

Exhibit No. ____ (SCH-11)
Docket No. UE-100749
Witness: Samuel C. Hadaway

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power

Respondent.

Docket No. UE-100749

PACIFICORP

EXHIBIT OF SAMUEL C. HADAWAY

Summary of Updated Gorman ROE Results

November 2010

PacifiCorp
Summary of Updated Gorman ROE Results

	(1)	(2)
	Summary of Results	
	Gorman Median ROE	Updated Median ROE
DCF Models		
Constant Growth DCF (Analysts' Growth)	10.50%	10.50%
Constant Growth DCF (Sustainable Growth)	9.14%	9.11%
Multi-Stage DCF	9.90%	10.94%
DCF	9.85%	10.18%
Risk Premium Average	9.46%	10.24%
CAPM	8.80%	NA
Recommended ROE	9.50%	10.21%

Notes:

Column 1: Gorman, page 27 (DCF results) and page 37 (summary results).

Column 2: Constant Growth DCF results not changed.

DPL result at 19.14% is considered an outlier and removed from the group (see page 2 of this Exhibit).

Only change to Multi-Stage DCF result is the use of a third-stage growth rate of 6.0% (see page 3 of this Exhibit).

Risk Premium results are an average of Treasury Bond results (see from pages 4-5 of this Exhibit) and Utility Bond results (see pages 6-7 of this Exhibit).

CAPM results are not reliable and are excluded as discussed in my testimony.

ROE results are midpoint of DCF average and average of Risk Premium and CAPM results.

PacifiCorp
Gorman Sustainable Growth DCF Analysis (eliminating DPL)

	(1)	(2)	(3)	(4)	(5)	
No.	Company	Price P ₀	Sustainable Growth	Dividend D ₀	Adjusted Yield	Cost of Equity
1	ALLETE	\$35.60	3.05%	\$1.76	5.10%	8.14%
2	Alliant Energy Co.	\$34.26	5.87%	\$1.58	4.88%	10.76%
3	Black Hills Corp	\$30.44	2.95%	\$1.44	4.87%	7.82%
4	Con. Edison	\$46.03	3.53%	\$2.38	5.35%	8.88%
5	DPL Inc.	\$25.26	13.69%	\$1.24	5.45%	19.14%
6	DTE Energy Co.	\$46.88	3.97%	\$2.12	4.70%	8.67%
7	Duke Energy	\$16.94	2.53%	\$0.98	5.93%	8.46%
8	Edison Internat.	\$33.38	5.20%	\$1.26	3.97%	9.17%
9	Entergy Corp.	\$77.17	4.75%	\$3.32	4.51%	9.25%
10	NextEra Corp.	\$52.27	6.79%	\$2.00	4.09%	10.87%
11	IDACORP	\$35.04	5.10%	\$1.20	3.60%	8.69%
12	Northeast Utilities	\$27.80	5.23%	\$1.03	3.88%	9.11%
13	NSTAR	\$37.06	4.15%	\$1.60	4.50%	8.64%
14	PG&E Corp.	\$44.25	8.26%	\$1.82	4.45%	12.72%
15	Portland General	\$19.33	3.28%	\$1.04	5.56%	8.83%
16	Progress Energy	\$41.56	2.91%	\$2.48	6.14%	9.05%
17	SCANA Corp.	\$38.28	5.74%	\$1.90	5.25%	10.99%
18	Sempra Energy	\$50.24	5.72%	\$1.56	3.28%	9.01%
19	Southern Co.	\$35.27	5.53%	\$1.82	5.45%	10.98%
20	Vectren Corp.	\$24.45	3.79%	\$1.36	5.77%	9.56%
21	Wisconsin Energy	\$54.00	6.56%	\$1.60	3.16%	9.72%
22	Xcel Energy Inc.	\$21.84	4.96%	\$1.01	4.85%	9.81%
	Average	\$38.19	4.76%	\$1.68	4.73%	9.48%
	Median					9.11%

Notes:

Columns 1-5: Exhibit MPG-10

DPL result at 19.14% is considered an outlier and removed from the group average and median calculation.

