

Exhibit No. KGS-30
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

Risk Premium Model

April 2016

**Pacific Power & Light Company
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)
1 Authorized Returns to Risk Free Rate ³		2.68%	-0.609446712	0.088014112	7.17%	9.85%
2 Authorized Returns to A Utility Bond Yield ⁴		3.45%	-0.704606792	0.091104128	6.68%	10.13%
3 Authorized Returns to BBB Corporate Bond Yield ⁵		5.05%	-0.597901465	0.079923789	4.97%	10.02%
Average						10.00%

Notes:

Authorized Returns are yearly averages from SNL Financial.

¹ Bond yields are as of March 18, 2016.

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 Treasury Yields, 1994-2015. 20 Year Treasury Yields are used in 2003-2005 when 30 Year Yields are not available. Source: Federal Reserve website.

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

⁵ The BBB Bond Yield is the Moody's seasoned Baa average annual returns, 1994-2015. Source: Federal Reserve website.