

DAVID J. MEYER
VICE PRESIDENT AND CHIEF COUNSEL OF
REGULATORY & GOVERNMENTAL AFFAIRS
AVISTA CORPORATION
P.O. BOX 3727
1411 EAST MISSION AVENUE
SPOKANE, WASHINGTON 99220-3727
TELEPHONE: (509) 495-4316
FACSIMILE: (509) 495-8851

RECEIVED
2011 JUL -5 AM 11:44
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

| | |
|------------------------------------|----------------------|
| IN THE MATTER OF THE APPLICATION) | CASE NO. AVU-E-11-01 |
| OF AVISTA CORPORATION FOR THE) | CASE NO. AVU-G-11-01 |
| AUTHORITY TO INCREASE ITS RATES) | |
| AND CHARGES FOR ELECTRIC AND) | DIRECT TESTIMONY |
| NATURAL GAS SERVICE TO ELECTRIC) | OF |
| AND NATURAL GAS CUSTOMERS IN THE) | WILLIAM E. AVERA |
| STATE OF IDAHO) | |
|) | |

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

DIRECT TESTIMONY OF WILLIAM E. AVERA

TABLE OF CONTENTS

I. INTRODUCTION 1
 A. Overview..... 1
 B. Summary of Conclusions..... 4
II. RISKS OF AVISTA 7
 A. Operating Risks..... 8
 B. Implications of Attrition.....15
 C. Impact of Capital Market Conditions.....18
 D. Support For Avista's Credit Standing.....23
 E. Capital Structure.....29
III. CAPITAL MARKET ESTIMATES.....35
 A. Overview.....35
 B. Results of Quantitative Analyses.....38
 C. Flotation Costs.....47
IV. RETURN ON EQUITY RECOMMENDATION50

EXHIBIT No. 3

Schedule -1 - Qualifications of William E. Avera
Schedule -2 - Description of Quantitative Analyses
Schedule -3 - Capital Structure
Schedule -4 - Constant Growth DCF Model - Utility Proxy
 Group
Schedule -5 - Sustainable Growth Rate - Utility Proxy Group
Schedule -6 - Constant Growth DCF Model - Non-Utility Proxy
 Group
Schedule -7 - Sustainable Growth Rate - Non-Utility Proxy
 Group
Schedule -8 - Forward-looking CAPM - Utility Proxy Group
Schedule -9 - Forward-looking CAPM - Non-Utility Proxy
 Group
Schedule -10- Comparable Earnings Approach

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. William E. Avera, 3907 Red River, Austin, Texas,
4 78751.

5 Q. In what capacity are you employed?

6 A. I am the President of FINCAP, Inc., a firm
7 providing financial, economic, and policy consulting
8 services to business and government.

9 Q. Please describe your educational background and
10 professional experience.

11 A. A description of my background and
12 qualifications, including a resume containing the details
13 of my experience, is attached as Schedule 1.

14 A. Overview

15 Q. What is the purpose of your testimony in this
16 case?

17 A. The purpose of my testimony is to present to the
18 Idaho Public Utilities Commission (the "Commission" or
19 "IPUC") my independent evaluation of the fair rate of
20 return on equity ("ROE") for the jurisdictional electric
21 and gas utility operations of Avista Corp. ("Avista" or
22 "the Company"). In addition, I also examined the

1 reasonableness of Avista's capital structure, considering
2 both the specific risks faced by the Company and other
3 industry guidelines.

4 **Q. Please summarize the information and materials**
5 **you relied on to support the opinions and conclusions**
6 **contained in your testimony.**

7 A. To prepare my testimony, I used information from
8 a variety of sources that would normally be relied upon by
9 a person in my capacity. I am familiar with the
10 organization, finances, and operations of Avista from my
11 participation in prior proceedings before the IPUC, the
12 Washington Utilities and Transportation Commission, and the
13 Oregon Public Utility Commission. In connection with the
14 present filing, I considered and relied upon corporate
15 disclosures, publicly available financial reports and
16 filings, and other published information relating to
17 Avista. I also reviewed information relating generally to
18 current capital market conditions and specifically to
19 current investor perceptions, requirements, and
20 expectations for Avista's utility operations. These
21 sources, coupled with my experience in the fields of
22 finance and utility regulation, have given me a working
23 knowledge of the issues relevant to investors' required

1 return for Avista, and they form the basis of my analyses
2 and conclusions.