PacifiCorp
Gorman Multi-Stage Growth DCF Analysis (with Long-Term GDP Growth)

No.	Company	(1) Price P ₀	(2) Dividend D ₀	First Stage Growth (EPS)					Second Stage Growth					(9) Third Stage Growth (GDP)	(10) Updated Cost of Equity
				(3) Growth (EPS)	(4) Year 6	(5) Year 7	(6) Year 8	(7) Year 9	(8) Year 10	(8) Year 8	(7) Year 9	(6) Year 10			
1	ALLETE	\$35.60	\$1.76	5.28%	5.40%	5.52%	5.64%	5.76%	5.88%	6.00%	6.00%	6.00%	11.02%		
2	Alliant Energy Co.	\$34.26	\$1.58	6.31%	6.26%	6.21%	6.16%	6.10%	6.05%	6.00%	6.00%	6.00%	10.98%		
3	Black Hills Corp	\$30.44	\$1.44	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	11.01%		
4	Con. Edison	\$46.03	\$2.38	4.45%	4.71%	4.96%	5.22%	5.48%	5.74%	6.00%	6.00%	6.00%	10.99%		
5	DPL Inc.	\$25.26	\$1.21	8.85%	8.38%	7.90%	7.43%	6.95%	6.48%	6.00%	6.00%	6.00%	12.01%		
6	DTE Energy Co.	\$46.88	\$2.12	4.87%	5.06%	5.24%	5.43%	5.62%	5.81%	6.00%	6.00%	6.00%	10.47%		
7	Duke Energy	\$16.94	\$0.98	3.63%	4.03%	4.42%	4.82%	5.21%	5.61%	6.00%	6.00%	6.00%	11.32%		
8	Edison Internat.	\$33.38	\$1.26	4.66%	4.88%	5.11%	5.33%	5.55%	5.78%	6.00%	6.00%	6.00%	9.67%		
9	Entergy Corp.	\$77.17	\$3.32	3.29%	3.74%	4.19%	4.65%	5.10%	5.55%	6.00%	6.00%	6.00%	9.84%		
10	NextEra Corp.	\$52.27	\$2.00	6.44%	6.36%	6.29%	6.22%	6.15%	6.07%	6.00%	6.00%	6.00%	10.17%		
11	IDACORP	\$35.04	\$1.20	4.00%	4.33%	4.67%	5.00%	5.33%	5.67%	6.00%	6.00%	6.00%	9.18%		
12	Northeast Utilities	\$27.80	\$1.03	7.66%	7.38%	7.10%	6.83%	6.55%	6.28%	6.00%	6.00%	6.00%	10.33%		
13	NSTAR	\$37.06	\$1.60	5.62%	5.68%	5.75%	5.81%	5.87%	5.94%	6.00%	6.00%	6.00%	10.47%		
14	PG&E Corp.	\$44.25	\$1.82	6.84%	6.70%	6.56%	6.42%	6.28%	6.14%	6.00%	6.00%	6.00%	10.59%		
15	Portland General	\$19.33	\$1.04	7.00%	6.83%	6.67%	6.50%	6.33%	6.17%	6.00%	6.00%	6.00%	12.05%		
16	Progress Energy	\$41.56	\$2.48	3.94%	4.29%	4.63%	4.97%	5.31%	5.66%	6.00%	6.00%	6.00%	11.59%		
17	SCANA Corp.	\$38.28	\$1.90	4.83%	5.03%	5.22%	5.42%	5.61%	5.81%	6.00%	6.00%	6.00%	10.90%		
18	Sempra Energy	\$50.24	\$1.56	5.67%	5.72%	5.78%	5.83%	5.89%	5.94%	6.00%	6.00%	6.00%	9.21%		
19	Southern Co.	\$35.27	\$1.82	5.18%	5.31%	5.45%	5.59%	5.73%	5.86%	6.00%	6.00%	6.00%	11.20%		
20	Vectren Corp.	\$24.45	\$1.36	4.92%	5.10%	5.28%	5.46%	5.64%	5.82%	6.00%	6.00%	6.00%	11.53%		
21	Wisconsin Energy	\$54.00	\$1.60	9.00%	8.50%	8.00%	7.50%	7.00%	6.50%	6.00%	6.00%	6.00%	9.78%		
22	Xcel Energy Inc.	\$21.84	\$1.01	6.28%	6.23%	6.19%	6.14%	6.09%	6.05%	6.00%	6.00%	6.00%	10.99%		
	Average	\$37.61	\$1.66	5.67%	5.72%	5.78%	5.83%	5.89%	5.94%	6.00%	6.00%	6.00%	10.70%		
	Median												10.94%		

Notes:

Columns 1-3: Exhibit No. (MPG-11).

Columns 4-8: Linear interpolation between columns 3 and 9.

Column 9: See Exhibit No. (SCH-5).

Column 10: The internal rate of return implied by the price in column 1 and dividends for 200 periods. The initial dividend shown in column 2 is assumed to grow for the first five periods at the rate in column 3, then at the rate in columns 4-8 for years 6-10, then at the rate in column 9 for the remaining periods.

