

Exhibit No.____(KGS-3)
Docket UE-14____
Witness: Kurt G. Strunk

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT COMPANY,
a division of PacifiCorp

Respondent.

Docket UE-14____

PACIFIC POWER & LIGHT COMPANY

EXHIBIT OF KURT G. STRUNK

ROE Recommendation of 10.0 Percent

May 2014

Pacific Power & Light Company
Summary of Cost of Equity Estimates

Method (a)	Cost of Equity (b)
DCF Models	
Proxy Group Single-Stage DCF	9.23%
Yield + Growth	9.90%
Risk Premium Models	
CAPM	9.67%
Risk Premium	10.22%
Comparable Earnings Model	
Comparable Earnings (Dow Jones Utilities Index)	9.73%
Comparable Earnings (Dow Jones Industrial Average)	16.31%
Allowed Returns for Electric Utilities, 2013	10.02%
Recommended Rate of Return	10.00%