

Exhibit No. KGS-20
Docket UE-152253
Witness: Kurt G. Strunk

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT
COMPANY,

Respondent.

DOCKET UE-152253

PACIFIC POWER & LIGHT COMPANY

EXHIBIT OF KURT G. STRUNK

ROE Recommendation of 10.0 Percent

April 2016

Pacific Power & Light Company
Summary of Cost of Equity Estimates

Method	Cost of Equity
(a)	(b)
DCF Models	
Proxy Group Single-Stage DCF	9.04%
Yield + Growth	9.70%
Risk Premium Models	
CAPM	8.03%
Risk Premium	10.00%
Comparable Earnings Model	
Comparable Earnings (Dow Jones Utilities Index)	9.63%
Comparable Earnings (Dow Jones Industrial Average)	16.61%
Allowed Returns for Electric Utilities, 2013	10.02%
Allowed Returns for Electric Utilities, 2014	9.91%
Allowed Returns for Electric Utilities, 2015	9.85%
Allowed Returns for Electric Utilities, 2016 (1Q)	10.36%
Recommended Rate of Return	10.00%