



## PacifiCorp

### Risk Premium Analysis

(Based on Projected Interest Rates)

	MOODY'S AVERAGE PUBLIC UTILITY BOND YIELD (1)	AUTHORIZED ELECTRIC RETURNS (2)	INDICATED RISK PREMIUM
1980	13.15%	14.23%	1.08%
1981	15.62%	15.22%	-0.40%
1982	15.33%	15.78%	0.45%
1983	13.31%	15.36%	2.05%
1984	14.03%	15.32%	1.29%
1985	12.29%	15.20%	2.91%
1986	9.46%	13.93%	4.47%
1987	9.98%	12.99%	3.01%
1988	10.45%	12.79%	2.34%
1989	9.66%	12.97%	3.31%
1990	9.76%	12.70%	2.94%
1991	9.21%	12.55%	3.34%
1992	8.57%	12.09%	3.52%
1993	7.56%	11.41%	3.85%
1994	8.30%	11.34%	3.04%
1995	7.91%	11.55%	3.64%
1996	7.74%	11.39%	3.65%
1997	7.63%	11.40%	3.77%
1998	7.00%	11.66%	4.66%
1999	7.55%	10.77%	3.22%
2000	8.14%	11.43%	3.29%
2001	7.72%	11.09%	3.37%
2002	7.53%	11.16%	3.63%
2003	6.61%	10.97%	4.36%
2004	6.20%	10.75%	4.55%
2005	5.67%	10.54%	4.87%
2006	6.08%	10.36%	4.28%
2007	6.11%	10.36%	4.25%
2008	6.65%	10.46%	3.81%
2009	6.28%	10.48%	4.20%
2010	5.55%	10.34%	4.79%
2011	5.17%	10.22%	5.05%
AVERAGE	8.82%	12.15%	3.33%

#### **INDICATED COST OF EQUITY**

PROJECTED SINGLE-A UTILITY BOND YIELD*	4.45%
MOODY'S AVG ANNUAL YIELD DURING STUDY	8.82%
INTEREST RATE DIFFERENCE	<u>-4.37%</u>

INTEREST RATE CHANGE COEFFICIENT	-41.62%
ADJUSTMENT TO AVG RISK PREMIUM	<u>1.82%</u>

BASIC RISK PREMIUM	3.33%
INTEREST RATE ADJUSTMENT	<u>1.82%</u>
EQUITY RISK PREMIUM	<u>5.15%</u>

PROJECTED SINGLE-A UTILITY BOND YIELD*	4.45%
<b>INDICATED EQUITY RETURN</b>	<b><u>9.60%</u></b>

(1) Moody's Investors Service.

(2) Regulatory Focus, Regulatory Research Associates, Inc.

\*Projected single-A bond yield is 106 basis points over projected long-term Treasury bond rate of 3.39%.

The single-A spread is for 3 months ended December 2012 from Exhibit No.\_\_\_\_(SCH-4), p. 2.

The projected Treasury bond rate is the 30 year rate for 2015 from Exhibit No.\_\_\_\_(SCH-4), p. 3.

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### Risk Premium Analysis

(Based on Current Interest Rates)

	MOODY'S AVERAGE PUBLIC UTILITY BOND YIELD (1)	AUTHORIZED ELECTRIC RETURNS (2)	INDICATED RISK PREMIUM
1980	13.15%	14.23%	1.08%
1981	15.62%	15.22%	-0.40%
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1989	9.66%	12.97%	3.31%
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2010	5.55%	10.34%	4.79%
2011	5.17%	10.22%	5.05%
AVERAGE	8.82%	12.15%	3.33%

#### **INDICATED COST OF EQUITY**

CURRENT SINGLE-A UTILITY BOND YIELD*	3.92%
MOODY'S AVG ANNUAL YIELD DURING STUDY	8.82%
INTEREST RATE DIFFERENCE	<u>-4.90%</u>

