>11</sup>

7 **Q11. Did you use NPC's authorized equity ratio in calculating the earnings sharing**  
8 **amounts for 2018 and 2019?**

9 A. Yes. In my calculation of NPC's earnings sharing amount for 2018 and 2019, I based my  
10 approach on the same approach used by NPC, however, instead of using NPC's actual  
11 equity ratios for 2018 and 2019, I used the authorized equity ratio of 49.99%, as shown in  
12 my attached exhibits.<sup>12</sup> For 2018, I calculate earnings sharing of \$47.7 million, and for  
13 2019, I calculate earnings sharing of \$25.9 million. This equates to a total earnings sharing  
14 of \$73.6 million, which is \$14 million higher than the earnings sharing of \$59.7 million  
15 calculated by the Company.

16 **Q12. In Docket 19-03001, the Commission approved a stipulation between Staff, BCP, and**  
17 **NPC regarding calculation of the earnings sharing amounts. Does this stipulation**  
18 **preclude your recommendation to modify this calculation by using NPC's authorized**  
19 **equity ratio rather than its actual equity ratio?**

20 A. I do not believe so. First, none of the DOS Customers was a party to this stipulation. The  
21 stipulation states that the "Parties (i.e., Staff, BCP, and NPC) agree that the methodology  
22 for calculating the earning sharing described in the filing reflects the collaborative efforts

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<sup>11</sup> *Id.*

<sup>12</sup> *See* Exhibit DJG-2 and Exhibit DJG-3.

1 between Staff, BCP and the Companies ....”<sup>13</sup> Furthermore, the Commission’s order  
2 accepting this stipulation does not explicitly approve the methodology agreed to by Staff,  
3 BCP, and NPC as appropriate or reasonable. It only restates the stipulation’s language that  
4 the “Signatories agree that the methodology of calculating the earning sharing described in  
5 the filing reflects the collaborative efforts between Staff, BCP, and NV Energy ....”<sup>14</sup>  
6 Therefore, it appears that the Commission has not made a final decision on a appropriate  
7 calculation methodology and remains free to adopt a different methodology in this case  
8 than the one agreed to between Staff, BCP, and NPC.

### 9 **III. INTEREST CHARGE ADJUSTMENT**

10 **Q13. Has NPC proposed interest or carrying charges be applied to the principal balance**  
11 **of the earnings sharing liability?**

12 A. No.

13 **Q14. Should interest be applied to the principal amount of the earnings sharing liability?**

14 A. Yes. Regardless of the amount ultimately determined to be the base, principle amount of  
15 the earnings sharing liability, interest changes should be applied to that amount. At the  
16 time the earnings sharing mechanism is triggered, those excess earnings belong to  
17 customers. To the extent NPC has retained customers’ funds over time, interest should be  
18 applied to those funds so that NPC does not receive interest-free use of customers’ money.

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<sup>13</sup> Docket 19-03001, Stipulation ¶ 17.

<sup>14</sup> Id. Order ¶ 13 (Aug. 1, 2019).

1 **Q15. Please describe how you calculated your proposed interest charges.**

2 A. To calculate the interest charges, I started with the adjusted principal earnings charges for  
3 2018 and 2019 (\$47.7 million and \$25.9 million respectively) and used the Company's pre-  
4 tax weighted average cost of capital of 9.2%, which is based on the authorized capital  
5 structure consisting of a 49.99% equity ratio.<sup>15</sup> I applied this interest rate from January of  
6 2019 through September of 2020. Based on these inputs, I calculate a total interest charge  
7 of \$9.5 million.<sup>16</sup>

8 **Q16. Have you also calculated what the amount of the interest charge would be if NPC's**  
9 **proposed principal earnings-share liability amounts are considered?**

10 A. Yes. If NPC's proposed regulatory liability amounts are used as the principal balances for  
11 the interest change, the total interest changes are \$8.1 million.<sup>17</sup>

12 **Q17. Does this conclude your testimony?**

13 A. Yes.

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<sup>15</sup> Exhibit DJG-4.

<sup>16</sup> Exhibit DJG-4.

<sup>17</sup> Exhibit DJG-5.

**AFFIRMATION**

STATE OF OKLAHOMA            )  
  ) SS.  
COUNTY OF OKLAHOMA        )

I, DAVID J. GARRETT, do hereby swear under penalty of perjury the following:

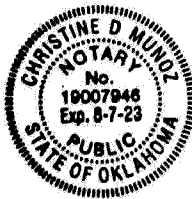
That I am the person identified in the attached Prepared Testimony, and that such testimony was prepared by me or under my direct supervision; that the answers and information set forth therein are true to the best of my knowledge and belief; and that if asked questions set forth herein; my answers thereto would, under oath, remain the same.

  
\_\_\_\_\_  
DAVID J. GARRETT

Subscribed and sworn to (or affirmed) before me on this 16th day of September, 2020, by DAVID J. GARRETT, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

  
\_\_\_\_\_

NOTARY PUBLIC



101 Park Avenue, Suite 1125  
Oklahoma City, OK 73102

**DAVID J. GARRETT**

405.249.1050  
dgarrett@resolveuc.com

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## **EDUCATION**

|   |                    |
|---|--------------------|
| University of Oklahoma<br><b>Master of Business Administration</b><br>Areas of Concentration: Finance, Energy | Norman, OK<br>2014 |
| University of Oklahoma College of Law<br><b>Juris Doctor</b><br>Member, American Indian Law Review            | Norman, OK<br>2007 |
| University of Oklahoma<br><b>Bachelor of Business Administration</b><br>Major: Finance                        | Norman, OK<br>2003 |

## **PROFESSIONAL DESIGNATIONS**

Society of Depreciation Professionals  
**Certified Depreciation Professional (CDP)**

Society of Utility and Regulatory Financial Analysts  
**Certified Rate of Return Analyst (CRRA)**

The Mediation Institute  
**Certified Civil / Commercial & Employment Mediator**

## **WORK EXPERIENCE**

|  |   |
|--|---|
| Resolve Utility Consulting PLLC<br><b><u>Managing Member</u></b><br>Provide expert analysis and testimony specializing in depreciation and cost of capital issues for clients in utility regulatory proceedings.   | Oklahoma City, OK<br>2016 – Present             |
| Oklahoma Corporation Commission<br><b><u>Public Utility Regulatory Analyst</u></b><br><b><u>Assistant General Counsel</u></b><br>Represented commission staff in utility regulatory proceedings and provided legal opinions to commissioners. Provided expert analysis and testimony in depreciation, cost of capital, incentive compensation, payroll and other issues. | Oklahoma City, OK<br>2012 – 2016<br>2011 – 2012 |

Perebus Counsel, PLLC

**Managing Member**

Represented clients in the areas of family law, estate planning, debt negotiations, business organization, and utility regulation.

Oklahoma City, OK  
2009 – 2011

Moricoli & Schovanec, P.C.

**Associate Attorney**

Represented clients in the areas of contracts, oil and gas, business structures and estate administration.

