

Exhibit No. KGS-4
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

ROE Recommendation of 10.0 Percent

November 2015

Pacific Power & Light Company
Summary of Cost of Equity Estimates

Method	Cost of Equity
(a)	(b)
DCF Models	
Proxy Group Single-Stage DCF	8.88%
Yield + Growth	10.40%
Risk Premium Models	
CAPM	9.29%
Risk Premium	10.15%
Comparable Earnings Model	
Comparable Earnings (Dow Jones Utilities Index)	9.69%
Comparable Earnings (Dow Jones Industrial Average)	16.62%
Allowed Returns for Electric Utilities, 2013	10.02%
Allowed Returns for Electric Utilities, 2014	9.91%
Allowed Returns for Electric Utilities, 2015	10.01%
Recommended Rate of Return	10.00%