3 **Q. What is the practical test of the**
4 **reasonableness of the ROE used in setting a utility's**
5 **rates?**

6 A. The ROE serves to compensate common equity
7 investors for the use of their capital to finance the plant
8 and equipment necessary to provide utility service.
9 Investors commit capital only if they expect to earn a
10 return on their investment commensurate with returns
11 available from alternative investments with comparable
12 risks. To be consistent with sound regulatory economics
13 and the standards set forth by the U.S. Supreme Court in
14 the *Bluefield*¹ and *Hope*² cases, a utility's allowed ROE
15 should be sufficient to: 1) fairly compensate the utility's
16 investors, 2) enable the utility to offer a return adequate
17 to attract new capital on reasonable terms, and 3) maintain
18 the utility's financial integrity.

19 **Q. How is your testimony organized?**

20 A. I first reviewed the operations and finances of
21 Avista and industry-specific risks and capital market

¹ *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n*, 262 U.S. 679 (1923).

² *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

- 1 • In order to reflect the risks and prospects
2 associated with Avista's jurisdictional utility
3 operations, my analyses focused on a proxy group of
4 twenty-eight other utilities with comparable
5 investment risks. Consistent with the fact that
6 utilities must compete for capital with firms
7 outside their own industry, I also referenced a
8 proxy group of comparable risk companies in the
9 non-utility sector of the economy;
- 10 • Because investors' required return on equity is
11 unobservable and no single method should be viewed
12 in isolation, I applied both the DCF and CAPM
13 methods, as well as the expected earnings approach,
14 to estimate a fair ROE for Avista;
- 15 • Based on the results of these analyses, and giving
16 less weight to extremes at the high and low ends of
17 the range, I concluded that the cost of equity for
18 the proxy groups of utilities and non-utility
19 companies is in the **10.3 percent to 11.3 percent**
20 range, or **10.45 percent to 11.45 percent** after
21 incorporating an adjustment to account for the
22 impact of common equity flotation costs; and,
- 23 • As reflected in the testimony of Mark T. Thies,
24 Avista is requesting a fair ROE of 10.9 percent,
25 which is essentially equal to the midpoint of my
26 recommended range. Considering capital market
27 expectations, the exposures faced by Avista, and
28 the economic requirements necessary to maintain
29 financial integrity and support additional capital
30 investment even under adverse circumstances, it is
31 my opinion that 10.9 percent represents a fair and
32 reasonable ROE for Avista.

33 **Q. What other evidence did you consider in**
34 **evaluating your ROE recommendation in this case?**

35 A. My recommendation is reinforced by the following
36 findings:

- 37 • The reasonableness of a 10.9 percent ROE for Avista
38 is supported by the need to consider the challenges
39 to the Company's credit standing:

- 1 o The pressure of funding significant capital
2 expenditures of \$482 million in the next two
3 years, given that the Company's rate base is
4 \$2.1 billion, coupled with increased operating
5 risks, heighten the uncertainties associated
6 with Avista;
- 7 o Because of Avista's reliance on hydroelectric
8 generation and increasing dependence on natural
9 gas fueled capacity, the Company is exposed to
10 relatively greater risks of power cost
11 volatility, even with the power cost adjustment
12 ("PCA"); and,
- 13 o My conclusion that a 10.9 percent ROE for
14 Avista is a reasonable estimate of investors'
15 required return is also reinforced by the
16 greater uncertainties associated with Avista's
17 relatively small size and the fact that current
18 cost of capital estimates are likely to
19 understate investors' requirements at the time
20 the outcome of this proceeding becomes
21 effective and beyond.

22 • Sensitivity to financial market and regulatory
23 uncertainties has increased dramatically and
24 investors recognize that constructive regulation is
25 a key ingredient in supporting utility credit
26 standing and financial integrity; and,

27 • Providing Avista with the opportunity to earn a
28 return that reflects these realities is an
29 essential ingredient to support the Company's
30 financial position, which ultimately benefits
31 customers by ensuring reliable service at lower
32 long-run costs.

33 • Continued support for Avista's financial integrity,
34 including a reasonable ROE, is imperative to ensure
35 that the Company has the capability to maintain an
36 investment grade rating while confronting potential
37 challenges associated with funding infrastructure
38 development necessary to meet the needs of its
39 customers.