Oklahoma City, OK  
2007 – 2009

**TEACHING EXPERIENCE**

**University of Oklahoma**

Adjunct Instructor – “Conflict Resolution”

Adjunct Instructor – “Ethics in Leadership”

Norman, OK  
2014 – Present

**Rose State College**

Adjunct Instructor – “Legal Research”

Adjunct Instructor – “Oil & Gas Law”

Midwest City, OK  
2013 – 2015

**PUBLICATIONS**

**American Indian Law Review**

“Vine of the Dead: Reviving Equal Protection Rites for Religious Drug Use”

(31 Am. Indian L. Rev. 143)

Norman, OK  
2006

**VOLUNTEER EXPERIENCE**

**Calm Waters**

**Board Member**

Participate in management of operations, attend meetings, review performance, compensation, and financial records. Assist in fundraising events.

Oklahoma City, OK  
2015 – 2018

**Group Facilitator & Fundraiser**

Facilitate group meetings designed to help children and families cope with divorce and tragic events. Assist in fundraising events.

2014 – 2018

**St. Jude Children’s Research Hospital**

**Oklahoma Fundraising Committee**

Raised money for charity by organizing local fundraising events.

Oklahoma City, OK  
2008 – 2010

**PROFESSIONAL ASSOCIATIONS**

|   |                        |
|---|------------------------|
| <b>Oklahoma Bar Association</b>   | 2007 – Present         |
| <b>Society of Depreciation Professionals</b><br><u>Board Member – President</u><br>Participate in management of operations, attend meetings,<br>review performance, organize presentation agenda. | 2014 – Present<br>2017 |
| <b>Society of Utility Regulatory Financial Analysts</b>   | 2014 – Present         |

**SELECTED CONTINUING PROFESSIONAL EDUCATION**

|  |                           |
|--|---------------------------|
| Society of Depreciation Professionals<br><b>“Life and Net Salvage Analysis”</b><br>Extensive instruction on utility depreciation, including actuarial<br>and simulation life analysis modes, gross salvage, cost of removal,<br>life cycle analysis, and technology forecasting. | Austin, TX<br>2015        |
| Society of Depreciation Professionals<br><b>“Introduction to Depreciation” and “Extended Training”</b><br>Extensive instruction on utility depreciation, including average<br>lives and net salvage.   | New Orleans, LA<br>2014   |
| Society of Utility and Regulatory Financial Analysts<br><b>46th Financial Forum. “The Regulatory Compact: Is it Still Relevant?”</b><br>Forum discussions on current issues.   | Indianapolis, IN<br>2014  |
| New Mexico State University, Center for Public Utilities<br><b>Current Issues 2012, “The Santa Fe Conference”</b><br>Forum discussions on various current issues in utility regulation.  | Santa Fe, NM<br>2012      |
| Michigan State University, Institute of Public Utilities<br><b>“39th Eastern NARUC Utility Rate School”</b><br>One-week, hands-on training emphasizing the fundamentals of<br>the utility ratemaking process.  | Clearwater, FL<br>2011    |
| New Mexico State University, Center for Public Utilities<br><b>“The Basics: Practical Regulatory Training for the Changing Electric Industries”</b><br>One-week, hands-on training designed to provide a solid<br>foundation in core areas of utility ratemaking.                | Albuquerque, NM<br>2010   |
| The Mediation Institute<br><b>“Civil / Commercial &amp; Employment Mediation Training”</b><br>Extensive instruction and mock mediations designed to build<br>foundations in conducting mediations in civil matters.  | Oklahoma City, OK<br>2009 |



## Utility Regulatory Proceedings

| Regulatory Agency                                      | Utility Applicant                           | Docket Number                             | Issues Addressed   | Parties Represented  |
|--|---|---|--|--|
| Railroad Commission of Texas                           | Texas Gas Services Company                  | GUD 10928                                 | Depreciation rates, service lives, net salvage             | Gulf Coast Service Area Steering Committee                                 |
| Public Utilities Commission of the State of California | Southern California Edison                  | A.19-08-013                               | Depreciation rates, service lives, net salvage             | The Utility Reform Network   |
| Massachusetts Department of Public Utilities           | NSTAR Gas Company                           | D.P.U. 19-120                             | Depreciation rates, service lives, net salvage             | Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy |
| Georgia Public Service Commission                      | Liberty Utilities (Peach State Natural Gas) | 42959                                     | Depreciation rates, service lives, net salvage             | Public Interest Advocacy Staff   |
| Florida Public Service Commission                      | Florida Public Utilities Company            | 20190155-EI<br>20190156-EI<br>20190174-EI | Depreciation rates, service lives, net salvage             | Florida Office of Public Counsel   |
| Illinois Commerce Commission                           | Commonwealth Edison Company                 | 20-0393                                   | Depreciation rates, service lives, net salvage             | The Office of the Illinois Attorney General                                |
| Public Utility Commission of Texas                     | Southwestern Public Service Company         | PUC 49831                                 | Depreciation rates, service lives, net salvage             | Alliance of Xcel Municipalities  |
| South Carolina Public Service Commission               | Blue Granite Water Company                  | 2019-290-WS                               | Depreciation rates, service lives, net salvage             | South Carolina Office of Regulatory Staff                                  |
| Railroad Commission of Texas                           | CenterPoint Energy Resources                | GUD 10920                                 | Depreciation rates and grouping procedure                  | Alliance of CenterPoint Municipalities                                     |
| Pennsylvania Public Utility Commission                 | Aqua Pennsylvania Wastewater                | A-2019-3009052                            | Fair market value estimates for wastewater assets          | Pennsylvania Office of Consumer Advocate                                   |
| New Mexico Public Regulation Commission                | Southwestern Public Service Company         | 19-00170-UT                               | Cost of capital and authorized rate of return              | The New Mexico Large Customer Group; Occidental Permian                    |
| Indiana Utility Regulatory Commission                  | Duke Energy Indiana                         | 45253                                     | Cost of capital, depreciation rates, net salvage           | Indiana Office of Utility Consumer Counselor                               |
| Maryland Public Service Commission                     | Columbia Gas of Maryland                    | 9609                                      | Depreciation rates, service lives, net salvage             | Maryland Office of People's Counsel  |
| Washington Utilities & Transportation Commission       | Avista Corporation                          | UE-190334                                 | Cost of capital, awarded rate of return, capital structure | Washington Office of Attorney General                                      |

