

Exh. DCP-15

Dockets UE-230172 and UE-210852

Witness: David C. Parcell

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**PACIFICORP d/b/a PACIFIC POWER
AND LIGHT COMPANY,**

Respondent.

**DOCKETS UE-230172 and
UE-210852 (Consolidated)**

In the Matter of

**ALLIANCE OF WESTERN ENERGY
CONSUMERS'**

**Petition for Order Approving Deferral of
Increased Fly Ash Revenues**

EXHIBIT TO TESTIMONY OF

DAVID C. PARCELL

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

Risk Premium Analysis

September 14, 2023

RISK PREMIUM ANALYSIS

Line No.		Low	High	Source
1	Risk Premium Range for 2012-2019	5.43%	5.59%	1/
2	Current level of A-rated Utility bonds	5.38%	5.38%	2/
3	Interest Rate Range for 2012-2019	3.98%	4.52%	3/
4	Difference in Interest Rate Levels	1.40%	0.86%	4/
5	Relationship between Interest Rates and Risk Premiums	-0.563	-0.563	5/
6	Required change in Risk Premium	-0.79%	-0.48%	6/
7	Risk Premium	4.64%	5.11%	7/
8	RP Result	10.02%	10.49%	8/

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

2/ Average yield on A-rated utility bonds for three-month period May-July 2023, as shown on Exh. DCP-4, page 2.

3/ As shown on page 2 of this exhibit.

4/ Difference between lines 2 and 3.

5/ As developed in Witness Bulkley's Direct Testimony, Exhibit AEB-10.

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	2012-19 Average	2012-22 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%	9.52%	9.71%	9.64%
Annual Average Yields on A rated Utility Bonds													
No Lag	4.13%	4.48%	4.28%	4.12%	3.93%	4.00%	4.25%	3.77%	3.02%	3.11%	4.72%	4.12%	3.98%
3 Months Lag	4.24%	4.27%	4.46%	4.04%	4.01%	4.05%	4.10%	4.03%	3.15%	3.06%	4.08%	4.15%	3.95%
6 Months Lag	4.45%	4.08%	4.59%	4.00%	4.19%	3.97%	4.00%	4.24%	3.32%	3.01%	3.59%	4.19%	3.95%
9 Months Lag	4.74%	4.08%	4.57%	4.05%	4.24%	3.93%	3.96%	4.31%	3.53%	2.98%	3.24%	4.24%	3.97%
12 Months Lag	5.04%	4.13%	4.48%	4.28%	4.12%	3.93%	4.00%	4.25%	3.77%	3.02%	3.11%	4.28%	4.01%
Average	4.52%	4.21%	4.48%	4.10%	4.10%	3.98%	4.06%	4.12%	3.36%	3.04%	3.75%	4.19%	3.97%
Risk Premiums of ROEs vs A rated Utility Bonds													
No Lag	5.89%	5.34%	5.48%	5.48%	5.67%	5.68%	5.31%	5.88%	6.37%	6.28%	4.80%	5.59%	5.65%
3 Months Lag	5.78%	5.55%	5.30%	5.56%	5.59%	5.63%	5.46%	5.62%	6.24%	6.33%	5.44%	5.56%	5.68%
6 Months Lag	5.57%	5.74%	5.17%	5.60%	5.41%	5.71%	5.56%	5.41%	6.07%	6.38%	5.93%	5.52%	5.69%
9 Months Lag	5.28%	5.74%	5.19%	5.55%	5.36%	5.75%	5.60%	5.34%	5.86%	6.41%	6.28%	5.48%	5.67%
12 Months Lag	4.98%	5.69%	5.28%	5.32%	5.48%	5.75%	5.56%	5.40%	5.62%	6.37%	6.41%	5.43%	5.62%