1 consider in evaluating their required rate of return for
2 Avista.

3 **A. Operating Risks**

4 **Q. How does Avista's generating resource mix affect**
5 **investors' risk perceptions?**

6 A. Because over 40 percent of Avista's total energy
7 requirements are provided by hydroelectric facilities, the
8 Company is exposed to a level of uncertainty not faced by
9 most utilities. While hydropower confers advantages in
10 terms of fuel cost savings and diversity, reduced
11 hydroelectric generation due to below-average water
12 conditions forces Avista to rely more heavily on wholesale
13 power markets or more costly thermal generating capacity to
14 meet its resource needs. As Standard & Poor's Corporation
15 ("S&P") has observed:

16 A reduction in hydro generation typically
17 increases an electric utility's costs by
18 requiring it to buy replacement power or run more
19 expensive generation to serve customer loads.
20 Low hydro generation can also reduce utilities'
21 opportunity to make off-system sales. At the
22 same time, low hydro years increase regional
23 wholesale power prices, creating potentially a
24 double impact - companies have to buy more power
25 than under normal conditions, paying higher
26 prices.³

³ Standard & Poor's Corporation, "Pacific Northwest Hydrology And Its Impact On Investor-Owned Utilities' Credit Quality," *RatingsDirect* (Jan. 28, 2008).

1 Investors recognize that volatile energy markets,
2 unpredictable stream flows, and Avista's reliance on
3 wholesale purchases to meet a portion of its resource needs
4 can expose the Company to the risk of reduced cash flows
5 and unrecovered power supply costs. S&P noted that Avista,
6 along with Idaho Power Company, "face the most substantial
7 risks despite their PCAs and cost-update mechanisms,"⁴ and
8 concluded that Avista's "chief risks include the electric
9 utility's exposure to replacement power costs (particularly
10 in low water years)."⁵

11 Additionally, Avista has become increasingly reliant
12 on natural gas fired generating capacity to meet base-load
13 needs. Given the significant price fluctuations
14 experienced in energy markets discussed subsequently,
15 increasing reliance on natural gas heightens Avista's
16 exposure to fuel cost volatility.

17 **Q. Does Avista anticipate the need to access the**
18 **capital markets going forward?**

19 A. Yes. Avista will require capital investment to
20 meet customer growth, provide for necessary maintenance and
21 replacements of its natural gas utility systems, as well as

⁴ *Id.*

⁵ Standard & Poor's Corporation, "Research Update: Avista Corp. Corporate Credit Rating Raised To 'BBB'; Outlook Stable," *RatingsDirect* (Mar. 2, 2011).

1 fund new investment in electric generation, transmission
2 and distribution facilities. As discussed by Company
3 witness Mr. Thies, planned capital additions for 2011-2012
4 alone total approximately \$482 million, with \$1.2 billion
5 in expenditures being expected through 2015. This
6 represents a substantial investment given Avista's rate
7 base was \$2.1 billion as of year-end 2010.

8 Continued support for Avista's financial integrity and
9 flexibility will be instrumental in attracting the capital
10 necessary to fund these projects in an effective manner.
11 Avista's reliance on purchased power to meet shortfalls in
12 hydroelectric generation magnifies the importance of
13 strengthening financial flexibility, which is essential to
14 guarantee access to the cash resources and interim
15 financing required to cover inadequate operating cash
16 flows, as well as fund required investments in the utility
17 system.

18 **Q. Is the potential for energy market volatility an**
19 **ongoing concern for investors?**

20 A. Yes. In recent years utilities and their
21 customers have had to contend with dramatic fluctuations in
22 fuel costs due to ongoing price volatility in the spot
23 markets, and investors recognize the potential for further

1 turmoil in energy markets. In times of extreme volatility,
2 utilities can quickly find themselves in a significant
3 under-recovery position with respect to power costs, which
4 can severely stress liquidity. The power industry and its
5 customers have had to contend with dramatic fluctuations in
6 gas costs due to ongoing price volatility in the spot
7 markets.