PacifiCorp
Update of Gorman Risk Premium Analysis - Treasury Bond (Projected)

	(1)	(2)	(3)
	TREASURY BOND YIELD	AUTHORIZED ELECTRIC RETURNS	INDICATED RISK PREMIUM
1986	7.78%	13.93%	6.15%
1987	8.59%	12.99%	4.40%
1988	8.96%	12.79%	3.83%
1989	8.45%	12.97%	4.52%
1990	8.61%	12.70%	4.09%
1991	8.14%	12.55%	4.41%
1992	7.67%	12.09%	4.42%
1993	6.59%	11.41%	4.82%
1994	7.37%	11.34%	3.97%
1995	6.88%	11.55%	4.67%
1996	6.71%	11.39%	4.68%
1997	6.61%	11.40%	4.79%
1998	5.58%	11.66%	6.08%
1999	5.87%	10.77%	4.90%
2000	5.94%	11.43%	5.49%
2001	5.49%	11.09%	5.60%
2002	5.43%	11.16%	5.73%
2003	4.96%	10.97%	6.01%
2004	5.05%	10.75%	5.70%
2005	4.65%	10.54%	5.89%
2006	4.91%	10.36%	5.45%
2007	4.84%	10.36%	5.52%
2008	4.28%	10.46%	6.18%
2009	4.08%	10.48%	6.40%
Jun 2010	4.50%	10.41%	5.92%
AVERAGE	6.32%	11.50%	5.19%

INDICATED COST OF EQUITY

PROJECTED TREASURY BOND YIELD*	4.70%
TREASURY BOND AVG ANNUAL YIELD DURING STUDY	6.32%
INTEREST RATE DIFFERENCE	<u>-1.62%</u>
INTEREST RATE CHANGE COEFFICIENT	-42.14%
ADJUSTMENT TO BASIC RISK PREMIUM	<u>0.68%</u>
BASIC RISK PREMIUM	5.19%
INTEREST RATE ADJUSTMENT	0.68%
EQUITY RISK PREMIUM	<u>5.87%</u>
PROJECTED TREASURY BOND YIELD*	4.70%
INDICATED EQUITY RETURN	<u>10.57%</u>

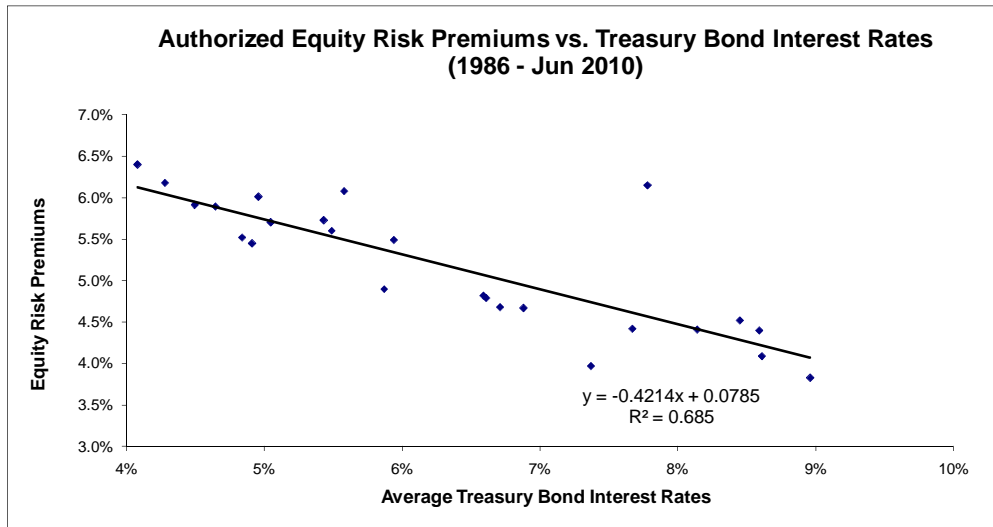
Notes:

Columns 1-3: ExhibitNo.____(MPG-13).

*See Gorman page 31, line 16 for Projected Treasury Bond Yield .

See regression data on page 5 of this Exhibit for derivation of "Interest Rate Change Coefficient."

PacifiCorp
Update of Gorman Risk Premium Analysis - Treasury Bond



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.827654482
R Square	0.685011942
Adjusted R Square	0.671316809
Standard Error	0.004468313
Observations	25

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.000998663	0.000998663	50.01864125	3.32057E-07
Residual	23	0.000459214	1.99658E-05		
Total	24	0.001457877			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.078469504	0.003868502	20.28420731	3.55447E-16	0.070466897	0.0864721	0.070466897	0.08647211
X Variable 1	-0.421394706	0.059583105	-7.07238582	3.32057E-07	-0.544651749	-0.298138	-0.54465175	-0.2981377