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

**RISK PREMIUM ANALYSIS
YIELDS ON A 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							2017						
Jan	5.57%						Jan	4.14%					
Feb	5.68%						Feb	4.18%					
Mar	5.56%						Mar	4.23%					
Apr	5.55%						Apr	4.12%					
May	5.32%						May	4.12%					
Jun	5.26%						Jun	3.94%					
Jul	5.27%						Jul	3.99%					
Aug	4.69%						Aug	3.86%					
Sep	4.48%						Sep	3.87%					
Oct	4.52%						Oct	3.91%					
Nov	4.25%						Nov	3.83%					
Dec	4.33%	5.04%					Dec	3.79%	4.00%	4.05%	3.97%	3.93%	3.93%
2012							2018						
Jan	4.34%						Jan	3.86%					
Feb	4.36%						Feb	4.09%					
Mar	4.48%						Mar	4.13%					
Apr	4.40%						Apr	4.17%					
May	4.20%						May	4.28%					
Jun	4.08%						Jun	4.27%					
Jul	3.93%						Jul	4.27%					
Aug	4.00%						Aug	4.26%					
Sep	4.02%						Sep	4.32%					
Oct	3.91%						Oct	4.45%					
Nov	3.84%						Nov	4.52%					
Dec	4.00%	4.13%	4.24%	4.45%	4.74%	5.04%	Dec	4.37%	4.25%	4.10%	4.00%	3.96%	4.00%
2013							2019						
Jan	4.15%						Jan	4.35%					
Feb	4.18%						Feb	4.25%					
Mar	4.20%						Mar	4.16%					
Apr	4.00%						Apr	4.08%					
May	4.17%						May	3.98%					
Jun	4.53%						Jun	3.82%					
Jul	4.68%						Jul	3.69%					
Aug	4.73%						Aug	3.29%					
Sep	4.80%						Sep	3.37%					
Oct	4.70%						Oct	3.39%					
Nov	4.77%						Nov	3.43%					
Dec	4.81%	4.48%	4.27%	4.08%	4.08%	4.13%	Dec	3.40%	3.77%	4.03%	4.24%	4.31%	4.25%
2014							2020						
Jan	4.63%						Jan	3.29%					
Feb	4.53%						Feb	3.11%					
Mar	4.51%						Mar	3.50%					
Apr	4.41%						Apr	3.19%					
May	4.26%						May	3.14%					
Jun	4.29%						Jun	3.07%					
Jul	4.23%						Jul	2.74%					
Aug	4.13%						Aug	2.73%					
Sep	4.24%						Sep	2.84%					
Oct	4.06%						Oct	2.95%					
Nov	4.09%						Nov	2.85%					
Dec	3.95%	4.28%	4.46%	4.59%	4.57%	4.48%	Dec	2.77%	3.02%	3.15%	3.32%	3.53%	3.77%
2015							2021						
Jan	3.58%						Jan	2.91%					
Feb	3.67%						Feb	3.09%					
Mar	3.74%						Mar	3.44%					
Apr	3.75%						Apr	3.30%					
May	4.17%						May	3.33%					
Jun	4.39%						Jun	3.16%					
Jul	4.40%						Jul	2.95%					
Aug	4.25%						Aug	2.95%					
Sep	4.39%						Sep	2.96%					
Oct	4.29%						Oct	3.09%					
Nov	4.40%						Nov	3.02%					
Dec	4.35%	4.12%	4.04%	4.00%	4.05%	4.28%	Dec	3.13%	3.11%	3.06%	3.01%	2.98%	3.02%
2016							2022						
Jan	4.27%						Jan	3.33%					
Feb	4.11%						Feb	3.68%					
Mar	4.16%						Mar	3.98%					
Apr	4.00%						Apr	4.32%					
May	3.93%						May	4.75%					
Jun	3.78%						Jun	4.86%					
Jul	3.57%						Jul	4.78%					
Aug	3.59%						Aug	4.76%					
Sep	3.66%						Sep	5.28%					
Oct	3.77%						Oct	5.88%					
Nov	4.08%						Nov	5.75%					
Dec	4.27%	3.93%	4.01%	4.19%	4.24%	4.12%	Dec	5.28%	4.72%	4.08%	3.59%	3.24%	3.11%

Source: Mergent Bond Record.