## Utility Regulatory Proceedings

| Regulatory Agency                                      | Utility Applicant   | Docket Number | Issues Addressed   | Parties Represented  |
|--|---|---------------|--|--|
| Indiana Utility Regulatory Commission                  | Indiana Michigan Power Company                                | 45235         | Cost of capital, depreciation rates, net salvage         | Indiana Office of Utility Consumer Counselor                               |
| Public Utilities Commission of the State of California | Pacific Gas & Electric Company                                | 18-12-009     | Depreciation rates, service lives, net salvage           | The Utility Reform Network   |
| Oklahoma Corporation Commission                        | The Empire District Electric Company                          | PUD 201800133 | Cost of capital, authorized ROE, depreciation rates      | Oklahoma Industrial Energy Consumers and Oklahoma Energy Results           |
| Arkansas Public Service Commission                     | Southwestern Electric Power Company                           | 19-008-U      | Cost of capital, depreciation rates, net salvage         | Western Arkansas Large Energy Consumers                                    |
| Public Utility Commission of Texas                     | CenterPoint Energy Houston Electric                           | PUC 49421     | Depreciation rates, service lives, net salvage           | Texas Coast Utilities Coalition  |
| Massachusetts Department of Public Utilities           | Massachusetts Electric Company and Nantucket Electric Company | D.P.U. 18-150 | Depreciation rates, service lives, net salvage           | Massachusetts Office of the Attorney General, Office of Ratepayer Advocacy |
| Oklahoma Corporation Commission                        | Oklahoma Gas & Electric Company                               | PUD 201800140 | Cost of capital, authorized ROE, depreciation rates      | Oklahoma Industrial Energy Consumers and Oklahoma Energy Results           |
| Public Service Commission of the State of Montana      | Montana-Dakota Utilities Company                              | D2018.9.60    | Depreciation rates, service lives, net salvage           | Montana Consumer Counsel and Denbury Onshore                               |
| Indiana Utility Regulatory Commission                  | Northern Indiana Public Service Company                       | 45159         | Depreciation rates, grouping procedure, demolition costs | Indiana Office of Utility Consumer Counselor                               |
| Public Service Commission of the State of Montana      | NorthWestern Energy   | D2018.2.12    | Depreciation rates, service lives, net salvage           | Montana Consumer Counsel   |
| Oklahoma Corporation Commission                        | Public Service Company of Oklahoma                            | PUD 201800097 | Depreciation rates, service lives, net salvage           | Oklahoma Industrial Energy Consumers and Wal-Mart                          |
| Nevada Public Utilities Commission                     | Southwest Gas Corporation                                     | 18-05031      | Depreciation rates, service lives, net salvage           | Nevada Bureau of Consumer Protection                                       |
| Public Utility Commission of Texas                     | Texas-New Mexico Power Company                                | PUC 48401     | Depreciation rates, service lives, net salvage           | Alliance of Texas-New Mexico Power Municipalities                          |
| Oklahoma Corporation Commission                        | Oklahoma Gas & Electric Company                               | PUD 201700496 | Depreciation rates, service lives, net salvage           | Oklahoma Industrial Energy Consumers and Oklahoma Energy Results           |

## Utility Regulatory Proceedings

| Regulatory Agency                                 | Utility Applicant                   | Docket Number   | Issues Addressed                               | Parties Represented                               |
|---|-------------------------------------|-----------------|--|---|
| Maryland Public Service Commission                | Washington Gas Light Company        | 9481            | Depreciation rates, service lives, net salvage | Maryland Office of People's Counsel               |
| Indiana Utility Regulatory Commission             | Citizens Energy Group               | 45039           | Depreciation rates, service lives, net salvage | Indiana Office of Utility Consumer Counselor      |
| Public Utility Commission of Texas                | Entergy Texas, Inc.                 | PUC 48371       | Depreciation rates, decommissioning costs      | Texas Municipal Group                             |
| Washington Utilities & Transportation Commission  | Avista Corporation                  | UE-180167       | Depreciation rates, service lives, net salvage | Washington Office of Attorney General             |
| New Mexico Public Regulation Commission           | Southwestern Public Service Company | 17-00255-UT     | Cost of capital and authorized rate of return  | HollyFrontier Navajo Refining; Occidental Permian |
| Public Utility Commission of Texas                | Southwestern Public Service Company | PUC 47527       | Depreciation rates, plant service lives        | Alliance of Xcel Municipalities                   |
| Public Service Commission of the State of Montana | Montana-Dakota Utilities Company    | D2017.9.79      | Depreciation rates, service lives, net salvage | Montana Consumer Counsel                          |
| Florida Public Service Commission                 | Florida City Gas                    | 20170179-GU     | Cost of capital, depreciation rates            | Florida Office of Public Counsel                  |
| Washington Utilities & Transportation Commission  | Avista Corporation                  | UE-170485       | Cost of capital and authorized rate of return  | Washington Office of Attorney General             |
| Wyoming Public Service Commission                 | Powder River Energy Corporation     | 10014-182-CA-17 | Credit analysis, cost of capital               | Private customer                                  |
| Oklahoma Corporation Commission                   | Public Service Co. of Oklahoma      | PUD 201700151   | Depreciation, terminal salvage, risk analysis  | Oklahoma Industrial Energy Consumers              |
| Public Utility Commission of Texas                | Oncor Electric Delivery Company     | PUC 46957       | Depreciation rates, simulated analysis         | Alliance of Oncor Cities                          |
| Nevada Public Utilities Commission                | Nevada Power Company                | 17-06004        | Depreciation rates, service lives, net salvage | Nevada Bureau of Consumer Protection              |
| Public Utility Commission of Texas                | El Paso Electric Company            | PUC 46831       | Depreciation rates, interim retirements        | City of El Paso                                   |

## Utility Regulatory Proceedings

| Regulatory Agency                            | Utility Applicant                   | Docket Number    | Issues Addressed                                       | Parties Represented                              |
|--|-------------------------------------|------------------|--|--|
| Idaho Public Utilities Commission            | Idaho Power Company                 | IPC-E-16-24      | Accelerated depreciation of North Valmy plant          | Micron Technology, Inc.                          |
| Idaho Public Utilities Commission            | Idaho Power Company                 | IPC-E-16-23      | Depreciation rates, service lives, net salvage         | Micron Technology, Inc.                          |
| Public Utility Commission of Texas           | Southwestern Electric Power Company | PUC 46449        | Depreciation rates, decommissioning costs              | Cities Advocating Reasonable Deregulation        |
| Massachusetts Department of Public Utilities | Eversource Energy                   | D.P.U. 17-05     | Cost of capital, capital structure, and rate of return | Sunrun Inc.; Energy Freedom Coalition of America |
| Railroad Commission of Texas                 | Atmos Pipeline - Texas              | GUID 10580       | Depreciation rates, grouping procedure                 | City of Dallas                                   |
| Public Utility Commission of Texas           | Sharyland Utility Company           | PUC 45414        | Depreciation rates, simulated analysis                 | City of Mission                                  |
| Oklahoma Corporation Commission              | Empire District Electric Company    | PUD 201600468    | Cost of capital, depreciation rates                    | Oklahoma Industrial Energy Consumers             |
| Railroad Commission of Texas                 | CenterPoint Energy Texas Gas        | GUID 10567       | Depreciation rates, simulated plant analysis           | Texas Coast Utilities Coalition                  |
| Arkansas Public Service Commission           | Oklahoma Gas & Electric Company     | 160-159-GU       | Cost of capital, depreciation rates, terminal salvage  | Arkansas River Valley Energy Consumers; Wal-Mart |
| Florida Public Service Commission            | Peoples Gas                         | 160-159-GU       | Depreciation rates, service lives, net salvage         | Florida Office of Public Counsel                 |
| Arizona Corporation Commission               | Arizona Public Service Company      | E-01345A-16-0036 | Cost of capital, depreciation rates, terminal salvage  | Energy Freedom Coalition of America              |
| Nevada Public Utilities Commission           | Sierra Pacific Power Company        | 16-06008         | Depreciation rates, net salvage, theoretical reserve   | Northern Nevada Utility Customers                |
| Oklahoma Corporation Commission              | Oklahoma Gas & Electric Co.         | PUD 201500273    | Cost of capital, depreciation rates, terminal salvage  | Public Utility Division                          |
| Oklahoma Corporation Commission              | Public Service Co. of Oklahoma      | PUD 201500208    | Cost of capital, depreciation rates, terminal salvage  | Public Utility Division                          |