8 While current expectations for significantly lower
9 wholesale power prices reflect weaker fundamentals
10 affecting current load and fuel prices, investors recognize
11 the potential that such trends could quickly reverse. For
12 example, heightened uncertainties in the Middle East have
13 led to sharp increases in petroleum prices, and the
14 potential ramifications of the Japanese nuclear crisis on
15 the future cost and availability of nuclear generation in
16 the U.S. have not been lost on investors. S&P observed
17 that "short-term price volatility from numerous
18 possibilities ... is always possible,"⁶ while Moody's
19 recognized that "the inherent volatility of commodity costs
20 comprises one of the most significant risk factors to the
21 industry,"⁷ and concluded, "This view, that commodity

⁶ Standard & Poor's Corporation, "Top 10 Investor Questions: U.S. Regulated Electric Utilities," *RatingsDirect* (Jan. 22, 2010).

⁷ Moody's Investors Service, "Credit Opinion: Avista Corp.," *Global Credit Research* (Mar. 17, 2011).

1 prices remain low, could easily be proved incorrect, due to
2 the evidence of historical volatility."⁸

3 **Q. What other financial pressures impact investors'**
4 **risk assessment of Avista?**

5 A. Investors are aware of the financial and
6 regulatory pressures faced by utilities associated with
7 rising costs and the need to undertake significant capital
8 investments. S&P noted that cost increases and capital
9 projects, along with uncertain load growth, were a
10 significant challenge to the utility industry.⁹ As Moody's
11 observed:

12 [W]e also see the sector's overall business risk
13 and operating risks increasing, owing primarily
14 to rising costs associated with upgrading and
15 expanding the nation's trillion dollar electric
16 infrastructure.¹⁰

17 Providing the infrastructure necessary to meet the
18 energy needs of customers imposes additional financial
19 responsibilities on Avista. As noted earlier, the
20 Company's plans include electric utility capital
21 expenditures of approximately \$482 million just over the
22 2011-2012 period, and Moody's has noted that Avista's

⁸ Moody's Investors Service, "U.S. Electric Utilities: Uncertain Times Ahead; Strengthening Balance Sheets Now Would Protect Credit," *Special Comment* (Oct. 28, 2010).

⁹ Standard & Poor's Corporation, "Industry Economic And Ratings Outlook," *RatingsDirect* (Feb. 2, 2010).

¹⁰ Moody's Investors Service, "Regulation Provides Stability As Risks Mount," *Industry Outlook* (Jan. 19, 2011).

1 primary challenge is related to cost recovery of increasing
2 capital investment."¹¹ Investors are aware of the
3 challenges posed by rising costs and burdensome capital
4 expenditure requirements, especially in light of ongoing
5 capital market and economic uncertainties.

6 **Q. What other considerations affect investors'**
7 **evaluation of Avista?**

8 A. Utilities are confronting increased environmental
9 pressures that could impose significant uncertainties and
10 costs. Moody's noted that "the prospect for new
11 environmental emission legislation - particularly
12 concerning carbon dioxide - represents the biggest emerging
13 issue for electric utilities."¹² While the momentum for
14 carbon emissions legislation has slowed, expectations for
15 eventual regulations continue to pose uncertainty. Fitch
16 recently concluded, "Prospects of costly environmental
17 regulations will create uncertainty for investors in the
18 electricity business in 2011."¹³

¹¹ Moody's Investors Service, "Credit Opinion: Avista Corp.," *Global Credit Research* (Mar. 17, 2011).

¹² Moody's Investors Service, "U.S. Investor-Owned Electric Utilities," *Industry Outlook* (Jan. 2009).

¹³ Fitch Ratings Ltd., "2011 Outlook: U.S. Utilities, Power, and Gas," *Global Power North America Special Report* (Dec. 20, 2010)

1 **Q. Would investors consider Avista's relative size**
2 **in their assessment of the Company's risks and prospects?**

3 A. Yes. A firm's relative size has important
4 implications for investors in their evaluation of
5 alternative investments, and it is well established that
6 smaller firms are more risky than larger firms. With a
7 market capitalization of approximately \$1.3 billion, Avista
8 is one of the smallest publicly traded electric utilities
9 followed by The Value Line Investment Survey ("Value
10 Line"), which have an average capitalization of
11 approximately \$7.3 billion.¹⁴

12 The magnitude of the size disparity between Avista and
13 other firms in the utility industry has important practical
14 implications with respect to the risks faced by investors.
15 All else being equal, it is well accepted that smaller
16 firms are more risky than their larger counterparts, due in
17 part to their relative lack of diversification and lower
18 financial resiliency.¹⁵ These greater risks imply a higher
19 required rate of return, and there is ample empirical
20 evidence that investors in smaller firms realize higher

¹⁴ www.valueline.com (Retrieved Mar. 25, 2011).

