

## ELECTRIC UTILITY RISK PREMIUM

## Response to Staff 2-36(b)

### CURRENT BOND YIELD

#### Current Equity Risk Premium

(a) Avg. Yield over Study Period	8.38%
(b) Average Utility Bond Yield	<u>4.17%</u>
Change in Bond Yield	-4.21%
(c) Risk Premium/Interest Rate Relationship	<u>-0.4301</u>
Adjustment to Average Risk Premium	1.81%
(a) Average Risk Premium over Study Period	<u>3.67%</u>
<b>Adjusted Risk Premium</b>	<b>5.48%</b>

#### Implied Cost of Equity

(b) Baa Utility Bond Yield	4.48%
Adjusted Equity Risk Premium	<u>5.48%</u>
<b>Risk Premium Cost of Equity</b>	<b>9.96%</b>

- (a) Response to Staff 2-36(b), page 3.
- (b) Average bond yield on all utility bonds and Baa subset for the six-months ending Jul. 2017 based on data from Moody's Investors Service at [www.credittrends.com](http://www.credittrends.com).
- (c) Response to Staff 2-36(b), page 4.