

Case No. PAC-E-11-12
Exhibit No. 17
Witness: Samuel C. Hadaway

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Samuel C. Hadaway

Risk Premium Analysis

May 2011

Rocky Mountain Power

Risk Premium Analysis

(Based on Projected Interest Rates)

	MOODY'S AVERAGE PUBLIC UTILITY 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%
2001	7.72%	11.09%	3.37%
2002	7.53%	11.16%	3.63%
2003	6.61%	10.97%	4.36%
2004	6.20%	10.75%	4.55%
2005	5.67%	10.54%	4.87%
2006	6.08%	10.36%	4.28%
2007	6.11%	10.36%	4.25%
2008	6.65%	10.46%	3.81%
2009	6.28%	10.48%	4.20%
2010	5.55%	10.34%	4.79%
AVERAGE	8.94%	12.21%	3.28%

INDICATED COST OF EQUITY

PROJECTED SINGLE-A UTILITY BOND YIELD*	5.94%
MOODY'S AVG ANNUAL YIELD DURING STUDY	8.94%
INTEREST RATE DIFFERENCE	<u>-3.00%</u>
INTEREST RATE CHANGE COEFFICIENT	-41.31%
ADJUSTMENT TO AVG RISK PREMIUM	<u>1.24%</u>
BASIC RISK PREMIUM	3.28%
INTEREST RATE ADJUSTMENT	1.24%
EQUITY RISK PREMIUM	<u>4.51%</u>
PROJECTED SINGLE-A UTILITY BOND YIELD*	5.94%
INDICATED EQUITY RETURN	<u><u>10.45%</u></u>

(1) Moody's Investors Service

(2) Regulatory Focus, Regulatory Research Associates, Inc.

*Projected single-A bond yield is 104 basis points over projected long-term Treasury bond rate of 4.9% from Exhibit No. 14, p. 3. The single-A spread is for 3 months ended April 2011 from Exhibit No. 14, p. 2.

Rocky Mountain Power

Risk Premium Analysis

(Based on Current Interest Rates)

	MOODY'S AVERAGE PUBLIC UTILITY 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%
2001	7.72%	11.09%	3.37%
2002	7.53%	11.16%	3.63%
2003	6.61%	10.97%	4.36%
2004	6.20%	10.75%	4.55%
2005	5.67%	10.54%	4.87%
2006	6.08%	10.36%	4.28%
2007	6.11%	10.36%	4.25%
2008	6.65%	10.46%	3.81%
2009	6.28%	10.48%	4.20%
2010	5.55%	10.34%	4.79%
AVERAGE	8.94%	12.21%	3.28%

INDICATED COST OF EQUITY

CURRENT SINGLE-A UTILITY BOND YIELD*	5.60%
MOODY'S AVG ANNUAL YIELD DURING STUDY	8.94%
INTEREST RATE DIFFERENCE	<u>-3.34%</u>

INTEREST RATE CHANGE COEFFICIENT	-41.31%
ADJUSTMENT TO AVG RISK PREMIUM	<u>1.38%</u>

BASIC RISK PREMIUM	3.28%
INTEREST RATE ADJUSTMENT	1.38%
EQUITY RISK PREMIUM	<u>4.65%</u>

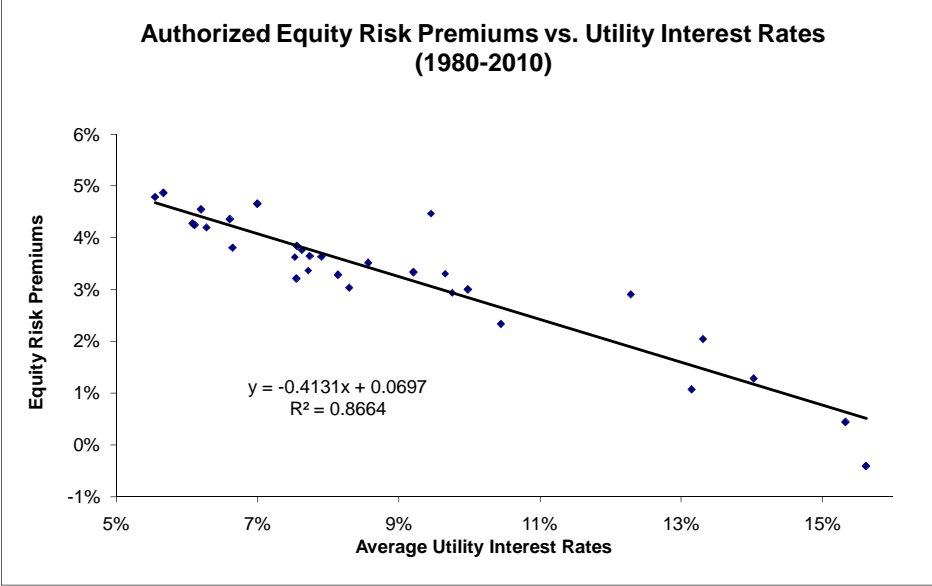
CURRENT SINGLE-A UTILITY BOND YIELD*	5.60%
INDICATED EQUITY RETURN	<u>10.25%</u>

(1) Moody's Investors Service

(2) Regulatory Focus, Regulatory Research Associates, Inc.

*Current single-A utility bond yield is three month average of Moody's Single-A Public Utility Bond Yield Average through April 2011 from Exhibit No. 14, p. 2.

Rocky Mountain Power
 Risk Premium Analysis
 Regression Analysis & Interest Rate Change Coefficient



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.930796942
R Square	0.866382947
Adjusted R Square	0.861775462
Standard Error	0.004709335
Observations	31

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.00417028	0.00417028	188.0381651	3.31898E-14
Residual	29	0.000643157	2.21778E-05		
Total	30	0.004813437			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.069671148	0.00282187	24.68970458	5.07645E-21	0.063899775	0.075442521	0.063899775	0.075442521
X Variable 1	-0.413068255	0.030123041	-13.71270087	3.31898E-14	-0.474676791	-0.351459719	-0.474676791	-0.351459719