

Docket No. 09-
Exhibit No. PPL/206
Witness: Samuel C. Hadaway

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

Exhibit Accompanying Direct Testimony of

Samuel C. Hadaway

Risk Premium Analysis

November 2009

PacifiCorp California

Risk Premium Analysis

(Based on Projected Interest Rates)

	MOODY'S AVERAGE PUBLIC UTILITY BOND YIELD (1)	AUTHORIZED ELECTRIC RETURNS (2)	INDICATED RISK PREMIUM
1980	13.15%	14.23%	1.08%
1981	15.62%	15.22%	-0.40%
1982	15.33%	15.78%	0.45%
1983	13.31%	15.36%	2.05%
1984	14.03%	15.32%	1.29%
1985	12.29%	15.20%	2.91%
1986	9.46%	13.93%	4.47%
1987	9.98%	12.99%	3.01%
1988	10.45%	12.79%	2.34%
1989	9.66%	12.97%	3.31%
1990	9.76%	12.70%	2.94%
1991	9.21%	12.55%	3.34%
1992	8.57%	12.09%	3.52%
1993	7.56%	11.41%	3.85%
1994	8.30%	11.34%	3.04%
1995	7.91%	11.55%	3.64%
1996	7.74%	11.39%	3.65%
1997	7.63%	11.40%	3.77%
1998	7.00%	11.66%	4.66%
1999	7.55%	10.77%	3.22%
2000	8.14%	11.43%	3.29%
2001	7.72%	11.09%	3.37%
2002	7.53%	11.16%	3.63%
2003	6.61%	10.97%	4.36%
2004	6.20%	10.75%	4.55%
2005	5.67%	10.54%	4.87%
2006	6.08%	10.36%	4.28%
2007	6.11%	10.36%	4.25%
2008	6.65%	10.46%	3.81%
AVERAGE	9.15%	12.34%	3.19%

INDICATED COST OF EQUITY

PROJECTED SINGLE-A UTILITY BOND YIELD*	5.85%
MOODY'S AVG ANNUAL YIELD DURING STUDY	9.15%
INTEREST RATE DIFFERENCE	<u>-3.30%</u>

INTEREST RATE CHANGE COEFFICIENT	<u>-41.34%</u>
ADJUSTMENT TO AVG RISK PREMIUM	1.36%

BASIC RISK PREMIUM	3.19%
INTEREST RATE ADJUSTMENT	<u>1.36%</u>
EQUITY RISK PREMIUM	<u>4.55%</u>

PROJECTED SINGLE-A UTILITY BOND YIELD*	5.85%
INDICATED EQUITY RETURN	<u><u>10.40%</u></u>

(1) Moody's Investors Service

(2) Regulatory Focus, Regulatory Research Associates, Inc.

*Projected single-A bond yield is 135 basis points over projected long-term Treasury bond rate of 4.5% from Exhibit PPL/202, p. 3. The single-A spread is for the three months ended Oct. 2009 from Exhibit PPL/202, p. 2.

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Risk Premium Analysis

(Based on Current Interest Rates)

	MOODY'S AVERAGE PUBLIC UTILITY BOND YIELD (1)	AUTHORIZED ELECTRIC RETURNS (2)	INDICATED RISK PREMIUM
1980	13.15%	14.23%	1.08%
1981	15.62%	15.22%	-0.40%
1982	15.33%	15.78%	0.45%
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AVERAGE	9.15%	12.34%	3.19%

INDICATED COST OF EQUITY

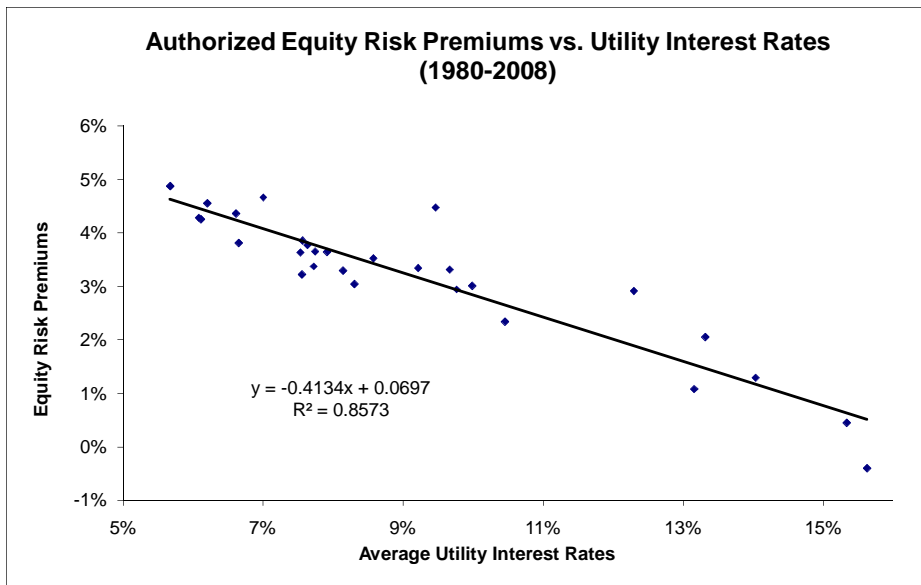
CURRENT SINGLE-A UTILITY BOND YIELD*	5.60%
MOODY'S AVG ANNUAL YIELD DURING STUDY	9.15%
INTEREST RATE DIFFERENCE	<u>-3.55%</u>
INTEREST RATE CHANGE COEFFICIENT	-41.34%
ADJUSTMENT TO AVG RISK PREMIUM	<u>1.47%</u>
BASIC RISK PREMIUM	3.19%
INTEREST RATE ADJUSTMENT	1.47%
EQUITY RISK PREMIUM	<u>4.66%</u>
CURRENT SINGLE-A UTILITY BOND YIELD*	5.60%
INDICATED EQUITY RETURN	<u><u>10.26%</u></u>

(1) Moody's Investors Service

(2) Regulatory Focus, Regulatory Research Associates, Inc.

*Current single-A utility bond yield is three month average of Moody's Single-A Public Utility Bond Yield Average through Oct 2009 from Exhibit PPL/202, p. 2.

PacifiCorp California
Risk Premium Analysis
Regression Analysis & Interest Rate Change Coefficient



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.925929671
R Square	0.857345755
Adjusted R Square	0.852062265
Standard Error	0.004864141
Observations	29

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.003839258	0.003839258	162.2688162	6.25236E-13
Residual	27	0.000638816	2.36599E-05		
Total	28	0.004478074			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.069723958	0.003102577	22.47291965	5.19996E-19	0.063357996	0.07608992	0.063357996	0.07608992
X Variable 1	-0.413428393	0.032455086	-12.73847778	6.25236E-13	-0.480020728	-0.346836058	-0.480020728	-0.346836058