

Boise Data Request 2.2

In formulating an equity risk premium model, what reliance did Mr. Strunk place upon current (i.e., three-month) interest rates?

Response to Boise Data Request 2.2

As the cost of equity measures investors' required returns associated with long-term investments in the utility, the correct point focus is on longer-duration interest rates. For this reason, Mr. Strunk did not rely upon three-month interest rates.

PREPARER: Kurt G. Strunk

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Boise Data Request 2.3

In recommending increased return on equity for the Company, did Mr. Strunk consider the “principle of gradualism” stated by the Commission in the final order of PacifiCorp’s last general rate case (Docket No. UE-130043, Order 05, ¶¶ 63, 70)? If so, please elaborate.

Response to Boise Data Request 2.3

Mr. Strunk’s rationale for his recommended return on equity is set forth on pages 28-29 of his direct testimony, Exhibit No. __ (KGS-1T). It does not include the principle of gradualism.

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