

Exhibit No. \_\_\_\_ (JAR-7)  
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

*Constant Growth DCF Method*

November 3, 2005

Electric Companies  
DISCOUNTED CASH FLOW (DCF) INDICATED COST OF EQUITY

Exhibit No. \_\_\_(JAR 7)

		BASED ON AVERAGE MARKET PRICE FOR Year Ending 6/28/05	BASED UPON MARKET PRICE AS OF 6/28/2005
1 Dividend Yield On Market Price	[B]	4.43%	4.12%
2 Retention Ratio:			
a) Market-to-book	[B]	1.88	1.99
b) Div. Yld on Book	[C]	8.34%	8.22%
c) Return on Equity	[A]	11.00%	11.00%
d) Retention Rate	[D]	24.19%	25.30%
3 Reinvestment Growth	[E]	2.66%	2.78%
4 New Financing Growth	[F]	0.71%	0.80%
5 Total Estimate of Investor Anticipated Growth	[G]	3.37%	3.58%
6 Increment to Dividend Yield for Growth to Next Year	[H]	0.07%	0.07%
7 Indicated Cost of Equity	[I]	7.87%	7.71%

Some of the Considerations for determining Future Expected Return on Equity:

Source:

	Median	Mean	
[A] Value Line Expectation	11.00%	10.88%	Exhibit No. ___(JAR-6), Page 2
Return on Equity to Achieve Zacks' Growth	11.18%	11.65%	Exhibit No. ___(JAR-6), Page 2
Earned Return on Equity in 2004	10.06%	10.94%	Exhibit No. ___(JAR-6), Page 2
Earned Return on Equity in 2003	11.53%	11.48%	Exhibit No. ___(JAR-6), Page 2
Earned Return on Equity in 2002	11.51%	11.22%	Exhibit No. ___(JAR-6), Page 2
[B] Exhibit No. ___(JAR-6), Page 1			
[C] Line 1 x Line 2a			
[D] 1- Line 2b/Line 2c			
[E] Line 2c x Line 2d			
[F] Estimated impact of dilution or premium due to sale of equity at other than book value. Computed based upon mathematically derived result based upon the Value Line forecasted external financing rate. [M/B X (Ext. Fin Rate+1)]/(M/B + Ext. Fin. Rate-1)	Ext. Fin. rate used =	0.80%	[J]
[G] Line 3 + Line 4			
[H] Line 1 x one-half of line 5			
[I] Line 1 + Line 5 + Line 6			
[J] Exhibit ___(JAR-6), Page 6			