

Puget Sound Energy
Risk Premium Analysis

	AVERAGE PUBLIC UTIL BOND YIELD (1)	AUTHORIZED ELECTRIC RETURNS (2)	INDICATED RISK PREMIUM
1980	13.15%	14.23%	1.08%
1981	15.62%	15.22%	-0.40%
1982	15.33%	15.78%	0.45%
1983	13.31%	15.36%	2.05%
1984	14.03%	15.32%	1.29%
1985	12.29%	15.20%	2.91%
1986	9.46%	13.93%	4.47%
1987	9.98%	12.99%	3.01%
1988	10.45%	12.79%	2.34%
1989	9.66%	12.97%	3.31%
1990	9.76%	12.70%	2.94%
1991	9.21%	12.55%	3.34%
1992	8.57%	12.09%	3.52%
1993	7.56%	11.41%	3.85%
1994	8.30%	11.34%	3.04%
1995	7.91%	11.55%	3.64%
1996	7.74%	11.39%	3.65%
1997	7.63%	11.40%	3.77%
1998	7.00%	11.66%	4.66%
1999	7.55%	10.77%	3.22%
2000	8.14%	11.43%	3.29%
Thru 6/01	7.75%	11.13%	3.38%
AVERAGES	10.02%	12.87%	2.86%

INDICATED COST OF EQUITY

CURRENT AVG UTILITY BOND YIELD	7.65%
AVG ANNUAL YIELD DURING STUDY	10.02%
INTEREST RATE DIFFERENCE	-2.37%
INTEREST RATE CHANGE COEFFICIENT	-42.32%
ADJUSTMENT TO AVG RISK PREMIUM	1.00%
BASIC RISK PREMIUM	2.86%
INTEREST RATE ADJUSTMENT	1.00%
EQUITY RISK PREMIUM	3.86%
CURRENT TRIPLE-B UTILITY BOND YIELD	8.03%
INDICATED EQUITY RETURN	11.9%

Sources:

- (1) Moody's Investors Service
- (2) Regulatory Focus, Regulatory Research Associates, Inc.

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