



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

September 14, 2018

Service List: A.18-04-002

Re: A.18-04-002 PacifiCorp's Direct Testimony Exhibit PAC/213

Please find enclosed an Errata to Exhibit PAC/213 in PacifiCorp's witness Mr. Kurt Strunk's direct testimony. A redline version of the Errata to Exhibit PAC/213 is also provided. The Errata corrects the following information provided in the exhibit:

- Authorized Returns to BBB Utility Bond Yield – Bond Rate, Risk Differential, and Risk Premium.
- Average Risk Premium
- Date in Footnote 1

Sincerely,

A handwritten signature in black ink, appearing to read "Cathie Allen".

Cathie Allen
Manager, Regulation

Application No. 18-04-002
Exhibit PAC/213
Witness: Kurt G. Strunk

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

ERRATA

Exhibit Accompanying Direct Testimony of

Kurt G. Strunk

Bond Yield Plus Risk Premium - Redline

September 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		3.12%	-0.598256321	0.087375	6.87%	9.99%
Authorized Returns to BBB Utility Bond Yield ⁴		3.62 <u>3.88</u> %	-0.725523411	0.090236	6.40 <u>6.21</u> %	10.02 <u>10.09</u> %
Authorized Returns to Baa Corporate Bond Yield ⁵		4.46%	-0.589606502	0.079301	5.30%	9.76%
Authorized Returns to A Corporate Bond Yield ⁵		4.06%	-0.609200972	0.08261	5.79%	9.85%
Authorized Returns to BBB Corporate Bond Yield ⁶		4.74%	-0.572873268	0.077343	5.02%	9.76%
Average						9.87 <u>9.89</u> %

Notes:

Authorized Returns are yearly averages from SNL Financial.

¹ Bond yields are as of February ~~4~~7, 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.

Application No. 18-04-002
Exhibit PAC/213
Witness: Kurt G. Strunk

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

ERRATA

Exhibit Accompanying Direct Testimony of

Kurt G. Strunk

Bond Yield Plus Risk Premium - Clean

September 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		3.12%	-0.598256321	0.087375	6.87%	9.99%
Authorized Returns to BBB Utility Bond Yield ⁴		3.88%	-0.725523411	0.090236	6.21%	10.09%
Authorized Returns to Baa Corporate Bond Yield ⁵		4.46%	-0.589606502	0.079301	5.30%	9.76%
Authorized Returns to A Corporate Bond Yield ⁵		4.06%	-0.609200972	0.08261	5.79%	9.85%
Authorized Returns to BBB Corporate Bond Yield ⁶		4.74%	-0.572873268	0.077343	5.02%	9.76%
Average						9.89%

Notes:

Authorized Returns are yearly averages from SNL Financial.

¹ Bond yields are as of February 7, 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.

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of PACIFICORP
(U-901-E), an Oregon Company, for an Order
Authorizing a General Rate Increase Effective
January 1, 2019.

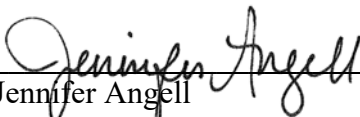
Application No. 18-04-002
(Filed April 12, 2018)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served, the following documents in A.18-04-002, **Errata to PacifiCorp's Direct Testimony Exhibit PAC/213**, on all known parties to the service list for A.18-04-002 by transmitting an e-mail message with the document attached to each person named on the official service list.

A hard copy was also sent by overnight mail to ALJ Eric Wildgrube.

Executed on September 14, 2018, at Portland, Oregon.



Jennifer Angell
Supervisor, Regulatory Operations

CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists

Proceeding: A1804002 - PACIFICORP - FOR AN

Filer: PacifiCorp

List Name: LIST

Last changed: September 14, 2018

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