

Exhibit No. ____ (JAR-10)
Docket No. UE-050684
Witness: James A. Rothschild

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP, d/b/a Pacific Power &
Light Company, Respondent.

DOCKET NO. UE-050684

EXHIBIT TO
TESTIMONY OF

JAMES A. ROTHSCHILD

For
STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Risk Premium Based on Historic Returns

November 3, 2005

RISK PREMIUM BASED UPON ANALYSIS OF HISTORIC RETURNS

Exhibit (JAR 10), Page 2

Compound annual returns from 1926 through 1999:

Large Common Stocks	10.73%
Corporate Bonds	5.31%
Long-term U.S. Treasury Bonds	4.85%
Intermediate Term U.S. Treasury Bonds	4.95%
U.S. Treasury Bills	3.59%
Inflation	2.97%

Average difference from Long-term U.S. Treasury Bonds:

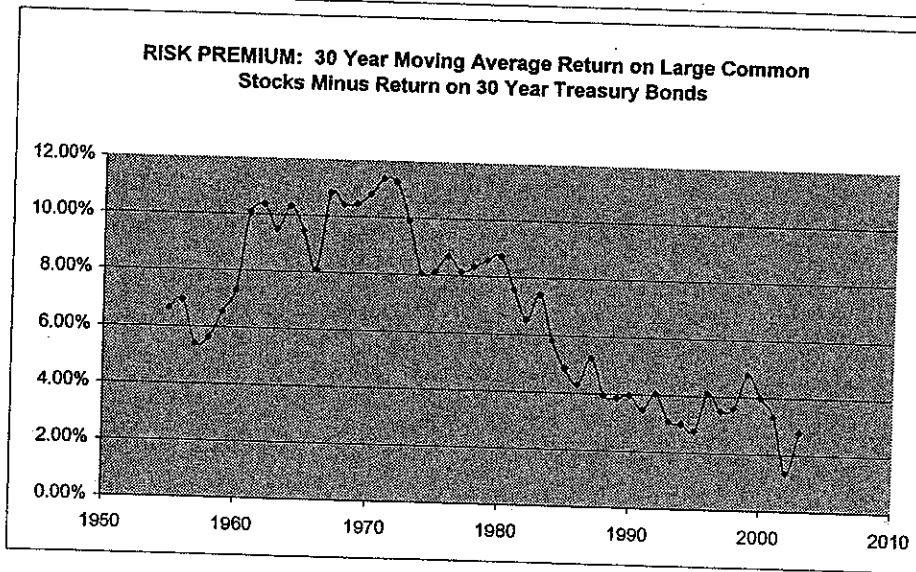
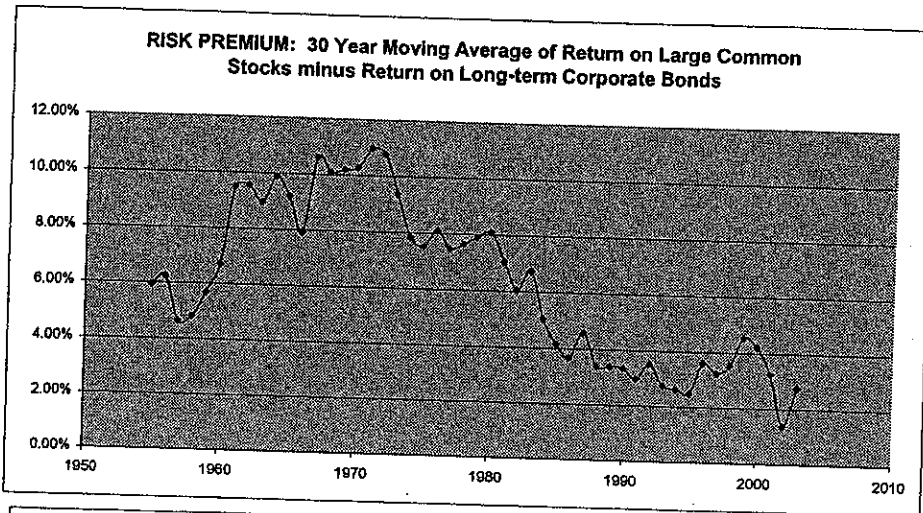
Large Common Stocks	5.88%
Corporate Bonds	0.46%
Long-term U.S. Treasury Bonds	0.00%
Intermediate Term U.S. Treasury Bonds	0.10%
U.S. Treasury Bills	-1.26%
Inflation	-1.94%

Common Stock Risk Premium Consistent With Current Market Environment:

