

**Exh. DCP-15
UE-240004/UG-240005
Witness: David C. Parcell**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**DOCKETS UE-240004 and
UG-240005 (*Consolidated*)**

EXHIBIT TO TESTIMONY OF

DAVID C. PARCELL

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Risk Premium Analysis

August 6, 2024

RISK PREMIUM ANALYSIS

Line No.	Low	High	Source	Low	High
	<u>2012 - 2019 Period</u>			<u>2012 - 2023 Period</u>	
1 Risk Premium Range	4.84%	5.01%	1/	5.04%	5.10%
2 Current level of Baa-rated Utility bonds	5.92%	5.92%	2/	5.92%	5.92%
3 Interest Rate Range	4.45%	5.17%	3/	3.28%	5.54%
4 Difference in Interest Rate Levels	1.47%	0.75%	4/	2.64%	0.38%
5 Relationship between Interest Rates and Risk Premiums	-0.576	-0.576	5/	-0.576	-0.576
6 Required change in Risk Premium	-0.85%	-0.43%	6/	-1.52%	-0.22%
7 Risk Premium	3.99%	4.58%	7/	3.52%	4.88%
8 RP Result	9.91%	10.50%	8/	9.44%	10.80%

1/ As developed in testimony and page 2 of this exhibit.

2/ Average yield on Baa-rated utility bonds for three-month period April - June, 2024, as shown on Exh. DCP-15, page 2.

3/ As shown on page 2 of this exhibit.

4/ Difference between lines 2 and 3.

5/ As shown in Direct Testimony of PSE witness Bulkley on Exh. AEB-9, page 4.

6/ Lines 4 times lines 5.

7/ Lines 1 plus 6.

8/ Lines 2 plus lines 7.

**RISK PREMIUM ANALYSIS
 CALCULATION OF RISK PREMIUMS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2012-19 Average	2012-23 Average
Average Authorized ROE General Rate Cases	10.02%	9.82%	9.76%	9.60%	9.60%	9.68%	9.56%	9.65%	9.39%	9.39%	9.58%	9.66%	9.71%	9.64%
Annual Average Yields on Baa rated Utility Bonds														
No Lag	4.86%	4.98%	4.80%	5.03%	4.68%	4.38%	4.67%	4.19%	3.39%	3.36%	5.03%	5.84%	4.70%	4.60%
3 Months Lag	5.00%	4.81%	4.93%	4.82%	4.91%	4.48%	4.48%	4.50%	3.53%	3.33%	4.37%	5.78%	4.74%	4.58%
6 Months Lag	5.12%	4.70%	5.07%	4.68%	5.18%	4.46%	4.38%	4.71%	3.71%	3.00%	3.85%	5.61%	4.79%	4.54%
9 Months Lag	5.32%	4.78%	5.07%	4.65%	5.24%	4.50%	4.32%	4.77%	3.92%	3.33%	3.49%	5.44%	4.83%	4.57%
12 Months Lag	5.57%	4.86%	4.96%	4.80%	5.03%	4.68%	4.38%	4.67%	4.19%	3.39%	3.36%	5.03%	4.87%	4.58%
Average	5.17% 5.17%	4.83% 4.83%	4.97% 4.97%	4.80% 4.80%	5.01% 5.01%	4.50% 4.50%	4.45% 4.45%	4.57% 4.57%	3.75%	3.28%	4.02%	5.54%	4.79%	4.57%
Risk Premiums of ROEs vs Baa rated Utility Bonds														
No Lag	5.16%	4.84%	4.96%	4.57%	4.92%	5.30%	4.89%	5.46%	6.00%	6.03%	4.55%	3.82%	5.01%	5.04%
3 Months Lag	5.02%	5.01%	4.83%	4.78%	4.69%	5.20%	5.08%	5.15%	5.86%	6.06%	5.21%	3.88%	4.97%	5.06%
6 Months Lag	4.90%	5.12%	4.69%	4.92%	4.42%	5.22%	5.18%	4.94%	5.68%	6.39%	5.73%	4.05%	4.92%	5.10%
9 Months Lag	4.70%	5.04%	4.69%	4.95%	4.36%	5.18%	5.24%	4.88%	5.47%	6.06%	6.09%	4.22%	4.88%	5.07%
12 Months Lag	4.45%	4.96%	4.80%	4.80%	4.57%	5.00%	5.18%	4.98%	5.20%	6.00%	6.22%	4.63%	4.84%	5.07%
Average	4.85%	4.99%	4.79%	4.80%	4.59%	5.18%	5.11%	5.08%	5.64%	6.11%	5.56%	4.12%	4.93%	5.07%

Sources: S&P Global Intelligence; Mergent Bond Record.