PacifiCorp
Update of Gorman Risk Premium Analysis - Utility Bond

	(1) MOODY'S "A" RATED PUBLIC UTILITY BOND YIELD	(2) AUTHORIZED ELECTRIC RETURNS	(3) INDICATED RISK PREMIUM
1986	9.58%	13.93%	4.35%
1987	10.10%	12.99%	2.89%
1988	10.49%	12.79%	2.30%
1989	9.77%	12.97%	3.20%
1990	9.86%	12.70%	2.84%
1991	9.36%	12.55%	3.19%
1992	8.69%	12.09%	3.40%
1993	7.59%	11.41%	3.82%
1994	8.31%	11.34%	3.03%
1995	7.89%	11.55%	3.66%
1996	7.75%	11.39%	3.64%
1997	7.60%	11.40%	3.80%
1998	7.04%	11.66%	4.62%
1999	7.62%	10.77%	3.15%
2000	8.24%	11.43%	3.19%
2001	7.76%	11.09%	3.33%
2002	7.37%	11.16%	3.79%
2003	6.58%	10.97%	4.39%
2004	6.16%	10.75%	4.59%
2005	5.65%	10.54%	4.89%
2006	6.07%	10.36%	4.29%
2007	6.07%	10.36%	4.29%
2008	6.53%	10.46%	3.93%
2009	6.04%	10.48%	4.44%
Jun 2010	5.71%	10.41%	4.70%
AVERAGE	7.75%	11.50%	3.75%

INDICATED COST OF EQUITY

CURRENT "A" UTILITY BOND YIELD*	5.17%
MOODY'S AVG ANNUAL YIELD DURING STUDY	<u>7.75%</u>
INTEREST RATE DIFFERENCE	-2.58%
INTEREST RATE CHANGE COEFFICIENT	<u>-38.42%</u>
ADJUSTMENT TO BASIC RISK PREMIUM	0.99%
BASIC RISK PREMIUM	3.75%
INTEREST RATE ADJUSTMENT	<u>0.99%</u>
EQUITY RISK PREMIUM	<u>4.74%</u>
CURRENT "A" UTILITY BOND YIELD*	<u>5.17%</u>
INDICATED EQUITY RETURN	<u>9.91%</u>

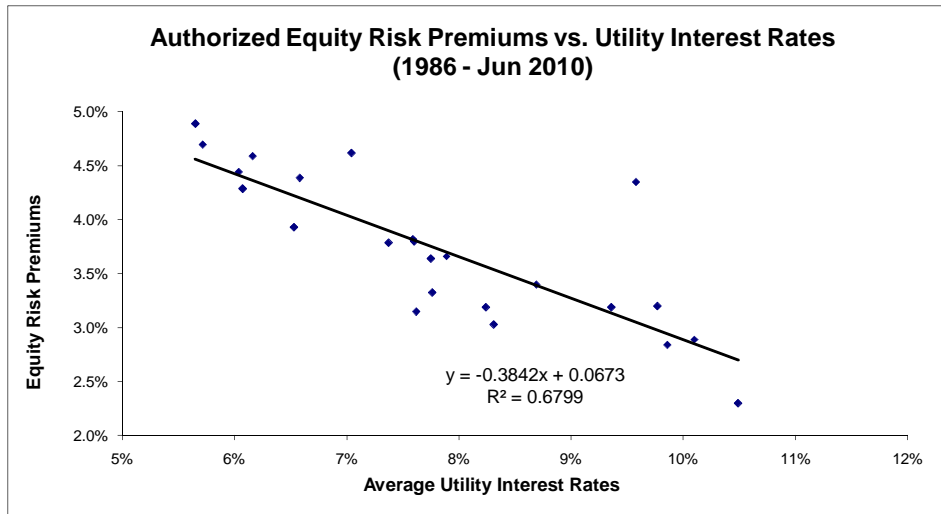
Notes:

Columns 1-3: Exhibit No.____(MPG-14).

*See Gorman page 31, lines 21-22 and page 32, line 1 for Current "A" Utility Bond Yield.

See regression data on page 7 of this Exhibit for derivation of "Interest Rate Change Coefficient."

PacifiCorp
Update of Gorman Risk Premium Analysis - Utility Bond



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.824542838
R Square	0.679870892
Adjusted R Square	0.665952236
Standard Error	0.003971171
Observations	25

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.0007703	0.000770311	48.84601293	4.01356E-07
Residual	23	0.0003627	1.57702E-05		
Total	24	0.001133			

	Coefficients	tandard Errc	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.067272587	0.0043354	15.51719134	1.12215E-13	0.058304215	0.07624096	0.058304215	0.07624096
X Variable 1	-0.384177701	0.054969	-6.988992269	4.01356E-07	-0.497889677	-0.27046573	-0.49788968	-0.270465725