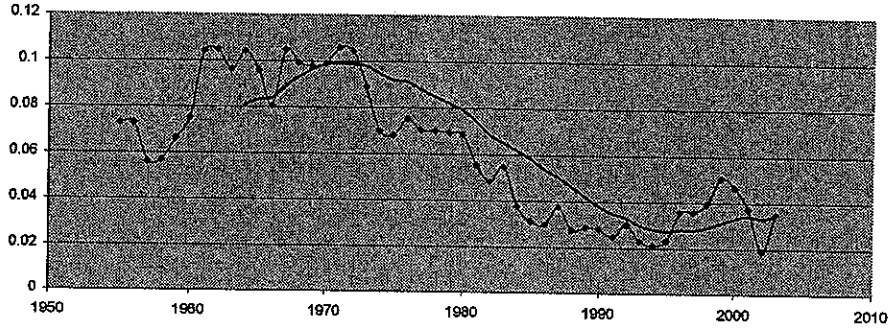
Long-term U.S. Treasury Bonds	4.00% or less.
Corporate Bonds	3.54% or less.
Intermediate Term U.S. Treasury Bonds	3.80% or less.
U.S. Treasury Bills	5.26% or less.
Inflation	5.94% or less.

See graph on Exhibit (JAR 10), Page 3
 Risk premium on large common stocks minus average difference from corporate bonds per above table.
 Risk premium on large common stocks minus average difference from corporate bonds per above table.
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 Risk premium on large common stocks minus average difference from corporate bonds per above table.