INTEREST RATE CHANGE COEFFICIENT	<u>-41.62%</u>
ADJUSTMENT TO AVG RISK PREMIUM	2.04%

BASIC RISK PREMIUM	3.33%
INTEREST RATE ADJUSTMENT	<u>2.04%</u>
EQUITY RISK PREMIUM	<u>5.37%</u>

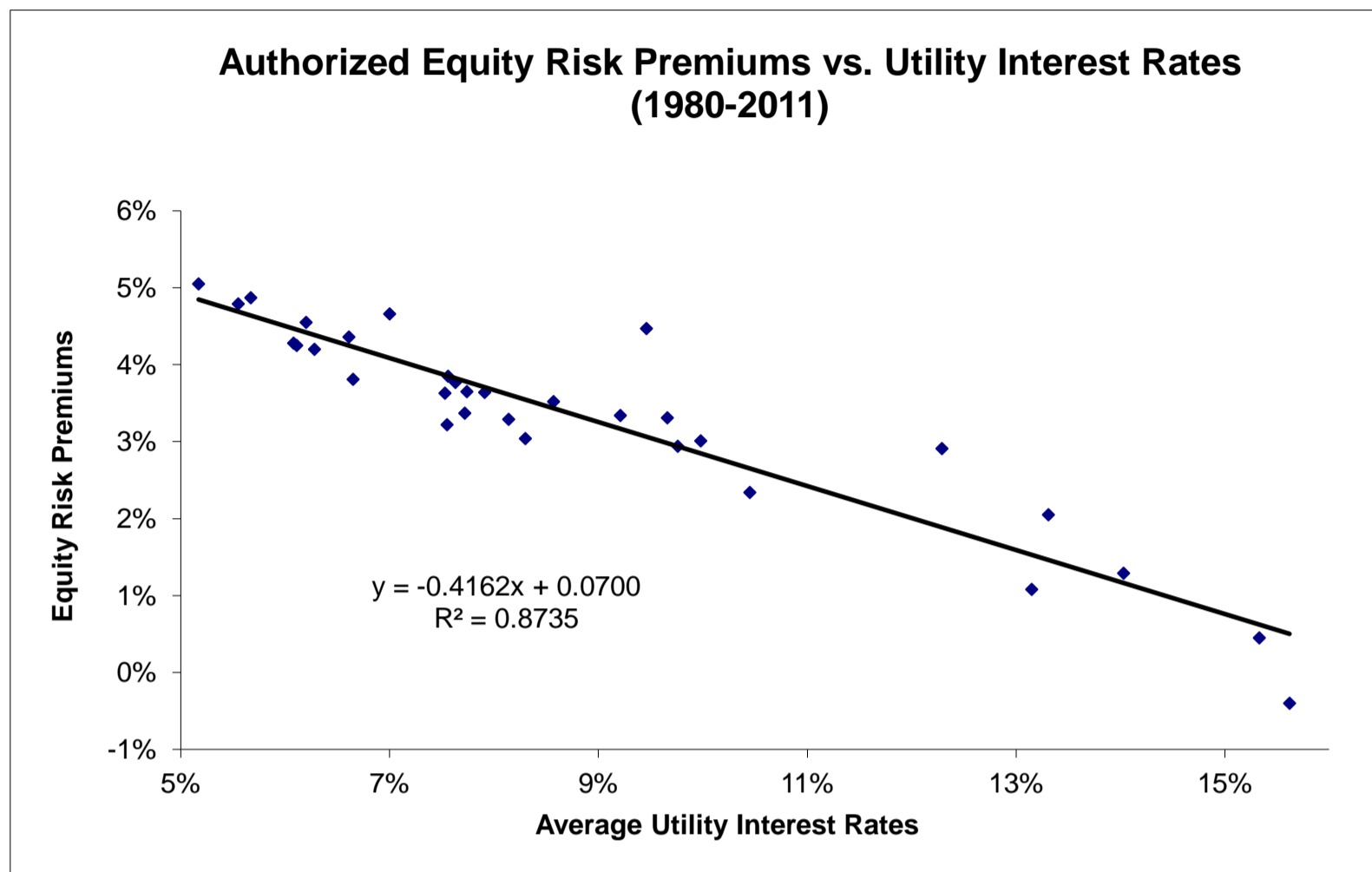
CURRENT SINGLE-A UTILITY BOND YIELD*	3.92%
<b>INDICATED EQUITY RETURN</b>	<b><u>9.29%</u></b>

(1) Moody's Investors Service.

(2) Regulatory Focus, Regulatory Research Associates, Inc.

\*Current single-A utility bond yield is three month average of Moody's Single-A Public Utility Bond Yield Average through December 2012 from Exhibit No.\_\_\_\_(SCH-4), p. 2.

**PacifiCorp**  
Risk Premium Analysis  
Regression Analysis & Interest Rate Change Coefficient



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.934607488
R Square	0.873491157
Adjusted R Square	0.869274196
Standard Error	0.004645908
Observations	32

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.004470953	0.004470953	207.1375734	5.236E-15
Residual	30	0.000647534	2.15845E-05		
Total	31	0.005118487			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.070011757	0.002679133	26.13224684	3.388E-22	0.064540238	0.075483276	0.064540238	0.075483276
X Variable 1	-0.41615627	0.028915253	-14.39227478	5.236E-15	-0.475209095	-0.357103445	-0.475209095	-0.357103445