

Rocky Mountain Power  
Exhibit RMP\_\_(SCH-6R)  
Docket No. 13-035-184  
Witness: Samuel C. Hadaway

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

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Exhibit Accompanying Rebuttal Testimony of Samuel C. Hadaway

Risk Premium Analysis-Electric

May 2014

**Rocky Mountain Power  
Risk Premium Analysis-Electric  
(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%
2011	5.13%	10.29%	5.16%
2012	4.27%	10.17%	5.90%
2013	4.57%	10.02%	5.45%
AVERAGE	8.56%	12.03%	3.47%

**INDICATED COST OF EQUITY**

PROJECTED SINGLE-A UTILITY BOND YIELD*	4.68%
MOODY'S AVG ANNUAL YIELD DURING STUDY	8.56%
INTEREST RATE DIFFERENCE	-3.88%
INTEREST RATE CHANGE COEFFICIENT	-43.18%
ADJUSTMENT TO AVG RISK PREMIUM	1.68%
BASIC RISK PREMIUM	3.47%
INTEREST RATE ADJUSTMENT	1.68%
EQUITY RISK PREMIUM	5.15%
PROJECTED SINGLE-A UTILITY BOND YIELD*	4.68%
<b>INDICATED EQUITY RETURN</b>	<b>9.83%</b>

(1) Moody's Investors Service

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

\*Projected single-A bond yield is 88 basis points over projected long-term Treasury bond rate of 3.80%.

The single-A spread is for 3 months ended April 2014 from Exhibit RMP\_\_\_\_(SCH-1R), p. 1.

The projected Treasury bond rate is the 30 year rate at 12/31/2015 from Exhibit RMP\_\_\_\_(SCH-1R), p. 2.

**Rocky Mountain Power**  
**Risk Premium Analysis-Electric**  
**(Based on Current 3-Month Average 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%
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2013	4.57%	10.02%	5.45%
AVERAGE	8.56%	12.03%	3.47%

**INDICATED COST OF EQUITY**

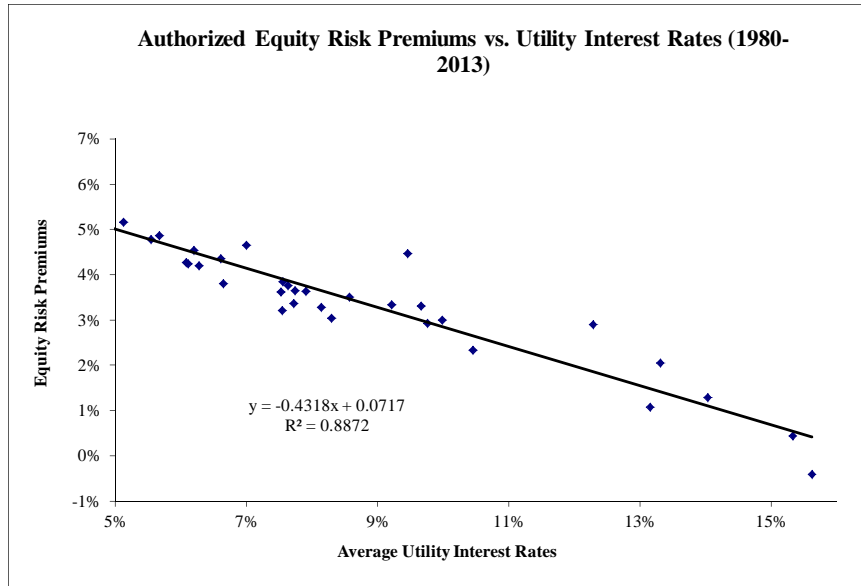
CURRENT SINGLE-A UTILITY BOND YIELD*	4.48%
MOODY'S AVG ANNUAL YIELD DURING STUDY	8.56%
INTEREST RATE DIFFERENCE	-4.08%
INTEREST RATE CHANGE COEFFICIENT	-43.18%
ADJUSTMENT TO AVG RISK PREMIUM	1.76%
BASIC RISK PREMIUM	3.47%
INTEREST RATE ADJUSTMENT	1.76%
EQUITY RISK PREMIUM	5.23%
CURRENT SINGLE-A UTILITY BOND YIELD*	4.48%
<b>INDICATED EQUITY RETURN</b>	<b>9.71%</b>

(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 2014 from Exhibit RMP\_\_\_\_(SCH-1R), p. 1.

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



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.941918168
R Square	0.887209836
Adjusted R Square	0.883685143
Standard Error	0.004674298
Observations	34

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.005499686	0.005499686	251.7126815	1.01552E-16
Residual	32	0.00069917	2.18491E-05		
Total	33	0.006198856			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.07168374	0.002463845	29.09425606	1.36859E-24	0.066665052	0.076702428	0.066665052	0.076702428
X Variable 1	-0.431842196	0.027219023	-15.8654556	1.01552E-16	-0.487285531	-0.376398862	-0.487285531	-0.376398862