PACIFICORP

CAPM COST OF EQUITY CAPITAL

k = rf + B (rm - rf)

T-BILLS

[rf]* = 3.47%
[rm - rf]† = 6.70% (geometric mean)
[rm - rf]† = 8.60% (arithmetic mean)
average beta = 0.76

k = 3.47% + 0.76 (6.7%/8.60%)
k = 3.47% + 5.10%/6.55%
k = **8.57% / 10.02%**

T-BONDS

[rf]* = 4.41%
[rm - rf]† = 5.00% (geometric mean)
[rm - rf]† = 6.60% (arithmetic mean)
average beta = 0.76

k = 4.41% + 0.76 (5.00%/6.60%)
k = 4.41% + 3.81%/5.03%
k = **8.21% / 9.43%**

*Current T-Bill & T-Bond yields, most recent yield from Value Line Selection & Opinion (8/19/05-9/23/05)
†Geometric and arithmetic market risk premiums from Ibbotson Associates 2004 SBBI Yearbook, p. 117.