

Rocky Mountain Power
Exhibit RMP__ (SCH-8R)
Docket No. 07-035-93
Witness: Samuel C. Hadaway

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Rebuttal Testimony of Samuel C. Hadaway

Risk Premium Analysis

April 2008

Rocky Mountain Power Risk Premium Analysis

| | 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% |
| AVERAGE | 9.23% | 12.40% | 3.17% |

INDICATED COST OF EQUITY

| | |
|--|---------------|
| PROJECTED SINGLE-A UTILITY BOND YIELD* | 6.36% |
| MOODY'S AVG ANNUAL YIELD DURING STUDY | 9.23% |
| INTEREST RATE DIFFERENCE | <u>-2.87%</u> |

| | |
|----------------------------------|----------------|
| INTEREST RATE CHANGE COEFFICIENT | <u>-41.83%</u> |
| ADJUSTMENT TO AVG RISK PREMIUM | 1.20% |

| | |
|--------------------------|--------------|
| BASIC RISK PREMIUM | 3.17% |
| INTEREST RATE ADJUSTMENT | <u>1.20%</u> |
| EQUITY RISK PREMIUM | <u>4.37%</u> |

| | |
|--|----------------------|
| PROJECTED SINGLE-A UTILITY BOND YIELD* | <u>6.36%</u> |
| INDICATED EQUITY RETURN | <u>10.73%</u> |

(1) Moody's Investors Service

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

*Projected single-A bond yield is 136 basis points over projected 30-year Treasury bond rate of 5.0% from Exhibit SCH-1R. The average single-A spread for the 12 months ended Mar 2008 was 136 basis points.

Rocky Mountain Power Risk Premium Analysis