## Utility Regulatory Proceedings

| <u>Regulatory Agency</u>        | <u>Utility Applicant</u>     | <u>Docket Number</u> | <u>Issues Addressed</u>                          | <u>Parties Represented</u> |
|---------------------------------|------------------------------|----------------------|--|----------------------------|
| Oklahoma Corporation Commission | Oklahoma Natural Gas Company | PUD 201500213        | Cost of capital, depreciation rates, net salvage | Public Utility Division    |

# 2018 Earnings Sharing Adjustment

Exhibit DJG-2

## Cost of Capital<sup>1</sup>

|                   | Ratio  | Cost % | Weighted Cost |
|-------------------|--------|--------|---------------|
| Short Term Debt   | 0%     | 0.00%  | 0.000%        |
| Customer Deposits | 1.44%  | 0.38%  | 0.005%        |
| Long Term Debt    | 48.58% | 6.17%  | 2.997%        |
| Common Equity     | 49.99% |        |               |
| Total             | 100%   |        |               |

## Summary

|                          |                | Adjustment | Allowed        |
|--------------------------|----------------|------------|----------------|
| Operating Income         | \$ 419,446,000 |            | \$ 378,162,099 |
| Rate Base                | 4,802,412,000  | 17,140,000 | 4,819,552,000  |
| Rate of Return           | 8.73%          |            | 7.85%          |
| Cost of Debt & Preferred | 3.00%          |            | 3.00%          |
| Available for Common     | 5.73%          |            | 4.85%          |
| Common Equity Percentage | 49.99%         |            | 49.99%         |
| Imputed Return on Common | 11.46%         |            | 9.70%          |

## Earnings Sharing over 9.7% ROE

|                                  |                |
|----------------------------------|----------------|
| Operating Income                 | \$ 419,446,000 |
| Accrual for Sharing              | 41,283,901     |
| Long-term Incentive Plan Accrual | 1,042,000      |
| Tax                              | (8,237,000)    |
| Adjusted Operating Income        | 453,534,901    |
| Operating Income at 9.7%         | 378,162,099    |
| Difference                       | 75,372,801     |
| 50% Sharing                      | 37,686,401     |
| Tax Gross Up Factor              | 26.58%         |
| Tax Gross Up Dollars             | 10,017,045     |
| Sharing Over 9.7% ROE            | \$ 47,703,446  |

[1] Docket Nos. 17-06003 & 17-06004, Order Granting in Part and Denying in Part General Rate Application by Nevada Power Company (12/29/17) at ¶ 50.

# 2019 Earnings Sharing Adjustment

Exhibit DJG-3

## Cost of Capital<sup>1</sup>

|                   | Ratio  | Cost % | Weighted Cost |
|-------------------|--------|--------|---------------|
| Short Term Debt   | 0.00%  | 0.00%  | 0.000%        |
| Customer Deposits | 1.44%  | 0.41%  | 0.006%        |
| Long Term Debt    | 48.58% | 5.26%  | 2.555%        |
| Common Equity     | 49.99% |        |               |
| Total             | 100%   |        |               |

## Summary

|                          |                | Adjustment | Allowed        |
|--------------------------|----------------|------------|----------------|
| Operating Income         | \$ 374,906,008 |            | \$ 353,478,209 |
| Rate Base                | 4,720,730,000  | 53,203,000 | 4,773,934,000  |
| Rate of Return           | 7.94%          |            | 7.40%          |
| Cost of Debt & Preferred | 2.56%          |            | 2.56%          |
| Available for Common     | 5.38%          |            | 4.85%          |
| Common Equity Percentage | 49.99%         |            | 49.99%         |
| Imputed Return on Common | 10.76%         |            | 9.70%          |

## Earnings Sharing over 9.7% ROE

|                                  |                      |
|----------------------------------|----------------------|
| Operating Income                 | \$ 374,906,008       |
| Accrual for Sharing              | 21,427,799           |
| Long-term Incentive Plan Accrual | 1,915,310            |
| Tax                              | (3,840,646)          |
| Adjusted Operating Income        | 394,408,470          |
| Operating Income at 9.7%         | 353,478,209          |
| Difference                       | 40,930,261           |
| 50% Sharing                      | 20,465,131           |
| Tax Gross Up Factor              | 26.58%               |
| Tax Gross Up Dollars             | 5,439,632            |
| Sharing Over 9.7% ROE            | <u>\$ 25,904,762</u> |

[1] Docket Nos. 17-06003 & 17-06004, Order Granting in Part and Denying in Part General Rate Application by Nevada Power Company (12/29/17) at ¶ 50.

\*Other data from Docket 20-02026, Vol. 2 of 12, Application, Draft Notice and Exhibits, Groen Exhibit M







NEVADA POWER COMPANY  
d/b/a NV Energy  
REGULATORY RETURN ON EQUITY  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018  
(IN THOUSANDS)