¹⁵ It is well established in the financial literature that smaller firms are more risky than larger firms. See, e.g., Eugene F. Fama and Kenneth R. French, "The Cross-Section of Expected Stock Returns", *The Journal of Finance* (June 1992); George E. Pinches, J. Clay Singleton, and Ali Jahankhani, "Fixed Coverage as a Determinant of Electric Utility Bond Ratings", *Financial Management* (Summer 1978).

1 rates of return than in larger firms.¹⁶ Common sense and
2 accepted financial doctrine hold that investors require
3 higher returns from smaller companies, and unless that
4 compensation is provided in the rate of return allowed for
5 a utility, the legal tests embodied in the *Hope* and
6 *Bluefield* cases cannot be met.

7 **B. Implications of Attrition**

8 **Q. What causes attrition?**

9 A. Attrition is the deterioration of actual return
10 below the allowed return that occurs when the relationships
11 between revenues, costs, and rate base used to establish
12 rates (e.g., using a historical test year without adequate
13 adjustments) do not reflect the actual costs incurred to
14 serve customers during the period that rates are in effect.
15 For example, if external factors are driving costs to
16 increase more than revenues, then the rate of return will
17 fall short of the allowed return even if the utility is
18 operating efficiently. Similarly, when growth in the
19 utility's investment outstrips the rate base used for
20 ratemaking, the earned rate of return will fall below the
21 allowed return through no fault of the utility's
22 management.

¹⁶ See for example Rolf W. Banz, "The Relationship Between Return and Market Value of Common Stocks", *Journal of Financial Economics* (September 1981) at 16.

1 **Q. Why is it necessary to address the impact of**
2 **attrition?**

3 A. Investors are concerned with what they can expect
4 in the future, not what they might expect in theory if a
5 historical test year were to repeat. It is the end result
6 in the future that determines whether or not the *Hope* and
7 *Bluefield* standards are met. S&P observed that its risk
8 analysis focuses on the utility's ability to consistently
9 earn a reasonable return:

10 Notably, the analysis does not revolve around
11 "authorized" returns, but rather on actual earned
12 returns. We note the many examples of utilities
13 with healthy authorized returns that, we believe,
14 have no meaningful expectation of actually
15 earning that return because of rate case lag,
16 expense disallowances, etc.¹⁷

17 Similarly, Moody's concluded, "we evaluate the framework
18 and mechanisms that allow a utility to recover its costs
19 and investments and earn allowed returns. We are less
20 concerned with the official allowed return on equity,
21 instead focusing on the earned returns and cash flows."¹⁸

22

¹⁷ Standard & Poor's Corporation, "Assessing U.S. Utility Regulatory Environments," *RatingsDirect* (Nov. 7, 2008).

¹⁸ Moody's Investors Service, "Electric Utilities Face Challenges Beyond Near-Term," *Industry Outlook* (Jan. 2010).

1 **Q. Is it reasonable to consider the impact of**
2 **Avista's exposure to attrition?**

3 A. Yes. Central to the determination of reasonable
4 rates for utility service is the notion that owners of
5 public utility properties are protected from confiscation.
6 The Supreme Court has reaffirmed that the end result test
7 must be applied to the actual returns that investors expect
8 if they put their money at risk to finance utilities.¹⁹
9 This end result can only be achieved for Avista if the
10 allowed return is sufficient to offset the impact of
11 attrition. That end result would maintain the utility's
12 financial integrity, ability to attract capital and offer
13 investors fair compensation for the risk they bear.

14 In real world capital markets, investors have many
15 competing places to put their money. If the money that is
16 dedicated to utility public service does not have an
17 opportunity to earn a return commensurate with that
18 available from alternatives of equivalent risk in the
19 capital markets, investors are not being adequately
20 compensated for the use of their money and bearing risk.

¹⁹ *Verizon Communications, et al v. Federal Communications Commission, et al*, 535 U.S. 467 (2002). While I cannot comment on the legal significance of this case, I found the economic wisdom of looking to the reasonable expectations of actual investors compelling. Economic logic and common sense confirm that a utility cannot attract capital on reasonable terms if investors expect future returns to fall short of those offered by comparable investments.

