

PUGET SOUND ENERGY

**CAPM COST OF EQUITY CAPITAL
ELECTRIC UTILITIES**

$$k = rf + B (rm - rf)$$

$$[rf]^* = 3.40\%$$

$$[rm - rf]^\dagger = 6.00\%$$

$$\text{overall average beta} = 0.67$$

$$k (\text{overall average}) = 3.40\% + 0.66 (6.0\%)$$

$$k (\text{overall average}) = 3.40\% + 4.02\%$$

$$k (\text{overall average}) = \mathbf{7.42\%}$$

*Current "normalized" T-Bond yield estimate based on trend shown in Chart I in narrative portion of testimony.

†Arithmetic market risk premium from 2011 Ibbotson SBBi Valuation Yearbook, at 23.

Beta coefficients from Value Line, *Summary & Index*, May 3, 2013.