

Exhibit No. KGS-15
Docket UE-15____
Witness: Kurt G. Strunk

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT
COMPANY,

Petition For a Rate Increase Based on a Modified
Commission Basis Report, Two-Year Rate Plan,
and Decoupling Mechanism.

Docket UE-15____

PACIFIC POWER & LIGHT COMPANY

EXHIBIT OF KURT G. STRUNK

Risk Premium Model

November 2015

**Pacific Power & Light Company
Bond Yield + Risk Premium**

	Model Parameters			Model Results	
	Analysis (a)	Bond Rate ¹ (b)	Slope (c)	Risk Differential (Utilities Relative to Bond Yields) ² (e) = (b)*(c) + (d)	Risk Premium Model Equity Return (f) = (b) + (e)
1 Authorized Returns to Risk Free Rate ³		3.04%	-0.612517852	0.088189346	10.00%
2 Authorized Returns to A Utility Bond Yield ⁴		3.65%	-0.720445912	0.092070669	10.23%
3 Authorized Returns to BBB Corporate Bond Yield ⁵		5.48%	-0.607298648	0.080638296	10.22%
Average					10.15%

Notes:

Authorized Returns are yearly averages from SNL Financial.

¹ Bond yields are as of November 18, 2015.

² The formula is $y = ax + b$, where y is a vector of authorized returns, a is the slope, x is a vector of bond yields, and b is the intercept.

³ The Risk Free Rate is the annual average of 30 Year Treasury Yields, 1994-2014. 20 Year Treasury Yields are used in 2003-2005 when 30 Year Yields are not available. Source: Federal Reserve website.

⁴ Source: The A Utility Bond Yield is provided by Bank of America Merrill Lynch Utility Bond Index, FactSet Data Systems.

⁵ The BBB Bond Yield is the Moody's seasoned Baa average annual returns, 1994-2014. Source: Federal Reserve website.