1 Since the capital dedicated to utility service cannot be
2 withdrawn from public service, its economic value to
3 investors is reduced by the amount necessary to make the
4 utility investment competitive with alternative investments
5 on the open market. This reduction in economic value
6 necessary to bring the rate of earnings on utility
7 investment into line with market opportunities of
8 commensurate risk constitutes a taking of investors'
9 capital by the governmental authority setting rates.

10 **C. Impact of Capital Market Conditions**

11 **Q. What are the implications of recent capital**
12 **market conditions?**

13 A. The deep financial and real estate crisis that
14 the country experienced in late 2008, and continuing into
15 2009 led to unprecedented price fluctuations in the capital
16 markets as investors dramatically revised their risk
17 perceptions and required returns. As a result of investors'
18 trepidation to commit capital, stock prices declined
19 sharply while the yields on corporate bonds experienced a
20 dramatic increase.

21 With respect to utilities specifically, as of March
22 2011, the Dow Jones Utility Average stock index remained
23 approximately 20 percent below the previous high reached in
24 May 2008. This prolonged sell-off in common stocks and

1 sharp fluctuations in utility bond yields reflect the fact
2 that the utility industry is not immune to the impact of
3 financial market turmoil and the ongoing economic downturn.
4 As the Edison Electric Institute ("EEI") noted in a letter
5 to congressional representatives in September 2008 as the
6 financial crisis intensified, capital market uncertainties
7 have serious implications for utilities and their
8 customers:

9 In the wake of the continuing upheaval on Wall
10 Street, capital markets are all but immobilized,
11 and short-term borrowing costs to utilities have
12 already increased substantially. If the
13 financial crisis is not resolved quickly,
14 financial pressures on utilities will intensify
15 sharply, resulting in higher costs to our
16 customers and, ultimately, could compromise
17 service reliability.²⁰

18 While conditions have improved significantly since the
19 depths of the crisis, investors have nonetheless had to
20 confront ongoing fluctuations in share prices and stress in
21 the credit markets. As the Wall Street Journal noted in
22 February 2010:

23 Stocks pulled out of a 167-point hole with a late
24 rally Friday, capping a wild week reminiscent of
25 the most volatile days of the credit crisis. ... It
26 was a return to the unusual relationships, or
27 correlations, seen at major flash points over the
28 past two years when investors fled risky assets
29 and jumped into safe havens. This market

²⁰ Letter to House of Representatives, Thomas R. Kuhn, President, Edison Electric Institute (Sep. 24, 2008).

1 behavior, which has reasserted itself repeatedly
2 since the financial crisis began, suggests that
3 investment decisions are still being driven more
4 by government support and liquidity concerns than
5 market fundamentals.²¹

6 In response to renewed capital market uncertainties
7 initiated by unrest in the Middle East, the natural
8 disaster in Japan, ongoing concerns over the European
9 sovereign debt crisis, and questions over the
10 sustainability of economic growth, investors have
11 repeatedly fled to the safety of U.S. Treasury bonds, and
12 stock prices have experienced renewed volatility.²² The
13 dramatic rise in the price of gold and other commodities
14 also attests to investors' heightened concerns over
15 prospective challenges and risks, including the overhanging
16 threat of inflation and renewed economic turmoil. With
17 respect to electric utilities, Fitch observed that, "the
18 outlook for the sector would be adversely affected by
19 significantly higher inflation and interest rates."²³
20 Moody's recently concluded:

²¹ Gongloff, Mark, "Stock Rebound Is a Crisis Flashback - Late Surge Recalls Market's Volatility at Peak of Credit Difficulties; Unusual Correlations," *Wall Street Journal* at B1 (Feb. 6, 2010).

²² The *Wall Street Journal* recently reported that the Dow Jones Industrial Average experienced its largest drop since August 2010, which marked the fourth triple-digit move in less than two weeks. Tom Lauricella and Jonathan Cheng, "Dow Below 12000 on Mideast Worries - Troubles in Europe and China Add to Jitters," *Wall Street Journal* C1 (March. 11, 2011).

²³ Fitch Ratings Ltd., "2011 Outlook: U.S. Utilities, Power, and Gas," *Global Power North America Special Report* (Dec. 20, 2010).