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 4.17%
   Change in Bond Yield -4.21%

(c) Risk Premium/Interest Rate Relationship -0.4301
   Adjustment to Average Risk Premium 1.81%

(a) Average Risk Premium over Study Period 3.67%
   Adjusted Risk Premium 5.48%

**Implied Cost of Equity**

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

(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.
(c) Response to Staff 2-36(b), page 4.