

Application No. 18-04-002
Exhibit PAC/1511
Witness: Kurt G. Strunk

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

Exhibit Accompanying Rebuttal Testimony of
Kurt G. Strunk
PacifiCorp California Bond Yield + Risk Premium

November 2018

**PacifiCorp California
Bond Yield + Risk Premium**

	Model Parameters			Model Results		
	Analysis (a)	Bond Rate ¹ (b)	Slope (c)	Intercept (d)	Risk Differential (Utilities Relative to Bond Yields) ² (e) = (b)*(c) + (d)	Risk Premium Model Equity Return (f) = (b) + (e)
Electric						
Authorized Returns to Risk Free Rate ³		3.38%	-0.598346280	0.0873797	6.72%	10.10%
Authorized Returns to BBB Utility Bond Yield ⁴		4.67%	-0.725988475	0.0902623	5.64%	10.30%
Authorized Returns to Baa Corporate Bond Yield ⁵		5.12%	-0.589720357	0.0793096	4.91%	10.03%
Authorized Returns to A Corporate Bond Yield ⁵		4.49%	-0.606125683	0.0823798	5.52%	10.01%
Authorized Returns to BBB Corporate Bond Yield ⁶		5.37%	-0.574287146	0.0773656	4.65%	10.02%
Average						10.09%

Notes:

Authorized Returns are yearly averages from SNL Financial.

¹ Bond yields are as of October 19, 2018.

² The formula is $y=ax + b$, where y is a vector of authorized returns, a is the slope, x is a vector of bond yields, and b is the intercept.

³ The Risk Free Rate is the annual average of 30-Year daily Treasury Yields, 1994-2017. 20 Year Treasury Yields are used in 2003-2005 when 30-Year Yields are not available. Source: FRED.

⁴ Source: The BBB Utility Bond Yield is provided by Bank of America Merrill Lynch Utility Bond Index, FactSet Data Systems.

⁵ Moody's seasoned average annual returns. Source: Bloomberg.

⁶ Source: The US Corporate Bond 15+ Year BBB Yield, FactSet Data Systems.