Exhibit M  
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| Ln No | Section | Item No | (a) Description                            | (b) Total Reported | (c) | (d) Non Rate-Base | (e) FERC Jurisdiction | (f) Nevada Jurisdiction | (g) | Ln No |
|-------|---------|---------|--|--------------------|-----|-------------------|-----------------------|-------------------------|-----|-------|
| 1     | I       |         | <b>Rate Base</b>                           |                    |     |                   |                       |                         |     | 1     |
| 2     |         | 1       | Utility Plant                              |                    |     |                   |                       |                         |     | 2     |
| 3     |         | 1a      | Utility Plant in Service                   | \$ 9,156,950       |     | \$ -              | \$ 225,647            | \$ 8,931,304            |     | 3     |
| 4     |         | 1b      | Electric Plant Held for Future Use         | 4,559              |     | 4,559             | -                     | -                       |     | 4     |
| 5     |         | 1c      | Capital Leases                             | 455,582            |     | 455,582           | -                     | -                       |     | 5     |
| 6     |         | 1d      | Asset Retirement Obligation                | 24,679             |     | 24,679            | -                     | -                       |     | 6     |
| 7     |         | 2       | Construction Work in Progress              | 84,776             |     | 84,776            | -                     | -                       |     | 7     |
| 8     |         | 3       | (Less) Accum Prov Depreciation             |                    |     |                   |                       |                         |     | 8     |
| 9     |         | 3a      | Utility Plant in Service                   | (3,167,500)        |     | -                 | (66,328)              | (3,101,172)             |     | 9     |
| 10    |         | 3b      | Electric Plant Held for Future Use         | (1,318)            |     | (1,319)           | -                     | -                       |     | 10    |
| 11    |         | 3c      | Asset Retirement Obligation                | (12,765)           |     | (12,765)          | -                     | -                       |     | 11    |
| 12    |         | 4       | Other Property and Investments             | 38,727             |     | 38,727            | -                     | -                       |     | 12    |
| 13    |         | 5       | Working Capital                            |                    |     |                   |                       |                         |     | 13    |
| 14    |         | 5a      | Fuel Stock                                 | 4,495              |     | -                 | -                     | 4,495                   |     | 14    |
| 15    |         | 5b      | Materials and Supplies                     | 54,494             |     | -                 | 1,362                 | 53,132                  |     | 15    |
| 16    |         | 5c      | Prepayments                                | 55,185             |     | -                 | 673                   | 54,512                  |     | 16    |
| 17    |         | 5d      | Cash Working Capital - Assets              | 435,861            |     | 455,897           | (370)                 | (19,667)                |     | 17    |
| 18    |         | 5e      | Cash Working Capital - Liabilities         | (351,245)          |     | (351,245)         | -                     | -                       |     | 18    |
| 19    |         | 6       | (Less) Accumulated Uncollectibles          | (15,542)           |     | -                 | -                     | (15,542)                |     | 19    |
| 20    |         | 7       | Regulatory Assets                          |                    |     |                   |                       |                         |     | 20    |
| 21    |         | 7a      | Included in Nevada retail rate base        | 559,764            |     | -                 | -                     | 559,764                 |     | 21    |
| 22    |         | 7b      | Excluded in Nevada retail rate base        | 186,128            |     | 186,128           | -                     | -                       |     | 22    |
| 23    |         | 7c      | Other recovery method - balancing accounts | 39,978             |     | 39,978            | -                     | -                       |     | 23    |
| 24    |         | 7d      | GAAP                                       | 6,092              |     | 6,092             | -                     | -                       |     | 24    |
| 25    |         | 7e      | Tax  | 0                  |     | -                 | -                     | 0                       |     | 25    |
| 26    |         | 8       | Miscellaneous Deferred Debits              |                    |     |                   |                       |                         |     | 26    |
| 27    |         | 8a      | Included in Nevada retail rate base        | 91,036             |     | -                 | 1,107                 | 89,929                  |     | 27    |
| 28    |         | 8b      | Excluded in Nevada retail rate base        | 1,011              |     | 1,011             | -                     | -                       |     | 28    |
| 29    |         | 8c      | Asset Retirement Obligations               | 69,138             |     | 69,138            | -                     | -                       |     | 29    |
| 30    |         | 8d      | Other recovery method                      | -                  |     | -                 | -                     | -                       |     | 30    |
| 31    |         | 8e      | Pension - AOCI Adjustment                  | -                  |     | 33,521            | -                     | (33,521)                |     | 31    |
| 32    |         | 9       | Other Deferred Debits                      | 54,865             |     | 54,865            | -                     | -                       |     | 32    |
| 33    |         | 10      | (Less) Accum Deferred Taxes                |                    |     |                   |                       |                         |     | 33    |
| 34    |         | 10a     | Asset                                      | 864,203            |     | -                 | -                     | 864,203                 |     | 34    |
| 35    |         | 10b     | Liability                                  | (1,624,040)        |     | 3,675             | (35,280)              | (1,592,435)             |     | 35    |
| 36    |         | 10c     | Investment Tax Credit                      | (13,291)           |     | -                 | (358)                 | (12,933)                |     | 36    |
| 37    |         | 11      | Obligations Under Capital Leases           | (467,887)          |     | (467,887)         | -                     | -                       |     | 37    |
| 38    |         | 12      | (Less) Reserves                            | (60,918)           |     | -                 | (766)                 | (60,152)                |     | 38    |
| 39    |         | 13      | Accumulated Provision for Rate Refunds     | (1,447)            |     | (1,447)           | -                     | -                       |     | 39    |
| 40    |         | 14      | Derivative Instrument Liabilities          | (6,092)            |     | (6,092)           | -                     | -                       |     | 40    |
| 41    |         | 15      | Asset Retirement Obligations               | (81,052)           |     | (81,052)          | -                     | -                       |     | 41    |
| 42    |         | 16      | (Less) Customer Advances - Constr          | (58,365)           |     | -                 | -                     | (58,365)                |     | 42    |
| 43    |         | 17      | Regulatory Liabilities                     |                    |     |                   |                       |                         |     | 43    |
| 44    |         | 17a     | Included in Nevada retail rate base        | (90,555)           |     | -                 | -                     | (90,555)                |     | 44    |
| 45    |         | 17b     | Other recovery method - balancing accounts | (59,131)           |     | (59,131)          | -                     | -                       |     | 45    |
| 46    |         | 17c     | GAAP                                       | (47,855)           |     | (47,855)          | -                     | -                       |     | 46    |
| 47    |         | 17d     | Tax  | (669,657)          |     | -                 | -                     | (669,657)               |     | 47    |
| 48    |         | 17e     | Current year earnings sharing accrual      | (17,140)           |     | -                 | -                     | (17,140)                |     | 48    |
| 49    |         | 18      | Other deferred credits                     | (83,789)           |     | -                 | -                     | (83,789)                |     | 49    |
| 50    |         | 19      | Unamortized Gain on Reacquired Debt        | (173)              |     | (173)             | -                     | -                       |     | 50    |
| 51    |         | 20      | Long-Term Debt                             | (2,576,292)        |     | (2,576,292)       | -                     | -                       |     | 51    |
| 52    |         | 21      | Total Net Utility Rate Base                | \$ 2,781,469       |     | \$ (2,146,630)    | \$ 125,687            | \$ 4,802,412            |     | 52    |
| 53    |         |         |  |                    |     |                   |                       |                         |     | 53    |
| 54    |         | 22      | Total Proprietary Capital                  | (2,781,469)        |     |                   |                       |                         |     | 54    |
| 55    |         |         |  |                    |     |                   |                       |                         |     | 55    |
| 56    |         | 23      | Total Assets                               | 8,990,398          |     |                   |                       |                         |     | 56    |
| 57    |         | 24      | Total Liabilities and Stockholders Equity  | (8,990,398)        |     |                   |                       |                         |     | 57    |

**NEVADA POWER COMPANY**  
d/b/a NV Energy  
**REGULATORY RETURN ON EQUITY**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018**  
**(IN THOUSANDS)**