RISK PREMIUM ANALYSIS
YIELDS ON Baa RATED PUBLIC UTILITY BONDS

Year/Month	Yield	Annual Average Yield	3-Month Lagged Average Yield	6-Month Lagged Average Yield	9-Month Lagged Average Yield	12-Month Lagged Average Yield	Yield	Annual Average Yield	3-Month Lagged Average Yield	6-Month Lagged Average Yield	9-Month Lagged Average Yield	12-Month Lagged Average Yield	
2011							2018						
Jan	6.06%						Jan	4.18%					
Feb	6.10%						Feb	4.42%					
Mar	5.97%						Mar	4.52%					
Apr	5.98%						Apr	4.58%					
May	5.74%						May	4.71%					
Jun	5.67%						Jun	4.71%					
Jul	5.70%						Jul	4.67%					
Aug	5.22%						Aug	4.64%					
Sep	5.11%						Sep	4.74%					
Oct	5.24%						Oct	4.91%					
Nov	4.93%						Nov	5.03%					
Dec	5.07%	5.57%					Dec	4.92%	4.67%	4.48%	4.38%	4.32%	4.38%
2012							2019						
Jan	5.06%						Jan	4.91%					
Feb	5.02%						Feb	4.76%					
Mar	5.13%						Mar	4.65%					
Apr	5.11%						Apr	4.55%					
May	4.97%						May	4.47%					
Jun	4.91%						Jun	4.31%					
Jul	4.85%						Jul	4.13%					
Aug	4.88%						Aug	3.63%					
Sep	4.81%						Sep	3.71%					
Oct	4.54%						Oct	3.72%					
Nov	4.42%						Nov	3.76%					
Dec	4.56%	4.86%	5.00%	5.12%	5.32%	5.57%	Dec	3.73%	4.19%	4.50%	4.71%	4.77%	4.67%
2013							2020						
Jan	4.66%						Jan	3.60%					
Feb	4.74%						Feb	3.42%					
Mar	4.72%						Mar	3.96%					
Apr	4.49%						Apr	3.82%					
May	4.65%						May	3.63%					
Jun	5.08%						Jun	3.44%					
Jul	5.21%						Jul	3.09%					
Aug	5.28%						Aug	3.06%					
Sep	5.31%						Sep	3.17%					
Oct	5.17%						Oct	3.27%					
Nov	5.24%						Nov	3.17%					
Dec	5.25%	4.98%	4.81%	4.70%	4.76%	4.86%	Dec	3.05%	3.39%	3.53%	3.71%	3.92%	4.19%
2014							2021						
Jan	5.09%						Jan	3.18%					
Feb	5.01%						Feb	3.37%					
Mar	5.00%						Mar	3.72%					
Apr	4.85%						Apr	3.57%					
May	4.69%						May	3.58%					
Jun	4.73%						Jun	3.41%					
Jul	4.66%						Jul	3.20%					
Aug	4.65%						Aug	3.19%					
Sep	4.79%						Sep	3.19%					
Oct	4.67%						Oct	3.32%					
Nov	4.75%						Nov	3.25%					
Dec	4.70%	4.80%	4.93%	5.07%	5.07%	4.98%	Dec	3.36%	3.36%	3.33%	3.30%	3.33%	3.39%
2015							2022						
Jan	4.39%						Jan	3.57%					
Feb	4.44%						Feb	3.95%					
Mar	4.51%						Mar	4.28%					
Apr	4.51%						Apr	4.61%					
May	4.91%						May	5.07%					
Jun	5.13%						Jun	5.22%					
Jul	5.22%						Jul	5.15%					
Aug	5.23%						Aug	5.09%					
Sep	5.42%						Sep	5.61%					
Oct	5.47%						Oct	6.18%					
Nov	5.57%						Nov	6.05%					
Dec	5.55%	5.03%	4.82%	4.68%	4.65%	4.80%	Dec	5.57%	5.03%	4.37%	3.85%	3.49%	3.36%
2016							2023						
Jan	5.49%						Jan	5.49%					
Feb	5.28%						Feb	5.54%					
Mar	5.12%						Mar	5.68%					
Apr	4.75%						Apr	5.47%					
May	4.60%						May	5.71%					
Jun	4.47%						Jun	5.73%					
Jul	4.16%						Jul	5.73%					
Aug	4.20%						Aug	6.08%					
Sep	4.27%						Sep	6.15%					
Oct	4.34%						Oct	6.61%					
Nov	4.64%						Nov	6.20%					
Dec	4.79%	4.68%	4.91%	5.18%	5.24%	5.03%	Dec	5.68%	5.84%	5.78%	5.61%	5.44%	5.03%
2017													
Jan	4.62%												
Feb	4.58%												
Mar	4.62%												
Apr	4.51%												
May	4.50%												
Jun	4.32%												
Jul	4.36%												
Aug	4.23%												
Sep	4.24%												
Oct	4.26%												
Nov	4.16%												
Dec	4.14%	4.38%	4.48%	4.46%	4.50%	4.68%							

Source: Mergent Bond Record.