Year	Value of \$100 Invested at end of 1925										Inflation	U.S. Treasury Bills	Inflation	\$100 Investment Esc. at Pub. Ut. Chem. Avens. Pub. Ut. Antismoke Average	\$100 Investment Esc. at Pub. Ut. Antismoke Average	
	Large Company Stocks	Long-Term Corporate Bonds	Long-Term Government Bonds	Intermediate-Term Government Bonds	U.S. Treasury Bills	Inflation	U.S. Treasury Bills	Inflation	\$100 Investment Esc. at Pub. Ut. Chem. Avens. Pub. Ut. Antismoke Average	\$100 Investment Esc. at Pub. Ut. Antismoke Average						
1925	11.62%	7.37%	7.77%	5.38%	9.27%	-1.46%	100	100	100	100	100	100	100	100	100	112.41
1926	37.45%	7.44%	8.83%	4.53%	3.14%	-0.87%	107.37	107.77	105.38	103.27	96.51	110.73	110.73	110.73	110.73	128.37
1927	43.61%	2.84%	8.83%	4.53%	3.14%	-0.87%	116.33	117.39	110.14	108.49	96.46	122.62	122.62	122.62	122.62	142.05
1928	8.42%	7.96%	3.42%	6.01%	4.75%	0.20%	117.51	117.51	111.16	110.28	95.72	135.79	135.79	135.79	135.79	159.69
1929	24.50%	7.96%	4.66%	6.72%	2.41%	-6.03%	151.56	132.20	121.76	117.64	113.52	166.50	166.50	166.50	178.51	178.51
1930	-43.34%	-1.85%	-5.31%	-3.32%	1.07%	-9.52%	85.88	129.84	120.44	123.86	116.31	186.50	186.50	186.50	201.79	201.79
1931	-43.34%	-1.85%	-5.31%	-3.32%	1.07%	-9.52%	78.95	129.84	120.44	123.86	116.31	186.50	186.50	186.50	201.79	201.79
1932	-43.34%	-1.85%	-5.31%	-3.32%	1.07%	-9.52%	85.88	129.84	120.44	123.86	116.31	186.50	186.50	186.50	201.79	201.79
1933	52.99%	13.84%	10.03%	8.00%	0.16%	0.51%	121.42	158.83	138.11	144.39	121.06	234.17	234.17	234.17	258.00	258.00
1934	41.97%	9.61%	7.01%	6.17%	0.17%	2.03%	119.67	162.43	145.73	148.99	121.46	277.23	277.23	277.23	306.99	306.99
1935	41.97%	9.61%	7.01%	6.17%	0.17%	2.03%	121.64	174.85	163.61	165.61	121.70	306.99	306.99	306.99	335.24	335.24
1936	35.03%	6.13%	5.84%	4.53%	-0.02%	-2.78%	217.36	175.05	166.17	176.52	122.05	335.24	335.24	335.24	365.21	365.21
1937	31.22%	5.13%	5.84%	4.53%	-0.02%	-2.78%	201.61	200.69	184.73	176.52	122.05	365.21	365.21	365.21	407.21	407.21
1938	-0.41%	3.97%	6.09%	5.09%	0.02%	-0.46%	200.79	200.69	184.73	176.52	122.05	365.21	365.21	365.21	407.21	407.21
1939	-0.70%	2.73%	6.09%	5.09%	0.02%	-0.46%	200.79	200.69	184.73	176.52	122.05	365.21	365.21	365.21	407.21	407.21
1940	-0.70%	2.73%	6.09%	5.09%	0.02%	-0.46%	200.79	200.69	184.73	176.52	122.05	365.21	365.21	365.21	407.21	407.21
1941	-11.59%	2.73%	6.09%	5.09%	0.02%	-0.46%	200.79	200.69	184.73	176.52	122.05	365.21	365.21	365.21	407.21	407.21
1942	20.34%	2.83%	2.83%	2.83%	0.27%	9.28%	247.97	207.62	190.91	190.91	122.46	461.60	461.60	461.60	519.45	519.45
1943	25.90%	2.83%	2.83%	2.83%	0.27%	9.28%	254.74	209.55	190.91	190.91	122.46	511.15	511.15	511.15	650.26	650.26
1944	19.75%	2.83%	2.83%	2.83%	0.27%	9.28%	247.97	207.62	190.91	190.91	122.46	566.03	566.03	566.03	730.98	730.98
1945	36.44%	4.05%	2.81%	1.80%	0.33%	2.11%	290.57	281.48	203.80	203.80	122.91	628.79	628.79	628.79	821.71	821.71
1946	36.44%	4.05%	2.81%	1.80%	0.33%	2.11%	290.57	281.48	203.80	203.80	122.91	628.79	628.79	628.79	821.71	821.71
1947	-0.70%	1.72%	1.72%	1.72%	0.35%	18.16%	298.00	251.36	210.28	210.28	124.15	688.07	688.07	688.07	1,038.39	1,038.39
1948	-0.70%	1.72%	1.72%	1.72%	0.35%	18.16%	298.00	251.36	210.28	210.28	124.15	688.07	688.07	688.07	1,038.39	1,038.39
1949	5.71%	4.14%	3.40%	1.85%	0.81%	2.71%	306.27	252.84	212.20	212.20	124.15	842.45	842.45	842.45	1,167.28	1,167.28
1950	13.90%	4.14%	3.40%	1.85%	0.81%	2.71%	306.27	252.84	212.20	212.20	124.15	842.45	842.45	842.45	1,167.28	1,167.28
1951	31.71%	2.12%	3.93%	1.63%	1.82%	0.62%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1952	18.37%	3.62%	3.41%	1.69%	0.65%	-0.80%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1953	82.62%	5.39%	3.41%	1.69%	0.65%	-0.80%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1954	31.56%	4.81%	1.29%	0.65%	1.57%	2.65%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1955	10.76%	8.17%	7.46%	7.46%	1.54%	3.02%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1956	10.76%	8.17%	7.46%	7.46%	1.54%	3.02%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1957	43.95%	2.22%	-0.97%	-1.29%	2.95%	1.48%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1958	11.21%	2.22%	-0.97%	-1.29%	2.95%	1.48%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1959	28.83%	4.62%	4.62%	4.62%	1.23%	1.23%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1960	22.80%	2.19%	1.21%	1.64%	3.12%	0.67%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1961	16.48%	4.77%	3.51%	4.04%	3.54%	1.19%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1962	12.45%	0.20%	3.63%	4.65%	4.76%	3.04%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1963	10.06%	0.20%	3.63%	4.65%	4.76%	3.04%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1964	11.05%	-0.09%	-0.09%	-0.74%	6.59%	6.11%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1965	11.05%	-0.09%	-0.09%	-0.74%	6.59%	6.11%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1966	23.98%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1967	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1968	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1969	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1970	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1971	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1972	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1973	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1974	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1975	37.20%	18.65%	16.75%	12.87%	12.87%	12.87%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1976	7.18%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1977	7.18%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1978	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1979	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1980	32.42%	-2.16%	-3.95%	3.91%	11.24%	12.40%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1981	4.91%	-2.36%	4.03%	8.45%	14.71%	8.94%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1982	21.41%	4.26%	0.89%	14.02%	8.95%	3.95%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1983	21.41%	4.26%	0.89%	14.02%	8.95%	3.95%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1984	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1985	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1986	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1987	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1988	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18
1989	18.44%	1.71%	1.68%	1.68%	6.52%	5.49%	332.10	271.26	224.49	224.49	135.20	1,043.62	1,043.62	1,043.62	1,471.18	1,471.18



RISK PREMIUM: 30 YEAR MOVING AVERAGE OF RETURN ON LARGE COMMON STOCKS MINUS RETURN ON INTERMEDIATE TERM TREASURY BONDS



RISK PREMIUM: 30-YEAR MOVING AVERAGE OF RETURN ON LARGE COMMON STOCKS VERSUS RETURN ON SHORT-TERM TREASURY BILLS