Exhibit M  
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| Ln No | Section | Item No | Description   | (a)<br>Total Reported | (b)          | (c)           | (d)<br>Non Rate-Base | (e)<br>FERC Jurisdiction | (f)<br>Nevada Jurisdiction | (g)            | Ln No |
|-------|---------|---------|---|-----------------------|--------------|---------------|----------------------|--------------------------|----------------------------|----------------|-------|
| 1     | II      |         | <b>Income Statement</b>   |                       |              |               |                      |                          |                            |                | 1     |
| 2     |         | 25      | Operating Revenues  | \$ 2,256,527          |              |               | \$ -                 | \$ 28,805                | \$ 2,227,722               |                | 2     |
| 3     |         | 26      | Operating Expenses:   |                       |              |               |                      |                          |                            |                | 3     |
| 4     |         | 26a     | Operations & Maintenance  | 1,307,934             |              |               | -                    | 9,948                    | 1,297,986                  |                | 4     |
| 5     |         | 26b     | Depreciation & Amortization   | 397,281               |              |               | -                    | 4,735                    | 392,546                    |                | 5     |
| 6     |         | 26c     | Taxes Other than Income Taxes   | 48,149                |              |               | -                    | 1,034                    | 47,115                     |                | 6     |
| 7     |         | 26d     | Income Taxes  | 72,376                |              |               | -                    | 2,748                    | 69,627                     |                | 7     |
| 8     |         | 26e     | Investment Tax Credit - Net   | (572)                 |              |               | -                    | (15)                     | (557)                      |                | 8     |
| 9     |         | 26f     | Gains/Losses from Disposition of Allowances                               | (0)                   |              |               | -                    | -                        | (0)                        |                | 9     |
| 10    |         | 27      | Total Operating Expenses  | \$ 1,825,168          |              |               | \$ -                 | \$ 18,450                | \$ 1,806,718               |                | 10    |
| 11    |         |         |   |                       |              |               |                      |                          |                            |                | 11    |
| 12    |         | 28      | Operating Income Before Adjustments                                       | \$ 431,359            |              |               | \$ -                 | \$ 10,355                | \$ 421,004                 |                | 12    |
| 13    |         | 29      | Carry on regulatory assets/liabilities                                    |                       |              |               |                      |                          | 1,586                      |                | 13    |
| 14    |         | 30      | Lenzie incentive  |                       |              |               |                      |                          | (3,980)                    |                | 14    |
| 15    |         | 31      | Tax on Line 30  |                       |              |               |                      |                          | 836                        |                | 15    |
| 16    |         | 32      | Net Operating Income  |                       |              |               |                      |                          | \$ 419,446                 |                | 16    |
| 17    |         |         |   |                       |              |               |                      |                          |                            |                | 17    |
| 18    |         | 33      | Other Income  | 16,404                |              |               |                      |                          |                            |                | 18    |
| 19    |         | 34      | Other Deductions  | (53,217)              |              |               |                      |                          |                            |                | 19    |
| 20    |         | 35      | Taxes on Other Income and Deductions                                      | (336)                 |              |               |                      |                          |                            |                | 20    |
| 21    |         | 36      | Interest Charges  | (167,881)             |              |               |                      |                          |                            |                | 21    |
| 22    |         | 37      | Net Income  | \$ 226,328            |              |               |                      |                          |                            |                | 22    |
| 23    |         |         |   |                       |              |               |                      |                          |                            |                | 23    |
| 24    |         | 38      | Return on Rate Base (net operating income/adjusted net utility rate base) |                       |              |               |                      |                          | 8.73 %                     |                | 24    |
| 25    |         |         |   |                       |              |               |                      |                          |                            |                | 25    |
| 26    | III     |         | <b>Cost of Capital (5-quarter average)</b>                                |                       |              |               |                      |                          |                            |                | 26    |
| 27    |         |         |   | <b>Amount</b>         | <b>Ratio</b> | <b>Cost %</b> | <b>Average Cost</b>  |                          |                            |                | 27    |
| 28    |         | 39      | Short-Term Debt   | (a)                   | (b)          | (c)           | (d)                  |                          |                            |                | 28    |
| 29    |         | 40      | Customer Deposits   | -                     | - %          | 0.00 %        | - %                  |                          |                            |                | 29    |
| 30    |         | 41      | Long Term Debt  | 53,192                | 0.98 %       | 0.38 %        | 0.00 %               |                          |                            |                | 30    |
| 31    |         | 42      | Common Equity   | 2,582,725             | 47.65 %      | 6.17 %        | 2.94 %               |                          |                            |                | 31    |
| 32    |         | 43      | Total   | 2,783,927             | 51.37 %      |               |                      |                          |                            |                | 32    |
| 33    |         |         |   | \$ 5,419,844          |              |               |                      |                          |                            |                | 33    |
| 34    | IV      |         | <b>Summary</b>  |                       |              |               |                      |                          | <b>Adjustment</b>          | <b>Allowed</b> | 34    |
| 35    |         | 44      | Operating Income  |                       |              |               |                      | \$ 419,446               |                            | \$ 382,016     | 35    |
| 36    |         | 45      | Rate Base   |                       |              |               |                      | 4,802,412                | 17,140                     | 4,819,552      | 36    |
| 37    |         | 46      | Rate of Return  |                       |              |               |                      | 8.73 %                   |                            | 7.93 %         | 37    |
| 38    |         | 47      | Cost of Debt & Preferred  |                       |              |               |                      | 2.94 %                   |                            | 2.94 %         | 38    |
| 39    |         | 48      | Available for Common  |                       |              |               |                      | 5.79 %                   |                            | 4.98 %         | 39    |
| 40    |         | 49      | Common Equity Percentage  |                       |              |               |                      | 51.37 %                  |                            | 51.37 %        | 40    |
| 41    |         | 50      | Imputed Return on Common  |                       |              |               |                      | 11.27 %                  |                            | 9.70 %         | 41    |
| 42    |         | 51      | SEC Return on Equity (5-point)  |                       |              |               |                      | 8.14 %                   |                            |                | 42    |
| 43    |         |         |   |                       |              |               |                      |                          |                            |                | 43    |
| 44    | V       |         | <b>Earnings Sharing</b>   |                       |              |               |                      |                          |                            |                | 44    |
| 45    |         |         | <b>Sharing Over 9.7% ROE</b>  |                       |              |               |                      |                          |                            |                | 45    |
| 46    |         | 52      | Operating Income  |                       |              |               |                      | \$ 419,446               |                            |                | 46    |
| 47    |         | 53      | Plus Accrual for Sharing  |                       |              |               |                      | 38,182                   |                            |                | 47    |
| 48    |         | 54      | Plus Long-term incentive plan accrual                                     |                       |              |               |                      | 1,042                    |                            |                | 48    |
| 49    |         | 55      | Tax on Lines 2-3  |                       |              |               |                      | (8,237)                  |                            |                | 49    |
| 50    |         | 56      | Adjusted Operating Income   |                       |              |               |                      | \$ 450,433               |                            |                | 50    |
| 51    |         | 57      | Operating Income @ 9.7%   |                       |              |               |                      | 382,016                  |                            |                | 51    |
| 52    |         | 58      | Difference  |                       |              |               |                      | 68,417                   |                            |                | 52    |
| 53    |         | 59      | 50% Sharing   |                       |              |               |                      | 34,209                   |                            |                | 53    |
| 54    |         | 60      | Tax Gross Up Factor   |                       |              |               |                      | 21.00 %                  |                            |                | 54    |
| 55    |         | 61      | Tax Gross UP Dollars  |                       |              |               |                      | 9,093                    |                            |                | 55    |
| 56    |         | 62      | Sharing Over 9.7% ROE   |                       |              |               |                      | \$ 43,302                |                            |                | 56    |

Nevada Power Company  
Regulatory Return on Equity  
For Period Ending 2019-Q4  
As of December 2019  
(in thousands)

