

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION  
WUTC v. Pacific Power (PacifiCorp)  
Docket UE-140762 et al.**

**RESPONSE OF PUBLIC COUNSEL TO PACIFICORP DATA REQUEST NO. 1.5**

Request No: 1.5  
Directed to: Simon ffitch, Senior Assistant Attorney General  
Date Received: October 28, 2014  
Date Produced: November 7, 2014  
Prepared by: Stephen G. Hill

**PACIFICORP DATA REQUEST NO. 1.5 TO PUBLIC COUNSEL:**

Refer to page 17, line 38 to page 18, line 1, which states, "It is important to note that, since the economic recession in 2008/2009, Value Line has continually predicted interest rate increases based on a more rapidly growing economy and rising inflation (as have most of the interest rate prognosticators), however, none of those predicted increases have materialized."

1.5.1 Please provide copies of all other analytical exercises that Mr. Hill has undertaken or reviewed seeking to test the reliability of Value Line's forecasts.

1.5.2 Is it Mr. Hill's testimony that Value Line is not a reliable forecaster?

**RESPONSE:**

1.5.1 No other studies were undertaken.

1.5.2 No. Mr. Hill's testimony illustrates the fact that Value Line's recent interest rate forecasts (which are typical of interest rates forecasts, generally) envision higher interest rates, and, since the 2008-2009 recession, those projections have been incorrect. Investors and investor advisory services expected an economic recovery to occur and bond yields to rise as a result. However, the economic recovery happened at a much slower rate than expected and interest rates did not rise as expected. Mr. Hill's testimony indicates that interest rates forecasts do not necessarily provide a sound basis for estimating the current cost of capital.