

Exhibit No. KGS-29  
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**

**CAPM Results**

**April 2016**

Pacific Power & Light Company  
Proxy Group  
Capital Asset Pricing Model (CAPM)

No. Company	(a)	Ticker (b)	30-Year T-Bond Return (Rf) <sup>1</sup> (c)	Beta Value Line <sup>2</sup> (d)	Forward Looking Market Risk Premium		CAPM Cost of Equity <sup>5</sup> Based on Forward Looking Market Risk Premium (f) = (c) + (d)*(e)
					Top-Down DCF - 30 Yr T-Bond Return <sup>3,4</sup> (e)		
<b>Electric Proxy Group</b>							
1	Ameren Corporation	AEE	2.68%	0.75	6.98%	7.91%	
2	American Electric Power Company, Inc.	AEP	2.68%	0.70	6.98%	7.56%	
3	Avista Corporation	AVA	2.68%	0.80	6.98%	8.26%	
4	CenterPoint Energy, Inc.	CNP	2.68%	0.85	6.98%	8.61%	
5	Consolidated Edison, Inc.	ED	2.68%	0.55	6.98%		
6	Dominion Resources, Inc.	D	2.68%	0.70	6.98%		
7	DTE Energy Company	DTE	2.68%	0.75	6.98%	7.91%	
8	Edison International	EIX	2.68%	0.70	6.98%	7.56%	
9	El Paso Electric Company	EE	2.68%	0.75	6.98%	7.91%	
10	Eversource Energy	ES	2.68%	0.75	6.98%	7.91%	
11	Great Plains Energy Incorporated	GXP	2.68%	0.80	6.98%	8.26%	
12	IDACORP, Inc.	IDA	2.68%	0.80	6.98%	8.26%	
13	NorthWestern Corporation	NWE	2.68%	0.70	6.98%	7.56%	
14	OGE Energy Corp.	OGE	2.68%	0.95	6.98%	9.31%	
15	Pinnacle West Capital Corporation	PNW	2.68%	0.75	6.98%	7.91%	
16	Portland General Electric Company	POR	2.68%	0.80	6.98%	8.26%	
17	Public Service Enterprise Group Incorporated	PEG	2.68%	0.75	6.98%	7.91%	
18	SCANA Corporation	SCG	2.68%	0.75	6.98%	7.91%	
19	Sempra Energy	SRE	2.68%	0.80	6.98%	8.26%	
20	The Empire District Electric Company	EDE	2.68%	0.70	6.98%	8.26%	
21	Vectren Corporation	VVC	2.68%	0.80	6.98%	7.91%	
22	Westar Energy, Inc.	WR	2.68%	0.75	6.98%	7.22%	
23	Xcel Energy Inc.	XEL	2.68%	0.65	6.98%		
	<b>Average</b>			<b>0.75</b>		<b>8.03%</b>	

**Notes:**

- <sup>1</sup> Source: Federal Reserve, Constant Maturity 30-year Treasury Yield, March 18, 2016.
- <sup>2</sup> Source: *The Value Line Investment Survey: Jan. 29, 2016, Feb. 19, 2016, Mar. 18, 2016.*
- <sup>3</sup> The formula used is Risk Premium =  $[(Do*(1+g))/g] - Rf$ . See Exhibit No. KGS-13.
- <sup>4</sup> Source: Bloomberg, S&P 12 month dividend yield; Analyst estimated CAGR of the operating EPS over the index's next 3-5 years, March 18, 2016.
- <sup>5</sup> The resulting ROE estimate for Consolidated Edison, Inc. falls close to the estimated cost of debt. As such, it does not represent a realistic cost of equity estimate and has been excluded from my measure of central tendency. The ROE for Dominion Resources, Inc., which is undergoing a merger with Questar Corp. and the ROE for The Empire District Electric Company, which is undergoing a merger with Algonquin Power & Utilities are excluded.