Exhibit M  
Page 1 of 2  
Green

| Ln  | Item    | (a)  | (b)          | (c) | (d)            | (e)          | (f)          | (g) | Ln  |
|-----|---------|--|--------------|-----|----------------|--------------|--------------|-----|-----|
| No. | Section | No.  | Total        |     | Non            | FERC         | Nevada       |     | No. |
|     |         | Description                                | Reported     |     | Rate-Base      | Jurisdiction | Jurisdiction |     |     |
| 1   | I       | Rate Base                                  |              |     |                |              |              |     | 1   |
| 2   | 1       | Utility Plant                              |              |     |                |              |              |     | 2   |
| 3   | 1a      | Utility Plant in Service                   | 9,309,903    |     | -              | 240,117      | 9,063,441    |     | 3   |
| 4   | 1b      | Electric Plant Held for Future Use         | 7,874        |     | 7,874          | -            | -            |     | 4   |
| 5   | 1c      | Capital Leases                             | 466,280      |     | 466,280        | -            | -            |     | 5   |
| 6   | 1d      | Asset Retirement Obligation                | 17,918       |     | 17,918         | -            | -            |     | 6   |
| 7   | 2       | Construction Work in Progress              | 142,873      |     | 142,873        | -            | -            |     | 7   |
| 8   | 3       | (Less) Accum Prov Depreciation             |              |     |                |              |              |     | 8   |
| 9   | 3a      | Utility Plant in Service                   | (3,320,327)  |     | -              | (73,749)     | (3,246,578)  |     | 9   |
| 10  | 3b      | Electric Plant Held for Future Use         | (816)        |     | (816)          | -            | -            |     | 10  |
| 11  | 3c      | Asset Retirement Obligation                | (8,777)      |     | (8,777)        | -            | -            |     | 11  |
| 12  | 4       | Other Property and Investments             | 39,606       |     | 39,606         | -            | -            |     | 12  |
| 13  | 5       | Working Capital                            |              |     |                |              |              |     | 13  |
| 14  | 5a      | Fuel Stock                                 | 4,329        |     | -              | -            | 4,329        |     | 14  |
| 15  | 5b      | Materials and Supplies                     | 57,729       |     | -              | 1,502        | 56,227       |     | 15  |
| 16  | 5c      | Prepayments                                | 56,682       |     | -              | 693          | 55,989       |     | 16  |
| 17  | 5d      | Cash Working Capital - Assets              | 380,634      |     | 395,457        | (260)        | (14,564)     |     | 17  |
| 18  | 5e      | Cash Working Capital - Liabilities         | (346,047)    |     | (346,047)      | -            | -            |     | 18  |
| 19  | 6       | (Less) Accumulated Uncollectibles          | (14,198)     |     | -              | -            | (14,198)     |     | 19  |
| 20  | 7       | Regulatory Assets                          |              |     |                |              |              |     | 20  |
| 21  | 7a      | Included in Nevada retail rate base        | 510,534      |     | -              | -            | 510,534      |     | 21  |
| 22  | 7b      | Excluded in Nevada retail rate base        | 184,992      |     | 184,992        | -            | -            |     | 22  |
| 23  | 7c      | Other recovery method - balancing accounts | 35,098       |     | 35,098         | -            | -            |     | 23  |
| 24  | 7d      | GAAP                                       | 9,725        |     | 9,725          | -            | -            |     | 24  |
| 25  | 7e      | Tax  | 24,429       |     | -              | -            | 24,429       |     | 25  |
| 26  | 8       | Miscellaneous Deferred Debits              |              |     |                |              |              |     | 26  |
| 27  | 8a      | Included in Nevada retail rate base        | 99,773       |     | -              | 1,210        | 98,563       |     | 27  |
| 28  | 8b      | Excluded in Nevada retail rate base        | 839          |     | 839            | -            | -            |     | 28  |
| 29  | 8c      | Asset Retirement Obligations               | 66,635       |     | 66,635         | -            | -            |     | 29  |
| 30  | 8d      | Other recovery method                      | -            |     | -              | -            | -            |     | 30  |
| 31  | 8e      | Pension - AOCI Adjustment                  | -            |     | 33,521         | -            | (33,521)     |     | 31  |
| 32  | 9       | Other Deferred Debits                      | 54,524       |     | 54,524         | -            | -            |     | 32  |
| 33  | 10      | (Less) Accum Deferred Taxes                |              |     |                |              |              |     | 33  |
| 34  | 10a     | Asset                                      | 862,307      |     | -              | -            | 862,307      |     | 34  |
| 35  | 10b     | Liability                                  | (1,596,042)  |     | 5,724          | (36,420)     | (1,565,345)  |     | 35  |
| 36  | 10c     | Investment Tax Credit                      | (12,744)     |     | -              | (361)        | (12,383)     |     | 36  |
| 37  | 11      | Obligations Under Capital Leases           | (472,906)    |     | (472,906)      | -            | -            |     | 37  |
| 38  | 12      | (Less) Reserves                            | (57,601)     |     | -              | (726)        | (56,875)     |     | 38  |
| 39  | 13      | Accumulated Provision for Rate Refunds     | (1,349)      |     | (1,349)        | -            | -            |     | 39  |
| 40  | 14      | Derivative Instrument Liabilities          | (9,725)      |     | (9,725)        | -            | -            |     | 40  |
| 41  | 15      | Asset Retirement Obligations               | (75,776)     |     | (75,776)       | -            | -            |     | 41  |
| 42  | 16      | (Less) Customer Advances - Constr.         | (64,595)     |     | -              | -            | (64,595)     |     | 42  |
| 43  | 17      | Regulatory Liabilities                     |              |     |                |              |              |     | 43  |
| 44  | 17a     | Included in Nevada retail rate base        | (96,594)     |     | -              | -            | (96,594)     |     | 44  |
| 45  | 17b     | Other recovery method - balancing accounts | (77,316)     |     | (77,316)       | -            | -            |     | 45  |
| 46  | 17c     | GAAP                                       | (49,981)     |     | (49,981)       | -            | -            |     | 46  |
| 47  | 17d     | Tax  | (703,002)    |     | -              | -            | (703,002)    |     | 47  |
| 48  | 17e     | Current year earnings sharing accrual      | (53,203)     |     | -              | -            | (53,203)     |     | 48  |
| 49  | 18      | Other deferred credits                     | (94,231)     |     | -              | -            | (94,231)     |     | 49  |
| 50  | 19      | Unamortized Gain on Recquired Debt         | (162)        |     | (162)          | -            | -            |     | 50  |
| 51  | 20      | Long-Term Debt                             | (2,376,135)  |     | (2,376,135)    | -            | -            |     | 51  |
| 52  | 21      | Total Net Utility Rate Base                | \$ 2,901,158 |     | \$ (1,957,923) | \$ 132,007   | \$ 4,720,730 |     | 52  |
| 53  |         |  |              |     |                |              |              |     | 53  |
| 54  | 22      | Total Proprietary Capital                  | (2,894,420)  |     |                |              |              |     | 54  |
| 55  |         |  |              |     |                |              |              |     | 55  |
| 56  | 23      | Total Assets                               | 8,988,566    |     |                |              |              |     | 56  |
| 57  | 24      | Total Liabilities and Stockholders Equity  | (8,981,828)  |     |                |              |              |     | 57  |

Nevada Power Company  
Regulatory Return on Equity  
For Period Ending 2019-Q4  
As of December 2019  
(In thousands)

Exhibit M  
Page 2 of 2  
Green

| Ln No | Section | Item No | (a)<br>Description  | (b)<br>Total<br>Reported | (c)           | (d)<br>Non<br>Rate-Base | (e)<br>FERC<br>Jurisdiction  | (f)<br>Nevada<br>Jurisdiction | (g)            | Ln No |
|-------|---------|---------|---|--------------------------|---------------|-------------------------|------------------------------|-------------------------------|----------------|-------|
| 1     | II      |         | <b>Income Statement</b>   |                          |               |                         |                              |                               |                | 1     |
| 2     |         | 25      | Operating Revenues  | 2,220,672                |               | -                       | 31,781                       | 2,188,891                     |                | 2     |
| 3     |         | 26      | Operating Expenses:   |                          |               |                         |                              |                               |                | 3     |
| 4     |         | 26a     | Operations & Maintenance  | 1,327,487                |               | -                       | 10,579                       | 1,316,908                     |                | 4     |
| 5     |         | 26b     | Depreciation & Amortization   | 383,979                  |               | -                       | 4,747                        | 379,233                       |                | 5     |
| 6     |         | 26c     | Taxes Other than Income Taxes   | 52,200                   |               | -                       | 85                           | 52,114                        |                | 6     |
| 7     |         | 26d     | Income Taxes  | 71,110                   |               | -                       | 3,438                        | 67,673                        |                | 7     |
| 8     |         | 26e     | Investment Tax Credit - Net   | (519)                    |               | -                       | (15)                         | (505)                         |                | 8     |
| 9     |         | 26f     | Gains/Losses from Disposition of Allowances                               | (0)                      |               | -                       | -                            | (0)                           |                | 9     |
| 10    |         | 27      | <b>Total Operating Expenses</b>   | <b>\$ 1,834,256</b>      |               | <b>\$ -</b>             | <b>18,834</b>                | <b>\$ 1,815,423</b>           |                | 10    |
| 11    |         |         |   |                          |               |                         |                              |                               |                | 11    |
| 12    |         | 28      | Operating Income Before Adjustments                                       | \$ 386,415               |               | \$ -                    | 12,947                       | \$ 373,468                    |                | 12    |
| 13    |         | 29      | Carry on regulatory assets/liabilities                                    |                          |               |                         |                              | 4,582                         |                | 13    |
| 14    |         | 30      | Lenzie Incentive  |                          |               |                         |                              | (3,980)                       |                | 14    |
| 15    |         | 31      | Tax on Line 30  |                          |               |                         |                              | 836                           |                | 15    |
| 16    |         | 32      | Net Operating Income  |                          |               |                         |                              | <u>\$ 374,906</u>             |                | 16    |
| 17    |         |         |   |                          |               |                         |                              |                               |                | 17    |
| 18    |         | 33      | Other Income  | 27,666                   |               |                         |                              |                               |                | 18    |
| 19    |         | 34      | Other Deductions  | (13,419)                 |               |                         |                              |                               |                | 19    |
| 20    |         | 35      | Taxes on Other Income and Deductions                                      | (2,335)                  |               |                         |                              |                               |                | 20    |
| 21    |         | 36      | Interest Charges  | (132,814)                |               |                         |                              |                               |                | 21    |
| 22    |         | 37      | Net Income  | <u>\$ 265,513</u>        |               |                         |                              |                               |                | 22    |
| 23    |         |         |   |                          |               |                         |                              |                               |                | 23    |
| 24    |         | 38      | Return on Rate Base (net operating income/adjusted net utility rate base) |                          |               |                         |                              | <u>7.94 %</u>                 |                | 24    |
| 25    |         |         |   |                          |               |                         |                              |                               |                | 25    |
| 26    | III     |         | <b>Cost of Capital (5-quarter average)</b>                                |                          |               |                         |                              |                               |                | 26    |
| 27    |         |         |   | <b>Amount</b>            | <b>Ratio</b>  | <b>Cost %</b>           | <b>Weighted Average Cost</b> |                               |                | 27    |
| 28    |         | 39      | Short-Term Debt   | (a)                      | (b)           | (c)                     | (d)                          |                               |                | 28    |
| 29    |         | 40      | Customer Deposits   | 59,555                   | 1.12 %        | 0.41 %                  | 0.00 %                       |                               |                | 29    |
| 30    |         | 41      | Long Term Debt  | 2,383,749                | 44.64 %       | 5.26 %                  | 2.35 %                       |                               |                | 30    |
| 31    |         | 42      | Common Equity   | 2,896,409                | 54.24 %       |                         |                              |                               |                | 31    |
| 32    |         | 43      | Total   | <u>\$ 5,339,713</u>      |               |                         |                              |                               |                | 32    |
| 33    |         |         |   |                          |               |                         |                              |                               |                | 33    |
| 34    | IV      |         | <b>Summary</b>  |                          |               |                         |                              | <b>Adjustment</b>             | <b>Allowed</b> | 34    |
| 35    |         | 44      | Operating Income  |                          |               |                         | \$ 374,906                   |                               | \$ 363,484     | 35    |
| 36    |         | 45      | Rate Base   |                          |               |                         | \$ 4,720,730                 | \$ 53,203                     | \$ 4,773,934   | 36    |
| 37    |         | 46      | Rate of Return  |                          |               |                         | 7.94 %                       |                               | 7.61 %         | 37    |
| 38    |         | 47      | Cost of Debt & Preferred  |                          |               |                         | 2.35 %                       |                               | 2.35 %         | 38    |
| 39    |         | 48      | Available for Common  |                          |               |                         | 5.59 %                       |                               | 5.26 %         | 39    |
| 40    |         | 49      | Common Equity Percentage  |                          |               |                         | 54.24 %                      |                               | 54.24 %        | 40    |
| 41    |         | 50      | Imputed Return on Common  |                          |               |                         | <u>10.30 %</u>               |                               | <u>9.70 %</u>  | 41    |
| 42    |         | 51      | SEC Return on Equity (5-point)  |                          | <u>9.15 %</u> |                         |                              |                               |                | 42    |
| 43    |         |         |   |                          |               |                         |                              |                               |                | 43    |
| 44    | V       |         | <b>Earnings Sharing</b>   |                          |               |                         |                              |                               |                | 44    |
| 45    |         |         | <b>Sharing Over 9.7% ROE</b>  |                          |               |                         |                              |                               |                | 45    |
| 46    |         | 52      | Operating Income  |                          |               |                         | \$ 374,906,007.85            |                               |                | 46    |
| 47    |         | 53      | Plus Accrual for Sharing  |                          |               |                         | 16,373,482.26                |                               |                | 47    |
| 48    |         | 54      | Plus Long-term incentive plan accrual                                     |                          |               |                         | 1,915,310.49                 |                               |                | 48    |
| 49    |         | 55      | Tax on Lines 2-3  |                          |               |                         | (3,840,646.48)               |                               |                | 49    |
| 50    |         | 56      | Adjusted Operating Income   |                          |               |                         | <u>\$ 389,354,154.12</u>     |                               |                | 50    |
| 51    |         | 57      | Operating Income @ 9.7%   |                          |               |                         | <u>363,484,052.14</u>        |                               |                | 51    |
| 52    |         | 58      | Difference  |                          |               |                         | <u>25,870,101.98</u>         |                               |                | 52    |
| 53    |         | 59      | 50% Sharing   |                          |               |                         | <u>12,935,050.99</u>         |                               |                | 53    |
| 54    |         | 60      | Tax Gross Up Factor   |                          |               |                         | 21.00 %                      |                               |                | 54    |
| 55    |         | 61      | Tax Gross Up Dollars  |                          |               |                         | <u>3,438,431.28</u>          |                               |                | 55    |
| 56    |         | 62      | Sharing Over 9.7% ROE   |                          |               |                         | <u>\$ 16,373,482.26</u>      |                               |                | 56    |

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have this day served the testimony of **David J. Garrett on behalf of Wynn Las Vegas, LLC, Smart Energy Alliance, and Circus Circus Las Vegas, LLC** upon each of the parties on the attached service list in this proceeding via electronic mail.

DATED this 17th day of August, 2020.

*/s/ Corinne O. Milinovich*  
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